# VEGETABLE MARKETING ORGANIZATION

Financial statements for the year ended
31 March 2025

# 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

We have audited the financial statements of Vegetable Marketing Organization (the “Organization”), set out on pages 4 to 53, which comprise the balance sheet as at 31 March 2025, the statement of comprehensive income, the statement of changes in funds and the statement of cash flows for the year then ended and notes, comprising material accounting policy information and other explanatory information.

In our opinion, the financial statements give a true and fair view of the financial position of the Organization as at 31 March 2025 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 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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

# Independent auditor's report to the director of marketing (continued)

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

## Responsibilities of the Director of Marketing for the financial statements

The Director of Marketing (the "Director") is responsible for the preparation of the financial statements that give a true and fair view in accordance with HKFRSs 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 ceases operations, or has no realistic alternative but to do so.

## 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 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.

# 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)

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control.

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

- 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.

The engagement partner on the audit resulting in this independent auditor's report is LUNG, Miu Ling (practicing certificate number: P07554).

Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong
15 September 2025

# Balance sheet
# As at 31 March 2025
*(All amounts in Hong Kong dollars unless otherwise stated)*

| | *Note* | *As at 31 March* 2025 | 2024 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 4 | 11,582,219 | 13,180,175 |
| Right-of-use assets | 5 | 1,949,109 | 565,287 |
| Assets under defined benefit plan | 18 | 10,071,459 | 8,063,653 |
| Total non-current assets | | 23,602,787 | 21,809,115 |
| **Current assets** | | | |
| Inventories | 9 | 306,594 | 374,549 |
| VMO Loans | 6(a) | 2,165,682 | 1,795,986 |
| Trade and other receivables | 10 | 4,614,401 | 9,210,882 |
| Bank deposits with original maturities over three months | 11 | 185,500,000 | 197,400,000 |
| Cash and cash equivalents | 12 | 14,548,271 | 12,772,592 |
| Total current assets | | 207,134,948 | 221,554,009 |
| **Total assets** | | 230,737,735 | 243,363,124 |
| **FUNDS** | | | |
| VMO General Fund | | | |
| Accumulated surplus | 13 | 182,917,081 | 194,711,246 |
| Specific funds | | | |
| VMO Loan Fund | 6(a) | 14,423,760 | 13,949,820 |
| VMO Agricultural Development Fund | 7 | 6,818,248 | 6,108,636 |
| Funds for capital expenditure | | 1,764,104 | 1,764,104 |
| **Total funds** | | 205,923,193 | 216,533,806 |

# Balance sheet
# As at 31 March 2025 (continued)
*(All amounts in Hong Kong dollars unless otherwise stated)*

| | Note | As at 31 March 2025 | 2024 |
|---|---|---|---|
| **LIABILITIES** | | | |
| **Non-current liabilities** | | | |
| Lease liabilities | 15 | 877,659 | - |
| Long service payment obligations | 18 | 2,879,615 | 2,686,142 |
| Deferred income | 17 | 5,776,751 | 6,960,161 |
| Total non-current liabilities | | 9,534,025 | 9,646,303 |
| **Current liabilities** | | | |
| Trade and other payables | 14 | 7,358,035 | 9,636,858 |
| Lease liabilities | 15 | 712,668 | 167,936 |
| Provisions for other liabilities | 16 | 1,192,919 | 1,289,461 |
| Long service payment obligations | 18 | 126,708 | 148,987 |
| Deferred income | 17 | 1,247,910 | 1,353,910 |
| Vegetable buyers' deposits | | 4,642,277 | 4,585,863 |
| Total current liabilities | | 15,280,517 | 17,183,015 |
| **Total liabilities** | | 24,814,542 | 26,829,318 |
| **Total funds and liabilities** | | 230,737,735 | 243,363,124 |

The financial statements on pages 4 to 53 were approved by the Director of Marketing on 15 September 2025.

LAI Kin-ming

Director of Marketing

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

# Statement of comprehensive income for the year ended 31 March 2025

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

| | Note | Year ended 31 March 2025 | Year ended 31 March 2024 |
|---|---|---|---|
| **Operating income from wholesale market** | 19 | 22,782,374 | 28,180,585 |
| **Income from sales of premium vegetables** | | 19,431,917 | 19,360,123 |
| **Cost of sales of premium vegetables** | | (14,596,832) | (14,929,223) |
| | | 4,835,085 | 4,430,900 |
| **Other operating income** | | | |
| Rental income | | 1,377,356 | 1,015,438 |
| Parking permit fee income | | 1,294,425 | 1,226,500 |
| Other income | | 626,747 | 1,091,483 |
| | | 3,298,528 | 3,333,421 |
| **Non-trading income** | | | |
| Interest income on bank deposits | | 7,285,724 | 7,433,230 |
| Gain on disposals of property, plant and equipment | 27(b) | - | 144 |
| | | 7,285,724 | 7,433,374 |
| **Operating expenditure** | | | |
| **Employee benefit expenditure** | 20(a) | (31,563,896) | (32,081,515) |

# Statement of comprehensive income for the year ended 31 March 2025 (continued)

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

| | Note | Year ended 31 March 2025 | 2024 |
|---|---|---|---|
| **General working expenses** | | | |
| Rent, rates and permit fees | | (1,563,612) | (1,538,132) |
| Printing and stationery | | (267,286) | (302,565) |
| Utility services | | (1,504,854) | (1,538,377) |
| Maintenance and minor improvements | | (766,040) | (848,656) |
| Vegetable baskets | | - | (6,700) |
| Stores and equipment | | (190,256) | (226,096) |
| Miscellaneous expenses | | (65,420) | (116,726) |
| Staff welfare | | (235,748) | (191,966) |
| Staff training | | (4,380) | (240) |
| Travelling expenses | | (69,225) | (75,555) |
| Protective clothing and uniforms | | (9,859) | (16,268) |
| Insurance | | (607,951) | (574,135) |
| Auditor's remuneration | | (377,300) | (369,000) |
| Market security | | (213,704) | (222,719) |
| Transportation expenses | | (1,892,486) | (2,003,521) |
| Depreciation of | | | |
| - Markets and depots | 4 | (592,253) | (785,947) |
| - Right-of-use assets | 5 | (773,827) | (825,600) |
| Subsidy to federation and co-operative societies | | (1,207,592) | (1,186,811) |
| Bad debt expenses | | (130,161) | - |
| Publication and publicity | | (11,003) | (4,510) |
| Legal and professional fee | | (50,000) | (41,000) |
| Bank charges | | (9,107) | (5,558) |
| Interest expense | | (80,644) | (31,332) |
| | | (10,622,708) | (10,911,414) |
| **Total operating expenditure** | | (42,186,604) | (42,992,929) |
| **Other expenditure** | | | |
| Loss on disposals of property, plant and equipment | 27(b) | (7,248) | - |

# Statement of comprehensive income
# for the year ended 31 March 2025 (continued)
*(All amounts in Hong Kong dollars unless otherwise stated)*

| | *Note* | *Year ended 31 March* *2025* | *2024* |
|---|---|---|---|
| **Operating (deficit)/surplus for the year** | | (3,992,141) | 385,351 |
| Funding to Agricultural Products Scholarship Fund | 30 | (4,000,000) | - |
| Net (deficit)/surplus from: | | | |
| - VMO Agricultural Development Fund | 21 | (5,019,841) | (3,945,335) |
| - VMO Loan Fund | 22 | 473,940 | 552,933 |
| | | (4,545,901) | (3,392,402) |
| **Deficit for the year** | | (12,538,042) | (3,007,051) |
| **Other comprehensive income for the year** | | | |
| <u>Items that will not be reclassified subsequently to surplus or deficit</u> | | | |
| Remeasurements for defined benefit plan | 18(a) | 1,863,311 | (583,197) |
| Remeasurements for long service payment obligations | | | |
| - VMO General Fund | | 34,665 | 1,841,403 |
| - VMO Agricultural Development Fund | | 29,453 | 140,948 |
| | 18(b) | 64,118 | 1,982,351 |
| **Total comprehensive loss for the year** | | (10,610,613) | (1,607,897) |

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

# Statement of changes in funds for the year ended 31 March 2025

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

| | Note | *Total funds* 2025 | 2024 |
|---|---|---|---|
| **At 1 April** | | 216,533,806 | 218,141,703 |
| Deficit for the year | | (12,538,042) | (3,007,051) |
| Other comprehensive income | | | |
| - Remeasurements for defined benefit plan | 18(a) | 1,863,311 | (583,197) |
| - Remeasurements for long service payment obligations: | 18(b) | | |
| - VMO General Fund | | 34,665 | 1,841,403 |
| - VMO Agricultural Development Fund | | 29,453 | 140,948 |
| **Total comprehensive loss** | | (10,610,613) | (1,607,897) |
| **At 31 March** | | 205,923,193 | 216,533,806 |

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

# Statement of cash flows for the year ended 31 March 2025

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

| | Note | *Year ended 31 March* *2025* | *2024* |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Net cash used in operations | 27(a) | (18,805,019) | (8,706,775) |
| Interest received on VMO Loans | | 12,201 | 2,165 |
| Net cash outflow from operating activities | | (18,792,818) | (8,704,610) |
| **Cash flows from investing activities** | | | |
| Purchases of property, plant and equipment | | (378,702) | (1,790,230) |
| Proceeds from disposals of property, plant and equipment | 27(b) | 15,000 | 14,800 |
| Net decrease of bank deposits with original maturities over three months | | 11,900,000 | 1,560,000 |
| Bank interest received | | 9,848,101 | 7,388,474 |
| Net cash inflow from investing activities | | 21,384,399 | 7,173,044 |
| **Cash flows from financing activities** | | | |
| Principal elements of lease payments | 27(c) | (735,258) | (499,514) |
| Interest elements of lease payments | 27(c) | (80,644) | (31,332) |
| Net cash outflow from financing activities | | (815,902) | (530,846) |
| **Net increase/(decrease) in cash and cash equivalents** | | 1,775,679 | (2,062,412) |
| Cash and cash equivalents at beginning of the year | | 12,772,592 | 14,835,004 |
| **Cash and cash equivalents at end of the year** | 12 | 14,548,271 | 12,772,592 |

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

# Notes to the financial statements
*(All amounts in Hong Kong dollars unless otherwise stated)*

## 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.

Besides, the Organization set up Premium Vegetable Section with an aim to help local farmers marketing their quality, fresh and safe vegetables to up-market caterers such as hotels, restaurants and supermarkets, etc. through its established promotional networks.

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 material accounting policies

The material 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. The financial statements have been prepared under the historical cost convention, except for biological assets which have been measured at fair value less costs to sell, defined benefit pension plans - plan assets which are measured at fair value and defined benefit obligation which are measured at present value.

## 2 Summary of material accounting policies (continued)

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. There is no area involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements.

(a) Amendments that are not yet effective and have not been early adopted by the Organization

Up to the date of issue of these financial statements, the HKICPA has issued a number of new or amended standards, which are not yet effective for the year ended 31 March 2025 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Organization.

| | *Effective for accounting periods beginning on or after* |
|---|---|
| Amendments to HKAS 21, *The effects of changes in foreign exchange rates - Lack of exchangeability* | 1 January 2025 |
| Amendments to HKFRS 9, *Financial instruments* and HKFRS 7, *Financial instruments: disclosures - Amendments to the classification and measurement of financial instruments* | 1 January 2026 |
| Annual improvements to HKFRS Accounting Standards - Volume 11 | 1 January 2026 |
| HKFRS 18, *Presentation and disclosure in financial statements* | 1 January 2027 |
| HKFRS 19, *Subsidiaries without public accountability: disclosures* | 1 January 2027 |

The Organization is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the financial statements.

## 2 Summary of material accounting policies (continued)

### *2.2 Foreign currency translation*

(a) Functional and presentation currency

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

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates 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.

### *2.3 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.

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.

## 2 Summary of material accounting policies (continued)

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.

### *2.4 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 2.3.

### *2.5 Impairment of non-financial assets*

Non-financial assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

### *2.6 Inventories*

Inventories 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.

### *2.7 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.

## 2 Summary of material accounting policies (continued)

(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.

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.

### *2.8 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.

### *2.9 Offsetting financial instruments*

Financial assets and liabilities are offset and the net amount reported in the balance sheet where the Organization currently has a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or 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 Summary of material accounting policies (continued)

### *2.10 Cash and cash equivalents*

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

### *2.11 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.

### *2.12 Employee benefits*

(a) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by the employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(b) Retirement plan obligations

The Organization operates a defined benefit plan, a defined contribution plan and a mandatory provident fund scheme (“MPF scheme”) in Hong Kong, the assets of which are held in separate trustee-administered funds. All three retirement plans are funded by payments from employees and by the Organization. For the defined benefit plan, payments are made after taking into account the recommendations of independent qualified actuary.

Defined contribution plan and MPF scheme

The Organization’s contributions to the defined contribution plan and MPF scheme are based on a certain percentage of the employees’ income. The Organization’s contributions to both the defined contribution plan and the MPF scheme are expensed as incurred.

The Organization’s contributions to the defined contribution plan are reduced by contributions forfeited by those employees who leave the defined contribution plan prior to vesting fully in the contributions. The Organization has no further payment obligations once the contributions to both the defined contribution plan and the MPF scheme have been paid. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

## 2 Summary of material accounting policies (continued)

<u>Defined benefit plan</u>

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.

(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 annually using the projected unit credit method, taking into account accrued benefits related to the Organization’s Mandatory Provident Fund (MPF) Scheme contributions that can be used to offset pre-transition long service payments.

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 Summary of material accounting policies (continued)

### *2.13 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.

### *2.14 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.

(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 Summary of material accounting policies (continued)

### *2.15 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.

### *2.16 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 21 and 22. Any net surplus or deficit relating to these funds is transferred from Vegetable Marketing Organization General Fund ("VMO General Fund") to the respective funds.

### *2.17 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.

## 2 Summary of material accounting policies (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.

## 2 Summary of material accounting policies (continued)

### *2.18 Related parties*

(a) A person, or a close member of that person's family, is related to the Organization if that person:

(i) has control or joint control over the Organization;

(ii) has significant influence over the Organization; or

(iii) is a member of the key management personnel of the Organization.

(b) An entity is related to the Organization if any of the following conditions applies:

(i) One entity is an associate or joint venture of the other entity.

(ii) Both entities are joint ventures of the same third party.

(iii) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(iv) The entity is a post-employment benefit plan for the benefit of employees of either the Organization or an entity related to the Organization.

(v) The entity is controlled or jointly controlled by a person identified in (a).

(vi) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(vii) The entity provides key management personnel services.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

## 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.

## 3 Financial and fund risks management (continued)

On that basis, the loss allowance as at 31 March 2025 and 2024 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* |
|---|---|---|---|---|---|
| **31 March 2025** | | | | | |
| Expected loss rate | | | | | |
| - trade receivables | 0% | 0% | 0% | 0% | |
| - VMO loans | 1% | 0% | 0% | 100% | |
| Gross carrying amount | | | | | |
| - trade receivables | 2,064,277 | 467,367 | 695 | - | 2,532,339 |
| - VMO loans | 2,305,165 | - | - | 50,656 | 2,355,821 |
| **Provision for impairment** | | | | | |
| - trade receivables | - | - | - | - | - |
| - VMO loans | 31,201 | - | - | 50,656 | 81,857 |
| **31 March 2024** | | | | | |
| Expected loss rate | | | | | |
| - trade receivables | 0% | 0% | 0% | 44% | |
| - VMO loans | 4% | 0% | 0% | 0% | |
| Gross carrying amount | | | | | |
| - trade receivables | 2,709,197 | 929,464 | 13,326 | 257,080 | 3,909,067 |
| - VMO loans | 1,967,640 | - | - | - | 1,967,640 |
| **Provision for impairment** | | | | | |
| - trade receivables | - | - | - | 113,157 | 113,157 |
| - VMO loans | 81,857 | - | - | - | 81,857 |

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 2025 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.

## 3 Financial and fund risks management (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 2025 and 2024, the maturity analysis of the financial liabilities is as follows:

| | *2025* | *2024* |
|---|---|---|
| **Less than one year** | | |
| Trade and other payables (note 14) | 7,031,830 | 9,248,166 |
| Vegetable buyers' deposits | 4,642,277 | 4,585,863 |
| Undiscounted lease liabilities (note 15) | 776,000 | 169,233 |
| | 12,450,107 | 14,003,262 |
| **More than one year but less than two years** | | |
| Undiscounted lease liabilities (note 15) | 905,333 | - |
| | 13,355,440 | 14,003,262 |

## 3 Financial and fund risks management (continued)

(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 2025, if interest rate on the bank deposits had been 25 basis points (2024: 25 basis points) higher/lower with all other variables held constant, deficit for the year would have been approximately HK$476,000 (2024: HK$494,000) 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.

### *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 Property, plant and equipment

| | *Markets and depots* | | | | | *Vegetable Marketing Organization Agricultural Development Fund (note 7)* | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | *Buildings* | *Furniture, fixtures and computer equipment* | *Motor vehicles* | *Machinery and others* | *Subtotal* | *Leasehold Improvements* | *Furniture, fixtures and computer equipment* | *Machinery and others* | *Subtotal* | *Total* |
| **At 1 April 2023** | | | | | | | | | | |
| Cost | 3,386,430 | 28,371,066 | 2,858,018 | 12,258 | 34,627,772 | 11,638,563 | 8,314,809 | 6,787,553 | 26,740,925 | 61,368,697 |
| Accumulated depreciation | (2,975,080) | (24,505,678) | (2,758,018) | (12,258) | (30,251,034) | (5,924,603) | (5,011,646) | (6,611,420) | (17,547,669) | (47,798,703) |
| Net book amount | 411,350 | 3,865,388 | 100,000 | - | 4,376,738 | 5,713,960 | 3,303,163 | 176,133 | 9,193,256 | 13,569,994 |
| **Year ended 31 March 2024** | | | | | | | | | | |
| Opening net book amount | 411,350 | 3,865,388 | 100,000 | - | 4,376,738 | 5,713,960 | 3,303,163 | 176,133 | 9,193,256 | 13,569,994 |
| Additions | 837,000 | 113,530 | - | - | 950,530 | 836,000 | 3,700 | - | 839,700 | 1,790,230 |
| Disposals (note 27(b)) | - | (14,656) | - | - | (14,656) | - | - | - | - | (14,656) |
| - Cost | - | (839,780) | (407,164) | - | (1,246,944) | - | - | - | - | (1,246,944) |
| - Accumulated depreciation | - | 825,124 | 407,164 | - | 1,232,288 | - | - | - | - | 1,232,288 |
| Depreciation | (44,700) | (641,247) | (100,000) | - | (785,947) | (823,480) | (518,895) | (37,071) | (1,379,446) | (2,165,393) |
| Closing net book amount | 1,203,650 | 3,323,015 | - | - | 4,526,665 | 5,726,480 | 2,787,968 | 139,062 | 8,653,510 | 13,180,175 |

# 4 Property, plant and equipment (continued)

| | *Markets and depots* | | | | | *Vegetable Marketing Organization Agricultural Development Fund (note 7)* | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | *Buildings* | *Furniture, fixtures and computer equipment* | *Motor vehicles* | *Machinery and others* | *Subtotal* | *Leasehold improvements* | *Furniture, fixtures and computer equipment* | *Machinery and others* | *Subtotal* | *Total* |
| **At 31 March 2024** | | | | | | | | | | |
| Cost | 4,223,430 | 27,644,816 | 2,450,854 | 12,258 | 34,331,358 | 12,474,563 | 8,318,509 | 6,787,553 | 27,580,625 | 61,911,983 |
| Accumulated depreciation | (3,019,780) | (24,321,801) | (2,450,854) | (12,258) | (29,804,693) | (6,748,083) | (5,530,541) | (6,648,491) | (18,927,115) | (48,731,808) |
| Net book amount | 1,203,650 | 3,323,015 | - | - | 4,526,665 | 5,726,480 | 2,787,968 | 139,062 | 8,653,510 | 13,180,175 |
| **Year ended 31 March 2025** | | | | | | | | | | |
| Opening net book amount | 1,203,650 | 3,323,015 | - | - | 4,526,665 | 5,726,480 | 2,787,968 | 139,062 | 8,653,510 | 13,180,175 |
| Additions | 318,612 | 60,090 | - | - | 378,702 | - | - | - | - | 378,702 |
| Disposals (note 27(b)) | - | (22,248) | - | - | (22,248) | - | - | (22,381) | (22,381) | (44,629) |
| - Cost | - | (769,105) | - | - | (769,105) | - | (17,000) | (90,396) | (107,396) | (876,501) |
| - Accumulated depreciation | - | 746,857 | - | - | 746,857 | - | 17,000 | 68,015 | 85,015 | 831,872 |
| Depreciation | (48,203) | (544,050) | - | - | (592,253) | (830,448) | (481,564) | (27,764) | (1,339,776) | (1,932,029) |
| Closing net book amount | 1,474,059 | 2,816,807 | - | - | 4,290,866 | 4,896,032 | 2,306,404 | 88,917 | 7,291,353 | 11,582,219 |
| **At 31 March 2025** | | | | | | | | | | |
| Cost | 4,542,042 | 26,935,801 | 2,450,854 | 12,258 | 33,940,955 | 12,474,563 | 8,301,509 | 6,697,157 | 27,473,229 | 61,414,184 |
| Accumulated depreciation | (3,067,983) | (24,118,994) | (2,450,854) | (12,258) | (29,650,089) | (7,578,531) | (5,995,105) | (6,608,240) | (20,181,876) | (49,831,965) |
| Net book amount | 1,474,059 | 2,816,807 | - | - | 4,290,866 | 4,896,032 | 2,306,404 | 88,917 | 7,291,353 | 11,582,219 |

Depreciation expenses of HK$592,253 and HK$1,339,776 (2024: HK$785,947 and HK$1,379,446) have been charged in the operating expenditure and net deficit from VMO Agricultural Development Fund respectively on page 7 and note 21, respectively.

## 5 Right-of-use assets

| | *Land interests on owned properties* | *Leased market premises* | *Leased office equipment* | *Total* |
|---|---|---|---|---|
| **At 1 April 2023** | | | | |
| Cost | 1,492,700 | 3,556,774 | 266,258 | 5,315,732 |
| Accumulated depreciation | (1,066,631) | (2,717,689) | (140,525) | (3,924,845) |
| Net book amount | 426,069 | 839,085 | 125,733 | 1,390,887 |
| **Year ended 31 March 2024** | | | | |
| Opening net book amount | 426,069 | 839,085 | 125,733 | 1,390,887 |
| Depreciation | (17,631) | (719,216) | (88,753) | (825,600) |
| Closing net book amount | 408,438 | 119,869 | 36,980 | 565,287 |
| **At 31 March 2024** | | | | |
| Cost | 1,492,700 | 3,556,774 | 266,258 | 5,315,732 |
| Accumulated depreciation | (1,084,262) | (3,436,905) | (229,278) | (4,750,445) |
| Net book amount | 408,438 | 119,869 | 36,980 | 565,287 |
| **Year ended 31 March 2025** | | | | |
| Opening net book amount | 408,438 | 119,869 | 36,980 | 565,287 |
| Lease modification | - | 2,157,649 | - | 2,157,649 |
| Disposal | - | - | - | - |
| -Cost | - | - | (266,258) | (266,258) |
| -Accumulated depreciation | - | - | 266,258 | 266,258 |
| Depreciation | (17,630) | (719,217) | (36,980) | (773,827) |
| Closing net book amount | 390,808 | 1,558,301 | - | 1,949,109 |
| **At 31 March 2025** | | | | |
| Cost | 1,492,700 | 5,714,423 | - | 7,207,123 |
| Accumulated depreciation | (1,101,892) | (4,156,122) | - | (5,258,014) |
| Net book amount | 390,808 | 1,558,301 | - | 1,949,109 |

Depreciation expenses of HK$773,827 (2024: HK$825,600) have been charged in the operating expenditure on page 7.

## 5 Right-of-use assets (continued)

The Organization's right-of-use assets consist of leasehold land in Hong Kong, leased market premises and office equipment. 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 and office equipment, 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 2025 and 2024 are set out in notes 15 and 27(c) respectively.

## 6 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* | *2025* | *2024* |
|---|---|---|---|
| **ASSETS** | | | |
| **Current assets** | | | |
| VMO Loans | | | |
| - Loans to farmers | | 2,345,000 | 1,960,000 |
| - Interest receivable | | 10,821 | 7,640 |
| | | 2,355,821 | 1,967,640 |
| Less: Provision for impairment of VMO Loans | | (81,857) | (81,857) |
| | | 2,273,964 | 1,885,783 |
| Less: Accumulated amortisation at 1 April | | (89,797) | (120,065) |
| (Discount on amortisation)/amortisation of premium on VMO Loans | 22 | (18,485) | 30,268 |
| Accumulated amortisation at 31 March | | (108,282) | (89,797) |
| VMO Loans - net | | 2,165,682 | 1,795,986 |
| Other receivables | | 36,639 | 53,328 |
| Bank deposits with original maturities over three months | 11 | 7,500,000 | 11,800,000 |
| Cash and cash equivalents | 12 | 4,721,439 | 300,506 |
| | | 14,423,760 | 13,949,820 |
| **Total assets** | | 14,423,760 | 13,949,820 |

## 6 VMO Loan Fund (continued)

| | *Note* | *2025* | *2024* |
|---|---|---|---|
| **FUNDS** | | | |
| Capital account transferred from VMO General Fund | | 2,608,000 | 2,608,000 |
| Accumulated surplus at 1 April | | 11,341,820 | 10,788,887 |
| Net surplus for the year transferred from VMO General Fund | 13 & 22 | 473,940 | 552,933 |
| Accumulated surplus at 31 March | | 11,815,760 | 11,341,820 |
| **Total funds** | | 14,423,760 | 13,949,820 |
| **Total funds and liabilities** | | 14,423,760 | 13,949,820 |

### *(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 0.125% to 0.875% (2024: 0.125% to 0.875%) per annum and are repayable within one year (2024: within one year) with third party personal guarantees. As at 31 March 2025, the weighted average effective interest rate of the VMO Loans is 0.7492% (2024: 0.7602%) 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:

| | *2025* | *2024* |
|---|---|---|
| At the beginning and the end of the year | 81,857 | 81,857 |

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 2025 and 2024 and are denominated in Hong Kong dollars.

## 7 VMO Agricultural Development Fund

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

| | *Note* | *2025* | *2024* |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 4 | 7,291,353 | 8,653,510 |
| **Current assets** | | | |
| Inventories | 9 | 65,166 | 77,816 |
| Trade and other receivables | | 526,960 | 1,134,992 |
| Bank deposits with original maturities over three months | 11 | 4,500,000 | 3,300,000 |
| Cash and cash equivalents | 12 | 2,056,341 | 2,015,406 |
| Total current assets | | 7,148,467 | 6,528,214 |
| **Total assets** | | 14,439,820 | 15,181,724 |
| **FUNDS** | | | |
| Capital account | | | |
| At 1 April | | 430,000,000 | 426,000,000 |
| Transfer from VMO General Fund | 13 | 5,700,000 | 4,000,000 |
| At 31 March | | 435,700,000 | 430,000,000 |
| Accumulated deficit at 1 April | | (423,891,364) | (420,086,977) |
| Net deficit for the year transferred from VMO General Fund | 13 & 21 | (4,990,388) | (3,804,387) |
| Accumulated deficit at 31 March | | (428,881,752) | (423,891,364) |
| **Total funds** | | 6,818,248 | 6,108,636 |

## 7 VMO Agricultural Development Fund (continued)

| | *Note* | *2025* | *2024* |
|---|---|---|---|
| **LIABILITIES** | | | |
| **Non-current liabilities** | | | |
| Long service payment obligations | | 82,082 | 134,965 |
| Deferred income | 17 | 5,776,751 | 6,960,161 |
| Total non-current liabilities | | 5,858,833 | 7,095,126 |
| **Current liabilities** | | | |
| Other payables | | 484,925 | 564,422 |
| Provisions for other liabilities | | 29,904 | 59,630 |
| Deferred income | 17 | 1,247,910 | 1,353,910 |
| Total current liabilities | | 1,762,739 | 1,977,962 |
| **Total liabilities** | | 7,621,572 | 9,073,088 |
| **Total funds and liabilities** | | 14,439,820 | 15,181,724 |

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.

## 8 Financial instruments by category

The Organization's financial instruments include the following:

| | *Note* | *2025* | *2024* |
|---|---|---|---|
| **Financial assets at amortised cost** | | | |
| VMO Loans | 6(a) | 2,165,682 | 1,795,986 |
| Trade and other receivables | 10 | 4,155,429 | 8,818,246 |
| Bank deposits with original maturities over three months | 11 | 185,500,000 | 197,400,000 |
| Cash and cash equivalents | 12 | 14,548,271 | 12,772,592 |
| | | 206,369,382 | 220,786,824 |
| **Financial liabilities at amortised cost** | | | |
| Trade and other payables | 14 | 7,031,830 | 9,248,166 |
| Lease liabilities | 15 | 1,590,327 | 167,936 |
| Vegetable buyers' deposits | | 4,642,277 | 4,585,863 |
| | | 13,264,434 | 14,001,965 |

## 9 Inventories

| | *2025* | *2024* |
|---|---|---|
| Premium vegetables | 135,341 | 209,026 |
| Others | 171,253 | 165,523 |
| | 306,594 | 374,549 |
| Represented by: | | |
| - VMO General Fund | 241,428 | 296,733 |
| - VMO Agricultural Development Fund (note 7) | 65,166 | 77,816 |
| | 306,594 | 374,549 |

Cost of sales of premium vegetables in the statement of comprehensive income includes inventory written-off of HK$1,045,120 (2024: HK$1,112,364).

## 10 Trade and other receivables

| | *2025* | *2024* |
|---|---|---|
| Trade receivables | 2,532,339 | 3,909,067 |
| Less: Provision for impairment of trade receivables | - | (113,157) |
| Trade receivables, net | 2,532,339 | 3,795,910 |
| Interest receivables | 1,127,155 | 3,102,009 |
| Other receivables | 495,935 | 1,920,327 |
| Financial assets | 4,155,429 | 8,818,246 |
| Prepayments for: | | |
| - Insurance expense | 13,663 | 15,182 |
| - Other operating expenses | 445,309 | 377,454 |
| Total | 4,614,401 | 9,210,882 |

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 2025, the Organization considered that the expected credit loss for other receivables was immaterial thus no loss allowance was made (2024: 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 2025 and 2024 and are denominated in Hong Kong dollars.

## 11 Bank deposits with original maturities over three months

| | *Note* | *2025* | *2024* |
|---|---|---|---|
| VMO General Fund | | 173,500,000 | 182,300,000 |
| VMO Loan Fund | 6(a) | 7,500,000 | 11,800,000 |
| VMO Agricultural Development Fund | 7 | 4,500,000 | 3,300,000 |
| Maximum exposure to credit risk | | 185,500,000 | 197,400,000 |

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

## 12 Cash and cash equivalents

| | *Note* | *2025* | *2024* |
|---|---|---|---|
| VMO General Fund | | | |
| Cash at banks and in hand | | 7,770,491 | 10,456,680 |
| VMO Loan Fund | | | |
| Cash at banks | 6(a) | 321,439 | 300,506 |
| Bank deposits with original maturities of three months or less | | 4,400,000 | - |
| | | 4,721,439 | 300,506 |
| VMO Agricultural Development Fund | | | |
| Cash at banks and in hand | | 1,556,341 | 1,415,406 |
| Bank deposits with original maturities of three months or less | | 500,000 | 600,000 |
| | 7 | 2,056,341 | 2,015,406 |
| Total | | 14,548,271 | 12,772,592 |
| Maximum exposure to credit risk | | 14,053,062 | 10,748,138 |

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

## 13 VMO General Fund - Accumulated Surplus

| | *Note* | *2025* | *2024* |
|---|---|---|---|
| **At 1 April** | | 194,711,246 | 197,067,689 |
| Deficit for the year | | (12,538,042) | (3,007,051) |
| Gain/(loss) on remeasurements for: | | | |
| - Defined benefit plan | 18 | 1,863,311 | (583,197) |
| - Long service payment obligations | | | |
| - VMO General Fund | 18 | 34,665 | 1,841,403 |
| - VMO Agricultural Development Fund | 18 | 29,453 | 140,948 |
| Net surplus transferred to VMO Loan Fund | 6(a) | (473,940) | (552,933) |
| Net deficit transferred to VMO Agricultural Development Fund | 7 | 4,990,388 | 3,804,387 |
| Transferred to capital account of VMO Agricultural Development fund | 7 | (5,700,000) | (4,000,000) |
| **At 31 March** | | 182,917,081 | 194,711,246 |

## 14 Trade and other payables

| | *2025* | *2024* |
|---|---|---|
| Trade payables | 4,079,927 | 6,191,487 |
| Other payables | 1,823,153 | 2,179,879 |
| Vegetable sellers' and other deposits | 1,128,750 | 876,800 |
| Financial liabilities | 7,031,830 | 9,248,166 |
| Receipts in advance | 326,205 | 388,692 |
| | 7,358,035 | 9,636,858 |

The carrying values of trade and other payables approximate their fair values at 31 March 2025 and 2024 and are denominated in Hong Kong dollars.

## 15 Lease liabilities

| | *2025* | *2024* |
|---|---|---|
| Current | 712,668 | 167,936 |
| Non-current | 877,659 | - |
| | 1,590,327 | 167,936 |
| Minimum lease payments | | |
| - Within one year | 776,000 | 169,233 |
| - Over one year and less than five years | 905,333 | - |
| | 1,681,333 | 169,233 |
| Less: total future interest expenses | (91,006) | (1,297) |
| | 1,590,327 | 167,936 |

The nature of the Organization's leasing activities by type of right-of-use assets recognised on the balance sheet is detailed in note 5.

Interest expenses of HK$80,644 (2024: HK$31,332) has been charged in the statement of comprehensive income.

## 16 Provisions for other liabilities

| | *Unused annual Leave* |
|---|---|
| **At 1 April 2023** | 1,388,032 |
| Payments for the year | (114,030) |
| | 1,274,002 |
| Provision for/(reversal of provision) for the year | |
| - VMO General Fund (note 20(a)) | 16,570 |
| - VMO Agricultural Development Fund (note 20(b)) | (1,111) |
| | 15,459 |
| **At 31 March 2024** | 1,289,461 |
| **At 1 April 2024** | 1,289,461 |
| Payments for the year | (151,229) |
| | 1,138,232 |
| Provision for/(reversal of provision) for the year | |
| - VMO General Fund (note 20(a)) | 63,453 |
| - VMO Agricultural Development Fund (note 20(b)) | (8,766) |
| | 54,687 |
| **At 31 March 2025** | 1,192,919 |

Analysis of total provisions:

| | *Unused annual Leave* |
|---|---|
| At 31 March 2025 | |
| Current | 1,192,919 |
| At 31 March 2024 | |
| Current | 1,289,461 |

## 17 Deferred income

| | *2025* | *2024* |
|---|---|---|
| At 1 April | 8,314,071 | 9,595,014 |
| Government grant received (note) | 1,251,432 | 881,643 |
| Amount utilised and released to profit or loss (note 26(c)) | (2,540,842) | (2,162,586) |
| At 31 March | 7,024,661 | 8,314,071 |
| | | |
| Non-current | 5,776,751 | 6,960,161 |
| Current | 1,247,910 | 1,353,910 |
| Total | 7,024,661 | 8,314,071 |

Note:

The amount was for the development of the second phase of Controlled Environment Hydroponic Research and Development Centre. These cost of development, including the leasehold improvement, furniture and fixtures and machinery, were fully subsidised by the Government.

## 18 Retirement benefit obligations

| | *Note* | *2025* | *2024* |
|---|---|---|---|
| **Balance sheet assets for:** | | | |
| - Defined benefit plan | (a) | 10,071,459 | 8,063,653 |
| **Balance sheet obligations for:** | | | |
| - Long service payment obligations | | | |
| - Non-current portion | | (2,879,615) | (2,686,142) |
| - Current portion | | (126,708) | (148,987) |
| | (b) | (3,006,323) | (2,835,129) |
| **Statement of comprehensive income charged/(reversed) for:** | | | |
| - Defined benefit plan | 20(a) | (144,495) | (49,231) |
| - Long service payment obligations | | | |
| - VMO General Fund | 20(a) | 423,814 | 267,361 |
| - VMO Agricultural Development Fund | 20(b) | 10,600 | 114,927 |
| | | 434,414 | 382,288 |
| | | 289,919 | 333,057 |
| **Remeasurements for:** | | | |
| - Defined benefit plan | (a) | (1,863,311) | 583,197 |
| - Long service payment obligations | | | |
| - VMO General Fund | | (34,665) | (1,841,403) |
| - VMO Agricultural Development Fund | | (29,453) | (140,948) |
| | (b) | (64,118) | (1,982,351) |
| | | (1,927,429) | (1,399,154) |

## 18 Retirement benefit obligations (continued)

### *(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 2025 and 2024 carried out by Milliman Limited, who holds a recognised professional qualification.

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

| | *2025* | *2024* |
|---|---|---|
| Present value of the funded obligations | (5,876,275) | (8,115,587) |
| Fair value of plan assets | 15,947,734 | 16,179,240 |
| Assets in the balance sheet | 10,071,459 | 8,063,653 |

The movements in assets under defined benefit plan and present value of defined benefit obligations for the year ended 31 March 2025 and 2024 are as follows:

| | *Present value of defined benefit obligations* | *Fair value of plan assets* | *Total* |
|---|---|---|---|
| At 1 April 2023 | (7,788,227) | 16,385,846 | 8,597,619 |
| Current service costs | (212,488) | - | (212,488) |
| Interest (expense)/income | (226,348) | 492,830 | 266,482 |
| | (8,227,063) | 16,878,676 | 8,651,613 |
| Remeasurements: | | | |
| - Return on plan assets (excluding interest income) | - | (677,710) | (677,710) |
| - Gain from change in financial assumption changes | 94,512 | - | 94,512 |
| - Experience gains | 1 | - | 1 |
| | 94,513 | (677,710) | (583,197) |
| Plan participants contributions | (101,917) | 101,917 | - |
| Benefit payments | 118,880 | (118,880) | - |
| Administrative cost | - | (4,763) | (4,763) |
| | 16,963 | (21,726) | (4,763) |
| At 31 March 2024 | (8,115,587) | 16,179,240 | 8,063,653 |

## 18 Retirement benefit obligations (continued)

| | *Present value of defined benefit obligations* | *Fair value of plan assets* | *Total* |
|---|---|---|---|
| At 1 April 2024 | (8,115,587) | 16,179,240 | 8,063,653 |
| Current service costs | (149,414) | - | (149,414) |
| Interest (expense)/income | (251,668) | 549,972 | 298,304 |
| | (8,516,669) | 16,729,212 | 8,212,543 |
| <u>Remeasurements:</u> | | | |
| - Return on plan assets (excluding interest income) | - | 1,910,481 | 1,910,481 |
| - Loss from change in financial assumption changes | (105,037) | - | (105,037) |
| - Experience gains | 57,867 | - | 57,867 |
| | (47,170) | 1,910,481 | 1,863,311 |
| Plan participants contributions | (83,458) | 83,458 | - |
| Benefit payments | 2,771,022 | (2,771,022) | - |
| Administrative cost | - | (4,395) | (4,395) |
| | 2,687,564 | (2,691,959) | (4,395) |
| At 31 March 2025 | (5,876,275) | 15,947,734 | 10,071,459 |

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

| | *2025* % | *2024* % |
|---|---|---|
| Equities | 58 | 54 |
| Bonds | 38 | 43 |
| Money instruments | 4 | 3 |
| | 100 | 100 |

## 18 Retirement benefit obligations (continued)

### *(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 2023 | 4,609,220 |
| Current service costs | 281,164 |
| Interest expense | 101,124 |
| | 4,991,508 |
| Remeasurements: | |
| - Experience gains | (1,982,351) |
| Benefit payments | (174,028) |
| At 31 March 2024 | 2,835,129 |
| At 1 April 2024 | 2,835,129 |
| Current service costs | 327,655 |
| Interest expense | 106,759 |
| | 3,269,543 |
| Remeasurements: | |
| - Experience gains | (167,478) |
| - Loss from change in financial assumption | 103,360 |
| | (64,118) |
| Benefit payments | (199,102) |
| At 31 March 2025 | 3,006,323 |

## 18 Retirement benefit obligations (Continued)

### *(c) The principal actuarial assumptions used as follows:*

| | *Defined benefit obligations* | | *Long service payment obligations* | |
|---|---|---|---|---|
| | *2025* | *2024* | *2025* | *2024* |
| | % | % | % | % |
| Discount rate | 2.8 | 3.7 | 3.6 | 3.9 |
| Expected rate of future salary increases | 3.5 | 3.5 | 3.5 | 3.5 |

### *(d) The sensitivity of the defined benefit and long service payment obligations to changes in the significant actuarial assumptions (expressed as weighted averages) is:*

| *2025* | | *Impact on defined benefit obligations* | | *Impact on long service payment obligations* | |
|---|---|---|---|---|---|
| | *Change in assumption* | *Increase in assumption* | *Decrease in assumption* | *Increase in assumption* | *Decrease in assumption* |
| Discount rate | 0.5% | Decrease by 1.0% | Increase by 1.0% | Decrease by 5.6% | Increase by 6.2% |
| Salary growth rate | 0.5% | Increase by 1.0% | Decrease by 1.0% | Increase by 1.5% | Decrease by 1.7% |

| *2024* | | *Impact on defined benefit obligations* | | *Impact on long service payment obligations* | |
|---|---|---|---|---|---|
| | *Change in assumption* | *Increase in assumption* | *Decrease in assumption* | *Increase in assumption* | *Decrease in assumption* |
| Discount rate | 0.5% | Decrease by 1.0% | Increase by 1.0% | Decrease by 6.2% | Increase by 6.7% |
| Salary growth rate | 0.5% | Increase by 0.9% | Decrease by 0.9% | Increase by 1.8% | 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.

### *(e) The contributions by the employees for the year ended 31 March 2025:*

| | *Defined benefit obligations* | | *Long service payment obligations* | |
|---|---|---|---|---|
| | *2025* | *2024* | *2025* | *2024* |
| Contributions by: | | | | |
| - Employees | 83,458 | 101,917 | - | - |

The Organization expects no contributions to defined benefit retirement plans in 2026.

## 18 Retirement benefit obligations (Continued)

***(f)*** The weighted average duration of the defined benefit obligations and long service payment obligations is around 2 years and 12 years (2024: 2 years and 12 years) respectively.

***(g) The expected maturity analysis without taking into consideration of early retirement of undiscounted benefit payments is as follows:***

| | *Defined benefit obligations* | | *Long service payment obligations* | |
|---|---|---|---|---|
| | *2025* | *2024* | *2025* | *2024* |
| Less than 1 year | 2,667,000 | 2,708,000 | 130,000 | 195,000 |
| Between 1 and 2 years | 1,000,000 | 2,641,000 | 250,000 | 168,000 |
| Between 2 and 5 years | 927,000 | 1,937,000 | 786,000 | 781,000 |
| More than 5 years | 2,033,000 | 2,043,000 | 9,239,000 | 11,958,000 |
| | 6,627,000 | 9,329,000 | 10,405,000 | 13,102,000 |

## 19 Operating income from wholesale market

The operating income from wholesale market comprises the followings:

| | *2025* | *2024* |
|---|---|---|
| 10% commission from wholesalers | 34,955,001 | 43,284,551 |
| Rebates to wholesalers and their related trade organizations | (12,172,627) | (15,103,966) |
| | 22,782,374 | 28,180,585 |

## 20 Employee benefit expenditure

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

| | *Note* | *2025* | *2024* |
|---|---|---|---|
| Salaries and wages | | 29,611,380 | 30,200,408 |
| Provision for unused annual leave | 16 | 63,453 | 16,570 |
| Retirement benefit costs | | | |
| - Defined contribution plan and MPF scheme | | 1,609,744 | 1,646,407 |
| - Defined benefit plan | 18(a) | (144,495) | (49,231) |
| - Long service payment obligations | 18(b) | 423,814 | 267,361 |
| | | 31,563,896 | 32,081,515 |

### *(b) In addition to the above, employee benefit expenditure amounting to HK$1,605,257 (2024: HK$1,597,420) as listed below has been included in various expenditure items in the VMO Agricultural Development Fund in note 21.*

| | *Note* | *2025* | *2024* |
|---|---|---|---|
| Salaries and wages | | 1,526,233 | 1,411,597 |
| Reversal of provision for unused annual leave | 16 | (8,766) | (1,111) |
| Retirement benefit costs | | | |
| - MPF scheme | | 77,190 | 72,007 |
| - Long service payment obligations | 18 | 10,600 | 114,927 |
| | | 1,605,257 | 1,597,420 |

## 21 Net deficit from VMO Agricultural Development Fund

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

| | *2025* | *2024* |
|---|---|---|
| **Income** | | |
| FarmFest income (note) | 5,819,026 | 6,255,923 |
| Interest income on bank deposits | 110,330 | 133,353 |
| Other income | 11,000 | - |
| | 5,940,356 | 6,389,276 |

Note:

During the year ended 31 March 2025, FarmFest income of HK$1,788,476 (2024: HK$488,462) and HK$0 (2024: HK$2,793,671) were received from Fish Marketing Organization which has a common Director of Marketing, and the Hong Kong SAR government which has significant influence over the Organization respectively.

## 21 Net deficit from VMO Agricultural Development Fund (continued)

| | *Note* | *2025* | *2024* |
|---|---|---|---|
| **Expenditure** | | | |
| Land rehabilitation scheme | | | |
| - Depreciation | | (52,417) | (72,574) |
| Crop Development Programmes Promotion | | | |
| - Depreciation | | (2,075) | (4,935) |
| - Net deficit from sales of accredited local vegetables | 24 | (45,370) | (54,475) |
| - Grants to a third party organization | | (1,646,000) | (1,986,000) |
| - Other expenses | | (1,094,805) | (976,539) |
| Controlled Environment Greenhouse Production | | | |
| - Depreciation | | (10,834) | (10,834) |
| Promotion of Organic Farming | | | |
| - Depreciation | | (13,878) | (24,960) |
| - Net deficit from sales of organic vegetables | 25 | (387,303) | (356,938) |
| - Other expenses | | - | (12,650) |
| Voluntary Registration Scheme of Local Vegetable Farms | | | |
| - Depreciation | | (2,433) | (5,665) |
| Promotion of Local Agricultural and Fisheries Products | | | |
| - FarmFest expenses | | (7,607,502) | (6,744,386) |
| Improvement to VMO's wholesale marketing facilities and services | | | |
| - Depreciation | | (47,869) | (47,868) |
| Controlled Environment Hydroponic Research and Development Project | | | |
| - Net deficit from the production of hydroponic vegetables in the Centre | 26(a) | (12,810) | (16,783) |
| - Net deficit from research activities in the Centre | 26(b) | (14,050) | (19,384) |
| - Loss on disposals of property, plant and equipment | 27(b) | (22,381) | - |
| Controlled Environment Hydroponic Research and Development Project (Phase 2) | 26(c) | - | - |
| Miscellaneous expenses | | (470) | (620) |
| | | (10,960,197) | (10,334,611) |

## 21 Net deficit from VMO Agricultural Development Fund (continued)

| | *Note* | *2025* | *2024* |
|---|---|---|---|
| **Deficit for the year** | | (5,019,841) | (3,945,335) |
| Remeasurements for long service payment obligations | 18 | 29,453 | 140,948 |
| **Net deficit for the year** | 7 | (4,990,388) | (3,804,387) |

## 22 Net surplus from VMO Loan Fund

| | *Note* | *2025* | *2024* |
|---|---|---|---|
| **Income** | | | |
| Interest on bank deposits | | 477,193 | 513,566 |
| Interest on VMO Loans | | 15,382 | 9,474 |
| Amortisation of premium on VMO Loans | 6(a) | - | 30,268 |
| | | 492,575 | 553,308 |
| **Expenditure** | | | |
| Bank charges | | (150) | (375) |
| Discount on amortisation of VMO Loans | 6(a) | (18,485) | - |
| | | (18,635) | (375) |
| **Net surplus for the year** | | 473,940 | 552,933 |

## 23 Taxation

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

## 24 Crop Development Programmes Promotion

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

| | *Note* | *2025* | *2024* |
|---|---|---|---|
| **Sales of accredited local vegetables** | | 6,022 | 21,070 |
| Cost of inventories sold | | (6,039) | (6,435) |
| **Gross (loss)/profit** | | (17) | 14,635 |
| **Direct operating expenses** | | | |
| Employee benefit expenditure | | (8,466) | (9,422) |
| Sales commission | | (1,204) | (4,214) |
| Transportation charges | | (35,433) | (50,462) |
| Miscellaneous expenses | | (250) | (5,012) |
| | | (45,353) | (69,110) |
| **Net deficit for the year** | 21 | (45,370) | (54,475) |

## 25 Promotion of Organic Farming

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

| | *Note* | *2025* | *2024* |
|---|---|---|---|
| **Sales of organic vegetables** | | 2,039,291 | 2,503,040 |
| Cost of inventories sold | | (815,921) | (872,497) |
| **Gross profit** | | 1,223,370 | 1,630,543 |
| **Direct operating expenses** | | | |
| Employee benefit expenditure | | (870,989) | (1,102,753) |
| Sales commission | | (445,594) | (513,855) |
| Transportation charges | | (156,217) | (188,294) |
| Miscellaneous expenses | | (137,873) | (182,579) |
| | | (1,610,673) | (1,987,481) |
| **Net deficit for the year** | 21 | (387,303) | (356,938) |

## 26 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* | *2025* | *2024* |
|---|---|---|---|
| Management service income, recognised over time (note) | | 732,178 | 824,293 |
| **Gross profit** | | 732,178 | 824,293 |
| **Direct operating expenses** | | | |
| Miscellaneous expenses | | (713,974) | (807,531) |
| Depreciation | | (31,014) | (33,545) |
| | | (744,988) | (841,076) |
| **Net deficit for the year** | 21 | (12,810) | (16,783) |

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

| | *Note* | *2025* | *2024* |
|---|---|---|---|
| Service income, recognised over time (note) | | 411,284 | 570,827 |
| Other production cost | | (393,934) | (554,843) |
| Depreciation | | (31,350) | (35,243) |
| Other expenses | | (50) | (125) |
| Total expenses | | (425,334) | (590,211) |
| **Net deficit for the year** | 21 | (14,050) | (19,384) |

## 26 Controlled Environment Hydroponic Research and Development Project (continued)

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

| | *Note* | *2025* | *2024* |
|---|---|---|---|
| Income (note) | | 2,540,842 | 2,162,586 |
| Depreciation | | (1,147,906) | (1,143,823) |
| Other expenses | | (1,392,936) | (1,018,763) |
| Total expenses | | (2,540,842) | (2,162,586) |
| **Net surplus for the year** | 21 | - | - |

Note:

During the year ended 31 March 2025, total income of HK$3,684,304 (2024: HK$3,557,706) was received/receivable from the Hong Kong SAR government, which has significant influence over the organization.

## 27 Cash flow information

### (a) Cash used in operations

| | 2025 | 2024 |
|---|---|---|
| Deficit for the year | (12,538,042) | (3,007,051) |
| Adjustments for: | | |
| - Interest income on bank deposits | (7,873,247) | (8,080,149) |
| - Interest income on VMO Loans (note 22) | (15,382) | (9,474) |
| - Depreciation of property, plant and equipment (note 4) | 1,932,029 | 2,165,393 |
| - Depreciation of right-of-use assets (note 5) | 773,827 | 825,600 |
| - Inventories written off (note 9) | 1,045,120 | 1,112,364 |
| - Loss/(gain) on disposals of property, plant and equipment (note (b) below) | 29,629 | (144) |
| - Discount on amortisation / (amortisation) on VMO Loans (note 22) | 18,485 | (30,268) |
| - Provision for provision for unused annual leave (note 16) | 54,687 | 15,459 |
| - Rental concession | - | (340,914) |
| - Deferred income utilised and released to profit or loss (note 17) | (2,540,842) | (2,162,586) |
| - Retirement benefit costs for defined benefit plan (note 18) | (144,495) | (49,231) |
| - Retirement benefit costs for long service payment (note 18) | 434,414 | 382,288 |
| - Interest expenses on lease liabilities (note 15) | 80,644 | 31,332 |
| | (18,743,173) | (9,147,381) |
| Changes in working capital: | | |
| - Inventories | (977,165) | (1,105,207) |
| - VMO Loans | (385,000) | (432,500) |
| - Trade and other receivables | 2,621,627 | 668,898 |
| - Trade and other payables | (2,278,823) | 1,407,658 |
| - Provisions for other liabilities | (151,229) | (114,030) |
| - Vegetable buyers' deposits | 56,414 | (691,828) |
| - Long service payment obligations | (199,102) | (174,028) |
| - Deferred income | 1,251,432 | 881,643 |
| Net cash used in operations | (18,805,019) | (8,706,775) |

## 27 Cash flow information (continued)

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

| | Note | 2025 | 2024 |
|---|---|---|---|
| Net book amount | 4 | 44,629 | 14,656 |
| (Loss)/gain on disposals of property, plant and equipment recognised in: | | | |
| - (Other expenditure)/non-trading income | | (7,248) | 144 |
| - Net deficit from VMO Agricultural Development Fund | | (22,381) | - |
| | | (29,629) | 144 |
| Proceeds from disposals of property, plant and equipment | | 15,000 | 14,800 |

### *(c) Reconciliation of liabilities arising from financing activities*

| | *Lease liabilities* |
|---|---|
| **At 1 April 2023** | 1,008,364 |
| Non-cash flow | |
| - Rent concession | (340,914) |
| - Accrued interest | 31,332 |
| Cash flow | |
| - Principal elements of lease payments | (499,514) |
| - Interest elements of lease payments | (31,332) |
| **At 31 March 2024 and 1 April 2024** | 167,936 |
| Non-cash flow | |
| - Lease modification | 2,157,649 |
| - Accrued interest | 80,644 |
| Cash flow | |
| - Principal elements of lease payments | (735,258) |
| - Interest elements of lease payments | (80,644) |
| **At 31 March 2025** | 1,590,327 |

## 28 Key management personnel

| | *2025* | *2024* |
|---|---|---|
| Salaries and other employee benefits | 729,465 | 708,213 |

## 29 Capital commitments

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

| | *2025* | *2024* |
|---|---|---|
| Property, plant and equipment<br>- VMO Agricultural Development Fund | 4,750,000 | - |

## 30 Funding to Agricultural Products Scholarship Fund

During the year, the Organization provides HK$4,000,000 (2024: Nil) to Agricultural Products Scholarship Fund to support its operations.