

VEGETABLE MARKETING ORGANIZATION

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 MARCH 2022



羅兵咸永道

**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"), which are set out on pages 4 to 47, comprise:

- the balance sheet as at 31 March 2022;
- 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 significant accounting policies and other explanatory information.

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 2022, and of its financial performance and its cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Basis for Opinion

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

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

Independence

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

**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, **08 SEP 2022**

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

BALANCE SHEET

		As at 31 March	
	Note	2022	2021
ASSETS			
Non-current assets			
Property, plant and equipment	5	14,345,995	13,741,603
Right-of-use assets	6	2,216,486	564,542
Assets under defined benefit plan	20	9,140,778	10,975,762
Total non-current assets		<u>25,703,259</u>	<u>25,281,907</u>
Current assets			
Inventories	10(a)	331,051	275,896
Biological assets	10(b)	-	-
VMO Loans	7(a)	1,508,439	1,787,503
Trade and other receivables	11	7,315,724	7,270,282
Bank deposits with original maturities over three months	12	212,396,000	215,950,000
Cash and cash equivalents	13	10,816,399	15,136,602
Total current assets		<u>232,367,613</u>	<u>240,420,283</u>
Total assets		<u>258,070,872</u>	<u>265,702,190</u>
FUNDS			
VMO General Fund			
Accumulated surplus	14	206,111,576	206,158,305
Specific funds			
VMO Loan Fund	7(a)	13,128,908	13,070,356
VMO Agricultural Development Fund	8	4,711,972	14,335,144
Funds provided from external sources for capital expenditure	15	1,764,104	1,764,104
Total funds		<u>225,716,560</u>	<u>235,327,909</u>

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

BALANCE SHEET (CONTINUED)

		As at 31 March	
	Note	2022	2021
LIABILITIES			
Non-current liabilities			
Lease liabilities	17	1,008,364	-
Long service payment obligations	20	3,944,976	4,157,848
Deferred income	19	8,546,269	8,521,620
Total non-current liabilities		<u>13,499,609</u>	<u>12,679,468</u>
Current liabilities			
Trade and other payables	16	9,790,047	8,677,932
Lease liabilities	17	799,523	128,529
Provisions for other liabilities	18	1,513,326	1,321,463
Long service payment obligations	20	121,893	483,289
Deferred income	19	1,075,839	962,287
Vegetable buyers' deposits		5,554,075	6,121,313
Total current liabilities		<u>18,854,703</u>	<u>17,694,813</u>
Total liabilities		<u>32,354,312</u>	<u>30,374,281</u>
Total funds and liabilities		<u>258,070,872</u>	<u>265,702,190</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

08 SEP 2022


Director of Marketing

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

STATEMENT OF COMPREHENSIVE INCOME

	Note	Year ended 31 March	
		2022	2021
INCOME			
Operating income			
Commission		61,224,421	65,262,143
Rebates		(21,362,605)	(22,834,792)
		<u>39,861,816</u>	<u>42,427,351</u>
Net income from sales of premium vegetables	21	<u>4,371,118</u>	<u>5,100,519</u>
Other operating income			
Rental income		1,009,188	953,788
Parking permit fee income		1,045,250	1,062,375
Other income		1,885,901	1,305,348
		<u>3,940,339</u>	<u>3,321,511</u>
Non-trading income			
Interest income on bank deposits		861,482	2,443,717
Gain on disposals of property, plant and equipment	29(b)	-	125,729
		<u>861,482</u>	<u>2,569,446</u>
Total income		<u>49,034,755</u>	<u>53,418,827</u>
EXPENDITURE			
Operating expenditure			
Employee benefit expenditure	22(a)	(33,890,154)	(36,582,291)
General working expenses			
Rent, rates and permit fees		(1,466,299)	(1,616,791)
Printing and stationery		(386,845)	(459,045)
Utility services		(1,392,117)	(1,379,465)
Maintenance and minor improvements		(2,169,808)	(2,266,648)
Vegetable baskets		(18,790)	2,367
Stores and equipment		(436,741)	(431,625)
Miscellaneous expenses		(438,988)	(405,123)
Staff welfare		(316,151)	(304,801)
Staff training		(1,600)	(2,330)
Travelling expenses		(86,064)	(92,020)
Protective clothing and uniforms		(19,870)	(15,817)
Insurance		(714,129)	(765,103)
Auditor's remuneration		(430,400)	(414,900)
Market security		(330,262)	(336,064)
Transportation expenses		(3,010,967)	(2,736,373)
Depreciation of			
- Markets and depots	5	(770,715)	(953,802)
- Right-of-use assets	6	(771,962)	(636,906)
Balance carried forward		<u>(12,761,708)</u>	<u>(12,814,446)</u>

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

STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

	Note	Year ended 31 March	
		2022	2021
Operating expenditure (Continued)			
General working expenses (Continued)			
Balance brought forward		(12,761,708)	(12,814,446)
Subsidy to federation and co-operative societies		(1,106,474)	(1,114,354)
Grants-in-aid		-	(30,000)
Publication and publicity		(7,288)	(17,540)
Legal and professional fee		(32,500)	-
Bank charges		(10,731)	(16,252)
Interest expense		(87,310)	(26,870)
		<u>(14,006,011)</u>	<u>(14,019,462)</u>
Total operating expenditure		<u>(47,896,165)</u>	<u>(50,601,753)</u>
Other expenditure			
Loss on disposals of property, plant and equipment	29(b)	(46,608)	-
		<u>(46,608)</u>	<u>-</u>
Total expenditure		<u>(47,942,773)</u>	<u>(50,601,753)</u>
Operating surplus for the year		<u>1,091,982</u>	<u>2,817,074</u>
Net (deficit)/surplus from:			
- VMO Agricultural Development Fund	23	(9,433,593)	(10,037,477)
- VMO Loan Fund	24	58,552	179,052
		<u>(9,375,041)</u>	<u>(9,858,425)</u>
Deficit for the year		<u>(8,283,059)</u>	<u>(7,041,351)</u>
Other comprehensive (loss)/income for the year			
<u>Items that will not be reclassified subsequently to surplus or deficit</u>			
Remeasurements for defined benefit plan	20(a)	(1,631,390)	4,639,851
Remeasurements for long service payment obligations			
- VMO General Fund		492,679	2,086,246
- VMO Agricultural Development Fund		(189,579)	129,330
	20(b)	<u>303,100</u>	<u>2,215,576</u>
Total comprehensive loss for the year		<u>(9,611,349)</u>	<u>(185,924)</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	
		2022	2021
At 1 April		235,327,909	235,513,833
Deficit for the year		(8,283,059)	(7,041,351)
Other comprehensive (loss)/income			
- Remeasurements for defined benefit plan	20(a)	(1,631,390)	4,639,851
- Remeasurements for long service payment obligations:	20(b)		
- VMO General Fund		492,679	2,086,246
- VMO Agricultural Development Fund		(189,579)	129,330
Total comprehensive loss		(9,611,349)	(185,924)
At 31 March		225,716,560	235,327,909

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	
		2022	2021
Cash flows from operating activities			
Net cash used in operations	29(a)	(5,375,249)	(589,218)
Interest received on VMO Loans		95	2,064
Net cash outflow from operating activities		<u>(5,375,154)</u>	<u>(587,154)</u>
Cash flows from investing activities			
Purchases of property, plant and equipment	5	(3,444,720)	(6,357,804)
Proceeds from disposals of property, plant and equipment	29(b)	72,020	439,600
Net uplift/(placement) of bank deposits with original maturities over three months		3,554,000	(12,073,093)
Bank interest received		1,123,509	3,298,540
Net cash inflow/(outflow) from investing activities		<u>1,304,809</u>	<u>(14,692,757)</u>
Cash flows from financing activities			
Principal elements of lease payments	29(c)	(162,548)	(167,130)
Interest elements of lease payments	29(c)	(87,310)	(26,870)
Net cash outflow from financing activities		<u>(249,858)</u>	<u>(194,000)</u>
Net decrease in cash and cash equivalents		<u>(4,320,203)</u>	<u>(15,473,911)</u>
Cash and cash equivalents at beginning of the year		15,136,602	30,610,513
Cash and cash equivalents at end of the year	13	<u>10,816,399</u>	<u>15,136,602</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 2021:

HKFRS 16 (Amendments)	COVID-19 Related Rent Concessions
HKFRS 16 (Amendments)	COVID-19 Related Rent Concessions beyond 30 June 2021
HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16 (Amendments)	Interest Rate Benchmark Reform – Phase 2

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.

- (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 2022. The following Amendments are relevant and applicable to the Organization; however, they have not been early adopted in these financial statements:

Annual Improvements Project	Annual Improvements to HKFRS Standards 2018-2020 (Amendments) ¹
Amendments to HKAS 16	Property, Plant and Equipment: Proceeds Before Intended Use ¹
Amendments to HKFRS 3	Reference to the Conceptual Framework ¹
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract ¹
Revised Accounting Guideline 5	Merger Accounting for Common Control Combinations ¹
Amendments to HKAS 1	Classification of Liabilities as Current or Non-Current ²
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ²
Amendments to HKAS 8	Definition of Accounting Estimates ²
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ²
HKFRS 17	Insurance Contracts ²
Hong Kong Interpretation 5 (2020)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayments on Demand Clause ²
Amendments to HKFRS 10 and HKAS 28 (2011)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³

Note:

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

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.

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 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 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.

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 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.

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.

2.9 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.

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

NOTES TO THE FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

2.10 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.

2.11 Cash and cash equivalents

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

2.12 Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers and service providers. Trade and other payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

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

2.13 Employee benefits

(a) Employee leave entitlements

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

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

(b) Retirement plan obligations

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

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.

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

NOTES TO THE FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

2.13 Employee benefits (Continued)

(b) Retirement plan obligations (Continued)

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.

(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.

VEGETABLE MARKETING ORGANIZATION

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NOTES TO THE FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

2.14 Provisions

Provisions are recognised when the Organization has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

2.15 Revenue and other income recognition

Revenue comprises the fair value of the consideration received or receivable for the sales of goods and services in the ordinary course of the Organization's activities. Revenue and other income are recognised as follows:

- (a) Commission income 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.

2.16 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.

VEGETABLE MARKETING ORGANIZATION

(All amounts in Hong Kong dollars unless otherwise stated)

NOTES TO THE FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

2.17 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.

2.18 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.

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.

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NOTES TO THE FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

2.18 Leases (Continued)

(b) As a lessee (Continued)

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.

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.

VEGETABLE MARKETING ORGANIZATION
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NOTES TO THE FINANCIAL STATEMENTS

3 Financial and fund risks management (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

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

On that basis, the loss allowance as at 31 March 2022 and 2021 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 2022					
Expected loss rate					
– trade receivables	0%	0%	0%	97%	
– VMO loans	0.4%	100%	100%	100%	
Gross carrying amount					
– trade receivables	3,092,371	687,183	19,566	116,446	3,915,566
– VMO loans	1,591,048	10,000	14,500	51,000	1,666,548
Provision for impairment					
– trade receivables	-	-	-	113,157	113,157
– VMO loans	6,357	10,000	14,500	51,000	81,857
	<u>6,357</u>	<u>10,000</u>	<u>14,500</u>	<u>51,000</u>	<u>81,857</u>
31 March 2021					
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
Provision for impairment					
– trade receivables	-	-	-	113,157	113,157
– VMO loans	2,257	-	39,800	39,800	81,857
	<u>2,257</u>	<u>-</u>	<u>39,800</u>	<u>39,800</u>	<u>81,857</u>

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)

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 2022 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.

(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 2022 and 2021, the maturity analysis of the financial liabilities is as follows:

	2022	2021
Less than one year		
Trade and other payables (note 16)	9,654,730	8,501,095
Vegetable buyers' deposits	5,554,075	6,121,313
Undiscounted lease liabilities (note 17)	871,760	129,333
	<u>16,080,565</u>	<u>14,751,741</u>
More than one year and less than five years		
Undiscounted lease liabilities (note 17)	1,040,993	-
	<u>17,121,558</u>	<u>14,751,741</u>

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)

(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 2022, if interest rate on the bank deposits had been 25 basis points (2021: 25 basis points) higher/lower with all other variables held constant, deficit for the year would have been approximately HK\$531,000 (2021: HK\$540,000) 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 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.

VEGETABLE MARKETING ORGANIZATION
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NOTES TO THE FINANCIAL STATEMENTS

4 Critical accounting estimates and judgements (Continued)

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

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NOTES TO THE FINANCIAL STATEMENTS

5 Property, plant and equipment

	Vegetable Marketing Organization Agricultural Development Fund (note 8)									
	Markets and depots					Furniture, fixtures and computer equipment				
	Buildings	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
At 1 April 2020										
Cost	2,953,430	27,182,186	5,178,209	17,253	35,331,078	4,126,083	10,897,653	7,073,562	3,767,686	25,864,984
Accumulated depreciation	(2,953,430)	(24,431,264)	(4,778,209)	(17,253)	(32,180,156)	(4,126,083)	(8,176,974)	(5,115,198)	-	(17,418,255)
Net book amount	-	2,750,922	400,000	-	3,150,922	-	2,720,679	1,958,364	3,767,686	8,446,729
Year ended 31 March 2021										
Opening net book amount	-	2,750,922	400,000	-	3,150,922	-	2,720,679	1,958,364	3,767,686	8,446,729
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
Disposals (note 29(b))	-	(83,871)	-	-	(83,871)	-	(1,384,436)	(18,160)	-	(1,402,596)
- Cost	-	(1,573,057)	(639,375)	(4,220)	(2,216,652)	-	(6,146,202)	(47,390)	-	(6,193,592)
- Accumulated depreciation	-	1,489,186	639,375	4,220	2,132,781	-	4,761,766	29,230	-	4,790,996
Depreciation	-	(853,802)	(100,000)	-	(953,802)	(331,611)	(735,780)	(706,192)	-	(1,773,583)
Closing net book amount	-	2,052,639	300,000	-	2,352,639	6,833,369	3,220,197	1,335,398	-	11,388,964
At 31 March 2021										
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
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)
Net book amount	-	2,052,639	300,000	-	2,352,639	6,833,369	3,220,197	1,335,398	-	11,388,964

VEGETABLE MARKETING ORGANIZATION
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NOTES TO THE FINANCIAL STATEMENTS

5 Property, plant and equipment (Continued)

	Markets and depots					Vegetable Marketing Organization Agricultural Development Fund (note 8)				
	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	Total
Year ended 31 March 2022										
Opening net book amount	-	300,000	-	2,352,639	6,833,369	3,220,197	1,335,398	-	11,388,964	13,741,603
Additions	-	-	-	2,309,204	259,500	876,016	-	-	1,135,516	3,444,720
Disposals (note 29(b))	-	-	-	(118,628)	-	(2,020)	(37,754)	-	(39,774)	(158,402)
- Cost	-	(809,445)	-	(2,049,353)	-	(30,244)	(343,695)	-	(373,939)	(2,423,292)
- Accumulated depreciation	-	690,817	-	1,930,725	-	28,224	305,941	-	334,165	2,264,890
Depreciation	-	(670,715)	-	(770,715)	(720,061)	(486,756)	(704,394)	-	(1,911,211)	(2,681,926)
Closing net book amount	-	3,572,500	-	3,772,500	6,372,808	3,607,437	593,250	-	10,573,495	14,345,995
At 31 March 2022										
Cost	2,953,430	27,348,278	13,033	33,613,667	11,550,563	8,216,957	6,783,863	-	26,551,383	60,165,050
Accumulated depreciation	(2,953,430)	(23,775,778)	(13,033)	(29,841,167)	(5,177,755)	(4,609,520)	(6,190,613)	-	(15,977,888)	(45,819,955)
Net book amount	-	3,572,500	-	3,772,500	6,372,808	3,607,437	593,250	-	10,573,495	14,345,995

Depreciation expenses of HK\$770,715 and HK\$1,911,211 (2021: HK\$953,802 and HK\$1,773,583) have been charged in the operating expenditure and net deficit from VMO Agricultural Development Fund respectively on page 6 and note 23, respectively.

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NOTES TO THE FINANCIAL STATEMENTS

6 Right-of-use assets

	Land interests on owned properties	Leased market premises	Leased office equipment	Total
At 1 April 2020				
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>-</u>	<u>1,201,448</u>
Year ended 31 March 2021				
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>-</u>	<u>564,542</u>
At 31 March 2021				
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>-</u>	<u>564,542</u>
Year ended 31 March 2022				
Opening net book amount	461,329	103,213	-	564,542
Addition	-	-	266,258	266,258
Lease modification	-	2,157,648	-	2,157,648
Depreciation	(17,630)	(702,560)	(51,772)	(771,962)
Closing net book amount	<u>443,699</u>	<u>1,558,301</u>	<u>214,486</u>	<u>2,216,486</u>
At 31 March 2022				
Cost	1,492,700	3,556,774	266,258	5,315,732
Accumulated depreciation	(1,049,001)	(1,998,473)	(51,772)	(3,099,246)
Net book amount	<u>443,699</u>	<u>1,558,301</u>	<u>214,486</u>	<u>2,216,486</u>

Depreciation expenses of HK\$771,962 (2021: HK\$636,906) have been charged in the operating expenditure on page 6.

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 2022 and 2021 are set out in notes 17 and 29(c) respectively.

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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	2022	2021
ASSETS			
Current assets			
VMO Loans			
- Loans to farmers		1,666,500	1,960,700
- Interest receivable		48	114
		<u>1,666,548</u>	<u>1,960,814</u>
Less: Provision for impairment of VMO Loans		(81,857)	(81,857)
		<u>1,584,691</u>	<u>1,878,957</u>
Less: Accumulated amortisation at 1 April		(91,454)	(73,324)
Amortisation of premium/(discount on amortisation) on VMO Loans	24	15,202	(18,130)
Accumulated amortisation at 31 March		<u>(76,252)</u>	<u>(91,454)</u>
VMO Loans – net		1,508,439	1,787,503
Other receivables		5,679	4,590
Bank deposits with original maturities over three months	12	11,300,000	11,100,000
Cash and cash equivalents	13	314,790	178,263
		<u>13,128,908</u>	<u>13,070,356</u>
Total assets		<u>13,128,908</u>	<u>13,070,356</u>
FUNDS			
Capital account transferred from VMO General Fund		2,608,000	2,608,000
Accumulated surplus at 1 April		10,462,356	10,283,304
Net surplus for the year transferred from VMO General Fund	14 & 24	58,552	179,052
Accumulated surplus at 31 March		<u>10,520,908</u>	<u>10,462,356</u>
Total funds		<u>13,128,908</u>	<u>13,070,356</u>
LIABILITIES			
Current and total liabilities		-	-
Total funds and liabilities		<u>13,128,908</u>	<u>13,070,356</u>

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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 0.007% (2021: 0.001% to 0.125%) per annum and are repayable within one year (2021: within one year) with third party personal guarantees. As at 31 March 2022, the weighted average effective interest rate of the VMO Loans is 0.0014% (2021: 0.0030%) 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:

	2022	2021
Opening loss allowance at 1 April	81,857	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>81,857</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 2022 and 2021 and are denominated in Hong Kong dollars.

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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	2022	2021
ASSETS			
Non-current assets			
Property, plant and equipment	5	10,573,495	11,388,964
Current assets			
Inventories	10(a)	87,287	26,179
Biological assets	10(b)	-	-
Trade and other receivables		922,513	1,157,457
Bank deposits with original maturities over three months	12	2,730,000	7,400,000
Cash and cash equivalents	13	1,199,466	4,814,043
Total current assets		4,939,266	13,397,679
Total assets		15,512,761	24,786,643
FUNDS			
Capital account			
At 1 April		418,000,000	410,000,000
Transfer from VMO General Fund	14	-	8,000,000
At 31 March		418,000,000	418,000,000
Accumulated deficit at 1 April		(403,664,856)	(393,756,709)
Net deficit for the year transferred from VMO General Fund	14 & 23	(9,623,172)	(9,908,147)
Accumulated deficit at 31 March		(413,288,028)	(403,664,856)
Total funds		4,711,972	14,335,144
LIABILITIES			
Non-current liabilities			
Long service payment obligations		325,677	125,945
Deferred income	19	8,546,269	8,521,620
Total non-current liabilities		8,871,946	8,647,565
Current liabilities			
Other payables		729,459	748,602
Provisions for other liabilities		123,545	93,045
Deferred income	19	1,075,839	962,287
Total current liabilities		1,928,843	1,803,934
Total liabilities		10,800,789	10,451,499
Total funds and liabilities		15,512,761	24,786,643

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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	2022	2021
Financial assets at amortised cost			
VMO Loans	7(a)	1,508,439	1,787,503
Trade and other receivables	11	6,289,446	5,290,249
Bank deposits with original maturities over three months	12	212,396,000	215,950,000
Cash and cash equivalents	13	10,816,399	15,136,602
		<u>231,010,284</u>	<u>238,164,354</u>
Financial liabilities at amortised cost			
Trade and other payables	16	9,654,730	8,501,095
Lease liabilities	17	1,807,887	128,529
Vegetable buyers' deposits		5,554,075	6,121,313
		<u>17,016,692</u>	<u>14,750,937</u>
10 Inventories and biological assets			
(a) Inventories			
		2022	2021
Premium vegetables		166,204	155,486
Others		164,847	120,410
		<u>331,051</u>	<u>275,896</u>
Represented by:			
- VMO General Fund		243,764	249,717
- VMO Agricultural Development Fund (note 8)		87,287	26,179
		<u>331,051</u>	<u>275,896</u>

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NOTES TO THE FINANCIAL STATEMENTS

10 Inventories and biological assets (Continued)

(b) Biological assets

	2022	2021
At 1 April	-	-
Additions	958,410	879,619
Harvested hydroponic vegetable produce	(958,410)	(879,619)
	<u> </u>	<u> </u>
At 31 March	<u> </u>	<u> </u>

During the year, the quantity of hydroponic vegetable produce harvested for sales is 2,027 (2021: 1,897) kilogram.

11 Trade and other receivables

	2022	2021
Trade receivables	3,915,566	3,514,924
Less: Provision for impairment of trade receivables	(113,157)	(113,157)
	<u> </u>	<u> </u>
Trade receivables, net	3,802,409	3,401,767
Interest receivables	357,462	558,156
Other receivables	2,129,575	1,330,326
	<u> </u>	<u> </u>
Financial assets	6,289,446	5,290,249
Prepayments for:		
- Insurance expense	13,664	15,180
- Other operating expenses	1,012,614	1,964,853
	<u> </u>	<u> </u>
Total	<u> </u>	<u> </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 2022, the Organization considered that the expected credit loss for other receivables was immaterial thus no loss allowance was made (2021: 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 2022 and 2021 and are denominated in Hong Kong dollars.

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NOTES TO THE FINANCIAL STATEMENTS

12 Bank deposits with original maturities over three months

	Note	2022	2021
VMO General Fund		198,366,000	197,450,000
VMO Loan Fund	7(a)	11,300,000	11,100,000
VMO Agricultural Development Fund	8	2,730,000	7,400,000
		<u>212,396,000</u>	<u>215,950,000</u>
Maximum exposure to credit risk		<u>212,396,000</u>	<u>215,950,000</u>

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

13 Cash and cash equivalents

	Note	2022	2021
<u>VMO General Fund</u>			
Cash at banks and in hand		9,302,143	10,144,296
<u>VMO Loan Fund</u>			
Cash at banks	7(a)	314,790	178,263
<u>VMO Agricultural Development Fund</u>			
Cash at banks and in hand	8	1,199,466	4,814,043
Total		<u>10,816,399</u>	<u>15,136,602</u>
Maximum exposure to credit risk		<u>9,525,225</u>	<u>14,420,244</u>

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

14 VMO General Fund - Accumulated Surplus

	Note	2022	2021
At 1 April		206,158,305	204,615,134
Deficit for the year		(8,283,059)	(7,041,351)
Surplus/(deficit) on remeasurements for:			
- Defined benefit plan	20	(1,631,390)	4,639,851
- Long service payment obligations			
- VMO General Fund	20	492,679	2,086,246
- VMO Agricultural Development Fund	20	(189,579)	129,330
Net surplus transferred to VMO Loan Fund	7(a)	(58,552)	(179,052)
Net deficit transferred to VMO Agricultural Development Fund	8	9,623,172	9,908,147
Transferred to capital account of VMO Agricultural Development fund	8	-	(8,000,000)
At 31 March		<u>206,111,576</u>	<u>206,158,305</u>

VEGETABLE MARKETING ORGANIZATION
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NOTES TO THE FINANCIAL STATEMENTS

15 Funds provided from external sources for capital expenditure

	2022	2021
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

	2022	2021
Trade payables	6,465,013	5,443,700
Other payables	2,203,842	2,078,740
Vegetable sellers' and other deposits	985,875	978,655
	<u>9,654,730</u>	<u>8,501,095</u>
Financial liabilities	135,317	176,837
Receipts in advance	<u>9,790,047</u>	<u>8,677,932</u>

The carrying values of trade and other payables approximate their fair values at 31 March 2022 and 2021 and are denominated in Hong Kong dollars.

17 Lease liabilities

	2022	2021
Current	799,523	128,529
Non-current	1,008,364	-
	<u>1,807,887</u>	<u>128,529</u>
Minimum lease payments		
- Within one year	871,760	129,333
- Over one year and less than five years	1,040,993	-
	<u>1,912,753</u>	<u>129,333</u>
Less: total future interest expenses	(104,866)	(804)
	<u>1,807,887</u>	<u>128,529</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\$87,310 (2021: HK\$26,870) has been charged in the statement of comprehensive income.

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NOTES TO THE FINANCIAL STATEMENTS

18 Provisions for other liabilities

	Unused annual leave	Contingent price of equipment (note)	Total
At 1 April 2020	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>
Provision/(reversal of 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>
At 31 March 2021	<u>1,321,463</u>	-	<u>1,321,463</u>
At 1 April 2021	1,321,463	-	1,321,463
Payments for the year	(105,057)	-	(105,057)
	<u>1,216,406</u>	-	<u>1,216,406</u>
Provision for the year			
- VMO General Fund (note 22(a))	246,811	-	246,811
- VMO Agricultural Development Fund (note 22(b))	50,109	-	50,109
	<u>296,920</u>	-	<u>296,920</u>
At 31 March 2022	<u>1,513,326</u>	-	<u>1,513,326</u>

Analysis of total provisions:

	Unused annual leave	Contingent price of equipment (note)	Total
<u>At 31 March 2022</u>			
Current	<u>1,513,326</u>	-	<u>1,513,326</u>
<u>At 31 March 2021</u>			
Current	<u>1,321,463</u>	-	<u>1,321,463</u>

VEGETABLE MARKETING ORGANIZATION

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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.

19 Deferred income

	2022	2021
At 1 April	9,483,907	3,767,686
Government grant received (note)	2,431,313	6,303,858
Amount utilised and released to profit or loss (note 28(c))	(2,293,112)	(587,637)
At 31 March	<u>9,622,108</u>	<u>9,483,907</u>
Non-current	8,546,269	8,521,620
Current	1,075,839	962,287
Total	<u>9,622,108</u>	<u>9,483,907</u>

Note:

During the year ended 31 March 2022 and 2021, 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.

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NOTES TO THE FINANCIAL STATEMENTS

20 Retirement benefit obligations

	Note	2022	2021
Balance sheet assets for:			
- Defined benefit plan	(a)	<u>9,140,778</u>	<u>10,975,762</u>
Balance sheet obligations for:			
- Long service payment obligations			
- Non-current portion		(3,944,976)	(4,157,848)
- Current portion		(121,893)	(483,289)
	(b)	<u>(4,066,869)</u>	<u>(4,641,137)</u>
Statement of comprehensive income charged for:			
- Defined benefit plan	22(a)	<u>203,594</u>	<u>237,403</u>
- Long service payment obligations			
- VMO General Fund	22(a)	278,116	391,623
- VMO Agricultural Development Fund	22(b)	10,153	23,604
		<u>288,269</u>	<u>415,227</u>
		<u>491,863</u>	<u>652,630</u>
Remeasurements for:			
- Defined benefit plan	(a)	<u>1,631,390</u>	<u>(4,639,851)</u>
- Long service payment obligations			
- VMO General Fund		(492,679)	(2,086,246)
- VMO Agricultural Development Fund		189,579	(129,330)
	(b)	<u>(303,100)</u>	<u>(2,215,576)</u>
		<u>1,328,290</u>	<u>(6,855,427)</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 2022 and 2021 carried out by Milliman Limited, who holds a recognised professional qualification.

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

	2022	2021
Present value of the funded obligations	(8,832,413)	(9,582,313)
Fair value of plan assets	<u>17,973,191</u>	<u>20,558,075</u>
Assets in the balance sheet	<u>9,140,778</u>	<u>10,975,762</u>

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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 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>
Remeasurements:			
- 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>
At 1 April 2021	(9,582,313)	20,558,075	10,975,762
Current service costs	(252,825)	-	(252,825)
Interest (expense)/income	(44,613)	99,483	54,870
	<u>(9,879,751)</u>	<u>20,657,558</u>	<u>10,777,807</u>
Remeasurements:			
- Return on plan assets (excluding interest income)	-	(2,332,859)	(2,332,859)
- Surplus from change in financial assumption changes	428,870	-	428,870
- Experience gains	272,599	-	272,599
	<u>701,469</u>	<u>(2,332,859)</u>	<u>(1,631,390)</u>
Plan participants contributions	(107,304)	107,304	-
Benefit payments	453,173	(453,173)	-
Administrative cost	-	(5,639)	(5,639)
	<u>345,869</u>	<u>(351,508)</u>	<u>(5,639)</u>
At 31 March 2022	<u>(8,832,413)</u>	<u>17,973,191</u>	<u>9,140,778</u>

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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:

	2022 %	2021 %
Equities	54	58
Bonds	35	35
Money instruments	11	7
	<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 2020	6,976,930
Current service costs	368,926
Interest expense	46,462
	<u>7,392,318</u>
Remeasurements:	
- Experience gains	<u>(2,215,576)</u>
Benefit payments	<u>(535,605)</u>
At 31 March 2021	<u><u>4,641,137</u></u>

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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 2021	4,641,137
Current service costs	232,342
Interest expense	55,927
	<u>4,929,406</u>
Remeasurements:	
- Experience gains	(303,100)
Benefit payments	(559,437)
	<u>4,066,869</u>
At 31 March 2022	<u>4,066,869</u>

(c) The principal actuarial assumptions used as follows:

	<u>Defined benefit obligations</u>		<u>Long service payment obligations</u>	
	2022 %	2021 %	2022 %	2021 %
Discount rate	1.8	0.5	2.0	1.3
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 1.8%	Increase by 1.8%	Decrease by 4.2%	Increase by 4.5%
Salary growth rate	0.5%	Increase by 1.7%	Decrease by 1.6%	Increase by 3.0%	Decrease by 2.9%

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.

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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 2022:

	<u>Defined benefit obligations</u>		<u>Long service payment obligations</u>	
	2022	2021	2022	2021
Expected contributions by:				
- Employees	107,304	105,692	-	-

- (f) The weighted average duration of the defined benefit obligations and long service payment obligations is around 4 years and 9 years (2021: 4 years and 9 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>	
	2022	2021	2022	2021
Less than 1 year	1,017,000	1,423,000	130,000	678,000
Between 1 and 2 years	1,078,000	79,000	346,000	196,000
Between 2 and 5 years	5,384,000	5,486,000	1,665,000	1,392,000
More than 5 years	2,959,000	4,044,000	29,767,000	21,023,000
	10,438,000	11,032,000	31,908,000	23,289,000

21 Net income from sales of premium vegetables

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

	2022	2021
Sales of premium vegetables	21,067,078	20,861,536
Cost of inventories sold	(17,173,626)	(16,148,651)
Gross profit	3,893,452	4,712,885
Commission income relating to sales of premium vegetables	570,079	519,198
Direct operating expenses		
Sales commission	(19,810)	(6,618)
Sundry expenses	(72,603)	(124,946)
	(92,413)	(131,564)
Net income for the year	4,371,118	5,100,519

The cost of inventories sold includes inventory written-off of HK\$1,360,845 (2021: HK\$1,383,555).

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NOTES TO THE FINANCIAL STATEMENTS

22 Employee benefit expenditure

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

	Note	2022	2021
Salaries and wages		31,383,105	33,761,461
Provision for unused annual leave	18	246,811	289,453
Retirement benefit costs			
- Defined contribution plan and MPF scheme		1,778,528	1,902,351
- Defined benefit plan	20	203,594	237,403
- Long services payment obligations	20	278,116	391,623
		<u>33,890,154</u>	<u>36,582,291</u>

(b) In addition to the above, employee benefit expenditure amounting to HK\$3,534,018 (2021: HK\$3,557,821) as listed below has been included in various expenditure items in the VMO Agricultural Development Fund in note 23.

	Note	2022	2021
Salaries and wages		3,321,062	3,327,945
Provision for unused annual leave	18	50,109	52,747
Retirement benefit costs			
- MPF scheme		152,694	153,525
- Long services payment obligations	20	10,153	23,604
		<u>3,534,018</u>	<u>3,557,821</u>

23 Net deficit from VMO Agricultural Development Fund

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

	2022	2021
Income		
FarmFest income	9,531,124	1,423,013
Interest income on bank deposits	17,848	149,639
Other income	960	507,785
	<u>9,549,932</u>	<u>2,080,437</u>

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NOTES TO THE FINANCIAL STATEMENTS

23 Net deficit from VMO Agricultural Development Fund (Continued)

	Note	2022	2021
Expenditure			
Land rehabilitation scheme			
- Depreciation		(77,615)	(77,615)
- Miscellaneous expenditure		(701)	(701)
Construction and improvement of communal agriculture facilities		(376,200)	-
Crop Development Programmes Promotion			
- Depreciation		(4,935)	(5,440)
- Net deficit from sales of accredited local vegetables	26	(243,815)	(232,943)
- Grants to a third party organization		(2,866,270)	(3,078,070)
- Loss on disposal of property, plant and equipment	29(b)	(2,020)	-
- Other expenses		(2,039,662)	(2,158,559)
Controlled Environment Greenhouse Production			
- Depreciation		(12,169)	(12,169)
- Other expenses		(601)	11,330
Promotion of Organic Farming			
- Depreciation		(26,590)	(28,442)
- Net deficit from sales of organic vegetables	27	(1,179,966)	(808,884)
- Loss on disposals of property, plant and equipment	29(b)	-	(2,100)
- Other expenses		(64,902)	(140,834)
Voluntary Registration Scheme of Local Vegetable Farms			
- Depreciation		(16,117)	(16,117)
- Other expenses		-	1,032
Promotion of Local Agricultural and Fisheries Products			
- FarmFest expenses		(11,062,248)	(2,817,950)
Improvement to VMO's wholesale marketing facilities and services			
- Depreciation		(70,316)	(486,881)
- Loss on disposals of property, plant and equipment	29(b)	-	(1,152,336)
- Other expenses		(195,100)	(666,733)
Controlled Environment Hydroponic Research and Development Project			
- Net deficit from the production of hydroponic vegetables in the Centre	28(a)	(577,769)	(295,468)
- Net deficit from research activities in the Centre	28(b)	(126,624)	(125,511)
- Loss on disposals of property, plant and equipment	29(b)	(37,754)	(18,160)
Controlled Environment Hydroponic Research and Development Project (Phase 2)	28(c)	-	-
Miscellaneous expenses		(2,151)	(5,363)
		<u>(18,983,525)</u>	<u>(12,117,914)</u>

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NOTES TO THE FINANCIAL STATEMENTS

23 Net deficit from VMO Agricultural Development Fund (Continued)

	Note	2022	2021
Deficit for the year		(9,433,593)	(10,037,477)
Remeasurements for long service payment obligations	20	(189,579)	129,330
Net deficit for the year	8	(9,623,172)	(9,908,147)

24 Net surplus from VMO Loan Fund

	Note	2022	2021
Income			
Interest on bank deposits		43,485	106,038
Interest on VMO Loans		29	299
Amortisation of premium on VMO Loans	7(a)	15,202	-
Reversal of provision for impairment of VMO Loans	7(b)	-	88,411
Sundry income		-	2,855
		<u>58,716</u>	<u>197,603</u>
Expenditure			
Bank charges		(164)	(421)
Discount on amortisation of VMO Loans	7(a)	-	(18,130)
		<u>(164)</u>	<u>(18,551)</u>
Net surplus for the year		<u>58,552</u>	<u>179,052</u>

25 Taxation

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

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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	2022	2021
Sales of accredited local vegetables		184,311	261,677
Cost of inventories sold		(66,376)	(102,104)
Gross profit		<u>117,935</u>	<u>159,573</u>
Direct operating expenses			
Employee benefit expenditure		(236,137)	(225,267)
Sales commission		(53,131)	(76,194)
Transportation charges		(60,839)	(68,988)
Miscellaneous expenses		(11,643)	(22,067)
		<u>(361,750)</u>	<u>(392,516)</u>
Net deficit for the year	23	<u>(243,815)</u>	<u>(232,943)</u>

27 Promotion of Organic Farming

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

	Note	2022	2021
Sales of organic vegetables		3,599,923	4,357,864
Cost of inventories sold		(1,385,213)	(1,563,547)
Gross profit		<u>2,214,710</u>	<u>2,794,317</u>
Direct operating expenses			
Employee benefit expenditure		(2,179,036)	(2,047,911)
Sales commission		(758,603)	(938,718)
Transportation charges		(182,517)	(206,964)
Stores and equipment		(23,712)	(102,874)
Miscellaneous expenses		(249,048)	(304,974)
Depreciation		(1,760)	(1,760)
		<u>(3,394,676)</u>	<u>(3,603,201)</u>
Net deficit for the year	23	<u>(1,179,966)</u>	<u>(808,884)</u>

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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	2022	2021
Management service income, recognised over time		774,285	1,105,411
Gross profit		<u>774,285</u>	<u>1,105,411</u>
Other income		-	39,068
Direct operating expenses			
Publication and publicity		(52,350)	(159,050)
Packing materials		(4,460)	-
Miscellaneous expenses		(717,474)	(701,756)
Depreciation		(577,770)	(579,141)
		<u>(1,352,054)</u>	<u>(1,439,947)</u>
Net deficit for the year	23	<u>(577,769)</u>	<u>(295,468)</u>

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

	Note	2022	2021
Service income, recognised over time		380,668	367,995
Other production cost		(337,509)	(268,618)
Depreciation		(126,624)	(127,051)
Other expenses		(43,159)	(97,837)
Total expenses		<u>(507,292)</u>	<u>(493,506)</u>
Net deficit for the year	23	<u>(126,624)</u>	<u>(125,511)</u>

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

	Note	2022	2021
Income		2,293,112	587,637
Depreciation		(997,315)	(438,967)
Other expenses		(1,295,797)	(148,670)
Total expenses		<u>(2,293,112)</u>	<u>(587,637)</u>
Net surplus for the year	23	<u>-</u>	<u>-</u>

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NOTES TO THE FINANCIAL STATEMENTS

29 Cash flow information

(a) Cash used in operations

	2022	2021
Deficit for the year	(8,283,059)	(7,041,351)
Adjustments for:		
- Interest income on bank deposits	(922,815)	(2,699,394)
- Interest income on VMO Loans (note 24)	(29)	(299)
- Depreciation of property, plant and equipment (note 5)	2,681,926	2,727,385
- Depreciation of right-of-use assets (note 6)	771,962	636,906
- Inventories written off (note 21)	1,360,845	1,383,555
- Reversal of provision for impairment of VMO Loans (note 7(b))	-	(88,411)
- Loss on disposals of property, plant and equipment (note (b) below)	86,382	1,046,867
- (Amortisation)/discount on amortisation on VMO Loans (note 24)	(15,202)	18,130
- Provision for unused annual leave (note 18)	296,920	342,200
- Rental concession	(582,000)	(582,000)
- Reversal of provision of contingent price of equipment (note 18)	-	(554,843)
- Retirement benefit costs for defined benefit plan (note 20)	203,594	237,403
- Retirement benefit costs for long service payment (note 20)	288,269	415,227
- Interest expenses on lease liabilities	87,310	26,870
	<u>(4,025,897)</u>	<u>(4,131,755)</u>
Changes in working capital:		
- Inventories	(1,416,000)	(1,376,458)
- VMO Loans	294,200	(252,500)
- Trade and other receivables	(246,136)	49,414
- Trade and other payables	1,112,115	(306,954)
- Provisions for other liabilities	(105,057)	(292,556)
- Vegetable buyers' deposits	(567,238)	540,814
- Long service payment obligations	(559,437)	(535,444)
- Deferred income	138,201	5,716,221
	<u>(5,375,249)</u>	<u>(589,218)</u>
Net cash used in operations	<u><u>(5,375,249)</u></u>	<u><u>(589,218)</u></u>

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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	2022	2021
Net book amount	5	158,402	1,486,467
(Loss)/gain on disposals of property, plant and equipment recognised in:			
- (Other expenditure)/non-trading income		(46,608)	125,729
- Net deficit from VMO Agricultural Development Fund		(39,774)	(1,172,596)
		(86,382)	(1,046,867)
Proceeds from disposals of property, plant and equipment		72,020	439,600

(c) Reconciliation of liabilities arising from financing activities

	Lease liabilities
At 1 April 2020	877,659
Non-cash flow	
- Rent concession	(582,000)
- Accrued interest	26,870
Cash flow	
- Payment for lease liabilities	(194,000)
At 31 March 2021 and 1 April 2021	128,529
Non-cash flow	
- Addition	266,258
- Lease modification	2,157,648
- Rent concession	(582,000)
- Accrued interest	87,310
Cash flow	
- Payment for lease liabilities	(249,858)
At 31 March 2022	1,807,887

30 Key management compensation

	2022	2021
Salaries and other employee benefits	671,649	662,970