



City University of Hong Kong

**Developing Sustainable Organic
Fertilizers for Crop Yield Maximization
in Outdoor and Indoor Plant Factories**

Accounts for the period from 1 January 2019 to 30 June 2022

DEVELOPING SUSTAINABLE ORGANIC FERTILIZERS FOR
CROP YIELD MAXIMIZATION IN OUTDOOR AND INDOOR
PLANT FACTORIES

FOR THE PERIOD FROM 1 JANUARY 2019 (COMMENCEMENT
DATE) TO 30 JUNE 2022 (COMPLETION DATE)

**INDEPENDENT AUDITOR'S ASSURANCE REPORT TO THE PRESIDENT
OF CITY UNIVERSITY OF HONG KONG**

Pursuant to the agreement made between City University of Hong Kong ("the University") and the Government of the Hong Kong Special Administrative Region ("the Hong Kong SAR Government") and the Sustainable Agricultural Development Fund ("SADF") - Application Guidelines in respect of the SADF project under the SADF dated 19 October 2018 ("the Agreement"), we have undertaken a reasonable assurance engagement on the final accounts of the Developing Sustainable Organic Fertilizers For Crop Yield Maximization In Outdoor And Indoor Plant Factories ("the Project") (Project number: SADF – 0003) as set out in pages 4 to 8 ("Project Accounts") which comprise the income and expenditure statement, statement of financial position and statement of cash flows for the period from 1 January 2019 (commencement date) to 30 June 2022 (completion date), and notes to the accounts.

Respective responsibilities of the University

Pursuant to the Agreement, the University is to comply with the requirements (including the requirements to keep proper books and records and to prepare proper Project Accounts), and all the terms and conditions of SADF, as specified in the following documents:

- (a) the agreement dated 19 October 2018 and supplemental agreements dated 16 April 2020, 10 November 2020 and 17 June 2022 made between the University and the Hong Kong SAR Government in respect of the Project and the appendices thereto (which includes the Project proposal) (the "Agreement");
- (b) the relevant "SADF – Application Guidelines" referred to in the Agreement; and
- (c) all instructions and correspondences issued by the Director of Agriculture, Fisheries and Conservation ("DAFC") to the University in respect of the Project.

DEVELOPING SUSTAINABLE ORGANIC FERTILIZERS FOR
CROP YIELD MAXIMIZATION IN OUTDOOR AND INDOOR
PLANT FACTORIES

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INDEPENDENT AUDITOR'S ASSURANCE REPORT TO THE PRESIDENT
OF CITY UNIVERSITY OF HONG KONG (CONTINUED)

Quality control and independence

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Hong Kong Standard on Quality Control 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements* and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Auditors' Responsibility

Our responsibility is to express an opinion on the Project Accounts, based on our work performed and to report our opinion.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised), *Assurance Engagements Other than Audits or Reviews of Historical Financial Information* issued by the HKICPA and with reference to the Notes for Auditors of Recipient Organisations issued in November 2016 by the SADF Secretariat (the "Notes"). We have planned and performed our work to obtain reasonable assurance for giving our opinion below.

Our engagement includes performing the procedures set out in the Notes and examination, on a test basis, of evidence supporting the requirements (including the requirements to keep proper books and records and to prepare proper Project Accounts), and all the terms and conditions of SADF, as specified in the documents mentioned in the Respective responsibilities of the University section have been complied with, in all material respects.

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

Opinion

Based on the foregoing, in our opinion, the University has complied with, in all material respects, the requirements set by DAFC (including the requirements to keep proper books and records and to prepare proper Project Accounts), and all the terms and conditions of SADF, as specified in the documents mentioned in the Respective responsibilities of the University section.

DEVELOPING SUSTAINABLE ORGANIC FERTILIZERS FOR
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**INDEPENDENT AUDITOR'S ASSURANCE REPORT TO THE PRESIDENT
OF CITY UNIVERSITY OF HONG KONG (CONTINUED)**

Intended Users and Purpose

This report is intended for filing with the Hong Kong SAR Government pursuant to the Agreement and is not intended to be, and should not be, distributed to or used by, anyone for any other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of our report.



17 NOV 2022

CITY UNIVERSITY OF HONG KONG

SADF Ref No. : SADF-0003

**Project Title : Developing Sustainable Organic Fertilizers for Crop
Yield Maximization in Outdoor and Indoor Plant Factories**

Project Investigator : [REDACTED]

City U Project No. : [REDACTED]

Project Commencement : 1 January 2019

Project Completion : 30 June 2022

**INCOME AND EXPENDITURE STATEMENT
FOR THE PERIOD FROM 1 JANUARY 2019 TO 30 JUNE 2022**

	Note	Budget HK\$	Accumulated Actual (01.01.19 to 30.06.22) HK\$	Actual (01.01.22 to 30.06.22) HK\$
INCOME				
Sustainable Agricultural Development Fund		2,803,696.00	2,623,296.00	-
Interest		-	41,144.47	4,562.86
TOTAL INCOME		<u>2,803,696.00</u>	<u>2,664,440.47</u>	<u>4,562.86</u>
MANPOWER				
Senior Research Associate		1,506,816.00	1,462,676.62	101,775.00
Research Associate		75,600.00	73,838.71	73,838.71
Part-time Students		10,800.00	-	-
	3	<u>1,593,216.00</u>	<u>1,536,515.33</u>	<u>175,613.71</u>
EQUIPMENT				
Vertical Farming Racks		600,000.00	550,000.00	-
Small Instruments for Chemical Analysis		50,000.00	49,485.20	49,485.20
	4	<u>650,000.00</u>	<u>599,485.20</u>	<u>49,485.20</u>
EXPENDITURES OF OPERATION / ACTIVITY / RESEARCH				
General Expenses		438,480.00	435,345.46	399,532.46
Cost for Preparing Organic Nutrient Solution		30,000.00	21,923.00	21,923.00
Seminar Expenses		16,000.00	-	-
Technology Transfer		20,000.00	19,730.00	19,730.00
		<u>504,480.00</u>	<u>476,998.46</u>	<u>441,185.46</u>
OTHER EXPENSE				
Audit Fee		56,000.00	56,000.00	14,000.00
		<u>56,000.00</u>	<u>56,000.00</u>	<u>14,000.00</u>
TOTAL EXPENDITURE		<u>2,803,696.00</u>	<u>2,668,998.99</u>	<u>680,284.37</u>
DEFICIT ON COMPLETION / FOR THE CURRENT PERIOD	5	<u>-</u>	<u>(4,558.52)</u>	<u>(675,721.51)</u>

THE NOTES ON PAGES 7 AND 8 FORM PART OF THESE ACCOUNTS.

CITY UNIVERSITY OF HONG KONG

SADF Ref No. : SADF-0003

Project Title : Developing Sustainable Organic Fertilizers for Crop Yield
Maximization in Outdoor and Indoor Plant Factories

Project Investigator :

Project No. :

Project Commencement : 1 January 2019

Project Completion : 30 June 2022

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2022

		HK\$
ASSETS	Note	
Amount due from City University of Hong Kong		9,441.48
LIABILITIES		
Accrued audit fee		14,000.00
DEFICIT ON COMPLETION	5	<u>(4,558.52)</u>

Associate Director of Finance

17 NOV 2022

Head of the Project

THE NOTES ON PAGES 7 AND 8 FORM PART OF THESE ACCOUNTS.

CITY UNIVERSITY OF HONG KONG

SADF Ref No. : SADF-0003

Project Title : Developing Sustainable Organic Fertilizers for Crop
Yield Maximization in Outdoor and Indoor Plant Factories

Project Investigator :

Project No. :

Project Commencement : 1 January 2019

Project Completion : 30 June 2022

STATEMENT OF CASH FLOWS
FOR THE PERIOD FROM 1 JANUARY 2019 TO 30 JUNE 2022

	Current Period (01.01.22 to 30.06.22) HK\$	Previous Period (01.01.19 to 31.12.21) HK\$
Cash flow from operating activities		
Operating (deficit) / surplus from the project account	(675,721.51)	671,162.99
Increase in accrued audit fee	-	14,000.00
Decrease / (increase) in amount due from City University of Hong Kong	675,721.51	(685,162.99)
Net cash flow from operating activities	-	-
Net change in cash and cash equivalents	-	-
Cash and cash equivalents at beginning of period	-	-
Cash and cash equivalents at end of period	-	-

NOTES TO THE ACCOUNTS

1. Basis of Preparation of the Accounts

These accounts represent the final accounts of the Developing Sustainable Organic Fertilizers For Crop Yield Maximization In Outdoor And Indoor Plant Factories (“the Project”) for the period from 1 January 2019 (commencement date) to 30 June 2022 (completion date) and have been prepared in accordance with the following documents:

- (a) the agreement dated 19 October 2018 and supplemental agreements dated 16 April 2020, 10 November 2020 and 17 June 2022 made between City University of Hong Kong (“the University”) and the Government of the Hong Kong Special Administrative Region in respect of the Project and the appendices thereto (which includes the Project proposal) (the “Agreement”);
- (b) the relevant “SADF – Application Guidelines” referred to in the Agreement; and
- (c) all instructions and correspondences issued by the Director of Agriculture, Fisheries and Conservation (DAFC) to the University in respect of the Project.

2. Significant Accounting Policies

(a) *Income and expenditure*

Income and expenditure are recognised on an accrual basis.

(b) *Interest income*

Interest income from bank deposits, kept in the bank accounts of the University, is accrued on a time-proportioned basis on the principal outstanding relating to this Project, in accordance with the Guide to the Sustainable Agricultural Development Fund (“SADF”).

(c) *Equipment*

Expenditure on equipment is recognised on an accrual basis and is charged in full to the income and expenditure statement in the period in which it is acquired.

NOTES TO THE ACCOUNTS (CONTINUED)

3. Manpower

Manpower costs include the salary (including employer's contribution to the Mandatory Provident Fund, but excluding allowances) incurred in the employment of the team members relating to this Project.

4. Equipment

The University adheres to its established standard procedures and general procedures in the Application Guidelines referred to the Agreement for procurement of equipment.

Depreciation is calculated to write off the cost of items of equipment less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

Equipment	Useful life	Depreciation rate
Vertical Farming Racks – Smart Vertical Hydroponic System	5 years	20%

5. Deficit on completion

On completion of the Project, any deficit is to be absorbed by the University and any surplus is to be refunded to the SADF in accordance with the Agreement.