

NEW TUNG FU LOY AQUAFARM LIMITED
新東富來養殖有限公司

REPORTS AND FINANCIAL STATEMENTS
FOR THE PERIOD
FROM 21 MARCH 2019 TO 20 MARCH 2020

新東富來養殖有限公司
NEW TUNG FU LOY AQUAFARM LIMITED

REPORTS AND FINANCIAL STATEMENTS
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圍海大網箱養殖 (“the Project”)

FOR THE PERIOD FROM 21 MARCH 2019 TO 20 MARCH 2020

INDEPENDENT AUDITOR'S ASSURANCE REPORT

To the Directors of New Tung Fu Loy Aquafarm Limited

Pursuant to the Agreement made between the Government of the Hong Kong Special Administrative Region (“HKSAR”) and New Tung Fu Loy Aquafarm Limited, and the Sustainable Fisheries Development Fund (“SFDF”) - Application Guidelines in respect of the SFDF project under the SFDF dated 21 March 2016 (“Agreement”) and the supplemental agreement dated 5 September 2019, we have undertaken a reasonable assurance engagement on the final accounts of 圍海大網箱養殖 (the “Project”) (Project number: SFDF – 0003) as set out on pages 3 to 10 which comprise the income statement, statement of financial position, statement of cash flow for the period from 21 March 2019 to 20 March 2020, and notes to the accounts (“Project Accounts”).

Directors' Responsibilities

Pursuant to the Agreement, the directors are 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 SFDF, as specified in the following documents:

- (a) the Agreement in respect of the Project and the appendices thereto (which include the Project proposal) and the supplemental agreement dated 5 September 2019;
- (b) the relevant “SFDF - Application Guidelines” referred to in the Agreement; and
- (c) all instructions and correspondences issued by the Director of Agriculture, Fisheries and Conservation (“DAFC”) to New Tung Fu Loy Aquafarm Limited in respect of the Project.

Our Independence and Quality Control

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 (“HKICPA”), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

The 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.

圍海大網箱養殖 (“the Project”)

FOR THE PERIOD FROM 21 MARCH 2019 TO 20 MARCH 2020

INDEPENDENT AUDITOR'S ASSURANCE REPORT

To the Directors of New Tung Fu Loy Aquafarm Limited

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 2018 by the SFDF 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 SFDF, as specified in the documents mentioned in the Directors' Responsibilities 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, New Tung Fu Loy Aquafarm Limited 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 SFDF, as specified in the documents mentioned in the Directors' Responsibilities section.

Intended Users and Purpose

This report is intended for filing with the Government of the HKSAR 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.

Certified Public Accountants
Hong Kong, 24 December 2020

新東富來養殖有限公司
NEW TUNG FU LOY AQUAFARM LIMITED

INCOME STATEMENT

for the period from 21 March 2019 to 20 March 2020

		21/3/2019 to 20/3/2020 HK\$	21/3/2018 to 20/3/2019 HK\$
	Note		
Revenue	2	406,462	67,885
Cost of sales		(128,800)	(13,115)
		<u>277,662</u>	<u>54,770</u>
Approved expense		(841,618)	(2,910,646)
Other expenses		(1,118,834)	(2,869,365)
		<u>(1,960,452)</u>	<u>(5,780,411)</u>
Deficit for the period	3	(1,682,790)	(5,725,241)
Accumulated deficit at start of period		(14,270,396)	(8,545,155)
Accumulated deficit at end of period		<u>(15,953,186)</u>	<u>(14,270,396)</u>

The accompanying Accounting Policies and Explanatory Notes form an integral part of, and should be read in conjunction with, these financial statements.

新東富來養殖有限公司
NEW TUNG FU LOY AQUAFARM LIMITED

STATEMENT OF FINANCIAL POSITION
as at 20 March 2020

	Note	2020 HK\$	2019 HK\$
Assets			
Plant and equipment	5	57,800	644,418
Fish for resale		44,505	679,000
Prepayments		1,916	1,584
Trade receivables		24,312	-
Bank balances		69,359	58,985
		<u>197,892</u>	<u>1,383,987</u>
Liabilities			
Government loan		(5,723,088)	(5,723,088)
Amount due to a director	6	(10,391,979)	(9,843,251)
Accruals		(36,011)	(88,044)
		<u>(16,151,078)</u>	<u>(15,654,383)</u>
Accumulated deficit		<u>(15,953,186)</u>	<u>(14,270,396)</u>

Approved on behalf of the Board by:



Director



Director

The accompanying Accounting Policies and Explanatory Notes form an integral part of, and should be read in conjunction with, these financial statements.

新東富來養殖有限公司
NEW TUNG FU LOY AQUAFARM LIMITED

STATEMENT OF CASH FLOW

for the period from 21 March 2019 to 20 March 2020

	21/3/2019 to 20/3/2020 HK\$	21/3/2018 to 20/3/2019 HK\$
Cash flows from operating activities		
Deficit for the period	(1,682,790)	(5,725,241)
Adjustments for non-cash income and expenses:		
Depreciation	128,884	161,105
Impairment losses for plant & equipment	457,734	-
Changes in operating assets and liabilities		
Decrease in fish for resale	634,495	2,704,500
Increase in prepayments	(332)	-
Increase in trade receivables	(24,312)	-
Increase in government loan	-	733,805
Increase in amount due to a director	548,728	2,037,395
Decrease in accruals	(52,033)	(40,983)
<i>Net cash generated from/(used in) operating activities</i>	<u>10,374</u>	<u>(129,419)</u>
Net increase/(decrease) in cash and cash equivalents	10,374	(129,419)
Cash and cash equivalents at the beginning of period	58,985	188,404
Cash and cash equivalents at the end of period	<u><u>69,359</u></u>	<u><u>58,985</u></u>

新東富來養殖有限公司
NEW TUNG FU LOY AQUAFARM LIMITED

NOTES TO THE ACCOUNTS

for the period from 21 March 2019 to 20 March 2020

Reporting entity

New Tung Fu Loy Aquafarm Limited is a company incorporated in Hong Kong with limited liability. The Company's registered office is located at G/F, 7 San Kai Shi Lane, Cheung Chau, New Territories, Hong Kong.

The Government has approved a grant to the Company for the purpose of carrying out the project of setting up the new enclosure net cages in Cheung Sha Wan Fish Culture Zone and to stock 32,000 white flower croaker, 10,000 pompano and 4,000 giant grouper in 3 years from 21 March 2016 to 20 March 2019. A supplemental agreement was made on 5 September 2019 to extend the project duration to 20 March 2020. The maw of white flower croaker is the major source of income.

1. Basis of preparation and accounting policies

The Company qualifies for the reporting exemption as a small private company under section 359(1)(a) of the Hong Kong Companies Ordinance (Cap. 622) and is therefore entitled to prepare and present its financial statements in accordance with the Small and Medium-sized Entity Financial Reporting Standard (SME-FRS) issued by the Hong Kong Institute of Certified Public Accountants.

These financial statements comply with the SME-FRS and have been prepared under the accrual basis of accounting and on the basis that the Company is a going concern.

The measurement base adopted is the historical cost convention.

The following are the specific accounting policies that are necessary for a proper understanding of the financial statements:

(a) Revenue

Revenue is recognised when it is probable that the economic benefits will flow to the Company and when the revenue can be measured reliably. Sale of fish is recognised when the fish are delivered and the risks and rewards of ownership have passed to the customer.

1. Basis of preparation and accounting policies - continued

(b) Taxation

Income tax expense represents current tax expense. The income tax payable represents the amounts expected to be paid to the taxation authority, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is not provided.

(c) Plant and equipment

Plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

The depreciable amount of an item of plant and equipment is allocated on a systematic basis over its estimated useful life using the reducing balance method. The principal annual rate used for depreciation is as follows:

Furniture & equipment	20%
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(d) Impairment of assets

An assessment is made at the end of each reporting period to determine whether there is any indication of impairment or reversal of previous impairment, including items of plant and equipment. In the event that an asset's carrying amount exceeds its recoverable amount, the carrying amount is reduced to recoverable amount and an impairment loss is recognised in the income statement. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount, however not to an amount higher than the carrying amount that would have been determined (net of amortisation or depreciation), had no impairment losses been recognised for the asset in prior years.

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NEW TUNG FU LOY AQUAFARM LIMITED

2. Revenue

An analysis of the Company's revenue is as follows:

	21/3/2019 to 20/3/2020 HK\$	21/3/2018 to 20/3/2019 HK\$
Sale of fish	406,462	67,885

3. Deficit for the period

Deficit is arrived at:

	21/3/2019 to 20/3/2020 HK\$	21/3/2018 to 20/3/2019 HK\$
After charging the following items:		
Staff costs		
Project manager - Cheng Siu Wah	27,097	240,000
Project assistant - Cheng Muk Shing	155,323	180,000
Project assistant - Chau Yau Kan	-	140,323
Project assistant - Cheng Cheung Fuk	87,823	180,000
Project assistant - Cheng Ka Fai	-	140,323
Project assistant - Cheng Kam Hi	-	140,323

4. Directors' remuneration

Directors' remuneration disclosed pursuant to section 383(1) of the Companies Ordinance is as follows:

	21/3/2019 to 20/3/2020 HK\$	21/3/2018 to 20/3/2019 HK\$
Fees	-	-
Other emoluments	155,323	320,323
	155,323	320,323

新東富來養殖有限公司
NEW TUNG FU LOY AQUAFARM LIMITED

5. Plant and equipment

	Furniture & equipment HK\$
Cost:	
At 21 March 2019 & 20 March 2020	<u>1,561,521</u>
Accumulated depreciation and impairment losses:	
At 21 March 2019	917,103
Depreciation for the period	128,884
Impairment losses for the period	457,734
At 20 March 2020	<u>1,503,721</u>
Net carrying amount:	
At 20 March 2020	<u>57,800</u>
At 20 March 2019	<u>644,418</u>

6. Amount due to a director

The amount due to a director is unsecured, interest free and has no fixed repayment term.

7. Financial support

The shareholders of the Company have confirmed their intention to provide continuing financial support to the Company so as to enable the Company to meet its liabilities as and when they fall due and to enable it to carry on its business for the foreseeable future. The directors believe that the Company will continue as a going concern. Consequently, the financial statements have been prepared on a going concern basis.

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NEW TUNG FU LOY AQUAFARM LIMITED

8. Income statement for the period from 21 March 2020 to 20 April 2020

	21/3/2020 to 20/4/2020 HK\$	21/3/2019 to 20/3/2020 HK\$
Revenue	241,242	406,462
Cost of sales	(44,505)	(128,800)
	<hr/> 196,737	<hr/> 277,662
Approved expense	(7,097)	(841,618)
Other expenses	(1,218)	(1,118,834)
	<hr/> 188,422	<hr/> (1,682,790)
Deficit for the period		
Accumulated deficit at start of period	(15,953,186)	(14,270,396)
Accumulated deficit at end of period	<hr/> (15,764,764)	<hr/> (15,953,186)

9. Approval of financial statements

These financial statements were authorised for issue by the Company's Board of Directors on 24 December 2020.

新東富來養殖有限公司
NEW TUNG FU LOY AQUAFARM LIMITED

DETAILED INCOME STATEMENT

for the period from 21 March 2019 to 20 March 2020

	Approved Budget HK\$	Current Period Actual (Before Adjustments) HK\$	Adjusted Current Period Actual HK\$	Accumulated Actual (Before Adjustments) HK\$	Adjusted Accumulated Actual HK\$
Revenue					
Sale of fish	-	406,462	406,462	474,347	474,347
Less: Cost of sales					
Purchase of fish	2,920,000	-	-	3,383,500	3,383,500
Opening fish for resale	-	679,000	679,000	-	-
Less: Write-off damaged fish	-	(505,695)	(505,695)	(3,197,080)	(3,197,080)
Less: Closing fish for resale	-	(44,505)	(44,505)	(44,505)	(44,505)
	<u>2,920,000</u>	<u>128,800</u>	<u>128,800</u>	<u>141,915</u>	<u>141,915</u>
Gross profit	<u>(2,920,000)</u>	<u>277,662</u>	<u>277,662</u>	<u>332,432</u>	<u>332,432</u>
Add: Other income					
Funding from Government	6,358,986	-	-	5,723,088	5,723,088
Less: transfer to Government Loan	-	-	-	-	(5,723,088)
Funding from Director	6,358,986	-	-	5,723,088	5,723,088
Less: transfer to amount due to a director	-	-	-	-	(5,723,088)
Bank interest income	-	-	-	32	32
	<u>12,717,972</u>	<u>-</u>	<u>-</u>	<u>11,446,208</u>	<u>32</u>
Less: Approved expenses					
Auditor's fee & insurance	84,000	10,500	10,500	48,333	48,333
Fish feed	1,873,822	276,000	276,000	3,990,000	3,990,000
Fish raft	1,579,750	-	-	1,561,521	1,561,521
Fish raft - transfer to plant & equipment	-	-	-	-	(1,561,521)
Project assistants salary & MPF	2,700,000	250,911	250,911	2,980,500	2,980,500
Project manager salary & MPF	720,000	28,452	28,452	798,000	798,000
Vessel rental & fuel	2,840,400	275,755	275,755	3,589,843	3,589,843
	<u>9,797,972</u>	<u>841,618</u>	<u>841,618</u>	<u>12,968,197</u>	<u>11,406,676</u>
Less: Other expenses					
Auditor's fee (Company)	-	12,000	12,000	48,305	48,305
Bank charges	-	1,520	1,520	3,470	3,470
Business registration fee	-	1,658	1,658	11,325	11,325
Depreciation	-	-	128,884	-	1,045,987
Preliminary expense	-	-	-	4,800	4,800
Insurance	-	9,438	9,438	9,438	9,438
Secretarial service fee	-	905	905	5,865	5,865
Taxation service fee	-	1,000	1,000	4,970	4,970
Travelling allowance	-	-	-	90,000	90,000
Write-off fish for resale	-	505,695	505,695	3,197,080	3,197,080
Impairment losses for plant & equipment	-	457,734	457,734	457,734	457,734
	<u>-</u>	<u>989,950</u>	<u>1,118,834</u>	<u>3,832,987</u>	<u>4,878,974</u>
Surplus/(Deficit) for the period	<u>-</u>	<u>(1,553,906)</u>	<u>(1,682,790)</u>	<u>(5,022,544)</u>	<u>(15,953,186)</u>