

KADOORIE AGRICULTURAL AID LOAN FUND REPORT
FOR THE PERIOD 1 APRIL 2021 TO 31 MARCH 2022

This Report is submitted in accordance with section 12(3) of the Kadoorie Agricultural Aid Loan Fund Ordinance (Cap. 1080).

2. The Fund was established in 1955 under the Kadoorie Agricultural Aid Loan Fund Ordinance with a capital of \$500,000. Half of this sum was donated by the Hong Kong Government and the other half by Lord KADOORIE, L.L.D., J.P. and Sir Horace KADOORIE, J.P. The Government further donated \$750,000, \$500,000 and \$500,000 in 1957, 1960 and 1971 respectively. The Kadoorie brothers also generously donated another \$500,000 in 1971, bringing the capital of the Fund to \$2,750,000.

3. Loans from this Fund are normally granted to farmers and fish farmers to meet their development and working capital needs. Loan purposes include the purchase of necessary inputs for production such as stocks, feed, fertilizers; and the improvement of farm facilities for enhancing productivity and meeting environmental protection requirements.

4. The Fund is vested in the Director of Agriculture, Fisheries and Conservation as the Trustee and administered by a Committee. Apart from receiving and endorsing various cash statements and loan schedules, the Committee reviews loan interest rates in accordance with the prevailing bank lending rates and the prevailing economic situation of the agricultural and fisheries sectors.

5. During 2021/22, a total of 22 normal loans amounting to \$3,050,000 were approved to farmers and fish farmers as working capital. As at 31 March 2022, the outstanding balance of normal loans was \$3,404,500.

6. The Fund, including an accumulated surplus of \$12,982,778 stood at \$15,732,778 as at 31 March 2022.

7. A copy of the signed and audited Statement of Accounts of the Fund for the year is attached herewith.

For and on behalf of the
Kadoorie Agricultural Aid Loan Fund Committee
Dr LEUNG Siu-fai
Trustee

Encl.



Kadoorie Agricultural Aid Loan Fund

Financial statements for the year ended 31 March 2022

Report of the Director of Audit



Audit Commission
The Government of the Hong Kong Special Administrative Region

Independent Auditor's Report To the Legislative Council

Opinion

I certify that I have audited the financial statements of the Kadoorie Agricultural Aid Loan Fund set out on pages 4 to 14, which comprise the balance sheet as at 31 March 2022, and the income and expenditure account, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the financial statements of the Kadoorie Agricultural Aid Loan Fund are prepared, in all material respects, in accordance with section 12(1) of the Kadoorie Agricultural Aid Loan Fund Ordinance (Cap. 1080) and the accounting policies set out in note 2 to the financial statements.

Basis for opinion

I conducted my audit in accordance with section 12(2) of the Kadoorie Agricultural Aid Loan Fund Ordinance and the Audit Commission auditing standards. My responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of my report. I am independent of the Kadoorie Agricultural Aid Loan Fund in accordance with those standards, and I have fulfilled my other ethical responsibilities in accordance with those standards. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibilities of the Director of Agriculture, Fisheries and Conservation for the financial statements

The Director of Agriculture, Fisheries and Conservation is responsible for the preparation of the financial statements in accordance with section 12(1) of the Kadoorie Agricultural Aid

Loan Fund Ordinance and the accounting policies set out in note 2 to the financial statements, and for such internal control as the Director of Agriculture, Fisheries and Conservation 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 of Agriculture, Fisheries and Conservation is responsible for assessing the Kadoorie Agricultural Aid Loan Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting.

Auditor's responsibilities for the audit of the financial statements

My 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 my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Audit Commission auditing standards 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 the Audit Commission auditing standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I 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 my 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 Kadoorie Agricultural Aid Loan Fund's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Director of Agriculture, Fisheries and Conservation; and
- conclude on the appropriateness of the Director of Agriculture, Fisheries and Conservation'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 Kadoorie Agricultural Aid Loan Fund's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Kadoorie Agricultural Aid Loan Fund to cease to continue as a going concern.

SMC

S. M. CHOI
Principal Auditor
for Director of Audit

14 June 2022

Audit Commission
6th Floor, High Block
Queensway Government Offices
66 Queensway
Hong Kong

KADOORIE AGRICULTURAL AID LOAN FUND

Balance Sheet as at 31 March 2022

	Note	2022 HK\$	2021 HK\$
ASSETS			
Non-current Assets			
Loans receivable	3	150,000	197,500
Current Assets			
Loans receivable	3	3,254,500	3,523,000
Interest receivable	4	10,511	18,727
Receivable from the Department of Justice	5	-	84,028
Time deposits with original maturities over three months		11,301,141	11,108,152
Cash and cash equivalents	6	1,016,626	849,704
		15,582,778	15,583,611
LIABILITIES			
Loan interest payable to the Government Loan Fund	7	-	(84,028)
		<u>15,732,778</u>	<u>15,697,083</u>
KADOORIE AGRICULTURAL AID LOAN FUND			
Capital		2,750,000	2,750,000
Accumulated surplus		12,982,778	12,947,083
FUNDS ALLOCATED FROM THE GOVERNMENT LOAN FUND			
Mariculturist Scheme	8	-	-
		<u>15,732,778</u>	<u>15,697,083</u>

The accompanying notes 1 to 12 form part of these financial statements.



(Dr LEUNG Siu-fai)

Director of Agriculture, Fisheries and Conservation
Trustee of the Kadoorie Agricultural Aid Loan Fund

14 June 2022

KADOORIE AGRICULTURAL AID LOAN FUND

Income and Expenditure Account for the year ended 31 March 2022

	2022 HK\$	2021 HK\$
INCOME		
Loan interest	228	1,491
Bank interest	35,467	112,548
	<hr/>	<hr/>
	35,695	114,039
 EXPENDITURE		
Loan interest accrual reversed	-	(3,142)
Bad debt written off	-	(15,913)
	<hr/>	<hr/>
	-	(19,055)
 SURPLUS FOR THE YEAR	<hr/>	<hr/>
	35,695	94,984
 OTHER COMPREHENSIVE INCOME	<hr/>	<hr/>
	-	-
 TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<hr/> <hr/>	<hr/> <hr/>
	35,695	94,984

The accompanying notes 1 to 12 form part of these financial statements.

KADOORIE AGRICULTURAL AID LOAN FUND

Statement of Changes in Equity for the year ended 31 March 2022

	Kadoorie Agricultural Aid Loan Fund		Funds allocated from the Government Loan Fund	
	Capital HK\$	Accumulated Surplus HK\$	Mariculturist Scheme HK\$	Total HK\$
Balance at 1 April 2020	2,750,000	12,852,099	-	15,602,099
Total comprehensive income for 2020-21	-	94,984	-	94,984
Balance at 31 March 2021	2,750,000	12,947,083	-	15,697,083
Total comprehensive income for 2021-22	-	35,695	-	35,695
Balance at 31 March 2022	2,750,000	12,982,778	-	15,732,778

The accompanying notes 1 to 12 form part of these financial statements.

KADOORIE AGRICULTURAL AID LOAN FUND

Statement of Cash Flows for the year ended 31 March 2022

	Note	2022 HK\$	2021 HK\$
Cash flows from operating activities			
Surplus for the year		35,695	94,984
Adjustments for:			
Loan interest		(228)	(1,491)
Loan interest accrual reversed		-	3,142
Bank interest		(35,467)	(112,548)
Bad debt written off		-	15,913
Loan interest received		922	2,058
Decrease / (Increase) in loans receivable		316,000	(447,000)
Decrease in interest receivable in respect of loans issued under the Mariculturist Scheme		-	79,028
Decrease / (Increase) in receivable from the Department of Justice		84,028	(49,028)
Decrease in loan interest payable to the Government Loan Fund		(84,028)	(30,000)
Net cash from / (used in) operating activities		316,922	(444,942)
Cash flows from investing activities			
Net (increase) / decrease in time deposits with original maturities over three months		(192,989)	438,664
Bank interest received		42,989	161,336
Net cash (used in) / from investing activities		(150,000)	600,000
Net increase in cash and cash equivalents		166,922	155,058
Cash and cash equivalents at beginning of year		849,704	694,646
Cash and cash equivalents at end of year	6	1,016,626	849,704

The accompanying notes 1 to 12 form part of these financial statements.

KADOORIE AGRICULTURAL AID LOAN FUND

Notes to the financial statements

1. GENERAL

The Kadoorie Agricultural Aid Loan Fund (the Fund) was established for the purpose of encouraging or improving agriculture in Hong Kong by the issue of loans to farmers in accordance with section 6 of the Kadoorie Agricultural Aid Loan Fund Ordinance (Cap. 1080).

The address of the Fund's principal place of business is 5th Floor, Cheung Sha Wan Government Offices, 303 Cheung Sha Wan Road, Kowloon.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Financial reporting framework

The Fund has adopted a financial reporting framework incorporating the accounting policies approved by the Kadoorie Agricultural Aid Loan Fund Committee and applicable requirements of Hong Kong Financial Reporting Standards (HKFRSs), which is a collective term that includes all applicable individual HKFRSs, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (HKICPA). A summary of the significant accounting policies adopted by the Fund is set out below.

(b) Basis of preparation of the financial statements

The financial statements have been prepared on an accrual basis and under the historical cost convention.

The preparation of financial statements in conformity with the Fund's financial reporting framework requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenditure. The estimates and associated assumptions are based on experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making judgements about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

There are no critical accounting judgements involved in the application of the Fund's accounting policies. There are neither key assumptions concerning the future nor other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities in the next year.

(c) Impact of new and revised HKFRSs

The HKICPA has issued certain new or revised HKFRSs which are first effective or available for early adoption for the current accounting period of the Fund. There have been no changes to the accounting policies applied in these financial statements for the years presented as a result of these developments.

The Fund has not early adopted any amendments, new standards and interpretations which are not yet effective for the current accounting period. The Fund is in the process of making an assessment of what the impact of these amendments, new standards and interpretations is expected to be in the period of initial adoption. So far, it has concluded that the adoption of them is unlikely to have a significant impact on the Fund's financial statements.

(d) Recognition of income

- (i) Interest income from loans is recognised in accordance with the terms set out in the individual loan agreements.
- (ii) Interest income from bank deposits is recognised as it accrues using the effective interest method.

(e) Financial assets and financial liabilities

The Fund's financial assets and financial liabilities include time deposits, cash and cash equivalents, loans receivable, other receivables and payables, and are recognised when the Fund becomes a party to the contractual provisions of the instrument. Loans receivable are stated at cost. Other financial assets are initially measured at fair value plus transaction costs that are directly attributable to the acquisition of financial assets, and subsequently measured at amortised cost, net of loss allowance, if any. Financial liabilities are measured at amortised cost.

For those loans utilising funds provided by the Fund, where the repayment of a loan becomes doubtful, a provision is made and charged to the income and expenditure account.

For those loans issued under the schemes utilising funds provided by the Government Loan Fund, interest on the loans and repayments of the loans by the borrowers are not kept by the Fund but payable to the Government Loan Fund. No provision is made when the repayment of a loan becomes doubtful. Bad debts arising from such loans are written off against the fund balances of the respective schemes under "Funds allocated from the Government Loan Fund" in the statement of changes in equity.

A financial asset is derecognised when the rights to receive cash flows from the asset expire or the Fund has transferred substantially all the risks and rewards of ownership of the asset. A financial liability is derecognised when the relevant obligation is discharged, is cancelled or expires.

(f) Cash and cash equivalents

Cash and cash equivalents include cash at banks and short-term highly liquid investments that are readily convertible to known amounts of cash and subject to an insignificant risk of changes in value, having been within three months of maturity when placed or acquired.

3. LOANS RECEIVABLE	2022	2021
	HK\$	HK\$
The Fund		
Loans receivable before write-off	3,404,500	3,724,628
Written off during the year	-	(4,128)
Balance at end of year	<u>3,404,500</u>	<u>3,720,500</u>
Classified as :		
Non-current assets	150,000	197,500
Current assets	<u>3,254,500</u>	<u>3,523,000</u>
	<u>3,404,500</u>	<u>3,720,500</u>

In 2021-22, there was no such case where a loan was approved on or before 31 March 2022 but its loan agreement and payment were effected after the reporting date (2020-21: Nil).

4. INTEREST RECEIVABLE	2022	2021
	HK\$	HK\$
The Fund		
Loan interest receivable before provision	469	23,991
Written off during the year	-	(22,828)
Loan interest receivable	469	1,163
Bank interest receivable	<u>10,042</u>	<u>17,564</u>
Balance at end of year	<u>10,511</u>	<u>18,727</u>

5. RECEIVABLE FROM THE DEPARTMENT OF JUSTICE	2022 HK\$	2021 HK\$
Mariculturist Scheme	-	84,028
6. CASH AND CASH EQUIVALENTS	2022 HK\$	2021 HK\$
Cash at bank	1,016,626	849,704
7. LOAN INTEREST PAYABLE TO THE GOVERNMENT LOAN FUND	2022 HK\$	2021 HK\$
Mariculturist Scheme	-	84,028

8. FUNDS ALLOCATED FROM THE GOVERNMENT LOAN FUND – MARICULTURIST SCHEME

These are loan capital drawn from the Government Loan Fund established under section 29 of the Public Finance Ordinance (Cap. 2). The Mariculturist Scheme was implemented with effect from 23 April 1998 utilising funds provided from the Government Loan Fund established under section 29 of the Public Finance Ordinance. The purpose of the Scheme is to provide loans to mariculturists, who were affected by the bloom of marine algae (referred to as a “red tide”) that occurred in March/April 1998, to re-establish their businesses. The approved allocation from the Government Loan Fund for this Scheme is HK\$200 million. The loans made under this Scheme are repayable within two years from the date of draw down. Repayments and loan interest received from the mariculturists for loans made under this Scheme will be payable to the Government Loan Fund. There was no outstanding fund allocated from the Government Loan Fund as at 31 March 2022 (Nil as at 31 March 2021, other than the loan interest payable to the Government Loan Fund for Mariculturist Scheme in note 7 above).

9. CAPITAL MANAGEMENT

The capital structure of the Fund consists of capital and accumulated surplus. For the Mariculturist Scheme, the capital structures consist of funds allocated from the Government Loan Fund. The Fund’s objectives when managing capital are:

- (a) to comply with the Kadoorie Agricultural Aid Loan Fund Ordinance; and
- (b) to maintain a capital base for carrying out the purpose of the Fund as stated in note 1 above.

The Fund is vested in the Director of Agriculture, Fisheries and Conservation as the Trustee and administered by the Kadoorie Agricultural Aid Loan Fund Committee. The Fund manages its capital to ensure that the capital level is adequate to fund future issue of loans and expenditure, taking into account its projected cash flow requirements, future financial obligations and commitments.

10. FINANCIAL RISK MANAGEMENT

The Fund's major financial instruments include time deposits, cash at bank, loans receivable, other receivables and payables. The major risks associated with these financial instruments are set out below.

(a) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

The Fund's maximum exposure to credit risk at the reporting date in relation to each class of financial assets is the carrying amount of these assets as stated in the balance sheet. The Fund limits its exposure to credit risk arising from time deposits and bank balances by transacting with reputable licensed banks in Hong Kong.

The credit quality of time deposits and bank balances, analysed by the ratings designated by Moody's, at the reporting date is shown below:

	2022	2021
	HK\$	HK\$
Time deposits and bank balances, by credit rating		
Aa1 to Aa3	6,662,597	6,530,476
A1 to A3	5,655,170	5,427,380
	<u>12,317,767</u>	<u>11,957,856</u>

The Fund closely monitors the granting of credit, and considers that adequate provision has been made, where necessary, for loan amounts the repayments of which become doubtful. Applicants for loans above HK\$200,000 (2020-21: HK\$200,000) are usually required to provide land-based properties as security.

Ageing analyses of loans that were past due at the reporting date are as follows:

	2022	2021
	HK\$	HK\$
The Fund		
Loans that were past due for :		
Less than 1 year	156,000	-
3 years or above	13,000	13,000
	<u>169,000</u>	<u>13,000</u>

Ageing analyses of interest receivable that was past due at the reporting date are as follows:

	2022	2021
	HK\$	HK\$
The Fund		
Interest receivable that was past due for :		
Less than 1 year	3	-
3 years or above	24	23
	<u>27</u>	<u>23</u>

(b) Interest rate risk

Interest rate risk is the risk of loss arising from changes in market interest rates. This can be further classified into fair value interest rate risk and cash flow interest rate risk.

Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market interest rates. Since the Fund's time deposits bear interest at fixed rates, their fair values will fall when market interest rates increase. As they are stated at amortised cost, changes in market interest rates will not affect their carrying amounts and the Fund's surplus and equity.

Cash flow interest rate risk is the risk that future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Fund is not exposed to cash flow interest rate risk as it has no financial instruments bearing interest at a floating rate.

(c) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

In the management of liquidity risk, the Fund maintains a level of cash and cash equivalents that is considered adequate to finance its operations and mitigate the effects of fluctuations in cash flows. Hence, the Fund does not have significant exposures to liquidity risk.

11. ADMINISTRATION COST

The cost of administering the Fund has been borne by the Government of the Hong Kong Special Administrative Region in accordance with section 13 of the Kadoorie Agricultural Aid Loan Fund Ordinance.



12. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

All financial assets and liabilities are stated in the balance sheet at amounts equal to or not materially different from their fair values.