

Supreme Court of Nova Scotia
In Bankruptcy and Insolvency

**IN THE MATTER OF THE BANKRUPTCY OF ATLANTIC SEA
CUCUMBER LTD.**

AFFIDAVIT OF RONG LU

I, Rong Lu of Upper Tantallon, in the Halifax Regional Municipality
Province of Nova Scotia, MAKE OATH AND SAY THAT:

1. I am a partner at Bluenose Accounting Chartered Professional Accountants (“**Bluenose**”) and have acted as the Accountant for Atlantic Golden Age Holding Inc. (“**AGAH**”) since we were first retained on or about January, 2014. As such, I have personal knowledge of the matters deposed to herein, except as otherwise stated.
2. I have also reviewed the Affidavit of Songwen Gao sworn to on November 5, 2024 and can confirm its contents to the extent that they pertain to my retainer and the work performed by me and Bluenose.
3. Bluenose is a Chartered Accounting firm which specializes in accounting, assurance, tax planning, personal tax preparation, and bookkeeping services. Primarily, I have been involved as corporate accountant for the Gao Family Trust (the “**Family Trust**”). I have worked closely with Songwen “Sam” Gao (“**Sam Gao**”) and I developed the corporate structure for the companies owned by the Goa Family Trust.
4. This includes development of the corporate structure for AGAH.

Incorporation and Organization

5. The Family Trust is a vehicle designed to ensure that the assets of a particular family are managed in accordance with the wishes of the beneficiaries thereof. The Family Trust has a number of beneficiaries, which include Sam Gao.
6. The Family Trust is the sole owner of three (3) main companies:
 - a. Atlantic Golden Age Holding Inc. (AGAH) – an investment and holding company;

- b. Atlantic Sea Cucumber Ltd. (“**ASCL**”) which is an operating company that supplies dried sea cucumbers based out of Nova Scotia, Canada; and
 - c. Akso Marine Biotechnology Inc. (“**AKSO**”) which is an operating company primarily used for the research and development of sea cucumber derived health products.
- 7. My services were retained through Bluenose for the purposes of creating a tax-efficient corporate structure to support the Family Trust. As part of this structure, the Family Trust owns all common shares for all three (3) companies, including AGAH and ASCL. It is the owner of all equity in the three (3) companies.
 - 8. AGAH was not issued any common shares in ASCL upon incorporation. However, for the purposes of allowing discretionary dividends in times of profit, AGAH was issued preferred shares in ASCL. AGAH holds all of the outstanding DDP-1 class preferred shares in ASCL.
 - 9. As accountant for AGAH and ASCL, I have been the one responsible for preparing their respective financial statements. I have also been responsible for cataloguing monies advanced by AGAH to ASCL.

AGAH as Secured Creditor

- 10. On or about January 2, 2018, AGAH provided financing to ASCL for its use in its operations as an end-to-end supplier of dried sea cucumbers in Nova Scotia (the “**AGAH Loan**”). The AGAH loan had a principal amount of \$2,174,000.00 and was in the form of a revolving line of credit for ASCL to draw from.
- 11. The AGAH Loan was done by separate instrument and is not, in any way, a shareholder loan between related companies. There was no intention on my part, when designing the corporate structure for AGAH and ASCL, for AGAH to have or hold equity in ASCL.
- 12. The size of the debt by ASCL to AGAH has varied since 2018 because the AGAH Loan acted as a line of credit. ASCL would be advanced funds by AGAH as its operations needed it.
- 13. The AGAH Loan was recorded on the financial statements of ASCL as a liability. It was also recorded that the funds were advanced from AGAH.
- 14. By the end of 2018, AGAH had advanced approximately \$390,000 to ASCL as part of the ASCL Loan. AGAH would continue to advance funds to ASCL as needed after 2018 in order to support the operations of ASCL. However, for the most part during this time, ASCL was profitable.

15. Unfortunately, by 2021, ASCL was no longer profitable and was, in fact, losing money.
16. In or about 2021, ASCL drew significantly upon the AGAH Loan for the purposes of obtaining advance funds to pay its secured lenders (i.e. Toronto Dominion Bank and Farm Credit Canada). The AGAH Loan was leveraged by ASCL to pay out these secured lenders. ASCL was able to avoid insolvency by use of the AGAH Loan.
17. AGAH and ASCL continued to operate pursuant to the terms of the AGAH Loan. ASCL would, from time to time, draw upon the AGAH Loan to cover operating losses.
18. Attached hereto as **Exhibit “B”** is a copy of the AGAH Intercompany Balance which I prepared demonstrating the balance of the debt owed by ASCL to AGAH as of November 30, 2022.
19. As of the end of September, 2024, the principal balance of the AGAH Loan is \$2,163,190.00 (the “**Outstanding Balance**”). A copy of the Transaction Report for ASCL demonstrating the advances under the AGAH Loan from January, 2018 to September, 2024 is attached hereto as **Exhibit “C”**.
20. To the best of my knowledge, the Outstanding Balance remains unpaid.
21. I make this affidavit to provide context to the background of AGAH and its claim in respect of ASCL’s Estate and for no improper purpose.

SOLEMNLY AFFIRMED BEFORE ME at the City of Halifax, in the Halifax Regional Municipality and Province of Nova Scotia this ____ day of November, 2024.

Notary Public