

Sustainable Agricultural Development Fund

Application Guidelines

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Sustainable Agricultural Development Fund

Application Guidelines

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1. Sustainable Agricultural Development Fund

Background

- 1.1 Responding to the growing aspiration of Hong Kong people in favour of the longer term balanced development of the city, the Government undertook to review the agricultural policy. The public was subsequently consulted in the first quarter of 2015 on adopting a more proactive approach towards the modernisation and sustainable development of local agriculture.
- 1.2 As the public views received carry wide support for the proposal, the Government decided to implement the New Agriculture Policy (NAP) and push forward a series of supportive measures¹, including the establishment of a Sustainable Agricultural Development Fund (SADF) to provide financial support for the modernisation and sustainable development of local agriculture.

Purpose

- 1.3 The SADF is designed to support practical, application-oriented projects, schemes or research work that would help farmers enhance their productivity and output, as well as contribute to fostering the sustainable development and enhancing the overall competitiveness of the agricultural industry.

Funding Scope of Projects

- 1.4 Please refer to **Annex 1** for the funding scope of projects.

¹ Other supportive measures include (a) set up an Agricultural Park (Agri-Park) to help nurture agrotechnology and agro-business management; (b) conduct a consultancy study to explore the feasibility and merits of identifying and designating “Agricultural Priority Areas” in order to incentivise the use of agricultural land therein that may otherwise lie fallow for long-term agricultural purposes; (c) facilitate development of hydroponics and agro-technology; (d) facilitate leisure farming ancillary to agricultural production; and (e) enhance food safety and the marketing of local fresh produce.

2. Eligibility

- 2.1 Programmes, projects and research (hereinafter generally referred to as “projects”) that would facilitate the development of modern and sustainable agriculture, thereby enhancing the overall competitiveness of the agricultural industry as a whole may be considered and awarded on their individual merits (including the efficacy of the project and the capability of the applicant).
- 2.2 The following will be eligible to apply –
- (a) where applications are made by legal entities, the entity concerned should be a company incorporated in Hong Kong under the Companies Ordinance (Cap. 622) and has substantial connection to Hong Kong or a body corporate incorporated in Hong Kong under other Ordinances of the Hong Kong Special Administrative Region, and having demonstrated a close connection with the agricultural industry in Hong Kong. These include local registered agricultural co-operatives, non-profit-making agricultural organisations, non-governmental organisations or social enterprises;
 - (b) academic and research institutions in Hong Kong; and
 - (c) individual farmers seeking grants under the Farm Improvement Scheme (FIS) (Please refer to **Annex 2**).
- 2.3 Joint applications with overseas organisations and institutions are permissible, provided that the projects are led by a local group/farming organization satisfying the criteria stated in paragraph 2.2 (a) to (c) above.
- 2.4 Except for applicants seeking grants under the FIS, applicants for funding under SADF must demonstrate that they possess the necessary experience, expertise or technical knowhow in agriculture in order to be eligible to be considered for funding under SADF.

3. Assessment Criteria on Projects

Guiding principles

- 3.1 Projects approved for funding support under SADF will be expected to assist the local agricultural community to rise up to the challenges on the horizon with a view to enabling the agricultural industry to enhance their productivity and output or switch to a sustainable or high value-added mode of operations, as well as facilitating the modernisation and enhancing the overall competitiveness of the agricultural industry.
- 3.2 SADF aims to provide financial support to facilitate the development of modern and sustainable agriculture in Hong Kong. Projects that fail to demonstrate any relevance to local sustainable agriculture would not be supported.
- 3.3 Projects should contribute in a direct and practical way towards the sustainable development of the local agricultural industry. Research or theoretical studies without a demonstrated relevance to the local agricultural industry will not be considered.
- 3.4 Whilst our main focus in taking forward NAP is on crop farming (vegetables, fruits and ornamental plants), the livestock rearing sector may also make use of and benefit from SADF for projects that aim at strengthening farm biosecurity, enhancing value or mitigating the possible nuisance that livestock farms may cause to the environment. Consistent with the Government's policy of containing the scale of the livestock rearing sector, projects aiming at expanding the number of farms or the livestock population will not be considered.
- 3.5 Whilst the FIS (see **Annex 2**) established under SADF is targeted at individual farms to assist them in modernising their farming equipment and facilities, the benefits of projects funded under SADF in general must accrue to the local agricultural community as a whole, and not just to an individual, a single organisation, a consortium of agricultural companies or a narrow sector.

- 3.6 Projects in general should be non-profit making in nature. Commercial projects may be considered, subject to the criteria described in paragraph 4 below. Cost recouped from the project would be channelled to the General Revenue of the Government.
- 3.7 Applications for one-off events with limited potential of long-term impact, such as carnivals and exhibitions of short duration would be accorded a lower priority. As a general principle, in order to encourage wider applications from more concerned parties in the agricultural industry, projects from applicants that have been benefited from SADF, except for successful applicants under the FIS, will be accorded lower priority vis-à-vis comparable applications. Actual priority of the applications will be determined on the advice of the SADF Advisory Committee² (Advisory Committee) which will carry out an assessment based on the marking scheme attached at **Annex 3**. There is no quota set for applications but availability of fund may affect the likelihood of securing funding support.
- 3.8 The SADF would not accept any application for projects that has been funded or could have been funded by other Government sources, or if there is/will be any duplication in terms of the work carried out by other institution(s)/applicant(s) of Government funds. In addition, all applicants are required to declare whether their proposals are also being considered, partially funded or subsidised by other funding agencies including public, private and overseas funds, such as the Environment and Conservation Fund, Sustainable Development Fund, Innovation and Technology Fund and Sustainable Fisheries Development Fund, etc. The aim is to ensure that the same project will not be double-funded through different sources. Suitable measures will be put in place to guard against possible abuse (e.g. funding provided must not be used to fund the normal operating expenses of the applicant, and certain expenditure items, like external audit fees, may be subject to caps imposed).

² Implementation of SADF will be overseen by the Agriculture, Fisheries and Conservation Department (AFCD). The Advisory Committee appointed by the Secretary for Food and Health, will advise the Director of Agriculture, Fisheries and Conservation on the administration of SADF. Different vetting committees overseen by the Advisory Committee may be formed to consider and vet funding applications against a set of assessment criteria agreed by the Advisory Committee.

Assessment Criteria

- 3.9 The Assessment Criteria set out below apply to all applications for funding support under SADF, except for applications made under the FIS. For the assessment criteria of the FIS, please refer to **Annex 2**.
- 3.10 In considering an application, the Director of Agriculture, Fisheries and Conservation (DAFC) and the Advisory Committee should give due consideration to –

Project Needs

- (a) whether there is a demonstrated need for the proposed project (e.g. for the sustainable development of the local agricultural industry and improvement of competitiveness of the industry);
- (b) whether the project scope, objectives and long-term impacts are realistic and clearly expressed in concrete terms as appropriate in the application;
- (c) whether the project is innovative, i.e. unique and pilot in nature including new ideas and implementation method suitable for the target beneficiaries, or new or further developed ideas that are building on projects with successful experiences and good practices with justifications;
- (d) whether the project is compatible with Government policy priorities in facilitating sustainable development of agriculture;
- (e) whether there is any likely duplication of work already or currently carried out by other groups;
- (f) whether the proposed project has the potential to become a project model;

Project Feasibility

- (g) whether project design is comprehensive and supported by detailed

implementation/business plans and methodology;

- (h) whether the project has attainable targets;
- (i) whether the applicant has proven track record in operating projects, his/her technical and project management capability, professional knowledge as well as readiness to implement the project;
- (j) whether there are sufficient implementation details with a realistic timeline for implementation;
- (k) whether the applicant could collaborate with other parties such as locally registered agricultural co-operative societies, non-profit making agricultural organisations, academic and research institutions, and non-governmental organisations in the development and production of project deliverables;
- (l) whether the project budget is detailed, prudent, cost-effective, commensurate with the goals, project scope, activities, number of direct beneficiaries and end products to be delivered, and is supported with full justification for every expenditure item;
- (m) whether the proposed project has alternative sources of funding support or would be more appropriately funded by other sources³;

Expected Project Outcomes

- (n) whether there are clearly stated outcome with specified and quantifiable performance indicators for assessing the attainment of project objectives;
- (o) whether major milestones are set in the project to facilitate future monitoring of progress and achievement of performance targets;
- (p) whether the project outcome/impact can be sustained and the equipment and resources acquired be properly deployed/reused on

³ The same project should not be funded through another fund, or the subject of a loan issued under the existing Agricultural Loan Funds.

completion of the project;

- (q) whether the project would benefit the local agricultural community and agricultural industry as a whole, not merely to an individual, a single organisation, a consortium of agricultural companies or a narrow sector;
- (r) whether the outcome (e.g. experiences and deliverables) have good value and potential for wide dissemination in the agricultural industry and its deliverables can help improve the competitiveness of the industry; and
- (s) whether the project has the potential to become a self-sufficient ongoing initiative after funding support from SADF expires.

4. Projects with Commercial Elements

- 4.1 There are initiatives that aim at demonstrating the technical feasibility and commercial viability of new agricultural practices and can subsequently be imparted to other stakeholders within the agricultural industry. Such initiatives may involve a commercial element. They will be considered on individual merits, as well as the general rules and monitoring and control measures as set out in the ensuing paragraphs.
- 4.2 The applicant will be required to draw up detailed business plan and budget of the proposed project which will be subject to the scrutiny of the Advisory Committee and AFCD. In vetting applications, they may consult independent experts of the relevant fields as appropriate. The applicant must disclose to the Government all relevant financial and related information of the project.
- 4.3 To ensure fair use of funding and safeguard public funding against undue commercial risk, no applicant can undertake more than one SADF-funded project with commercial elements at any one time.
- 4.4 Upon approval of a project, the Government will enter into a contractual agreement (the Agreement) with the successful applicant as well as other relevant parties such as third-party financier(s) as appropriate. The Agreement will prescribe in detail each party's rights, obligations and involvement in the

project, including the Government's entitlement to the intellectual property rights underlying the technology, if applicable⁴. DAFC may decide and impose any additional conditions in the Agreement as he deems appropriate.

- 4.5 A project involving commercial elements will be funded on a dollar-for-dollar matching basis, with the Government's total contribution capped at the applicant's total contribution as set at the time the Agreement is signed. In other words, the Government's contribution will be limited to no more than 50% of the total project costs (where there is no funding from any third party financier(s)). The applicant must demonstrate that he is capable of securing the non-Government part of the financing required for the project by submitting documentary proof (e.g. a written confirmation of funding support from non-Government funding source, or bank statements), together with his application or before entering into an Agreement with the Government. Whether and the extent of the 50% cap to which the Government would fund the project would take into account the project's potential benefits to the agricultural sector and to the Hong Kong economy.
- 4.6 The successful applicant is required to provide capital goods of the project or floating charge as collateral for the grant and any related monies owed to the Government. In case the successful applicant does not repay the Government, whether in the event where the project is commercially successful and makes profits or where the project is commercially unsuccessful and the applicant is liquidated, the Government may exercise its rights against the collateral.
- 4.7 Subject to detailed conditions to be imposed by DAFC, as a general rule, the Government may recoup its contribution in a manner commensurate with the Government's share of funding contribution in relation to the applicant and third party financier(s), if any, towards the project on a pro rata basis. The Government's maximum contribution and commitment will be up to the funding approved by DAFC or the Finance Committee (FC) of the Legislative Council (LegCo) (i.e. capped at 50%, or a lesser percentage as the case may be, of the total costs of the approved project where there is no funding from any third party financier(s)). The Government's maximum contribution and commitment as well as the details of cost recouping including the repayment

⁴ To enable transfer of new technology and practices within the industry, depending on the level of contribution to the cost of the project by the applicant, and third party financier(s), if any, the Grantee is required to grant a licence for the Government to further sub-grant the intellectual property right to any person at any terms as the Government thinks fit.

schedule will be prescribed upfront in the Agreement. The Grantee should make repayments to the Government in accordance with a pre-agreed schedule at the time the Agreement is entered into. Depending on the actual circumstances of the case, the Government can, at its absolute discretion, vary the repayment schedule. Recoupment will be made until the Government's contribution is repaid in full. The payment received shall be credited to the General Revenue of the Government.

- 4.8 To facilitate DAFC in ascertaining the amount of recoupment and associated information (such as revenue generated), the successful applicant upon request by AFCD has to submit, together with the reports, relevant documents as considered necessary by AFCD, which include, among other things, financial statements, audited accounts, capital and shareholding information.
- 4.9 In the event that the project could attract investment from a third party, the applicant is required to discuss with AFCD how such a scenario is to be addressed. The successful applicant is required to report to AFCD in writing within one month upon receipt of any third parties' investments after project commencement.
- 4.10 The successful applicant is required to submit a report together with audited accounts to AFCD annually, or at an interval proposed in the application and agreed by AFCD. Annual report has to be submitted within two months following the end of each 12-month reporting period. In the reports, the successful applicant is required to provide information such as implementation progress, problems encountered, remedial measures taken to tackle the problems, profits made in the year, and interim results and evaluation of the programme, etc. A project completion report and audited accounts should be submitted upon project completion. They will be made available for public inspection and uploaded onto the AFCD website.

5. Submission of Applications

- 5.1 The application forms for both general and FIS application can be downloaded from the AFCD website (www.afcd.gov.hk) or obtained from the Sustainable Agricultural Development Fund Secretariat (Secretariat) or the Agricultural Extension Office in Yuen Long.

- 5.2 Except for applications made under the FIS (hereinafter referred to as “general applications”), the completed application form, together with background information of the relevant organisation (in particular the relationship with the local agricultural industry) and supporting documents required (hereinafter collectively referred to as “application form”), should be sent to the Secretariat either by e-mail to sadf@afcd.gov.hk or by post to the following address:

The Sustainable Agricultural Development Fund Secretariat
5/F, Cheung Sha Wan Government Office
303, Cheung Sha Wan Road, Kowloon, Hong Kong

- 5.3 During the vetting and assessment stage, AFCD staff may offer technical advice to the applicants on the new farming technology, production method or venue, etc. Those applicants who wish to seek technical advice from AFCD may indicate their intention in the application form.
- 5.4 The Advisory Committee will examine SADF applications and render recommendation to DAFC on a regular basis. The applicant should not commence any program under application until the result of the application is known.
- 5.5 The applicants of the FIS should submit the completed application form (with original copies of supporting documents required for verification), to the Yuen Long Agricultural Extension Office in-person with the following address:-

5/F., Yuen Long Government Offices
Tai Kiu Market, 2 Kiu Lok Square
Yuen Long, New Territories

- 5.6 In case an applicant wishes to submit a FIS application in-person to the Secretariat, he/she may make a prior appointment by telephone: 2150 6829.
- 5.7 Before submitting a formal application, interested applicants may seek technical advice from the Secretariat or technical team of AFCD in relation to the application procedures and the project contents where necessary.

6. Processing of Applications

General Applications

- 6.1 The Secretariat will issue an acknowledgement letter to the applicant by mail, fax or email within three working days of receipt of an application.
- 6.2 The Secretariat will endeavour to ensure that all applications received will be processed expeditiously as far as practicable. It will conduct an initial screening to ensure that application form is duly completed and the information provided is sufficient to prove the applicant's eligibility for the Fund. It will then issue a confirmation letter by mail, fax or email to the applicant within ten days of receipt of an application. The proposed projects will be forwarded to relevant units of AFCD for assessment in parallel. Afterwards, it will prepare a summary of the project incorporating the assessment results for consideration by the Advisory Committee.
- 6.3 Where necessary, the Secretariat may request an applicant to clarify details in his application or to provide supplementary information. It may also request him/her to provide relevant expert assessment reports prepared by qualified professionals accepted by DAFC.
- 6.4 For the purpose of seeking better understanding of the details, uniqueness and efficacy of an application, the applicant may be invited to present their projects or provide supplementary information to the Advisory Committee. It may consult independent experts of the relevant field and take into consideration the proposed budget under application. Where necessary, it may require an applicant to amend the budget, and set ceilings for individual expenditure items.
- 6.5 The Advisory Committee may also form vetting committee(s)/subcommittee(s) to examine project applications and monitor the progress of successful application.
- 6.6 DAFC may approve, on the advice of the Advisory Committee, grants not exceeding \$15 million. Grant exceeding \$15 million recommended by the Advisory Committee will be subject to the approval of LegCo FC. It is expected that longer processing time would be required for vetting of the applications by the LegCo FC.

- 6.7 The Secretariat will notify applicants of the application results in writing. Key features of the projects approved under SADF each year, including the identity of the grantees, expected benefits in terms of productivity enhancement and the progress or outcome of each approved project, are to be released on the AFCD website.
- 6.8 Upon approval of a project, the Government will enter into an Agreement with the successful applicant and other relevant parties such as third-party financier(s) as appropriate. The Agreement, together with these Application Guidelines, the application form and budget as submitted by the successful applicant (subject to modifications), as well as all requirements, directions and orders relating to the project as may from time to time be prescribed or made by the Government in writing, constitute the complete terms and conditions of a grant to be made under SADF to that successful applicant. The Agreement will prescribe in detail each party's rights, obligations and involvement in the project, including the Government's entitlement to the intellectual property rights underlying the technology, if applicable. DAFC may decide and impose any additional conditions in the Agreement as he deems appropriate.
- 6.9 Before an Agreement is entered into with the Government, a successful applicant may write to the Secretariat to withdraw an application at any time.
- 6.10 If the application is rejected, the Secretariat will notify the unsuccessful applicant in writing of the result and the reasons for the rejection including the criteria that have not been satisfied. The applicant may resubmit an application if it is subsequently substantially revised or incorporated fresh information in response to the queries and concerns raised. In completing the application form for a resubmitted application, the applicant should set out clearly the differences of the resubmitted applications vis-à-vis the earlier one. A revised application will be deemed to be a new application and processed in accordance with the same vetting procedures.
- 6.11 The flowchart summarising the procedures for processing general applications under the Fund is at **Annex 4(a)**.

FIS Applications

- 6.12 Details of processing FIS applications are provided in **Annex 2**.

Avoidance of Conflict of Interest

- 6.13 To avoid conflict of interest, the applicant should declare any actual, potential or perceived conflict of interest that may arise in the project to be implemented, including that between the applicant and AFCD staff and/or member(s) of the Advisory Committee. The applicant should also make written declarations of interest in accordance with the guidelines set out in the Best Practice Checklist - Strengthening Integrity and Accountability - Grantee's Guidebook compiled by the Independent Commission Against Corruption (ICAC)⁵(see Appendix 1 of the Checklist), and put in place a mechanism to minimise such conflict of interest.

7. Funding Arrangements and Conditions (under general applications)

Funding Cap

- 7.1 There is no preset level of maximum funding for projects under SADF.

Full and Itemised Budget

- 7.2 An applicant will be required to provide a full and itemised budget for his proposed project. He/she should demonstrate economy and cost effectiveness in budgeting for expenditure.
- 7.3 Applicants of funded projects are accountable for the proper and prudent use of public funds. The successful applicants will be required to go into an Agreement with the Government which will lay down detailed conditions for the grants. They will be required to keep an audit trail of budget spent and submit periodic progress reports as well as a final report (with audited accounts if applicable) on their projects. The Advisory Committee will review these reports with a view to monitoring progress and assessing if the outcome of each funded project is meeting the intended objective(s). Grants will only be disbursed if DAFC on the advice of the Advisory Committee is satisfied with the progress and/or deliverable(s) of the project.

⁵ Available online at http://www.icac.org.hk/filemanager/en/Content_1031/grantee.pdf.

Estimated Income from the Project

- 7.4 Should the applicant expect any income to be generated by the project, this should be noted in the application.

Payment to a Grantee

- 7.5 To ensure that the grants have been fully and properly applied to the projects for which they were expended and received, the grantee should open a separate normally interest-bearing Hong Kong Dollar bank account with one of the licensed banks in Hong Kong specifically for the funded project, for the purposes of keeping the grant from the Fund, the matching contribution and income generated from the projects (if applicable), interest income, as well as for handling all other financial operations of the project. Payments from that account should only be made by the authorised representative(s) of the grantee. Subject to paragraph 7.9 below, any unspent amount of the grant should be kept at all times in that account.
- 7.6 The grantee may provide a schedule of payment. However, it is for DAFC to determine the manner in which payments are made, who may withhold or terminate payment according to the progress of the project. A one-off lump sum payment will normally be made to the grantee in respect of a project with a time-span of less than six months. For a project lasting more than six months, payment will be disbursed by instalments (normally every six months, depending on the cash flow requirement and nature of the project) in accordance with the schedule of payment as set out in the Agreement, on condition that the project has met the prescribed milestones and DAFC is satisfied with its progress. The grantee may apply for a further disbursement if he can demonstrate that the remaining grant is insufficient for undertaking the project as scheduled. To ensure that the grantee will complete the project, DAFC may disburse the last instalment of the grant after he has accepted the audited accounts, final report and other relevant documents of the project, and after the grantee has discharged all obligations and liabilities in accordance with the Agreement.
- 7.7 The allocated grant shall not be used to finance any items not on the approved list of budget items.

- 7.8 In general, expenses incurred before the commencement date of the project will not be reimbursable from SADF. Applications for supplementary grants will not normally be considered. The Government, the Advisory Committee and the Secretariat accept no liability for deficits arising from projects funded by SADF.
- 7.9 All revenue received (including income derived and interest income generated from the project), irrespective of whether it has been declared in the proposal, must be defrayed against the actual expenditure before calculating the amount to be disbursed as final payment. Following the completion of the project in question, any unspent amount of the grant must be returned to the Government. Failure to report and return such amount will render the grantee ineligible for future funding support from SADF, and the Government will take appropriate actions to recover the outstanding amount.
- 7.10 The circumstances in which the grant could be reduced on a pro-rata basis include but are not limited to the following:
- (a) the scope and/or activities of the project have changed;
 - (b) the actual frequency of activities is less than proposed;
 - (c) the number of participants (count by heads) is less than proposed, and the grant is allocated according to that number;
 - (d) the duration of the project is reduced; and
 - (e) any other circumstances as accepted by DAFC.
- 7.11 The grantee should maintain proper and separate books, accounts, original receipts, invoices, relevant records and information related to the funded project. Such records should be kept for seven years after the completion or termination of the project, and made available for inspection by authorised staff of the Secretariat, the Advisory Committee and the Government with a reasonable time as requested.
- 7.12 Where circumstances justify, DAFC may withhold or reclaim any payment from the grantee in accordance with the Agreement.

- 7.13 Grants cannot be used to create any permanent staff posts or recurrent financial commitments. Project staff engaged in funded projects should be recruited through open and fair procedures.
- 7.14 The grantee may be required to compensate the Government for loss arising from improper handling of the grants. Where necessary, the Government will initiate legal action for suitable remedies.

Quotations, Procurement and Recruitment

- 7.15 Recruitment of staff/workers and procurement of goods/services must be conducted in an open and fair manner. A mechanism should be put in place for staff/workers to declare any conflict of interest and to prohibit staff/workers from soliciting or accepting any advantage when performing their duties. All records of declaration of interest in relation to the funded project should be properly documented and submitted with the final report to the Secretariat and the Advisory Committee for inspection. Please refer to **Annex 5** and the Best Practice Checklist - Strengthening Integrity and Accountability - Grantee's Guidebook compiled by the ICAC for the probity requirements for grantees.
- 7.16 To ensure value for money, the grantee should exercise prudence, adhere to the principle of fair competition and keep the procurement process open, in procuring capital assets (including all capital items, equipment, minor works and supporting facilities purchased with grants from the Fund) and relevant services required for the project. The grantee should also comply with procurement requirements stipulated by AFCD and the Advisory Committee. The general procedures are as follows:
- (a) quotations from suppliers are not required for a procurement worth not exceeding \$ 3,000;
 - (b) more than one quotation must be obtained for a procurement worth exceeding \$ 3,000 but not exceeding \$50,000;
 - (c) at least five written quotations must be obtained for a procurement worth exceeding \$50,000 but not exceeding \$1,400,000; and

- (d) an open tendering exercise must be conducted for a procurement worth exceeding \$1,400,000.
- 7.17 Prior approval of DAFC is required for adopting other procurement procedures.
- 7.18 DAFC may impose suitable conditions in addition to the requirements set out in paragraphs 7.16 and 7.17 above.
- 7.19 The grantee is required to provide report of relevant quotations and tendering records on procurement exercise to AFCD. All quotations and tendering documents should be kept for seven years after the completion or termination of the project, for inspection by authorised staff of the Secretariat, the Advisory Committee and the Government as requested.

Commercial Projects

- 7.20 Initiatives involving a commercial element will be considered on individual merits and in accordance with the criteria discussed in paragraph 4, as well as the measures set out in the ensuing paragraphs.
- 7.21 The successful applicant must open a separate Hong Kong Dollar bank account with one of the licensed banks in Hong Kong to handle grants received from SADF, including the matching contribution and income generated from the project, interest income and all other financial operations to the project.
- 7.22 Grant to a commercial project will be disbursed by instalments after confirmation of the availability of the non-government matching fund. The first instalment will only be effected upon receipt of the necessary proof of project expenditure using the non-government matching fund. Subsequent instalments will be disbursed only if the project is able to meet the prescribed milestones and AFCD is satisfied with its progress, and that there is evidence showing due contribution of the non-government matching fund by the successful applicant and other relevant parties such as third-party financier(s), if any, to the project. To enhance monitoring, the last instalment of the grant will be disbursed after AFCD has accepted the audited accounts and final report of the project.

- 7.23 AFCD reserves the right to withhold or terminate any further payment to the commercial project if the successful applicant fails to produce evidence of continuous non-government contributions. The successful applicant shall return to SADF all residual grants, and AFCD reserves the right to reclaim part or all of the payment made to the successful applicant.

Progress and Financial Reports

- 7.24 The grantee is required to submit progress reports and annual reports, as well as a final report on completion of the project, which shall include an end-of- project evaluation comparing the efficacy of the project against the indicators stated in the application. For projects lasting less than six months, the grantee is required to submit a progress report and financial statements three months after the project has started. The grantee is also required to submit the audited accounts to the Secretariat both within two months following the end of each 12-month period and within four months of the completion of the project (see paragraph 8.4 below).
- 7.25 AFCD and the Advisory Committee may at any time and without prior notification, conduct on-site inspection of approved projects on top of reviewing the progress and final reports submitted by the applicants. To facilitate the assessment of benefits brought about by approved projects to the agricultural industry, the applicants would be required to provide in the final report relevant information such as additional job opportunities created and enhancement in productivity upon completion of the project.

8. Obligations of a Grantee (under general applications)

Monitoring Mechanism

- 8.1 The applicant should set out in the application form the indicators for assessing the effectiveness of the project. He should also state specifically how to evaluate the effectiveness of the project. The focus of both the indicators and the methodology should be on the outcome and impact of the project, and these should be quantified numerically as far as possible. The grantee may consider conducting surveys of the target group to substantiate the efficacy of the project.

- 8.2 The grantee should adhere to a high standard of integrity and spend the grant on undertaking the project in an open, fair and transparent manner according to the terms and conditions of the Agreement. He should be prudent in his spending to ensure that project objectives are achieved and the duties are discharged.
- 8.3 The grantee is also advised to observe the guidelines set out in the *Best Practice Checklist – Strengthening Integrity and Accountability – Grantee’s Guidebook* compiled by the ICAC in order to execute the Agreement in an ethical and accountable manner which meets the public expectation.

Progress Reports and Financial Reports

- 8.4 The grantee is required to submit the following reports:
- (a) a quarterly progress report for a project lasting less than six months, and financial statements (to be submitted three months after the project has started);
 - (b) a half-yearly progress report (including a timetable for planned activities and financial statements. The report has to be submitted within two months following the end of the six-month reporting period);
 - (c) an annual report (including planned activities of the project. The report has to be submitted within two months following the end of each 12-month reporting period);
 - (d) a final report of the project (to be submitted within four months following the agreed project completion date);
 - (e) audited accounts to be submitted within two months following the end of each 12-month reporting period after the commencement of the project and within four months following the agreed project completion date.
- 8.5 The grantee is required to submit the reports as stated in paragraph 8.4 above to the Secretariat in a timely manner. An applicant may propose an alternative timetable for submission of reports, supported with justifications, at the time of application. The proposed time table however is subjected to agreement by DAFC.

- 8.6 The grantee is required to provide in the report information such as implementation progress, problems encountered and the remedial measures taken, profits made in the period, and interim results and evaluation of the project. In addition, the grantee is required to provide information and documents supporting any claims in the reports of results achieved and objectives attained.
- 8.7 The grantee is required to submit well-furnished and full reports. DAFC may withhold or terminate further payment of grant if the performance, progress, or efficacy/objectives of the project achieved is unsatisfactory, or when the grantee fails to comply with any of the funding terms and conditions as stipulated in the Agreement.
- 8.8 The grantee is required to submit audited accounts which contain the auditor's report, including an assurance that the funding was spent in accordance with the conditions of grant (please refer to **Annexes 6 & 7**), balance sheet, income and expenditure statement, cash flow statement and notes to accounts on an annual basis. Such accounts should be audited by a certified public accountant (practising) as defined by section 2 of the Professional Accountants Ordinance (Cap. 50).
- 8.9 Should the project not be audited separately, but rather as part of the annual audit of the grantee, the financial status of the funded project should be shown in detail as a separate item in the audited accounts.
- 8.10 DAFC, the Director of Audit or their authorised representatives are entitled to consult the certified public accountant (practising) who audited the accounts as stated in paragraph 8.8 above regarding the audited accounts and supporting documents.
- 8.11 Progress reports, annual reports and final reports should be signed by the person-in-charge of the grantee and submitted in such format as prescribed in the relevant forms.

- 8.12 Ineffective performance of a project arising from unsatisfactory performance of the grantee will adversely affect future application for funding support under the Fund. The management of the organisation will be informed of the performance and consequence.
- 8.13 To enhance transparency and to allow the agricultural sector to share the experience, knowledge and information generated from the funded projects, the final reports together with audited accounts of all projects (excluding commercially sensitive information) would be made available for public inspection. These will also be uploaded onto the SADF website for easy public access.

Intellectual Property Rights Arising from Projects and the Use of Project Results

- 8.14 To enable transfer of new technology and practices within the industry, the Government may prescribe the technology or practice covered in the relevant project to be made available for shared use by other interested members of the agricultural industry in an open, transparent and non-exclusive manner.
- 8.15 The grantee shall indemnify the Government against all claims, demands, actions or proceedings in respect of the infringement of patent, copyright, registered design which shall arise from the development or use of technology and practices as stated in paragraph 8.14 above by the grantee or in respect of any loss or damage suffered or sustained by any person in consequence of the aforesaid development or use of technology and practices.

Title of Capital Items

- 8.16 In order to explore the technical and commercial feasibility of new agricultural operations, and to develop new, sustainable modes of agricultural operation, procurement of capital assets may be required in some projects and those assets would remain with the grantees after completion of the projects. To ensure value for money, the procurement of any capital assets, supporting facilities and associated installation services must comply with procurement requirements stipulated by AFCD and the Advisory Committee, who may additionally impose suitable conditions in addition to the general procurement procedures. Failure to fulfil these conditions may lead to withdrawal of the grant and recovery of the fund disbursed.

Non Commercial Projects

- 8.17 Upon the expiry of the project period or the early termination of the Agreement by whatever reason (whichever is earlier), any assets procured should be disposed at the prevailing market price by sales, public auctions or any other arrangements in accordance with the procedures agreed by the Government (the Disposal). All proceeds derived from the Disposal (after the deduction of expenditure incurred by the grantee for the Disposal) shall belong to the Government and the grantee shall deliver such proceeds to the Government in accordance with any directions issued by the Government from time to time. Prior to delivering the proceeds to the Government, the grantee shall deposit the proceeds in the designated bank account and shall hold such proceeds as a trustee for the Government.
- 8.18 Notwithstanding paragraph 8.17 above, upon expiry of the project period or the early termination of the Agreement by whatever reason (whichever is earlier), the grantee may apply to the Government to keep any of the assets for its own use after the project. The Government may approve such application in its absolute discretion. In the event that the Government approves the application, the Government may estimate a residual value of the assets (the Residual Value) which the grantee intends to keep and the grantee shall pay the Residual Value to the Government in accordance with any directions issued by the Government from time to time. Any decision by the Government on the application to keep the assets and the Residual Value shall be final.

Commercial Projects

- 8.19 Upon the expiry of the project period or the early termination of the Agreement by whatever reason (whichever is earlier), any assets procured should be disposed at the prevailing market price by sales, public auctions or any other arrangements in accordance with the procedures agreed by the Government (the Disposal). The grantee should divide all proceeds derived from the Disposal (after the deduction of expenditure incurred by the grantee for the Disposal) in accordance with the following formula:

Government's share of the proceeds

$$\begin{aligned} & \text{= Proceeds derived from the Disposal} \times \frac{\text{Total amount of grant paid to the grantee}}{\text{Total amount of grant paid to the grantee plus the amount of contribution raised by the grantee}} \end{aligned}$$

8.20 The grantee shall deliver the Government's share of the proceeds to the Government in accordance with any directions issued by the Government from time to time. Prior to delivering the proceeds to the Government, the grantee shall deposit the proceeds in the designated bank account and shall hold such proceeds as a trustee for the Government.

8.21 The grantee may apply to the Government to keep any of the assets for its own use after the project and the Government may approve such application in its absolute discretion. In the event that the Government approves the application, the Government may estimate a residual value of the assets (the Residual Value) which the grantee intends to keep and the grantee shall pay a sum to the Government in accordance with the following formula:

Government's share of the Residual Value

$$\begin{aligned} & \text{= Residual Value} \times \frac{\text{Total amount of grant paid to the grantee}}{\text{Total amount of grant paid to the grantee and the amount of contribution raised by the grantee}} \end{aligned}$$

8.22 The grantee shall deliver the Government's share of the Residual Value to the Government in accordance with any directions issued by the Government from time to time. Any decision by the Government on the application to keep the assets and the Residual Value shall be final.

Insurance

- 8.23 To safeguard SADF and the grantee, the grantee should procure insurance for the collateral (if applicable) of the project, with the Government as the beneficiary. Should there be no relevant insurance service, DAFC may, subject to the satisfactory justifications put forward by the grantee and comments by the Advisory Committee, consider granting an exemption
- 8.24 To ensure that the grantee/the Government who suffers any loss in the event could be properly compensated, the grantee should strictly adhere to the terms and conditions as stipulated in the insurance policy. The grantee should hire eligible/qualified personnel to operate machines, tools or facilities used in the project and keep all necessary certificates and licences valid at all times.
- 8.25 Should the grantee fail to comply with any of the conditions stated in paragraphs 8.23 to 8.24 above, the Government may suspend/terminate funding the grantee and take actions as stated in paragraph 8.26 below.

Monitoring Meetings/Inspections

- 8.26 The Secretariat, the Advisory Committee and other persons authorised by DAFC may conduct regular meetings with the grantee to monitor the implementation of a project and hold review meeting(s) upon completion of a project to assess its effectiveness and the experience gained. The Secretariat and other persons authorised by DAFC may also conduct surprised inspection to examine the progress of a project at any time. The grantee should join these meetings and make arrangements for such inspections.

Publicity of Project Events and Results

- 8.27 Projects which receive or has received funding support from SADF, including the activities, publicity and other events organised under the projects, as well as their related educational, publicity and other materials, should not be used for purposes of personal, political, commercial or religious publicity of any individuals or organisations. Nor should any such activities or materials arising from a funded project be presented in a way as to induce public perception of any personal, political, commercial or religious publicity of any

kind, or misrepresent any association of any individuals or organisations with the SADF. In addition, activities and events organised and materials produced under the projects should not be implemented or distributed in a way which may adversely affect the image of SADF, or cause any liability to SADF.

Suspension/Termination of Funding Support

- 8.28 DAFC may suspend/terminate support for a project under the following circumstances:
- (a) if the project does not commence within one year of the approval of the grant and no reasonable explanation has been given;
 - (b) if the project is considered not having progressed satisfactorily and no reasonable explanation has been given;
 - (c) if the project head resigns prior to the completion of the project and there is no suitable candidate to take over the role of project head among those members who have been involved in the project; or
 - (d) if the grantee fails to comply with the funding conditions as set out in this Guidelines and/or in the Agreement and no reasonable explanation has been given.
- 8.29 In each of the above cases of suspension/termination, DAFC shall give one month notice to the grantee, stating the reasons for the suspension/termination. In cases of suspension, the grantee should demonstrate that measures have been taken to rectify the problems and improve the unsatisfactory situation before DAFC will lift the suspension. In cases of termination, the balance of the grant or any funding given in advance shall be returned to SADF. The Secretariat will dispose of the assets acquired for the project in accordance with the Agreement. Where necessary, the Government will initiate legal action for suitable remedies.
- 8.30 Any suspension or termination of a project will adversely affect the grantee's future application for funding support under the SADF. The management of the organisation will be informed of the performance and consequence.

- 8.31 The grantee should refund the SADF for part or all of a grant which has been used not in accordance with the terms of the approved project.
- 8.32 Any major changes to the project must be approved by DAFC. Such major changes include:
- (a) revision to the objectives and/or contents;
 - (b) change of project head/principal members;
 - (c) transfer of project to another organisation; or
 - (d) deferral of progress reports/project completion report/statement of accounts submission date.
- 8.33 DAFC may suspend/terminate funding support for a project if it has been carried out under any of the above circumstances without prior approval.
- 8.34 Any proposed substantial changes to a project should be submitted to the Secretariat for consideration by DAFC and advice of the Advisory Committee.

9. Notes about Personal Data of an Applicant

Purposes of Collection

- 9.1 The personal data and other related data provided as part of the application process are to be used by the Secretariat to process the application and to conduct research and surveys. The provision of personal data in the application is voluntary. However, failure to provide sufficient and correct information may result in the application not being processed.

Classes of Transferees

- 9.2 The personal data provided in an application may be disclosed to other Government bureaux, commissions or departments for the purposes mentioned in

paragraph 9.1 above.

Access to Personal Data

9.3 The applicant will have the right of access and correction with respect to personal data and other related data as provided for in sections 18 and 22 and Principle 6 of Schedule 1 of the Personal Data (Privacy) Ordinance (Cap. 486). The applicant's right of access includes the right to obtain a copy of the personal data provided in the application. Such requests should be made in writing to the Secretariat.

10. Disclosure of Project Details

10.1 By signing and submitting an application, an applicant consents to the disclosure from time to time by the Government of the information marked with "*" in the application form. The applicant is required to indicate in the application form whether consent will still be given, in the event that the application is not successful and without prejudice to other rights and powers of the Government, for the disclosure from time to time by the Government of the name of the applicant, the project title and the amount of grant sought, to the public for general information.

11. Enquiries

11.1 Enquiries on general matters of SADF or concerning the personal data collected by means of the application to SADF (including the provision of access and making of corrections), or requests for assistance in completing the application form should be addressed to:

Address: The Sustainable Agricultural Development Fund Secretariat
5/F, Cheung Sha Wan Government Offices
303 Cheung Sha Wan Road, Kowloon, Hong Kong
Contact Tel.: 2150 6829
Fax No.: 2736 5393
Email Address: sadf@afcd.gov.hk

12. Others

- 12.1 The Advisory Committee, the Secretariat and the Government shall have no responsibility, financial or otherwise, for expenditure or other liabilities arising from the projects.
- 12.2 The allocated grant shall not be used as payments to individual members of the public as a financial reward for their participation in the activities associated with the project.
- 12.3 Any intentional misrepresentation or omission of information related to this application may result in the application being rejected or grant withheld, and the applicant may be liable to prosecution for making a false declaration. The applicant's explicit attention is drawn that obtaining pecuniary advantage by deception is a criminal offence.
- 12.4 The applicant is prohibited from offering advantages to any members or staff of Government department(s) in any dealings therewith.
- 12.5 DAFC may at any time, if he considers fit and on the advice of the Advisory Committee, amend or add to the above conditions, without prior notice to the grantee.

Funding Scope of Projects

The areas set out in the ensuing paragraphs may help the industry and related stakeholders to put the Sustainable Agricultural Development Fund (SADF) to good use, to contribute to fostering the sustainable development and enhancing the overall competitiveness of the agricultural industry. Projects to be considered may include –

- (a) direct grants to individual farmers for mechanising and modernising their farming equipment and materials under the “Farm Improvement Scheme” (FIS);
- (b) funding support for promoting research and development that eases the application of technology to agricultural production;
- (c) projects to facilitate the transfer of agriculture knowledge;
- (d) projects to enhance industry-wide manpower training in agriculture;
- (e) projects to improve agricultural infrastructure;
- (f) projects to strengthen marketing and branding of local agricultural produce;
- (g) projects to render practical and farm-based support to enhance agricultural rehabilitation on a community scale; and
- (h) other one-off projects consistent with the objective of SADF.

2. Eligible projects may contain commercial elements. The related rules have been set out in greater detail in paragraph 4. Irrespective of a project’s commercial elements, the possibility of its approval depends on whether it meets the criteria set out for SADF, and the relative merits of the application in relation to competing applications.

3. Illustrative examples of how SADF may be deployed to help revitalise the local agricultural sector are set out in paragraphs 3.1 to 3.11 below.

Farm Improvement Scheme

3.1 A FIS is set up under SADF to provide direct grants to individual local farmers for acquisition of farming equipment and materials.

3.2 Farmers engaged in commercial production (i.e. where the production is meant for commercial sale as opposed to personal consumption by the farmers themselves) may apply under FIS for a direct grant to cover the cost for acquiring farming equipment or materials on a pre-approved list. The grant is issued on a reimbursement basis for up to 80% of the cost of

each piece of equipment and materials acquired, i.e. the successful applicant is required to bear at least 20% of the cost. The current list of farming equipment/materials eligible for funding support under FIS is set out in **Annex 2**. The total maximum grant that an applicant may receive is capped at \$30,000, irrespective of the number of items sought. More details of FIS including eligibility and the amount and scope of support are further elaborated in **Annex 2**.

Promoting mechanisation and modernisation

3.3 Apart from FIS, projects that would improve and promote farm mechanisation and automation, or other modernised practices that would benefit the agricultural industry at large may be supported under SADF. For example, applicants may promote the use of post-harvest cooling and automated packaging facilities for communal use for the purposes of brand- building and sustaining the shelf-life of the fresh produce for marketing, or other shared-use schemes benefiting local agricultural communities.

Research and development of new products and new farming practices, and transfer of knowledge

3.4 Research and development work to improve agricultural production (e.g. featuring more intensive use of land, automation, adoption of modern agro-technologies, introduction of quality seeds or varieties, environmentally-friendly pest and disease management, and new production input materials) is instrumental to the further healthy development of local agriculture. Examples of research projects that may benefit from funding support under SADF are given below:

(a) Organic farming

The niche market for organic produce continues to grow and its further development hinges on raising the productivity of organic farms by increasing outputs and lowering production cost. Research efforts on associated pest and disease problems, introduction of suitable cultivars and varieties, or effective recycling of wastes (e.g. food wastes, plant wastes generated from gardens and parks) into soil conditioners and fertilizers may help achieving such aims.

(b) Multi-layer farming

The system intensifies the use of land through stacking up facilities thereby increasing the effective production area. Supplementary artificial lighting may be necessary in greenhouse or indoor application of this system. More

research work on the selection of suitable crops for such farming, and provision of energy efficient artificial lighting would help facilitate its wider adoption in Hong Kong.

(c) Hydroponics and other soilless systems

More research is needed in hydroponic and other soilless production system to identify the best cultivation conditions (e.g. nutrient supply, light condition), develop better energy efficient facilities for microclimate control and production of different crop varieties, and disinfection techniques for disease-free production. In considering applications relating to hydroponics and other soilless systems, we would take into account the impact on farmland sustainability and avoid irreversible damage to land under active cultivation.

(d) Mushroom farming

Fresh mushroom (including medicinal fungi) commands a high price and has a strong demand from restaurants. The land requirement for growing mushroom is not as extensive as other types of crops. It thus bears good potential for further development in Hong Kong. More research efforts to identify the most suitable materials and methods to produce the substrate on which mushroom grows would be beneficial for the further development of this segment.

(e) Automation and post-harvest technologies

Local farming stands to make a huge gain in efficiency if the whole production process can be re-engineered to incorporate higher degrees of automation from farms through to retail ends, while preserving produce freshness and nutrition values. Research is needed in the areas of process re-engineering and designs, machine adaptation, and preservation of produce freshness after harvesting.

(f) Tissue grafting and culture for propagation

Plants can be propagated more efficiently through tissue block grafting or cell culture of the respective plants. Applied research is required to adapt the skills for commercial scale agricultural production and development of new varieties under local circumstances.

3.5 SADF may provide support for research and development projects/activities (such as field trials, demonstration projects, pilot schemes, etc.) which aim to transfer knowledge to the

agricultural community (including knowledge about advanced or innovative farming technologies and systems, as well as best practices that improve productivity). Applicants may make use of funds under SADF to conduct capacity building projects such as professional development conferences, vocational training courses, study tours, seminars on modern technologies, and demonstrations. Overseas experts may be invited to share their knowledge and experience in modern agro-technologies, thereby encouraging our farmers to move up the technology ladder.

3.6 SADF may also be used for developing modern farm management practices and models that befit the local situation, and conducting associated studies on leisure farming to better understand consumers' preference. To encourage entrepreneurs to venture into pursuing new agricultural practices that could help raise productivity, improve sustainability or diversify production, matching grants from SADF may be provided for commercially viable development projects meeting the objectives of the SADF.

Facilitating rehabilitation of fallow agricultural land

3.7 Farmland in Hong Kong is largely held in private hands under fragmented ownership. SADF may provide funding to NGOs or non-profit making farming organisations for facilitating landowners to release their farmland and promoting agricultural rehabilitation of fallow agricultural land. These agencies may apply for funding from SADF for the following –

- (a) hiring staff to coordinate the leasing of farmland en bloc from one or a number of landowners, and then sub-leasing to individual farmers on such terms that are attractive to farmers, particularly for new entrants to agriculture. SADF however will not subsidise rent for the land concerned or operating costs of the farmers involved;
- (b) supporting and assisting small farmers operating together within a community in practical, application oriented projects to enhance the effectiveness of rehabilitating the fallow farmland of these farmers through preparation and improvement of soils, and betterment of agricultural infrastructure like irrigation facilities; and
- (c) organising practical and application-oriented courses for farmers in a community for upgrading their farming skills and developing new farming techniques.

3.8 For the effective use of SADF, application for rehabilitation projects involving fallow farmland situated within potential development areas already identified by the Government or would be affected by public works projects would not normally be considered.

Promoting brand-building and marketing of local agricultural produce

3.9 SADF may also be used for supporting different projects that enhance marketing of local agricultural produce. To encourage more farmers to try out new marketing channels, funding assistance could be provided to facilitate the setting up of more farmers' markets, the development of new retail or online order collection points, and the exploration of other new ideas as technology continues to advance. For farmers who have the right produce and ambition to tap into overseas markets, funding could also be provided for them to explore the export potential of their produce. Projects involving brand-building (including those that help enhance food safety standard at the production level and are thus beneficial in fostering the branding of domestically grown produce as "safe produce") and marketing of local produce may provide added impetus to help farmers reach out to customers more effectively.

3.10 As local organic produce still accounts for only a small share of about 0.3% of the market, we see good room for using funds under SADF to take forward projects that may help further promote the marketing of organic produce to local end-users, such as branding, packaging, accreditation or certification, establishment of dedicated marketing channels and marketing events.

Promoting farming villages and leisure farming

3.11 Leisure farming is gaining popularity around the world and gathering momentum in Hong Kong. Farming activities are often found in village communities in the rural areas where neighbouring villagers are mostly engaged in agricultural activities. SADF may provide funding support to NGOs, non-profit marketing farming organisations or agricultural associations for carrying out, in suitable farming villages, projects that aim at promoting leisure farming that is ancillary to commercial crop producing farms. For instance, a project could be funded to help establish a new model of operation through facilitating collaboration between farms and local villages. Farms engaged in crop production may open up to visitors for gaining farming experience, creating opportunities for the neighbouring villages to provide complementary services for visitors such as catering or even lodging, subject to compliance

with relevant rules and regulations. This might help revitalise the rural economy and help preserve the heritage of rural communities, in addition to facilitating agricultural rehabilitation. Funding might also be given to projects that help improve agricultural infrastructures such as irrigation and footpath in appropriate farming communities and provide communal facilities conducive to the development of leisure farming benefitting the agricultural industry.

Farm Improvement Scheme

General

The Farm Improvement Scheme (FIS) is set up under the Sustainable Agricultural Development Fund (SADF) to provide direct grants to local farmers for acquisition of farming equipment and materials for helping farmers improve their farming efficiency and productivity.

Eligibility

2. An applicant must be a resident or a registered company/organisation of Hong Kong and operate a crop farm engaged in commercial production of not less than 1 dau chung (d.c.)⁶ or a licensed livestock farm in Hong Kong. Crop farms smaller than 1 d.c. are not eligible for the scheme taking into account the limited benefits that they may attain from mechanisation because of the small scale of their operation.
3. To prevent double benefit, applications should be made on a one grant per farm basis; a successful applicant, as well as his/her spouse, is not eligible for further grant under FIS even if he/she and his/her spouse own[s] more than one farm, or subsequently acquire[s], rent[s] or relocate[s] to a different farm.
4. An applicant would need to provide proofs⁷ to certify that his/her farm is an operating farm for commercial production.

⁶ Dau chung (斗種) is the customary local measurement unit for farms equivalent to about 674.5 square metres or 7 260 square feet.

⁷ The proofs may include, among others –

- (a) tenancy agreement (preferably stamped), Government leases documents, and/or sworn declarations of genuine user of the farmland;
- (b) receipts of agricultural inputs procured, sales of agricultural products, and/or records of the registration scheme according to the Food Safety Ordinance (Cap. 612);
- (c) record of participation in schemes run by AFCD, including the Voluntary Registration Scheme for local vegetable farms, the Accredited Farm Scheme, and the Organic Farming Support Service; and
- (d) any other proofs that can help establish the applicant's status as an operator of a farm for commercial production.

5. Only equipment and materials shortlisted by the Agriculture, Fisheries and Conservation Department (AFCD) for FIS and put to use in the applicant's farm are eligible for application for grant. The prevailing list of eligible equipment and materials is at Appendix⁸.

Amount and Scope of Support

6. The grant will be issued on a reimbursement basis and will cover up to a maximum of 80% of the cost of each piece of eligible equipment and materials purchased, i.e. the successful applicant is required to bear at least 20% of the cost.

7. The total maximum grant that an applicant may receive is capped at \$30,000, irrespective of the number of items sought. AFCD, in consultation with the Advisory Committee, may review from time to time the maximum level of grant as well as the ceilings for individual equipment/materials eligible for support under FIS, having regard to factors such as inflation, adjustments to the price of eligible equipment and materials, etc.

Processing of Applications

8. On receiving an application, AFCD officers will check and verify the submitted information with the applicant before forwarding them for further processing. If the application is successful, the applicant will be issued with a letter of approval-in-principle to proceed with the proposed equipment / materials purchase.

9. On completing the purchase, the applicant should return an application for reimbursement, together with the necessary documents like purchasing/services receipts. On satisfying that the equipment / materials has been purchased and properly installed as the case may be, the Secretariat will arrange for the issue of grant in accordance with approved criteria and rules.

10. If an applicant of FIS applications is not satisfied with the decision of AFCD, he/she may appeal to the Secretariat within 14 days of receiving the written reply. The Secretariat will arrange for assessment of the case by separate AFCD officers.




⁸ AFCD may set a grant ceiling for each shortlisted item as appropriate, having regard to the prevailing market prices of the equipment and materials concerned. AFCD, on the advice of the Advisory Committee, may update the list having regard to the prevailing equipment/materials available and the operational need of farmers.

11. The flowchart summarising the procedures for processing FIS applications under the Fund is at **Annex 4(b)**.

Responsibility of Applicants and Monitoring

12. A successful applicant must allow AFCD's staff to carry out on-farm inspections for ensuring the concerned farming equipment/materials are under proper use. The applicant should inform AFCD if there are changes in the operation of the farm indicated in the application. The Government and the Fund retain the right to reclaim the whole or part of the grant from the applicant if the equipment / materials are found missing from the farm/location indicated in the application.

List of Farm Equipment and Materials Allowed

 <p>1. <u>Cultivator tiller</u> To loosen top soil before cultivation.</p>	 <p>2. <u>Rotavator</u> To break up compact soil into smaller pieces before cultivation.</p>
 <p>3. <u>Ridger attachment</u> To attach behind a tiller or rotavator for gathering and heaping up the loose soil against young plants planted in rows.</p>	 <p>4. <u>Bed shaper</u> To attach behind a tiller or rotavator for forming the shape of the raised soil bed on loosen soil for cultivation.</p>
 <p>5. <u>Rotary plow</u> To break new ground, building raised bed and creating drainage ditches on harden soil when powered by a tractor.</p>	 <p>6. <u>Brush cutter</u> To clear grass, small bushes and undergrowth.</p>



7. Weed burner

To burn weed, kill underground insect pests and reduce soil-borne plant pathogen population.



8. Mulch layer

For laying plastic mulch.



9. Intertiller

To loosen top soil and weeding between rows of planted crops.



10. Motorised sprayer

For spraying liquid fertilisers or liquid pesticides onto plants.



11. Fertiliser/Compost spreader

To spread granular fertiliser or compost onto the field before cultivation.



12. Chipper/Shredder

For cutting and chipping plant debris into smaller pieces.



13. Planter
For precise seeding
directly onto the soil bed.



14. Transplanter
For transplanting young
Seedlings onto the soil bed.



15. Handheld harvester
For harvesting crops.



16. Insect attraction lamp
To attract insect pests for monitoring
and control of pest situation.



17. Vegetable packaging machine
For packaging harvested vegetables.



18. Parts and materials for irrigation system
For setting up irrigation system.



19. Parts and materials
for protective structure

For erecting simple protective structure to protect crops from heavy rain and/or pests.



20. Electric fence

For preventing wild animals from damaging crops.



21. Covers for waste treatment facilities

To reduce odour.



22. Bird Entrance Barrier

Plastic strip curtains or chain link doors for preventing entry of birds into rearing sheds.



23. Belt Manure Removal System

For removal of livestock waste automatically.



24. Solid Liquid Waste Separator

For separation of solids from livestock waste to improve treatment efficiency.



25. Waste Treatment Tank Aeration Blower
For use in waste treatment tank in livestock farm.



26. Water Spraying system
For avoiding feather blowing out from rearing sheds by the exhaust fans.



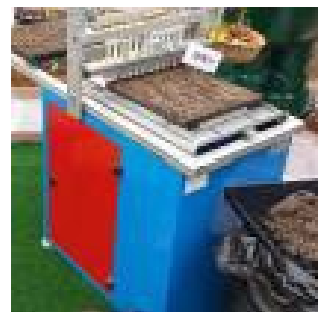
27. Automatic Scraper System
For removal of livestock waste automatically.



28. Insect Suction Trap Catcher
For trapping tiny pests.



29. Bird Repeller
For driving wild birds away and preventing birds from damaging crops.



30. Nursery Seedler
For sowing seeds in seedling trays.



31. Electronic Refractometer

To preliminarily measure the sweetness level of agricultural produce so as to determine the right time for harvest and control the quality of farm produce.



32. Pregnancy Test Machine for Pigs

For examining the pregnancy status of pigs in order to strengthen the care for pregnant sows and enhance the quality of newborn piglets.



33. Mixer

For mingling and blending feed for livestock to enhance the quality of livestock farming. It can also be used for processing other agricultural materials and waste so as to strengthen the management of farms.



34. Feed Grinder

For grinding granular feed (e.g. corn kernels) into powder to facilitate formulation of feed and feeding of livestock, so as to enhance the quality of livestock rearing.



35. Feed Pulveriser

For pulverising miscellaneous feeds (e.g. vegetables) for feeding to facilitate feed intake by livestock, so as to enhance the quality of livestock rearing.



36. Feeder

For evenly distributing feed onto each feeding utensil to facilitate feed intake by livestock, so as to enhance the quality of livestock rearing.



37. High-pressure Blow-off Cleaning Gun

High-pressure blow-off cleaning gun can be used to effectively remove the pollutants remained in livestock farms and vehicles moving in and out of the farms, enhancing the effectiveness of cleansing and disinfection.



38. Designated Tool for Shoe Sterilisation

Shoe sterilisation is one of the essential elements for ensuring biosafety. By using the designated tool for sterilisation, it can be ensured that staff members have undergone effective sterilisation when moving in and out of livestock farms.



39. Paddy processing equipment
For post-harvest processing of paddy.



40. Fences for wild pigs
Erecting fences to protect farms from wild pig nuisance.



41. Soil pH tester
For rapid determination of soil pH values.



42. Soil EC tester
For rapid determination of soil electrical conductivity (EC).



43. Nitrate ion meter
For rapid determination of nitrate ion concentration in samples.



44. Potassium ion meter
For rapid determination of potassium ion concentration in samples.



45. Calcium ion meter
For rapid determination of calcium ion concentration in samples.



46. Soil compaction tester
For measurement of soil compaction level



47. Chlorophyll meter
For non-invasive measurement of chlorophyll content, leaf surface temperature and moisture content of plants.



48. Remote monitoring and control systems for farms
For remote monitoring of the farm environment and control of various equipment.



49. Egg incubator
To simulate a natural incubation environment for large scale production of day-old-chicks by controlling various factors (such as temperature, humidity, ventilation) through a fully-automated computer system.



50. Backup generator
To provide emergency electricity supply for maintaining normal farm operation in case of power outage.



51. Large-capacity portable power station
Optimising the growing environment of crops and preserving their post-harvest freshness in remote farms by supplying stable and sufficient power to facilities such as fans and refrigerators.



52. Solar panel
For charging large-capacity portable power stations with sustainable, clean and reliable solar energy so as to reduce emissions.

Note: The photos are for indication purpose only. Different types and makes may appear different from the photos.

Marking Scheme for Assessing General Applications

1. The Advisory Committee of the Sustainable Agricultural Development Fund (SADF Advisory Committee), in assessing the application for funding, will use this Marking Scheme to assess the merits of the applications. Applicants who fail in any one of the criteria (A) to (D) will not be considered further.
2. Applications will be assessed based on the following criteria in accordance with the information provided by the applicants.

	Assessment Criteria
<i>(A) Compliance with the guiding principles</i>	
[(A) Pass / Fail*]	
<i>(B) Project needs</i>	
(1)	whether there is a demonstrated need for the proposed project (e.g. for the sustainable development of the local agricultural industry and improvement of competitiveness of the industry)
(2)	whether the project scope, objectives and long-term impacts are realistic and clearly expressed in concrete terms as appropriate in the application
(3)	whether the project is innovative, i.e. unique and pilot in nature including new ideas and implementation method suitable for the target beneficiaries, or new or further developed ideas that are building on projects with successful experiences and good practices with justifications
(4)	whether the project is compatible with Government policy priorities in facilitating sustainable development of agriculture
(5)	whether there is any likely duplication of work already or currently carried out by other groups
(6)	whether the proposed project has the potential to become a project

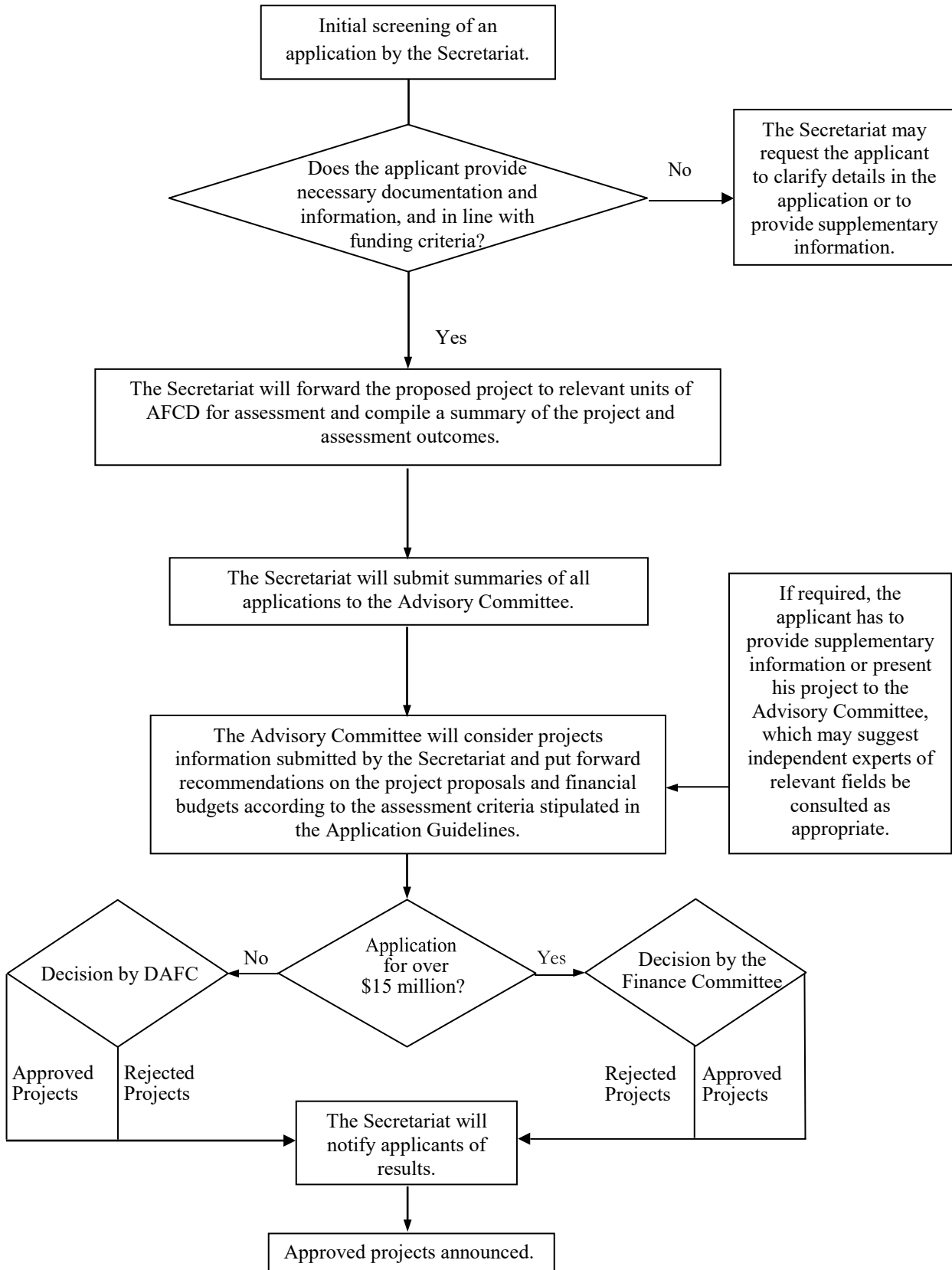
	model
[(B) Pass / Fail*]	
<i>(C) Project feasibility</i>	
(7)	whether the project design is comprehensive and supported by a detailed implementation/ business plan and methodology, and whether the project has an attainable target
(8)	whether the applicant has proven track record in operating projects, the technical and project management capability, professional knowledge as well as readiness to implement the project
(9)	whether there are sufficient implementation details with a realistic timeline for implementation
(10)	whether the applicant could collaborate with other parties such as locally registered agricultural co-operative societies, non-profit making agricultural organisations, academic and research institutions, and non-governmental organisations in the development and production of project deliverables
(11)	whether the project budget is detailed, prudent, cost-effective, commensurate with the goals, project scope, activities, number of direct beneficiaries and end products to be delivered and is supported with full justification for every expenditure item
(12)	whether the proposed project has alternative sources of funding support or would be more appropriately funded by other sources
[(C) Pass / Fail*]	
<i>(D) Expected project outcomes</i>	
(13)	whether there are clearly stated outcome with specified and quantifiable performance indicators for assessing the attainment of project objectives
(14)	whether major milestones are set in the project to facilitate future monitoring of progress and achievement of performance targets

(15)	whether the project outcome/impact can be sustained and the equipment and resources acquired be properly deployed/reused on the completion of the project
(16)	whether the project would benefit the local agricultural community and agricultural industry as a whole, not merely to an individual, a single organisation, a consortium of agricultural companies or a narrow sector
(17)	whether the outcome (e.g. experiences and deliverables) have good value and potential for wide dissemination in the agricultural industry and its deliverables can help improve the competitiveness of the industry
(18)	whether the project has the potential to become a self-sufficient ongoing initiative after funding support from SADF expires
[(D) Pass / Fail*]	
[Overall Pass / Fail*]	

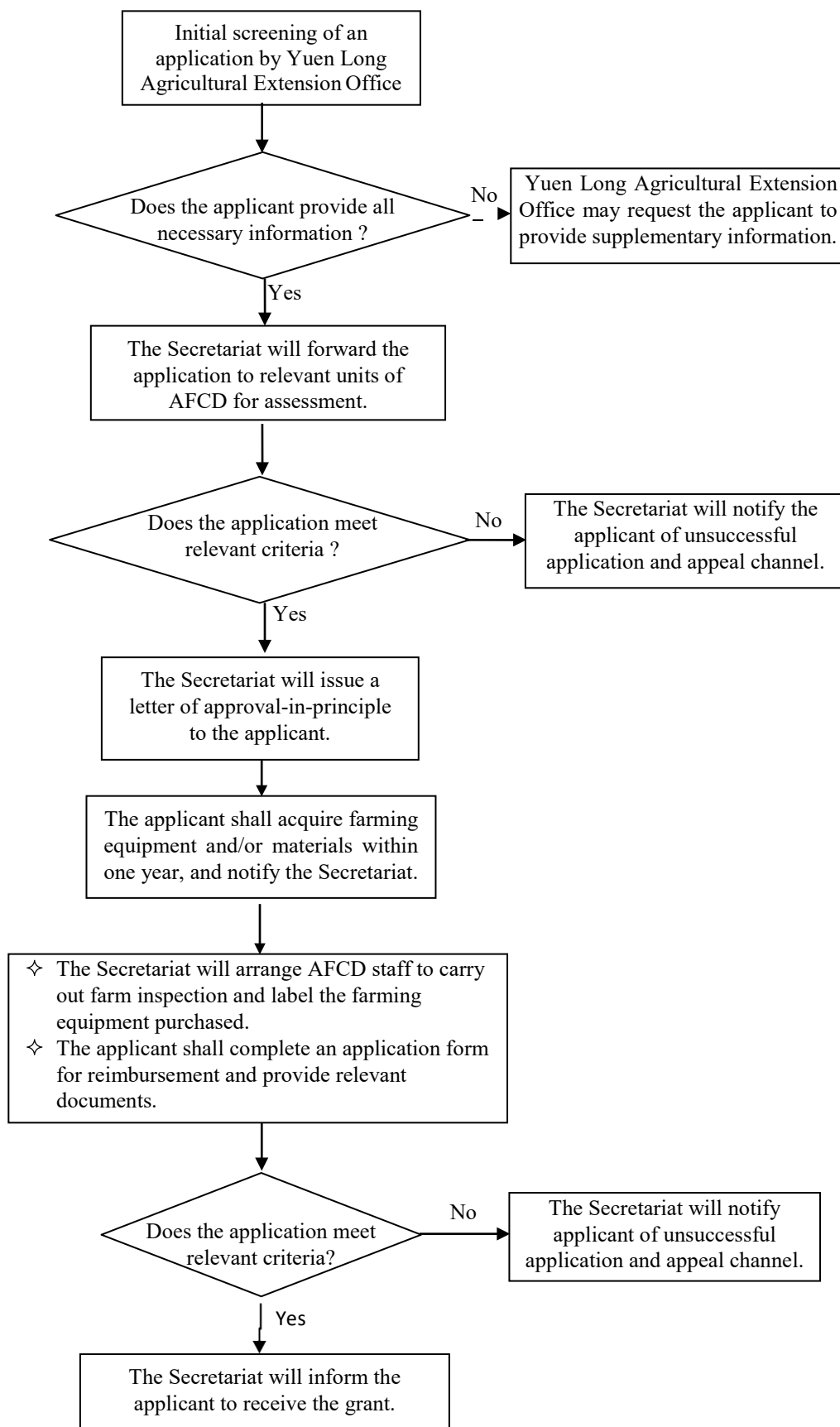
*Please delete as appropriate.

3. For applications modeled on a project previously supported by SADF, two additional criteria will be considered:
 - (19) Whether the applicant has demonstrated, by reference to the previous project, the achievements made with respect to the sustainable development of the local agricultural industry and improvement of competitiveness of the industry.
 - (20) Whether the total amount of expenses under its/their respective broad expenditure item deviated from the approved budgets of previous project by a substantial amount, say 30% or more. If yes, the applicant should justify the differences.
4. After consulting the SADF Advisory Committee, the Director of Agriculture, Fisheries and Conservation will approve the application direct or submit the application to the Finance Committee of the Legislative Council for approval subject to the amount of funding under application.

**Sustainable Agricultural Development Fund
Flowchart on Processing Normal Fund Applications**



Sustainable Agricultural Development Fund
Flowchart on Processing Farm Improvement Scheme Applications



**Probity Requirements for Grantees
under Sustainable Agricultural Development Fund**

1. Introduction

As Government funds involve public money, there is high public expectation on the grantee of grants from the Sustainable Agricultural Development Fund (SADF) to adhere to a high standard of integrity and spend the grant in an open, fair, accountable and transparent manner.

2. Probity Provisions

To uphold the integrity of staff members and agents of the grantee in relation to the funded project, the grantee should:

- require its staff members, subcontractors, agents, co-organisers and other personnel who are in any way involved in the funded project, not to offer, solicit or accept from any person any money, gifts or advantages as defined in the Prevention of Bribery Ordinance (Cap. 201) in relation to the project;
- be liable for any loss or damage to the Government arising from the termination of the Agreement, where the termination is attributed to the commitment of any offence under the Prevention of Bribery Ordinance in relation to the funded project by its staff members, subcontractors, agents, co-organisers or other personnel who are in any way involved in the project;
- ensure that the relevant parties (i.e. its staff members, subcontractors, agents or other personnel involving in the project in any manner) shall not undertake any service, task or job or do anything which conflicts, or which may be seen to conflict, with the grantee's duties to SADF (or its Secretariat, the Advisory Committee or the Director of Agriculture, Fisheries and Conservation (DAFC)) under the Agreement, unless and to the extent the Secretariat of SADF have been fully informed, and DAFC's permission has been obtained, by the grantee in a timely fashion of all the circumstances in which the permission is sought; and
- notify the Secretariat in writing as soon as possible of all or any facts which may

reasonably be considered to give rise to a situation where the financial, professional, commercial, personal, or other interests of the grantee or any of its directors, staff members, agents, co-organisers and contractors, or any of their respective associates or associated persons, conflict or compete, or may conflict or compete, with the grantee's duties to SADF (or its Secretariat, the Advisory Committee or DAFC) under the Agreement.

3. Staff Recruitment

The grantee should maintain fairness and transparency in recruiting staff, and ensure that all such staff members recruited with Fund grants are well qualified, suitably deployed, and properly remunerated.

4. Procurement

In procuring goods and services in relation to the funded project and implementation of activities under the project, the grantee should:

- adopt a set of standard procurement procedures to procure all goods and services on an open, fair and competitive basis, which should be no less stringent than the requirements set out in the “Sustainable Agricultural Development Fund’s – Application Guidelines”, the Agreement, and other relevant conditions prescribed for the grant of SADF;
- segregate the duties in the procurement process as far as possible, e.g. assign different staff members to source suppliers/contractors for invitation of quotations/tenders, approve quotations/tenders, and certify the goods/services received;
- specify the approving authorities and the procurement methods for purchases of different values (e.g. open tendering for purchases of significant value or restricted tendering for minor purchases of a specified amount), which should be no less stringent than the requirements set out in the “Sustainable Agricultural Development Fund’s – Application Guidelines”, the Agreement, and other relevant conditions prescribed for the grant of SADF;

- state the approving authorities for purchases by single source quotation or tender (preferably by a panel in case of high value purchases) and require the staff concerned to give justifications in writing;
- include in the tender/quotation invitation documents probity clauses to prohibit all bidders from offering or soliciting bribes in relation to the bidding exercise;
- incorporate anti-collusion clauses⁹ in the tender/quotation invitation document, and require the bidders to submit, together with their bids, a declaration pledging compliance with the anti-collusion clause;
- add probity clauses to prohibit all contractor's/service provider's staff from offering, soliciting or accepting bribes, in the contracts to be awarded; and
- seek ICAC's tailor-made advice, if necessary, on procurement in relation to the funded projects.
- provide report of relevant quotations and tending records on procurement exercise to AFCD.

In sourcing suppliers and service providers, the grantee should:

- compile lists of suppliers/service providers for approval by the designated authority in the grantee to facilitate sourcing of suppliers/service providers for the goods or services that are required frequently;
- invite the required number of suitable suppliers/service providers on the respective approved lists to bid on a fair-share basis (e.g. by rotation);
- add other suppliers nominated, with justifications for their nominations and approval by designated authority, by the users or other staff; and
- source, for those without any approved list, suitable suppliers/service providers for invitations to bid, taking into account their company size, experience and past performance records, if any, through the Internet and nominations by the users and other staff, and include the current supplier/service provider as appropriate.

⁹ Please refer to Appendix 4 of the Best Practice Checklist — Strengthening Integrity and Accountability – Grantee's Guidebook.

5. Handling of Project Assets

Since the assets procured for the funded projects (including all capital items, equipment, minor works and supporting facilities) are paid from public money, the grantee must maintain clear records and conduct regularly stock-taking exercises to prevent the assets from being stolen or used for purposes other than funded areas.

The grantee should be responsible for the overall control and management of project assets, including any movements or transfers of these items among users. The grantee should keep a register to record the movements of each item, such as the date of issue and the recipient, date and cost of acquisition, detailed description of the assets and its physical location. The grantee should also mark on each item to show that it is an asset of SADF.

The grantee should conduct and record random and regular (e.g. yearly) physical checks on these assets.

The grantee should report on any loss or damages to these assets, or any unserviceable assets, to the management of the grantee for necessary action. The grantee should also report to the Police and the Secretariat for all assets which are lost or stolen.

Approval from the designated authority and consent from DAFC should be obtained before processing or disposing of any substances.

6. Record Keeping

The grantee should maintain, for a minimum period of seven years after the completion or termination of the project, full, proper and separate books of accounts and records (including receipts, vouchers, quotations and tendering documents and other supporting documents) in respect of the project.

The grantee should allow the Secretariat and its authorised representatives to access to all or any of the books and records for conducting audit, inspection, and verification whenever required.

Notes for Auditors of Recipient Organisations

Pursuant to the fund agreement (Agreement) made between the HKSAR Government and the Recipient Organisations (ROs), and the Sustainable Agricultural Development Fund (SADF) Application Guidelines in respect of each SADF project under the SADF, ROs are required to submit interim and final “audited accounts”¹⁰ of each project to the Director of Agriculture, Fisheries and Conservation (DAFC) according to a stipulated timeframe. The requirement to submit “audited accounts” is to assure the Government that:

- (a) the project funds were fully and properly applied to the project for which they were paid, and received and expended in accordance with the approved project budget; and
- (b) the ROs complied with the funding terms and conditions in the administration, management and usage of the SADF project.

These notes aim to provide guidance for Auditors of ROs in conducting reasonable assurance engagements and in preparing auditors’ reports for each SADF project.

2. In conducting a reasonable assurance engagement, the Auditors should perform such procedures¹¹ as they consider necessary in the circumstances and obtain all the information and explanations which they consider necessary in order to provide them with sufficient evidence to give their conclusion as to whether the RO has complied with,

¹⁰ The interim and final “audited accounts” comprise income and expenditure statement, balance sheet, cash flow statements, notes to the accounts and the auditors’ report and mean interim and final accounts of the project which have been reported on by Auditors under a reasonable assurance engagement conducted in accordance with the Hong Kong Standard on Assurance Engagements 3000 (Revised) “Assurance Engagements Other Than Audits or Reviews of Historical Financial Information” issued by the Hong Kong Institute of Certified Public Accountants.

¹¹ The Auditors’ procedures would normally include:

- a. performing tests of transactions and of the existence, ownership and valuation of assets and liabilities, if any;
- b. obtaining an understanding of the accounting system and control in order to assess its adequacy as a basis for the preparation of the accounts of the SADF project and to establish whether a proper and separate set of project books and have been kept and maintained by the RO;
- c. assessing significant estimates and judgments made by the RO in the preparation of the interim/final accounts of the SADF project, and whether the accounting policies have followed the requirements of SADF, consistently applied and adequately disclosed; and
- d. evaluating the overall adequacy of the presentation of information in the interim/final accounts.

in all material respects, the requirements set by the DAFC (including the requirements to keep proper books and records and to prepare interim/final audited accounts of the SADF project), and all the terms and conditions of SADF, as specified in the following documents:

- (a) The Agreement made between the HKSAR Government and the RO in respect of the project and the appendices thereto (which includes the project proposal);
- (b) the relevant “SADF Application Guidelines”¹² referred to in the Agreement; and
- (c) all instructions and correspondences issued by the DAFC in respect of the SADF

3. The Auditors should comply with the Hong Kong Standard on Assurance Engagements 3000 (Revised) “Assurance Engagements Other Than Audits or Reviews of Historical Financial Information” issued and updated from time to time by the Hong Kong Institute of Certified Public Accountants. The following information is required in an auditors’ report prepared by the Auditors to be submitted to DAFC–

- (a) the Auditors should state whether, in their conclusion, the RO has complied with, in all material respects, the requirements set by DAFC (including the requirements to keep proper books and records and to prepare interim/final audited accounts of the SADF project), and all the terms and conditions of SADF, as specified in documents mentioned in paragraph 2 above;
- (b) if the Auditors are of the opinion that there exists any material non-compliance as identified in paragraph 3(a) above, they should make full disclosure and quantify the effects of such non-compliance in the auditors’ report; and
- (c) if the Auditors are of the opinion that a proper and separate set of books and records have not been kept by the RO for the SADF project, or the

¹²In case there are written agreements to the otherwise, such agreements shall prevail to the extent where the context so permits.

relevant project accounts have not been properly prepared, or if the Auditors fail to obtain all the information and explanations which are necessary for the purpose of the reasonable assurance engagement, they should make appropriate qualifications in the auditors' report.

4. The Auditors should plan and conduct the reasonable assurance engagement to satisfy paragraphs 2 and 3 above. In case of any ambiguity regarding the terms and conditions contained in the Agreement and rules and regulations governing SADF projects, Auditors should seek clarification from SADF Secretariat. Any unreasonable reservation or denial of conclusion, for example, comments about ambiguity of the SADF Application Guidelines, expressed by Auditors in the auditors' report, will be returned to ROs for rectification before re-submission.

5. The Auditors may come across during the course of their reasonable assurance engagements weaknesses/breakdown in internal control which are considered material. They should bring to the RO's attention the details of such weaknesses/breakdown and provide the RO with their recommendations for improvement by setting them out in a letter to the RO. A copy of such letter should be sent to DAFC for reference and action as appropriate.

6. Auditors are expected to follow the specimen auditors' report as **Annex 7**.

SADF Secretariat

November 2016

(These Notes for Auditors of Recipient Organisations has been translated into Chinese. If there is any inconsistency or ambiguity between the English version and the Chinese version, the English version shall prevail.)

**SPECIMEN INDEPENDENT AUDITORS' ASSURANCE REPORT ON THE
INTERIM/FINAL ACCOUNTS UNDER
SUSTAINABLE AGRICULTURAL DEVELOPMENT FUND**

INDEPENDENT AUDITOR'S ASSURANCE REPORT

To the Directors of XYZ Limited

Pursuant to the Agreement made between the Government of the Hong Kong Special Administrative Region ("HKSAR") and XYZ Limited, and the Sustainable Agricultural Development Fund ("SADF") - Application Guidelines in respect of the SADF project under the SADF dated [date] ("Agreement"), we have undertaken a reasonable assurance engagement on the [interim][final] accounts of ABC Project (the "Project") as set out on pages__to__which comprise the income and expenditure statement, balance sheet, cash flow statement for the period from DD/MM/YY (Date/commencement date) to DD/MM/YY (date/completion date), and notes to the accounts ("Project Accounts").

Director's 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 SADF, as specified in the following documents:

- (a) the Agreement in respect of the Project and the appendices thereto (which include the Project proposal);
- (b) the relevant "SADF - Application Guidelines"¹ referred to in the Agreement; and
- (c) all instructions and correspondences issued by the Director of Agriculture, Fisheries and Conservation ("DAFC") to XYZ 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

¹ In case there are written agreement to the otherwise, such agreements shall prevail to the extent where the context so permits.

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 [to be inserted as appropriate] 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 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, XYZ 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 SADF, 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.

ABC & Co.

Certified Public Accountants (Practising) [or Certified Public Accountants]

[Auditor's Address]

Date