

Sustainable Fisheries Development Fund

General Application Application Guidelines

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The Sustainable Fisheries Development Fund Secretariat
8/F, Cheung Sha Wan Government Offices
303 Cheung Sha Wan Road, Kowloon, Hong Kong

Tel. : 2150 7158
Fax : 2314 2866
Email : sfdf@afcd.gov.hk

Sustainable Fisheries Development Fund

Application Guidelines

Contents

1. Sustainable Fisheries Development Fund	3
2. Eligibility	4
3. Assessment Criteria on Projects	5
4. Submission of Applications	8
5. Processing of Applications	9
6. Funding Arrangements and Conditions	12
7. Obligations of a Grantee	19
8. Notes about Personal Data of an Applicant	27
9. Enquiries	28
10. Others	28
Annex 1	30
Annex 2	41
Annex 3	42
Annex 4	46
Annex 5	49
Annex 6	52

1. Sustainable Fisheries Development Fund

Background

- 1.1 In accordance with the policy blueprint formulated by the Committee on Sustainable Fisheries (CSF)¹, how best to drive the modernisation of the local fisheries industry is an essential element in the overall strategy flowing from the recommendations of the CSF. In this connection, the CSF recommended the establishment of a Sustainable Fisheries Funding Scheme in due course to provide financial assistance to the fisheries sector, academic and research institutions or non-profit-making organisations for carrying out research and development programmes that will help improve the operating environment and competitiveness of the industry.
- 1.2 Established in 2014, the \$500 million Sustainable Fisheries Development Fund (Fund) aims to help fishermen adopt a sustainable and high value-added mode of operations, and provide financial support to relevant programmes and research so as to enhance the overall competitiveness of the industry. To further support the development of the industry in terms of application of advanced technology and intensification of production, and to help the industry seize the opportunities arising from the Greater Bay Area (GBA) development, the Government further injected \$500 million to the Fund and appropriately expanded its coverage in 2022 to increase resources to support the sustainable development of the industry.

Purpose

- 1.3 The Fund aims to assist the local fisheries community to rise to the challenges on the horizon with a view to enabling the fisheries industry to develop or switch to a sustainable or high value-added mode of operations as well as enhancing the overall competitiveness of the fisheries industry. The sustainable development of the fisheries industry will allow fishermen to be self-reliant, improve their livelihood and enhance their ability to meet the challenges arising from the changing operating environment.

¹ The Committee was established in 2006 to study the long-term goals, the direction and feasible options for the sustainable development of the local fisheries industry. Its recommendations, put to and accepted by the Government in 2010, form the basis of the various fisheries management measures that are currently being rolled out. These include the trawl ban, the registration of local fishing vessels and eventual designation of fisheries protection areas in Hong Kong waters to protect important fish nursery and spawning grounds, etc.

Funding Scope of Projects

1.4 Please refer to **Annex 1** for the funding scope and projects that may benefit from the Fund.

1.5 General applications for grants from the Fund can be divided into the following three categories:

- (a) Innovative Projects (which may involve commercial elements): innovative, unique or pilot in nature, and not duplicating work already or currently carried out by other groups, etc.;
- (b) Application Projects (which may involve commercial elements): technologies/modes of commercial operation which have achieved preliminary results but are not necessarily unique or pilot in nature or have not yet been widely applied in the local industry; and
- (c) Support Services Projects: providing support services for the sustainable development of the industry and enhancing their competitiveness, non-profit-making in nature with no commercial elements.

The applicants shall declare or provide relevant proofs/justifications to demonstrate that the proposed project falls into any of the above categories, such as its uniqueness/innovative elements, the preliminary result and application of the technology in Hong Kong, how it supports the sustainable development and enhances the competitiveness of the industry.

2. Eligibility

2.1 For programmes, projects and research (hereafter collectively referred to as projects) that will contribute to fostering the sustainable development of the fisheries industry, with such initiatives bringing benefits to the operations of the local fisheries community as a whole, thereby enhancing the overall competitiveness of the fisheries industry, further supporting the development of the industry in terms of application of advanced technology and intensification of production and helping the industry seize the opportunities arising from the GBA development, they may be considered, vetted and approved on their individual merits (such as the effectiveness of the project, the capability of the applicant, etc.).

2.2 The following organisations 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)² and has a close connection with Hong Kong or a body corporate incorporated in Hong Kong under other Ordinances of the Hong Kong Special Administrative Region, including local registered fisheries co-operatives, non-profit-making fisheries organisations, non-governmental organisations. The applicants must demonstrate a close connection with the fisheries industry in Hong Kong; and
- (b) academic and research institutions in Hong Kong.

2.3 Joint applications with overseas organisations and institutions are permissible, provided that the projects are led by a local group satisfying the criteria stated in paragraph 2.2 (a) and (b) above.

3. Assessment Criteria on Projects

- 3.1 Projects approved for funding support are expected **to assist the local fisheries community to rise to the challenges on the horizon, with a view to enabling the fisheries industry to adopt or switch to a sustainable or high value-added mode of operations; contribute in a direct and practical way to the industry and enhance their competitiveness**; and to be in line with the Government's policy direction of facilitating the sustainable development of the fisheries industry. Projects that meet these criteria will be eligible for grants from the Fund, while those that fail to demonstrate the relevance of sustainable development to the local fisheries industry or research/theoretical studies without a demonstrated relevance to the local fisheries industry will not be considered.
- 3.2 A project may involve commercial elements if the project applicant intends to gain profits from the proposed project. Commercial projects that fulfill the criteria described below may be considered, subject to the measures described in paragraph 6.16. The cost recouped from the project will be credited to the General Revenue of the Government.

² Or the Companies Ordinance (Cap. 32) before 3 March 2014.

3.3 In vetting an application, due consideration will be given to:

Project Needs

- (a) whether there is a demonstrated need for the proposed project (e.g. for the sustainable development and improvement of competitiveness of the local fisheries industry);
- (b) whether the scope, objectives and long-term impacts of the project are realistic and clearly expressed in concrete terms as appropriate in the application form; and
- (c) whether the project is in line with the Government's policy direction of facilitating the sustainable development of the fisheries industry.

Project Feasibility

- (d) whether the project design is comprehensive and supported by a detailed implementation/business plan and methodology;
- (e) whether the project has an attainable target;
- (f) 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;
- (g) whether there are sufficient implementation details with a realistic timeline for implementation;
- (h) whether the applicant can collaborate with other groups such as locally registered fisheries co-operative societies, non-profit-making fisheries organisations, academic and research institutions, and non-governmental organisations in the development and delivery of project objectives;
- (i) whether the project budget is detailed, prudent, cost-effective, commensurate with its objectives, scope, activities, the number of direct beneficiaries and end products to be delivered, and is supported with full justification for every expenditure item;
- (j) whether the business plan and budget, including the expenditures and revenues, of the project involving commercial elements can prove its

commercial feasibility, and whether the government funding can be recouped from the revenues generated; and

- (k) whether the proposed project has alternative sources of funding support or will be more appropriately funded by other sources³.

Expected Project Outcomes

- (l) whether there are clearly stated expected outcomes with specified and quantifiable performance indicators for assessing the attainment of project objectives;
- (m) whether major milestones are set for the project to facilitate future monitoring of progress and achievement of performance targets;
- (n) whether the project outcomes/impacts can be sustained and the equipment and resources acquired can be properly deployed/reused after completion of the project;
- (o) whether the project will benefit the local fisheries community and the fisheries industry as a whole, instead of merely an individual, a single organisation, a consortium of fisheries companies or a narrow sector;
- (p) whether the outcomes, e.g. experiences and deliverables, have good value and potential for wide dissemination in the fisheries industry and can help improve the competitiveness of the industry; and
- (q) whether the project has the potential to sustain its operation on a self-sufficient basis upon ending of support from the Fund.

3.4 In vetting applications of various categories, due consideration will also be given to:

Innovative Projects

- whether the project is innovative (i.e. unique and pilot in nature), including new ideas and implementation methods suitable for the target

³ To prevent duplicate funding, the same project should not be funded through another fund/scheme managed by the Government or other funding agencies (including public, private and overseas organisations), or the subject of a loan issued under the existing fisheries development loan fund. An applicant is required to declare whether his project has been or is being considered/funded by other funding agencies (including public, private and overseas organisations).

beneficiaries, or new or further developed ideas with full justifications that are built on successful experiences and good practices;

- whether there is any duplication of work already or currently carried out by other groups; and
- whether the project has the potential to become a project model.

Application Projects

- whether the technologies/modes of commercial operation proposed for the project have achieved preliminary results but not yet been widely applied in the industry;
- on the whole, the industry has not yet fully mastered the technologies/modes of commercial operation involved in the proposed project, but is expected to master the technologies/modes of commercial operation concerned through the project, thereby achieving upgrading and transformation;
- the applicant's track record in operating projects (an applicant is not eligible if he has operated the same/similar project, or was awarded a grant for the same/similar project under the category of Innovative Projects); and
- whether the project has a greater modelling effect or can promote intensification of production in the industry.

Support Services Projects

- whether the project can provide the necessary support services to enhance competitiveness and promote the sustainable development of the industry.

4. Submission of Applications

4.1 An applicant should complete an application form which can be downloaded from the webpage of the Agriculture, Fisheries and Conservation Department (AFCD) (www.afcd.gov.hk) or obtained from the Sustainable Fisheries Development Fund Secretariat (Secretariat) or the liaison offices of the Fish Marketing Organisation. Please send the completed form, together with the supporting documents required (hereafter collectively referred to as the

application form) either by email to sfdf@afcd.gov.hk or by post to the following address:

The Sustainable Fisheries Development Fund Secretariat
8/F, Cheung Sha Wan Government Offices
303, Cheung Sha Wan Road, Kowloon, Hong Kong

- 4.2 An eligible applicant should submit the completed application form, together with background information of the relevant organisation (in particular the relationship with the local fisheries industry), to the Secretariat **at least six months** prior to the commencement of the project. **The vetting of an application with all required supporting information and documents is expected to complete within six months.** The Sustainable Fisheries Development Fund Advisory Committee (Advisory Committee) will approve the funding applications on a regular basis. However, a longer time may be required for processing should there be a large number of applications or the applications involve issues that require more time to consider.
- 4.3 **Before submitting a formal application,** interested applicants **may seek assistance from the Secretariat or the relevant technical team of the AFCD in relation to the application procedures and the contents of the project proposal** where necessary. The Secretariat will arrange its Task Force to provide targeted support and advise on how to refine their project proposals and prepare the necessary documents.

5. Processing of Applications

- 5.1 The Secretariat will issue an acknowledgement letter to the applicant by post, fax or email within three working days from receipt of an application.
- 5.2 The Secretariat will endeavour to ensure that all applications received will be processed efficiently as soon as practicable. It will conduct an initial screening to ensure that the application form is duly completed and the information provided is sufficient to prove the applicant's eligibility. It will then issue a confirmation letter by post, fax or email to the applicant within ten days from receipt of an application. The proposed projects will be forwarded to relevant units of the AFCD for assessment in parallel. Afterwards, it will prepare a summary of the projects (assessment outcomes) for consideration by the Advisory Committee.

5.3 The Government reserves the right to disqualify an applicant/application on the grounds that the applicant/application has engaged, is engaging, or is reasonably believed by the Government to have engaged or be engaging in acts or activities that are likely to cause or constitute the occurrence of offences endangering national security or otherwise the exclusion is necessary in the interest of national security, or is necessary to protect Hong Kong's public interest, public morals, public order or public safety.

5.4 Where necessary, the Secretariat may request an applicant to clarify details in the application or to provide supplementary information. It may also request the applicant to provide relevant expert assessment reports prepared by qualified professionals and accepted by the Director of Agriculture, Fisheries and Conservation (DAFC).

5.5 For the purpose of understanding the details and effectiveness of an application, the applicant may be invited to provide supplementary information or present the project to the Advisory Committee. When vetting an application, the Advisory Committee may suggest independent experts of relevant fields be consulted on a case-by-case basis. It will also take the budget into consideration and, where necessary, may require an applicant to amend the breakdown of the budget, and set ceilings for individual expenditure items. The DFAC or the Advisory Committee (as the case may be) will take into account the obligations specified in Articles 5.2 and 5.3 of the Agreement on Fisheries Subsidies under the World Trade Organization, when considering an application. An application may be rejected if any production unit in relation to the application is used for activities in breach of any laws or regulations of the place where the production unit situates.

5.6 **As the Controlling Officer, the DAFC is authorised to approve a total amount of grant not exceeding \$15 million to each project recommended by the Advisory Committee. Projects with a grant exceeding \$15 million recommended by the Advisory Committee will be subject to the approval of the Finance Committee (FC) of the Legislative Council.** It is expected that longer processing time will be required for vetting of applications by the FC. Projects may be fully or partially funded by the Fund.

5.7 The Secretariat will notify applicants of the vetting outcomes in writing, and upload the information on the approved projects onto the webpage of the Fund at the AFCD website.

5.8 Upon approval of a project, the Government will enter into an agreement (Agreement) with the successful applicant and other relevant parties such as the 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 the Fund to that successful applicant. The Agreement will prescribe in detail each party's rights and obligations, involvement in the project, payment of the grant, representations and warranties of the grantee, indemnity by the grantee in favour of the Government, intellectual property rights arising from the project materials (including those underlying the technology⁴), title to the equipment, confidentiality, procurement of goods and services, insurance and an early termination clause. The DAFC may devise and impose any additional conditions in the Agreement as deemed appropriate. No grant shall be made to a successful applicant until and unless an Agreement has been entered into between the Government and the successful applicant.

5.9 A successful applicant may write to the Secretariat to withdraw an application at any time before entering into an agreement with the Government.

5.10 If an application is rejected, the Secretariat will notify the unsuccessful applicant in writing of the outcome and the reasons for rejection, e.g. by setting out the funding criteria that have not been satisfied. An application may be resubmitted if the project in question has been substantially revised or there is fresh evidence provided in response to questions raised by the Advisory Committee. 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 previous one. A revised application will be deemed to be a new one and processed in accordance with the same vetting procedures.

5.11 A flowchart summarising the procedures for processing an application is at **Annex 2**.

⁴ To enable transfer of new technology and practices within the industry, depending on the funding ratio of the applicant and the third party financier(s), if any, the Government will require that an appropriate level of shared use of the technology or practice covered in the relevant project with other interested members of the fisheries industry in an open, transparent and non-exclusive manner be allowed.

Avoidance of Conflict of Interest

5.12 To avoid conflict of interest, the applicant should declare any actual, potential or perceived conflict of interest that may arise from the project to be implemented, including that between the applicant and 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—Government Funding Schemes Grantee’s Guidebook*⁵ compiled by the Independent Commission Against Corruption (ICAC) (see Appendix 1 of the *Best Practice Checklist*), and put in place a mechanism to minimise such conflict of interest.

6. Funding Arrangements and Conditions

Funding Cap

6.1 There is no preset level of maximum funding for projects under the Fund.

Full and Itemised Budget

6.2 An applicant will be required to provide a full and itemised budget for his proposed project. The principles of economy and cost effectiveness of expenditure should be observed in budgeting.

6.3 The successful applicant should exercise strict economy when incurring any expenses and avoid lavishness.

6.4 **If the staff cost amounts to 50% or more of the total project budget, the applicant shall provide sufficient and acceptable justifications** such as the content, nature and scale of the project, as well as the number of beneficiaries of the project, etc. The AFCD and the Advisory Committee may advise on the manpower and staff cost for the project. In general, the Fund will only fund the statutory employment benefits that are essential to the project. An applicant who intends to use the grant under the Fund to provide additional benefits for project employees must specify the intention and provide reasons in the application for consideration by the AFCD and the Advisory Committee.

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

Estimated Income from the Project

6.5 If the applicant expects any income to be generated by the project, this should be stated in the application.

Payment to a Grantee

6.6 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 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 grants from the Fund, the matching fund and income generated from the projects (if applicable), interest income, as well as 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 6.10 below, any unspent amount of the grants should be kept at all times in that account.

6.7 The grantee may prepare a schedule of payment. However, the manner in which payments are made is determined by the DAFC, 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 upon completion 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 (the first instalment of the grant normally does not exceed 50% of the total amount of the grant, and the exact percentage will depend on the cash flow requirement and nature of the project⁶) in accordance with the schedule of payment as set out in the Agreement, on condition that the project has met the prescribed milestones to the satisfaction of the DAFC. 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 in accordance with the Agreement, the 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. A project with exceptional merit(s) and sufficient grounds justifying the disbursement of an instalment exceeding the cap will be vetted by the DAFC/FC.

⁶ For example, if a project involves a significant initial investment in infrastructure, the first instalment of the grant may exceed 50% of the total amount of the grant. The applicant should specify the cash flow requirement for the project in the application for consideration by the Advisory Committee.

6.8 Any expense items not on the approved list of budget items should not be made out of the grants disbursed to the grantee.

6.9 Expenses incurred before the commencement date of the project will not normally be reimbursable from the Fund. 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 the Fund.

6.10 All revenues received (including income derived and interest income generated from the project), irrespective of whether they have been declared in the application, must be offset against the actual expenditure before calculating the amount to be reimbursed 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 the Fund, and the Government will take appropriate actions to recover the outstanding amount.

6.11 The circumstances in which the grant may be reduced on a pro-rata basis, as the case may be, 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 (counted 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 the DAFC.

6.12 The grantee should maintain proper 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 of the project, and be available for inspection by authorised staff of the Secretariat and the Government, as well as the Advisory Committee at all reasonable times.

6.13 Where circumstances justify, the DAFC may withhold or recover any payment from the grantee in accordance with the Agreement.

6.14 Grants cannot be used to create any permanent staff posts or meet recurrent financial commitments. Project staff engaged in funded projects should be recruited through open and fair procedures.

6.15 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.

Commercial Projects and Cost Recoupment

6.16 Some Innovative Projects and Application Projects may involve commercial elements. They will be considered on individual merits and in accordance with the criteria discussed in paragraph 3 above, as well as the monitoring and regulatory measures as set out in the ensuing paragraphs.

- (a) The applicant will be required to draw up a detailed business plan and budget for the proposed project for scrutiny by the Advisory Committee. When vetting an application, members of the Advisory Committee may suggest independent experts of the relevant fields be consulted on a case-by-case basis. The applicant must disclose to the Secretariat, the DAFC and the Advisory Committee all relevant financial and related information of the project.
- (b) To ensure fair use of the grant and safeguard public funding against undue commercial risk, no applicant can undertake more than one funded project with commercial elements at any one time.
- (c) Innovative Projects involving commercial elements will be funded on a maximum of a two-dollar-for-a-dollar matching basis between the Government and the applicant, while Application Projects involving commercial elements will be funded on a maximum of a dollar-for-dollar matching basis⁷. The applicant must demonstrate that he is capable of securing the non-Government financing required and submit documentary proofs such as sufficient bank saving deposit and/or proofs or pledges of injection of funds to the project. Whether the Government will fund the project and the extent of the funding cap will depend on the project's

⁷ In other words, the Government's contribution to an Innovative Project or an Application Project involving commercial elements will be limited to no more than two-third or half of the total project investment respectively where there is no funding from any third-party financier(s).

detailed content and the potential benefits that it may bring to the industry and the Hong Kong economy.

- (d) The DAFC will disburse grants to commercial projects by instalments after he has confirmed the availability of the matching fund. The first instalment will only be effected upon receipt of the necessary proof of project expenditure using the matching fund and the documentary proof of successful registration of the floating charge from the Companies Registry mentioned in paragraph 7.19 below. Subsequent instalments will be disbursed only if the project is able to meet the prescribed milestones to the satisfaction of the DAFC, and that there is evidence showing due contribution of the matching fund by the applicant and other relevant parties such as the third-party⁸ financier(s), if any, to the project. To enhance monitoring, the last instalment of the grant will be disbursed to settle any outstanding Government contribution after the DAFC has accepted the audited accounts and final report of the project.
- (e) Subject to detailed conditions to be imposed by the DAFC, as a general rule, the Government may recoup the cost in a manner commensurate with the Government's funding ratio in relation to the contribution by the grantee and the third party financier(s), if any, towards the project. The Government's maximum contribution and commitment will be up to the approved amount of grant (where there is no funding from any third party financier(s), the maximum contribution to an Innovative Project involving commercial elements will be limited to two-third of the total project investment or a lesser percentage, while the maximum contribution to an Application Project involving commercial elements will be limited to half of the total project investment or a lesser percentage). The Government's contribution and commitment as well as the details of cost recoupment will be prescribed upfront in the Agreement. The Government may recoup an amount no more than its contribution from the residual value of the project (including the revenues which have not been used to offset the approved expenses, the net book value of fixed assets, etc.) upon project completion, in a manner commensurate with its funding ratio in relation to the contribution by the successful applicant and the third-party financier(s), if any, towards the project. Depending on the actual circumstances of the case, the Government may, at its absolute discretion, vary the cost

⁸ “Third party” refers to any individual, corporation and unincorporated body other than a holder of shares of the applicant’s project.

recouping arrangements. The payment received shall be credited to the General Revenue of the Government.

- (f) The grantee is required to provide capital goods of the project (e.g. fishing vessels financed by the Fund) or floating charge as collateral for the grant and any related monies owed to the Government. In case the grantee does not repay the Fund even if the project is successful and makes profits or is commercially unsuccessful and liquidated, the Government may exercise its rights against the collateral.
- (g) In the event that the project attracts investment from a third party, the grantee is required to discuss with the Secretariat how such a scenario is to be addressed. The grantee is required to report to the Secretariat in writing within one month upon receipt of any third party's investments after the commencement of the project.
- (h) The grantee is required to submit a report together with the audited accounts to the Secretary annually, or at an interval proposed in the application and agreed by the DAFC. In the reports, the grantee is required to provide information such as implementation progress, problems encountered, remedial measures taken to tackle the problems, profits made in the year, interim results and evaluation of the project, etc. A final report and the audited accounts should be submitted by the grantee upon project completion. They will be made available for public inspection and uploaded onto the website of the Fund for public browsing.
- (i) To facilitate the DAFC in ascertaining the amount of recoupment and associated information (such as the book surplus or loss, the net book value of fixed assets of the project, etc.), the grantee upon request by the DAFC shall submit, together with the reports, relevant documents as considered necessary by him, which include, among other things, financial statements, audited accounts, capital and shareholding information.
- (j) The DAFC reserves the right to withhold or terminate any further payment to the commercial project if the grantee fails to produce evidence of his own and the third party financiers' (if any) matching contributions. Upon termination of funding, the grantee shall return to the Fund any residual grants or payments made in advance.

Quotations, Procurement and Recruitment

6.17 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 interest and to prohibit staff/workers from soliciting or accepting any advantages as defined in the Prevention of Bribery Ordinance when performing their duties. All records of declaration of interest in relation to the funded project should be properly documented and submitted to the Secretariat and the Advisory Committee as soon as possible for inspection. Where necessary, the Secretariat and the Advisory Committee should request the grantee to adopt specific measures to minimise/eliminate the conflict of interest. Please refer to **Annex 3** and the *Best Practice Checklist—Strengthening Integrity and Accountability—Government Funding Schemes Grantee’s Guidebook* compiled by the ICAC for the probity requirements for grantees.

6.18 To ensure value for money, 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 exercise prudence, adhere to the principle of fair competition and keep the procurement process open. The grantee should also comply with procurement requirements stipulated by the AFCD and the Advisory Committee. The general procedures are as follows:

- (a) more than one quotation should be obtained for procurement with a value not exceeding \$50,000 (no quotation is required for procurement with a value of \$3,000 or below);
- (b) at least five written quotations should be obtained for procurement with a value over \$50,000 but not exceeding \$1,360,000; and
- (c) a competitive tendering exercise should be conducted for procurement with a value exceeding \$1,360,000.

6.19 Prior approval of the DAFC is required for adopting other procurement procedures.

6.20 The DAFC may impose conditions as appropriate in addition to the requirements set out in paragraphs 6.17 and 6.18 above.

6.21 The grantee should provide report of relevant quotations and tendering records on procurement exercise to the AFCD. All quotations and tendering documents

should be kept for seven years after the completion of the project, and made available for inspection by authorised staff of the Secretariat, the Advisory Committee and the Government within a reasonable time upon request.

Progress and Financial Reports

- 6.22 The grantee is required to submit progress reports and annual reports, as well as a final report after the completion of the project, which shall include an end-of-project evaluation that measures the effectiveness 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 a financial statement three months after the commencement of the project. 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 from the completion of the project (see paragraph 7.4 below).
- 6.23 The 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 industry, the applicants will be required to provide relevant information in the final report. To examine the progress of the project, Advisory Committee members may carry out inspections or require the grantee to attend meetings.

7. Obligations of a Grantee

Monitoring Mechanism

- 7.1 The applicant should set out in the application form the indicators for assessing the effectiveness of the project and 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 measured in quantifiable terms as far as possible. The grantee may consider conducting surveys aimed at the target group to substantiate the effectiveness of the project.
- 7.2 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 responsibilities are discharged.

7.3 The grantee is also advised to observe the guidelines set out in the *Best Practice Checklist—Strengthening Integrity and Accountability—Government Funding Schemes Grantee’s Guidebook* compiled by the ICAC in order to execute the Agreement in an ethical and accountable manner which meets public expectation.

Progress Reports and Financial Reports

7.4 The grantee is required to submit the following reports:

- (a) a quarterly progress report for a project lasting less than six months, and a financial statement of account (to be submitted three months after the commencement of the project);
- (b) a half-yearly progress report (including a timetable for planned activities and a financial statement) (the report is to be submitted within two months following the end of the six-month reporting period);
- (c) an annual report (covering planned activities of the project) (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 project completion date);
- (e) an audited account (to be submitted within two months following the end of each 12-month reporting period and within four months following the project completion date).

7.5 The grantee is required to submit the reports as stated in paragraph 7.4 above to the Secretariat. Where necessary, an applicant may propose an alternative timetable for submission of reports with justifications at the time of application. However, the proposal cannot be effected unless it is agreed by the DAFC.

7.6 The grantee is required to provide in the report information such as the progress of implementation, problems encountered, remedial measures taken to tackle the problems, profits made in the period, interim results and evaluation of the project, etc. In addition, the grantee is required to submit information and

supporting documents in order to verify the accuracy of the achieved results and objectives as declared in the reports stated in paragraph 7.4 above.

- 7.7 The grantee is required to submit well-furnished and full reports. The DAFC may withhold or terminate payment of grant according to the performance, progress, effectiveness/objectives of the project achieved or when the grantee fails to comply with any terms and conditions of grant as stipulated in the Agreement.
- 7.8 Progress reports, annual reports and the final report should be signed by the person-in-charge of the grantee and submitted in such format as prescribed in the relevant forms.
- 7.9 The ineffectiveness of a project arising from the unsatisfactory performance of the grantee will affect his application for funding support for a project under the Fund in the future, and the management of the organisation to which the grantee belongs will also receive the relevant notification.
- 7.10 To enhance transparency and to allow the fisheries sector to share the experience and information arising from the funded projects, the final reports together with audited accounts of all projects (excluding commercially sensitive information) will be made available for public inspection. These reports will also be uploaded onto the webpage of the Fund for easy public access.
- 7.11 The grantee is required to submit an audited account which contains the auditor's report (including an assurance that the funding has been spent in accordance with the terms and conditions of grant) (please refer to **Annexes 4 and 5**), balance sheet, income and expenditure statement, cash flow statement and notes to accounts. Such an account should be audited by a certified public accountant as defined by section 2 of the Professional Accountants Ordinance (Cap. 50).
- 7.12 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 account.
- 7.13 The DAFC, the Director of Audit or their authorised representatives are entitled to consult the certified public accountant who audited the account as stated in paragraph 7.11 above regarding the audited account and supporting documents.

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

7.14 To facilitate transfer of new technology and methodology within the industry, the Government will, depending on the funding ratio of the applicant and the third party financier(s), if any, require that an appropriate level of shared use of the technology or methodology covered in the relevant project by other interested members of the fisheries industry in an open, transparent and non-exclusive manner be allowed.

7.15 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 the technology and methodology as stated in paragraph 7.14 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 methodology.

Title of Capital Items

7.16 In order to explore the technical and commercial feasibility of new fisheries operations, and to develop new, sustainable modes of fisheries operation, procurement of capital assets may be required in some projects. All assets (including all capital items, equipment, minor works and supporting facilities) and related services procured with the grant can be used by the grantee only for the purpose of undertaking the project or discharging the responsibilities and obligations under the terms and conditions of grant.

Non-commercial Projects

7.17 Under the non-commercial projects, the title of assets (including all capital items, equipment, minor works and supporting facilities) procured with the grant will remain with the Government. The grantee may apply to the DAFC for permanently retaining the assets, as necessary with justifications, after completing the project with satisfactory results and expected objectives achieved. The DAFC may consider each case on individual merits. Subject to approval, the title of the items will be changed to the grantee.

Commercial Projects

7.18 Under the commercial projects, the title of assets (including all capital items, equipment, minor works and supporting facilities) procured with the grant will

remain with the grantee. However, to ensure the proper use of public funds, the grantee is required to register the creation of a floating charge with the Companies Registry as collateral for the grant and any related monies owed to the Government within one month after entering into an agreement with the Government, and submit to the Government the relevant documentary proof of the successful registration. The first instalment will only be effected upon receipt of such proof.

Insurance

- 7.19 To safeguard the Fund and the grantee, the grantee should get his own insurance for the collateral (if applicable) of the project, with the Government as the beneficiary. Should there be no relevant insurance service, the DAFC may, subject to the satisfactory justifications put forward by the grantee and comments by the Advisory Committee, consider granting an exemption.
- 7.20 To ensure that the grantee/the Government who suffers any loss in an incident can be properly compensated, the grantee should strictly adhere to the terms and conditions as stipulated in the insurance policy. For example, the grantee should, as required for undertaking the project, hold all kinds of valid certificates and licences and hire qualified persons to operate mechanics, tools (including fishing vessels) or facilities and have the certificates and licences renewed before the respective expiry dates.
- 7.21 The grantee must purchase and renew appropriate insurance policy for its project throughout the project period, including but not limited to employees' compensation insurance, third party insurance, public liability insurance, group personal accident insurance, etc. In no event shall the Fund, the Advisory Committee or the Secretariat be liable for any claim for any loss, damage or liability incurred by the funded project.
- 7.22 Should the grantee fail to comply with any of the conditions stated in paragraphs 7.19 to 7.21 above, the Government may suspend/terminate funding the grantee and take actions as stated in paragraph 7.27 below.

Monitoring Meetings/Inspections

- 7.23 The Secretariat, the Advisory Committee and other persons authorised by the DAFC may conduct monitoring meetings with the grantee/inspect the implementation of a project and hold review meeting(s) upon completion of a project in order to assess the effectiveness of the project and the experience that

is worth learning from. The grantee should join in the meetings/facilitate the arrangement of such inspections. The Secretariat and other persons authorised by the DAFC may conduct surprise inspections to examine the progress of a project at any time.

Publicity of Project Events and Results

7.24 Projects which receive/have received funding support from the Fund, 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 the 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 Fund. 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 the Fund, or cause any liability to the Fund.

7.25 The equipment, facilities, publicity/media activities under the funded project, and printed materials mentioning the project must indicate that they are being funded by the Fund. Any publications/media activities funded by the Fund must also include the following disclaimer: “Any opinions, research findings, conclusions or recommendations presented in this material/event (or by the project team members) do not represent the opinion of the Government of the Hong Kong Special Administrative Region, the Agriculture, Fisheries and Conservation Department or the Sustainable Fisheries Development Fund Advisory Committee.”

Suspension/Termination of Funding Support

7.26 The DAFC may suspend/terminate support for a project under the following circumstances:

- the project does not commence within one year from the approval date of the grant and no reasonable explanation has been given by the grantee;
- the project is considered not having progressed satisfactorily and no reasonable explanation has been given by the grantee;

- (c) 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;
- (d) the grantee/project has engaged, is engaging, or is reasonably believed to have engaged or be engaging in acts or activities that are likely to cause or constitute the occurrence of offences endangering national security or otherwise the suspension/termination of funding support for the project is necessary in the interest of national security, or is necessary to protect Hong Kong's public interest, public morals, public order or public safety;
- (e) the grantee is engaged in or the vessel is used or its operator is engaged in Illegal, Unreported and Unregulated (IUU) fishing or fishing related activities in support of IUU fishing referred to in Article 3.1 of the Agreement on Fisheries Subsidies under the World Trade Organization, which provides that no Member shall grant or maintain any subsidy to a vessel or operator engaged in IUU fishing or fishing related activities in support of IUU fishing;
- (f) the grant is used for fishing or fishing related activities regarding an overfished stock as described in Article 4.1 of the Agreement on Fisheries Subsidies under the World Trade Organization, which provides that no Member shall grant or maintain any subsidies for fishing or fishing related activities regarding an overfished stock;
- (g) the grant is used for fishing or fishing related activities outside of the jurisdiction of a coastal Member or a coastal non-Member and outside the competence of a relevant RFMO/A as described under Article 5.1 of the Agreement on Fisheries Subsidies, which provides that no Member shall grant or maintain subsidies provided to fishing or fishing related activities outside of the jurisdiction of a coastal Member or a coastal non-Member and outside the competence of a relevant RFMO/A;
- (h) the grantee fails to comply with laws and regulations in Hong Kong and/or the laws and regulations of other relevant jurisdictions;
- (i) any production unit in relation to the project is used for activities in breach of any laws or regulations of the place where the production unit situates; or

(j) the grantee fails to comply with the terms and conditions of grant as set out in this Guidelines and/or in the Agreement and no reasonable explanation has been given.

7.27 In each of the above cases of suspension/termination, the DAFC shall give a written notice to the grantee, stating the reasons for the suspension/termination (excluding paragraph 7.26(d)). In case of suspension, the grantee should demonstrate that measures have been taken to solve the problems and improve the unsatisfactory situation before the DAFC will lift the suspension. In case of termination, the balance of the grant or any funding given in advance shall be returned to the Fund. 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.

7.28 Any suspension or termination of a project will affect the grantee's future application for funding support under the Fund, and the management of the organisation to which the grantee belongs will also receive the relevant notification.

7.29 If a grant has been used other than in accordance with the terms and conditions of grant for the approved project, the Fund shall be entitled to recover all or part of the grant from the grantee.

7.30 Any major changes to the project must be approved by the DAFC. Such major changes include:

- (a) revision to the objectives and/or scope of the project;
- (b) change of project head/co-ordinator;
- (c) transfer of project to another organisation; or
- (d) exemption from submission of progress reports/final report/financial reports/audited accounts.

7.31 The DAFC may suspend/terminate funding support for a project if the project is being carried out under any of the above circumstances without prior approval.

7.32 Any proposed substantial changes to a project should be submitted to the Secretariat for consideration and follow-up by the DAFC and the Advisory Committee.

7.3.3 Pursuant to Article 3.4 of the Agreement on Fisheries Subsidies under the World Trade Organization, the DAFC may set a duration of prohibition in granting or maintaining a grant, taking into account the nature, gravity and repetition of IUU fishing committed by the grantee or vessel used/its operator associated with the project. Such prohibition period shall apply at least as long as the sanction resulting from the determination triggering the prohibition remains in force, or at least as long as the grantee or vessel/its operator is listed by a RFMO/A, whichever is the longer. The DAFC may reject applications in association with the grantee, the vessel used or its operator associated with the project within the prohibition period.

8. Notes about Personal Data of an Applicant

Purposes of Collection

8.1 The personal data and other related data provided during the application process will be used by the Secretariat to process the application and to conduct research and surveys, as well as to fulfill Hong Kong's obligation with respect to the Agreement on Fisheries Subsidies under the Word Trade Organization. The provision of personal data in the application is voluntary. However, **failure to provide sufficient and correct data may result in the application not being processed.**

Classes of Transferees and Disclosure of Project Details

8.2 The personal data provided by means of the application may be disclosed to other Government bureaux, committees or departments for the purposes mentioned in paragraph 8.1 above. The personal data collected in this application may be transferred to the World Trade Organization and its Members and other international institutions. By signing and submitting an application subject to approval, the applicant consents to the disclosure from time to time by the Government of the information marked with an asterisk "*" in the application form. The applicant is required to indicate in the application whether consent will be given, in the event that the application is not successful and without prejudice to other rights and powers of the Government, to 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.

Access to Personal Data

8.3 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.

9. Enquiries

9.1 Enquiries on general matters of the Fund or concerning the collection of personal data by means of the application to the Fund (including request for access to and correction of personal data), or requests for technical advice on the project proposal and its feasibility, and assistance in completing the application form should be addressed to:

Address: The Sustainable Fisheries Development Fund Secretariat
8/F, Cheung Sha Wan Government Offices
303 Cheung Sha Wan Road, Kowloon, Hong Kong
Contact Tel.: 2150 7158
Fax No.: 2314 2866
Email Address: sfdf@afcd.gov.hk

10. Others

10.1 The Advisory Committee, the Secretariat and the Government shall have no responsibility, financial or otherwise, for expenditure or other liabilities arising from the projects.

10.2 The grant shall not be used as payments to individual members of the public as a financial reward for their participation in activities associated with the project.

10.3 Any intentional misrepresentation or omission of information related to the 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.

- 10.4 The applicant is prohibited from offering advantages to any members or staff of Government department(s) in any dealings therewith. It is an offence to offer advantages to any members of the Advisory Committee or staff of Government department(s) in any dealings therewith under the Prevention of Bribery Ordinance (Cap. 201). Any applications and signed agreements will be invalid if the applicant, or its directors, staff or agents commit the above offence.
- 10.5 The DAFC may at any time, if he considers fit and on the advice of the Advisory Committee, amend or supplement the above conditions, without prior notice to the grantee.

Sustainable Fisheries Development Fund
Funding Scope of Projects

The areas set out in the ensuing paragraphs may help the fishermen community and related stakeholders put the Sustainable Fisheries Development Fund (Fund) to good use, in furtherance of the objective of placing the further development of the industry on a sustainable track. These areas are for indicative purpose only. Applications for projects which fall beyond these areas may also be considered. Nevertheless, whether an application will be approved will still depend on whether the application meets the assessment criteria of the Fund.

Exploring new opportunities in the South China Sea or other suitable waters

2. An applicant may apply for grants under the Fund for exploring the feasibility of carrying out fishing operations using new type of vessels or in new fishing grounds. These include the development of sustainable technology (e.g. purse seine operation) that helps tap unexplored or under-explored pelagic fisheries in mid-level waters in Nansha and Zhongsha. Depending on the project category, grants under the Fund may be used to finance the construction of new catcher vessels teamed up with support vessels (carrying food, water and other supplies for the former), enabling the applicant to test out different catching methods in areas outside the traditional fishing grounds.

Developing sustainable practices for fishing operations in Hong Kong Waters

3. An applicant may apply for grants under the Fund for the development, promotion, training and support projects of the sustainable non-trawling fishing operation technology to promote the sustainable development of capture fisheries in Hong Kong waters, and trawler fishermen who intend to switch to inshore fishing operations in Hong Kong waters in fishing operations can also be supported. These projects include capacity building projects such as vocational training courses, study tours and seminars for fishermen and new entrants to the industry, alternative livelihood projects for fishermen such as demonstration sessions, pilot projects of individual fishermen and/or fishermen organisations highlighting vocational/business opportunities in other fisheries or sea related areas that they may switch to, pilot projects for testing out sustainable and newly designed fishing vessels/gear in Hong Kong waters.

4. Public awareness projects such as those designed to showcase the local fisheries culture and promote protection of fisheries resources may also be considered.

5. An applicant (including a fishermen organisation) who is interested in promoting recreational fishing may apply for grants under the Fund individually or in collaboration with relevant organisations to hire passenger vessels or modify fishing vessels for the purpose of trying out the viability of new business related to eco-tourism. The Fund may also support projects for weaving added elements of fishermen's culture into the tours, developing fisheries-related eco-tourism by introducing new tour routes in various districts of Hong Kong and marketing programmes for these tours.

Aquaculture development

6. Consistent with the objectives that the Fund is intended to pursue, we have identified the following categories of projects that may help local aquaculturists modernise their operations:

- (a) projects that will improve the infrastructure, such as the introduction of high-density polyethylene cage system (to replace the traditional wooden cages), provision of support for power and fresh water supply, and the establishment of communal rafts in fish culture zones;
- (b) projects that will enhance technical support, such as development of local fish hatchery and nursery, research on new aquaculture species, improvement in fish health management and more robust support for feed supply;
- (c) projects that will help the incubation of advanced aquaculture systems that are viable in business terms such as recirculating aquaculture system, offshore mariculture and aquaponics; and
- (d) projects that will promote green and low-carbon production methods.

7. These projects should be able to benefit different niche groups (from small-scale family-based fish farmers to commercial farm operators) of both the mariculture and pond fish culture sectors.

Accreditation and marketing of local fisheries products

8. As the aquaculture industry is migrating to organic and sustainable practices, fishermen organisations may partner with relevant certification bodies to apply for grants to develop local standards and guidelines, showcase the advantages of organic fish farming practices to local

fish farmers, and enhance public awareness of the quality of organic farmed fish available in the local market.

9. Local products harvested from sustainable fisheries practices will help meet demands at the upper end of the market for safe, fresh and good quality fish. Fishermen associations, co-operative societies, non-governmental organisations and academic institutions may apply for grants to promote local fisheries products through certification and accreditation, and build a brand amongst consumers for local fishermen's products.

Resources monitoring and enhancement

10. With the implementation of the fisheries management measures, specific studies and monitoring programmes that provide the scientific basis for assessing the effectiveness of such measures are necessary. The Fund may provide grants for research institutions to conduct these studies and monitoring projects, such as studies on local fisheries resources, development of new sustainable fishing technology, studies on trying out new monitoring methods or technology, and socio-economic studies on the local fisheries industry and fishermen.

11. Research institutions and professional bodies may also apply for grants to conduct research on measures that are conducive to the enhancement of fisheries resources (such as artificial reefs and restocking programmes for local species).

12. To encourage the fisheries trade to put the Fund to good use for promotion of the sustainable development of the fisheries industry, a list of suggested projects that may benefit from the Fund is provided (please refer to the table below). The proposed projects are for reference only. Other eligible applications will also be considered if the objective of the Fund is met. Approval of an application will depend on the specific content of the application and whether the application meets the assessment criteria of the Fund.

Projects that May Benefit from the Fund

	Proposed Project	Main Components
1.	Organisation of aquaculture/fisheries training, hands-on practices or study tours	<ul style="list-style-type: none"> • To attract newcomers to join the trade and provide training in modern aquaculture management and technique; • To offer on-site practice opportunities, so that participants may get familiarised with the aquaculture operations and the basic techniques; and • To provide opportunities for fish farmers or capture fishermen to experience advanced and sustainable fisheries related operations and business models; acquire knowledge of fisheries resources in different waters, techniques, as well as the legal and regulatory frameworks of different jurisdictions; and to exchange views with members of the trade, experts and scholars of the field in other places.
2.	Introduction of open sea/deep water mariculture	<ul style="list-style-type: none"> • To introduce mariculture operations in existing fish culture zones or offshore waters in Hong Kong, including the utilisation of cage with seakeeping capability and other complementary facilities; and • To conduct open sea/deep water mariculture trials in the Mainland waters.
3.	Introduction of high-density pond fish/marine fish culture operations	<ul style="list-style-type: none"> • To advance pond fish/indoor freshwater or marine fish culture technology, install water treatment facilities, carry out research on the application of aquaculture systems requiring less culture space, with a view to enhancing productivity and product quality, as well as minimising the demand for culture space.

Proposed Project		Main Components
4.	Introduction of new aquaculture species	<ul style="list-style-type: none"> • To introduce new aquaculture species other than fish, such as shellfishes, molluscs, echinoderms or crustaceans, and perform aquaculture trials, explore the relevant technology and conduct economic analyses.
5.	Establishment of hatchery facilities	<ul style="list-style-type: none"> • To establish hatchery facilities for different aquaculture species with a view to enhancing the source of fry/seeds; and • To identify the hatchery technology suitable for local aquaculture through conducting tests on different hatchery technologies and carrying out scientific and economic analyses.
6.	Development of rapid diagnostic kit and providing veterinary support to fish farmers	<ul style="list-style-type: none"> • To develop rapid diagnostic kit through the application of molecular biology for instant identification of pathogen; and • To establish for fish farmers a veterinary support network on fish disease treatment (including prescription services).

	Proposed Project	Main Components
7.	Production and processing of local aquaculture products	<ul style="list-style-type: none"> • To establish standardised operation protocol (SOP) for the production of quality local aquaculture products, co-ordinate the production of relevant fish farms, and develop a sales and marketing platform for the products with a view to establishing standardised procedures from production to sales; • To study, introduce and develop quick freezing, processing, packaging and other value-added technologies for aquaculture products, such as conducting research on and establishing production lines for processed aquaculture products; • To establish or strengthen the branding of local aquaculture products, such as building a sustainable or environmentally-friendly brand for the products with a view to promoting diversification of local aquaculture products; and • To design featured locally-processed aquaculture products and explore relevant production technologies and market development, etc.
8.	Promotion of local aquaculture products	<ul style="list-style-type: none"> • To plan and implement an overall strategy for the promotion and marketing of local aquaculture products with a view to raising public awareness of the products; • To conduct market research with a view to understanding the market demand and the preference of customers for strengthening promotion; and • To engage professional organisations to draw up district-level promotion plan for local aquaculture products by conducting activities such as retail booths, tasting sessions and artisanal skills demonstrations.

	Proposed Project	Main Components
9.	Strengthening support within the fish culture zones	<ul style="list-style-type: none"> • To assist fish farmers in setting up and managing communal rafts or communal facilities in fish culture zones and to enhance basic facilities provided for fish farmers in fish culture zones, such as freshwater supply, feed storage, preliminary diagnosis of fish diseases, underwater surveillance and provision of environmental monitoring equipment; and • To provide aquaculture management services, such as co-ordinating purchase of fish feed, fish fry and sales of fisheries products.
10.	Enhancement of the management and culture environment of fish culture zones	<ul style="list-style-type: none"> • To deploy biofilters in fish culture zones for the stabilisation of water quality and aggregation of fish; and • To conduct research on or develop other methods or technologies on environmental monitoring and water quality improvement.
11.	Development of and support for recreational fishing	<ul style="list-style-type: none"> • To explore the development of sustainable recreational fisheries business models under the existing laws and regulations; • To conduct research on and develop supporting and auxiliary services necessary for the promotion of recreational fishing; and • To implement pilot projects on the business operation of recreational fishing.

	Proposed Project	Main Components
12.	Conducting research/pilot projects on exploring and developing fisheries or fisheries related industries in South China Sea or any other suitable waters	<ul style="list-style-type: none"> • To conduct studies on fisheries resources or operation of fisheries related industries in South China Sea or any other suitable waters; • To study or explore possible options of fishing operation or operation of fisheries related industries by local fishermen in relevant waters, including identification of suitable fishing grounds for development, suitable operation modes and methodology, the relevant laws and regulations, government structure, industrial support, as well as the concrete action plans; • To explore and develop suitable modes of operation for the capture fisheries industry in specific off-shore waters, including examining fishing methods and operations, and the construction materials, design and specifications of fishing vessels; and • To implement pilot projects on the practical business operation of off-shore fisheries activities.
13.	Development and production of fish feed	<ul style="list-style-type: none"> • To conduct research and produce pellet fish feed of different compositions and sizes, with a view to stabilising local pellet feed supply, improving feed conversion ratio, reducing cost and improving effectiveness of the operation; and • To conduct pilot projects on the trial use of pellet feed by fish farmers to promote the use of such feed.
14.	Development of feed additives	<ul style="list-style-type: none"> • To develop feed additives with a view to adding values to aquaculture products (such as enhanced disease resistance, better taste and texture) so that the use of antibiotics can be reduced or avoided.

	Proposed Project	Main Components
15.	Development of sustainable fishing practices in Hong Kong waters	<ul style="list-style-type: none"> • To conduct trial runs on the use of newly designed fishing vessels/gears that are more cost effective and in line with the development direction of sustainable fisheries in Hong Kong waters; and • To implement pilot projects for promoting the use of the aforesaid newly designed fishing vessels/gears in Hong Kong waters.

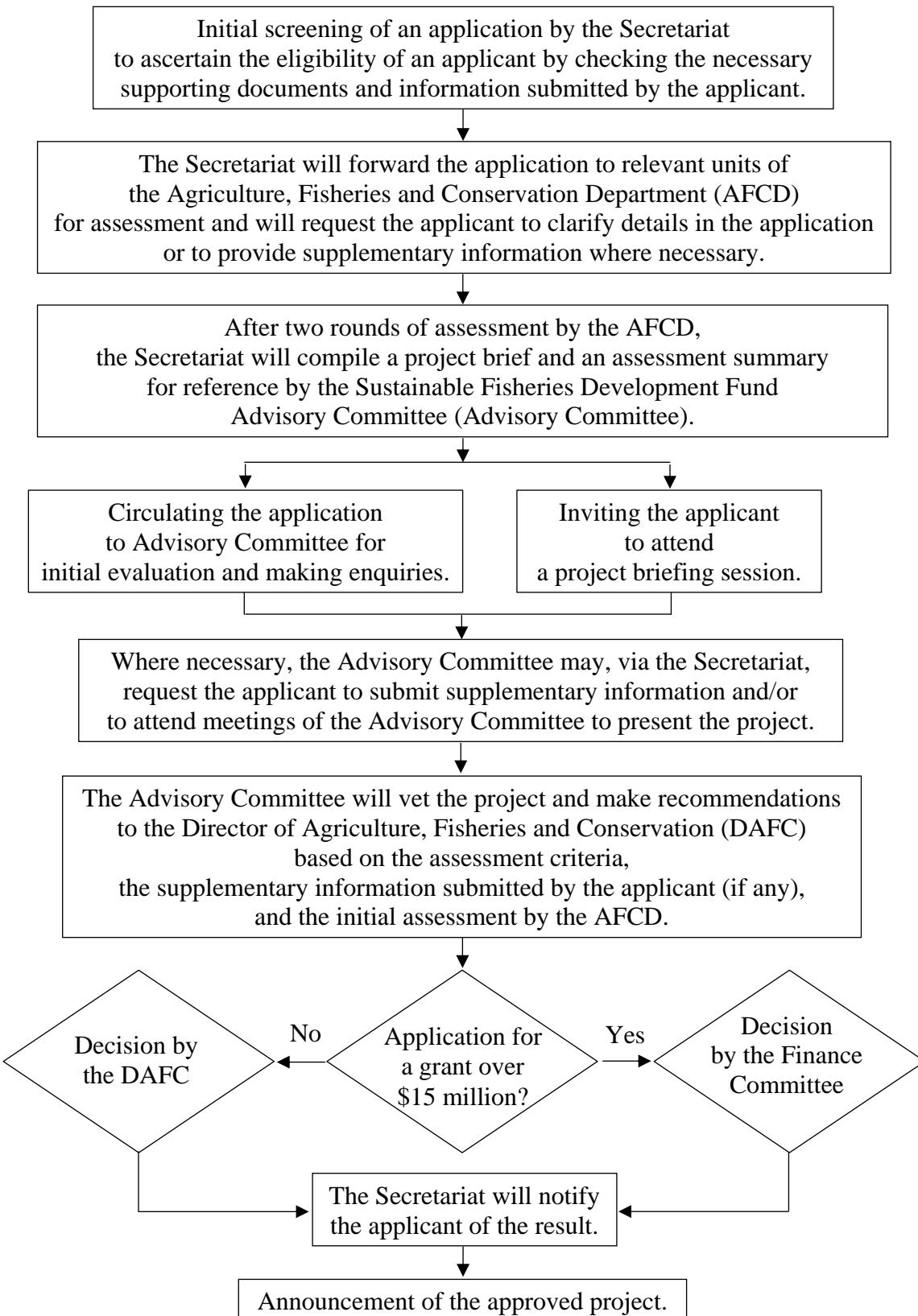
List of Proposed Innovative Projects with Commercial Elements

	Proposed Project	Main Components
1.	Large-scale aquaculture platforms with high productivity	<ul style="list-style-type: none"> • To set up in Hong Kong or other suitable waters large-scale aquaculture platforms with high productivity, such as steel truss cage farm, for commercial-scale cultivation.
2.	Trial run of ultra-low temperature longline fishing on modified local fishing vessels	<ul style="list-style-type: none"> • To modify local fishing vessels/install advanced/high-tech equipment, such as ultra-low temperature equipment, on local fishing vessels for trial runs of longline fishing
3.	Application of modernised/advanced technology in large-scale aquaculture of hairy crabs or set-up of shellfish/crustacean hatcheries and nurseries in Hong Kong	<ul style="list-style-type: none"> • To set up hairy crab farms in Hong Kong and apply modernised/advanced technology for commercial-scale cultivation; or • To set up hatcheries and nurseries for shellfish and crustaceans (such as lobster and pearl oyster) in Hong Kong and carry out commercial-scale fry rearing/hatchery activities in the field with application of modernised/advanced technology methods for supply of fisheries products to the industry.
4.	Use of artificial intelligence systems in the aquaculture of fisheries products with high economic values	<ul style="list-style-type: none"> • To use advanced/high-tech systems (such as artificial intelligence systems) to culture fisheries products with high economic value, such as giant groupers, lobsters, abalones and hairy crabs.

List of Proposed Application Projects

Proposed Project	Main Components
1. Use of large culture cages/seawater recirculation systems for aquaculture of fishes with economic values	<ul style="list-style-type: none"> • To set up large culture cages/seawater recirculation systems in Hong Kong or other suitable waters for commercial-scale cultivation and sale of fishes with economic value (such as giant groupers and white flower croakers).
2. Modernised aquaculture of shellfishes and crustaceans	<ul style="list-style-type: none"> • To establish shellfish and crustacean farms in Hong Kong for the cultivation of lobsters, pearl oyster, etc., with modernised methods (such as recirculation system/energy-saving and emission-reducing equipment) so as to provide the public with high-quality shellfishes and crustacean fisheries products.
3. Capture fishery operations using vessels with modernised/advanced equipment in waters with richer fisheries resources	<ul style="list-style-type: none"> • To modify local fishing vessels/install advanced/high-tech equipment on local fishing vessels for commercial-scale capture fishery operations in waters with richer fisheries resources and the sale of the fishes captured.
4. Operation of pearl farms for pearl production and eco-tours	<ul style="list-style-type: none"> • To set up pearl farms for commercial-scale production and organisation of eco-tours for income earning.

Flowchart on Processing Fund Applications under the Sustainable Fisheries Development Fund



**Probity Requirements for Grantees
under the Sustainable Fisheries Development Fund**

1. Introduction

As government funds involve public money, there is high public expectation on the grantees under the Sustainable Fisheries Development Fund (Fund) 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 his 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 his staff members, subcontractors, agents, co-organisers or other personnel who are in any way involved in the project;
- ensure that all relevant parties (i.e. his 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 the Fund (or its Secretariat, the Sustainable Fisheries Development Fund (Advisory Committee) or the Director of Agriculture, Fisheries and Conservation (DAFC)) under the Agreement, unless and to the extent the Secretariat of the Fund have been fully informed, and the 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 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 his 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 the Fund (or its Secretariat, the Advisory Committee or the 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 the grant from the Fund are well qualified, suitably deployed and properly remunerated.

4. Procurement

In procuring goods and services in relation to the funded 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 Application Guidelines of the Fund, the terms and conditions on the use and disbursement of the grant, and other relevant requirements prescribed for the grant of the Fund;
- 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 tendering⁹ for minor purchases of a specified amount), which should be no less stringent than the requirements set out in the Application Guidelines of the Fund, the terms and conditions on the use and disbursement of the grant, and other relevant requirements prescribed for the grant of the Fund;
- 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;

⁹ Some suppliers on pre-approved lists of competent suppliers are selected to participate in the tendering exercise.

- 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 clauses¹⁰ 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 the staff of contractors from offering, soliciting or accepting bribes, in the contracts to be awarded;
- seek tailor-made advice from the Independent Commission Against Corruption (ICAC), if necessary, on procurement in relation to the funded projects; and
- provide report of relevant quotations and tendering records on procurement exercise to the Agriculture, Fisheries and Conservation Department (AFCD).

In sourcing suppliers and service providers, the grantee should:

- compile lists of suppliers/service providers for approval by the designated authority of 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);
- allow other suppliers/service providers nominated by the users of goods/services or other staff to be added to the list, but such nominations should be supported with full justifications for approval by the designated authority; and
- for those without any approved list of suppliers/service providers, source 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 with satisfactory performance as appropriate.

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

¹⁰ Please refer to Appendix 4 of the *Best Practice Checklist–Strengthening Integrity and Accountability–Government Funding Schemes Grantee’s Guidebook*.

clear records and conduct regularly stock-taking exercises to prevent the assets from being stolen or used for purposes beyond the funding scope.

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 their physical location(s). The grantee should also mark on each item of the assets to indicate that they are the assets of the Fund.

The grantee should conduct random and regular (e.g. yearly) checks on such assets and record the result of such checks. The grantee should report on any loss or damage to such 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 in case any item of the assets is lost or stolen.

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

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 audits, inspection and verification whenever required.

Sustainable Fisheries Development Fund
Notes for Auditor of Recipient Organisation

Pursuant to the fund agreement (Agreement) made between the Government of the Hong Kong Special Administrative Region (HKSAR) and the Recipient Organisation (RO), and the Sustainable Fisheries Development Fund (Fund)—Application Guidelines in respect of each Fund project under the Fund, the RO is required to submit interim and final audited accounts¹¹ 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 are fully and properly applied to the project for which they are paid, and received and expended in accordance with the approved project budget; and
- (b) the RO has complied with the funding terms and conditions in the administration, management and usage of the Fund project.

These notes aim to provide guidance for the auditor of the RO in conducting reasonable assurance engagements and in preparing auditor's report for each Fund project.

2. In conducting a reasonable assurance engagement, the auditor should perform such procedures¹² as he considers necessary in the circumstances and obtain all the information and explanations which he considers necessary in order to provide him with sufficient evidence to give his conclusion as to whether the RO has complied with, in all material respects, the requirements set by the DAFC (including the requirements to keep proper books and records

¹¹ 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 the interim and final accounts of the project which have been reported on by the auditor 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.

¹² The auditor's procedures will 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 Fund project and to establish whether a proper and separate set of project books and records 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 Fund project, and whether the accounting policies have followed the requirements of the Fund, consistently applied and adequately disclosed; and
- d. evaluating the overall adequacy of the presentation of information in the interim/final accounts.

and to prepare interim/final audited accounts of the Fund project), and all the terms and conditions of Fund, as specified in the following documents:

- (a) the Agreement made between the Government of the HKSAR and the RO in respect of the project and the appendices thereto (which includes the project proposal);
- (b) the relevant Application Guidelines¹³ referred to in the Agreement; and
- (c) all instructions and correspondences issued by the DAFC in respect of the Fund.

3. The auditor 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 auditor's report prepared by the auditor to be submitted to the DAFC:

- (a) the auditor should state whether, in his conclusion, the RO has complied with, 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 Fund project), and all the terms and conditions of Fund, as specified in documents mentioned in paragraph 2 above;
- (b) if the auditor is of the opinion that there exists any material non-compliance as identified in paragraph 3(a) above, he should make full disclosure and quantify the effects of such non-compliance in the auditor's report; and
- (c) if the auditor is of the opinion that a proper and separate set of books and records have not been kept by the RO for the Fund project, or the relevant project accounts have not been properly prepared, or if the auditor fails to obtain all the information and explanations which are necessary for the purpose of the reasonable assurance engagement, he should make appropriate qualifications in the auditor's report.

4. The auditor should plan and conduct the reasonable assurance engagement to satisfy the requirements mentioned in paragraphs 2 and 3 above. In case of any ambiguity regarding the terms and conditions contained in the Agreement and the rules and regulations governing Fund projects, the auditor should seek clarification from Fund Secretariat. Any unreasonable reservation or denial of conclusion, for example, comments about ambiguity of the Fund

¹³ In case there are written agreements to the otherwise, such agreements shall prevail to the extent where the context so permits.

Application Guidelines, expressed by the auditor in the auditor's report, will be returned to the RO for rectification before re-submission.

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

6. The auditor is expected to follow the specimen auditor's assurance report at **Annex 5**. The Chinese translation of the specimen independent auditor's assurance report at **Annex 6** is for reference only. The English version shall prevail.

Fund Secretariat

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

Annex 5

核數師報告範本(英文本)

SPECIMEN INDEPENDENT AUDITOR'S ASSURANCE REPORT ON THE INTERIM/FINAL ACCOUNTS UNDER THE SUSTAINABLE FISHERIES 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 dated [date] (“Agreement”), and the Sustainable Fisheries Development Fund (“SFDF”) –Application Guidelines (“Application Guidelines”) in respect of the SFDF project under the SFDF, we have undertaken a reasonable assurance engagement on the [interim] [final] accounts (“Project Accounts”) of ABC Project (“Project”) (Project number: SFDF - XXXX) 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.

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 SFDF, 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 Application Guidelines¹⁴ 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.

¹⁴ In case there are written agreement to the otherwise, such agreements shall prevail to the extent where the context so permits.

Our Independence and Quality Management

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 Management 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements* and accordingly design, implement and operate a system of quality management including policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Auditor’s 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 Auditor of Recipient Organisation issued in [to be inserted as appropriate] by the SFDF Secretariat (“Notes”). We have planned and performed our work to obtain reasonable assurance for giving our opinion below.

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

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

Opinion

Based on the foregoing, in our opinion, XYZ Limited has complied with, in all material respects, the requirements set by the DAFC (including the requirements to keep proper books and records and to prepare proper Project Accounts) and all the terms and conditions of SFDF as specified in the documents mentioned in the Directors’ Responsibilities section.

Intended Users and Purpose

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

ABC & Co.

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

[Auditor's Address]

Date

核數師報告範本(中文譯本)

[本文只供參考，中英文本如有歧異，概以英文本為準]
(譯本)

**漁業持續發展基金中期／最後結算帳目
獨立核數師鑒證報告範本**

獨立核數師鑒證報告

致XYZ有限公司董事

根據香港特別行政區（香港特區）政府與XYZ有限公司於[年年／月月／日日]訂立的資助協議（協議），以及就漁業持續發展基金（基金）下的基金項目所訂定的「申請指引」，我們已對載列於第……頁至第……頁的ABC項目（項目）（項目編號：SFDF -XXXX）[中期／最後結算]帳目(項目帳目)進行合理的鑒證。項目帳目包括由[年年／月月／日日]至[年年／月月／日日]期間的收支表、資產負債表、現金流量表及帳目附註。

董事的責任

根據協議，董事須遵守下列文件中所訂明的要求（包括備存妥善的帳簿及記錄和擬備適當項目帳目），以及基金所有條款及條件：

- (a) 就項目簽訂的協議及相關附錄（包括項目計劃書）；
- (b) 協議中提及的相關「申請指引」¹⁵；以及
- (c) 漁農自然護理署署長（署長）就項目向XYZ有限公司發出的所有指示及通訊。

核數師的獨立性和質量控制

我們遵守香港會計師公會（公會）頒布的《職業會計師道德守則》中對獨立性及其他職業道德的要求，有關要求是基於誠信、客觀、專業與盡職、保密及專業行為的基本原則而制定的。

¹⁵ 如有其他形式的書面協議，在文意許可的情況下，有關協議可予執行。

本事務所應用《香港質量控制準則》第1號「會計師事務所對執行財務報表審計和審閱、其他鑒證和相關服務業務實施的質量控制」，並據此建立全面的質量控制制度，包括制定有關遵守職業道德要求、專業準則，以及適用的法律及監管要求的政策和程序守則。

核數師的責任

我們的責任是就我們對項目帳目的鑒證工作提出意見及作出匯報。

我們根據公會頒布的《香港鑒證業務準則》第3000號（經修訂）「非審核或審閱過往財務資料之鑒證工作」，並參考由基金秘書處於[填上適當日期]發出的《獲資助機構的核數師須知》（《須知》）進行鑒證工作。我們已計劃及執行有關工作，以便對下文所述意見取得合理保證。

我們的工作包括執行《須知》所訂的程序，並以抽查方式審查藉以支持在所有要項上已遵守上文「董事的責任」一段提及的文件中所訂明的要求（包括備存妥善的帳簿及記錄和擬備適當項目帳目）及基金所有條款及條件的相關憑證。

我們相信，我們所取得的憑證能充足和適當地為我們的意見提供基礎。

意見

根據以上所述，我們認為XYZ有限公司在所有要項上均已遵守署長在上文「董事的責任」一段提及的文件中所訂明的要求（包括備存妥善的帳簿及記錄和擬備適當項目帳目）及基金所有條款及條件。

目標使用者及用途

本報告根據協議，專供提交香港特區政府之用，並不擬分發或供任何其他人士作任何其他用途，也不得分發或供任何其他人士作任何其他用途。我們不會就本報告的內容，向任何其他人士負上或承擔任何責任。

ABC公司

執業會計師[或會計師]

[核數師地址]

[日期]