

立法會

Legislative Council

LC Paper No. FC165/15-16
(These minutes have been
seen by the Administration)

Ref : FC/1/1(9)

Finance Committee of the Legislative Council

Minutes of the 14th meeting
held at Conference Room 1 of the Legislative Council Complex
on Friday, 4 December 2015, at 4:30 pm

Members present:

Hon CHAN Kin-por, BBS, JP (Chairman)
Hon CHAN Kam-lam, SBS, JP (Deputy Chairman)
Hon Albert HO Chun-yan
Hon LEE Cheuk-yan
Hon James TO Kun-sun
Hon LEUNG Yiu-chung
Hon Emily LAU Wai-hing, JP
Hon TAM Yiu-chung, GBS, JP
Hon Tommy CHEUNG Yu-yan, GBS, JP
Hon Frederick FUNG Kin-kee, SBS, JP
Hon Vincent FANG Kang, SBS, JP
Prof Hon Joseph LEE Kok-long, SBS, JP, PhD, RN
Hon Andrew LEUNG Kwan-yuen, GBS, JP
Hon WONG Ting-kwong, SBS, JP
Hon Cyd HO Sau-lan, JP
Hon Starry LEE Wai-king, JP
Dr Hon LAM Tai-fai, SBS, JP
Hon CHAN Hak-kan, JP
Dr Hon Priscilla LEUNG Mei-fun, SBS, JP
Dr Hon LEUNG Ka-lau
Hon CHEUNG Kwok-che
Hon IP Kwok-him, GBS, JP
Hon Mrs Regina IP LAU Suk-yee, GBS, JP
Hon Paul TSE Wai-chun, JP

Hon Alan LEONG Kah-kit, SC
Hon LEUNG Kwok-hung
Hon Albert CHAN Wai-yip
Hon WONG Yuk-man
Hon Claudia MO
Hon Michael TIEN Puk-sun, BBS, JP
Hon James TIEN Pei-chun, GBS, JP
Hon NG Leung-sing, SBS, JP
Hon Steven HO Chun-yin, BBS
Hon Frankie YICK Chi-ming, JP
Hon WU Chi-wai, MH
Hon YIU Si-wing, BBS
Hon Gary FAN Kwok-wai
Hon MA Fung-kwok, SBS, JP
Hon Charles Peter MOK, JP
Hon CHAN Chi-chuen
Hon CHAN Han-pan, JP
Hon CHAN Yuen-han, SBS, JP
Hon Kenneth LEUNG
Dr Hon KWOK Ka-ki
Hon Dennis KWOK
Dr Hon Fernando CHEUNG Chiu-hung
Hon SIN Chung-kai, SBS, JP
Hon Martin LIAO Cheung-kong, SBS, JP
Dr Hon CHIANG Lai-wan, JP
Ir Dr Hon LO Wai-kwok, SBS, MH, JP
Hon Christopher CHUNG Shu-kun, BBS, MH, JP

Members absent:

Dr Hon LAU Wong-fat, GBM, GBS, JP
Hon Abraham SHEK Lai-him, GBS, JP
Hon WONG Kwok-hing, BBS, MH
Hon Jeffrey LAM Kin-fung, GBS, JP
Hon WONG Kwok-kin, SBS
Dr Hon Kenneth CHAN Ka-lok
Hon LEUNG Che-cheung, BBS, MH, JP
Hon Alice MAK Mei-kuen, BBS, JP
Hon KWOK Wai-keung
Hon Christopher CHEUNG Wah-fung, SBS, JP
Dr Hon Helena WONG Pik-wan
Hon IP Kin-yuen

Dr Hon Elizabeth QUAT, JP
Hon POON Siu-ping, BBS, MH
Hon TANG Ka-piu, JP
Hon CHUNG Kwok-pan
Hon Tony TSE Wai-chuen, BBS

Public officers attending:

Ms Esther LEUNG, JP	Deputy Secretary for Financial Services and the Treasury (Treasury)1
Mr Alfred ZHI Jian-hong	Principal Executive Officer (General), Financial Services and the Treasury Bureau (The Treasury Branch)
Mr Nicholas W YANG, JP	Secretary for Innovation and Technology
Ms Annie CHOI Suk-han, JP	Commissioner for Innovation and Technology
Mr Johann WONG, JP	Deputy Commissioner for Innovation and Technology
Mr Rayson CHAN	Acting Assistant Commissioner for Innovation and Technology (Funding Schemes)
Mr Edwin KEH	Chief Executive Officer, The Hong Kong Research Institute of Textiles and Apparel
Mr Simon WONG	Chief Executive Officer, The Research and Development Centre for Logistics and Supply Chain Management Enabling Technologies
Dr Lawrence CHEUNG	General Manager, The Automotive Parts and Accessory Systems Research and Development Centre
Mr Daniel YU	Chief Executive Officer, The Nano and Advanced Materials Institute

Clerk in attendance:

Ms Anita SIT	Assistant Secretary General 1
--------------	-------------------------------

Staff in attendance:

Mr Derek LO	Chief Council Secretary (1)5
Mr Ken WOO	Senior Council Secretary (1)5
Mr Raymond SZETO	Senior Council Secretary (1)7
Mr Jason KONG	Council Secretary (1)4
Mr Frankie WOO	Senior Legislative Assistant (1)3
Ms Michelle NIEN	Legislative Assistant (1)5

Action

The Chairman said that two Finance Committee ("FC") meetings were scheduled for today to deal with the agenda items.

Discussion on the arrangements for Finance Committee meetings

2. Mr CHAN Chi-chuen noted that the Administration had earlier on requested the FC to deliberate and approve the proposed supplementary provision for the works of the Hong Kong-Zhuhai-Macao Bridge Hong Kong Boundary Crossing Facilities – Reclamation and Superstructures before the end of 2015. He enquired whether the Administration would adjust the sequence of deliberation of other livelihood-related items when submitting this item was to the FC for deliberation. Deputy Secretary for Financial Services and the Treasury (Treasury)1 ("DS/FST(T)1") advised in response that the Public Works Subcommittee ("PWSC") still had not finished deliberating the proposed supplementary provision for the aforesaid works so far. Upon completion of deliberation by the Subcommittee, the Government would review the priorities of the various agenda items at that time before deciding on the arrangements of the agenda.

3. Mr CHAN Chi-chuen requested the Administration to make an undertaking that it would not bypass the PWSC to submit the proposal to the FC directly for deliberation. DS/FST(T)1 remarked that at this stage, the Administration would follow the normal arrangement and submit the funding proposal to the FC for deliberation upon its endorsement by the PWSC.

4. Mr Albert CHAN, Dr KWOK Ka-ki and Mr WONG Yuk-man expressed dissatisfaction with the Chairman's remark made in response to media enquiries earlier on that the FC should complete within the timeframe the deliberations of controversial items such as the supplementary provisions for the above item and the Hong Kong Section of Guangzhou-Shenzhen-Hong Kong Express Rail Link. These members considered that such a remark was tantamount to depriving members of their rights to speak and raise questions to the Administration on the items.

5. The Chairman mentioned that as he considered the progress of the FC in deliberating the Administration's funding proposals too slow, he put forward some suggestions in the hope of speeding up the processing of the agenda items by the Committee. Nevertheless, he would still allow sufficient time for the members to raise questions, and would hold additional meetings for deliberating the agenda items when necessary.

6. Mr LEUNG Kwok-hung expressed strong dissatisfaction with the Chairman's proposal to hold additional meetings during Christmas and the New Year.

7. Mr Albert CHAN spoke loudly without the Chairman's permission. The Chairman reminded Mr CHAN not to speak without permission.

8. In response to the queries raised by Mr Albert CHAN and Mr LEUNG Kwok-hung, the Chairman said that in his capacity as a consultant of an insurance company, he had no direct or indirect pecuniary interest in the item concerning the supplementary provision for the works of the Hong Kong-Zhuhai-Macao Bridge Hong Kong Boundary Crossing Facilities – Reclamation and Superstructures.

9. Ms Emily LAU requested the Administration to give a clear account of the items pending the FC's deliberation. The Chairman said that the Administration had forwarded a letter outlining the items pending deliberation (as set out in Annex I to LC Paper No. FC32/15-16 issued on 27 November 2015). The Chairman urged members not to hold up the meeting progress.

Item No. 1 – FCR(2015-16)33

INNOVATION AND TECHNOLOGY FUND

HEAD 111 – INNOVATION AND TECHNOLOGY

Subhead 104 – The Nano and Advanced Materials Institute

Subhead 105 – The Hong Kong Research Institute of Textiles and Apparel

Subhead 106 – The Automotive Parts and Accessory Systems Research and Development Centre

Subhead 107 – The Research and Development Centre for Logistics and Supply Chain Management Enabling Technologies

10. The Chairman said that the meeting today was to deal with the items carried over from the last meeting. The first one was agenda item FCR(2015-16)33. This item invited members to approve an increase in

commitment of the following Subheads under Head 111 – Innovation and Technology -

- (a) from \$385.2 million by \$304.8 million to \$690 million for Subhead 104 - The Nano and Advanced Materials Institute;
- (b) from \$197.7 million by \$146.8 million to \$344.5 million for Subhead 105 - The Hong Kong Research Institute of Textiles and Apparel;
- (c) from \$228.2 million by \$71.5 million to \$299.7 million for Subhead 106 - The Automotive Parts and Accessory Systems Research and Development Centre; and
- (d) from \$207.9 million by \$154.5 million to \$362.4 million for Subhead 107 - The Research and Development Centre for Logistics and Supply Chain Management Enabling Technologies.

Development of research and development centres

11. Mr SIN Chung-kai said that if the existing research and development ("R&D") centres took it for granted that FC would approve the supplementary provision for their operation, they might become complacent and unenterprising. He asked if the Administration had any new policies or perspectives in adjusting the development directions of the R&D centres and facilitating the evolution of such centres.

12. Secretary for Innovation and Technology ("SIT") and Commissioner for Innovation and Technology ("CIT") said that a review of the development directions of the R&D centres was conducted in 2011, and it was confirmed that the major research areas of the various R&D centres had both the potential for development and the relevant market demand. Among such areas, automotive parts and accessories, textiles and apparel, and logistics were supported by their respective local industries and markets. While nano technology was not an industry itself, the R&D results concerned would benefit various industries. Besides, the Administration would consider developing new R&D centres in light of the demands and changes in the market.

13. Mr James TO and Mr WONG Yuk-man enquired whether SIT had scrutinized the operation of the four R&D centres personally. This would enable them to decide whether they would support the funding proposal.

14. In response, SIT remarked that he personally had a good understanding of the operation of the four R&D centres, and he hoped members could realize that the four R&D centres needed the supplementary provisions to enable them to produce results.

15. Mr LEUNG Yiu-chung opined that the Administration should make it a target for the R&D centres to eventually become self-financing; otherwise they might not have the impetus to further develop.

16. CIT said that the Administration had extensively consulted various sectors of society and the industries on the positioning and mode of operation of the R&D centres when they were first established. Given that substantial resources were required to take forward the R&D projects and there was no guarantee that these projects would definitely succeed, the Administration had reservations about the suggestion of requiring the R&D centres to become self-financing in short to medium term after conducting the review. The Administration considered that the increasing level of sponsorship from the industries was reflective of their support for the work of the R&D centres, which had attained the objectives of the authorities in operating the R&D centres. To ensure the efficacy of the R&D centres, the Administration would also promote the commercialization of R&D results and would continue with the implementation of the Public Sector Trial Scheme.

Social services

17. Mr LEUNG Yiu-chung opined that it would be undesirable if the R&D results of the R&D centres should aim only at helping the development of the industries, as that would amount to subsidizing commercial profit-making practices by public funds. In response, SIT said that apart from helping the development of the industries, the R&D results of these R&D centres could also be utilized in social services and for catering to the needs of the underprivileged.

18. Ms Emily LAU said that while the Administration had stated that innovation and technology could be used to improve the daily lives of the elderly, the four R&D centres involved in the current funding proposal mentioned little about such research projects. She sought elaboration from the Administration on the policy arrangements and initiatives concerned.

19. SIT advised that he had proposed nine major tasks upon assuming office, which included, among others, examining and promoting the use of innovation and technology to help address social problems, such as making use

of technology to serve the elderly and the underprivileged (including persons with disabilities), addressing the problem of ageing population and promoting healthy ageing. The development directions were application-oriented and were jointly promoted by the Government, industry, academia and research sector. CIT and Chief Executive Officer, the Research and Development Centre for Logistics and Supply Chain Management Enabling Technologies ("CEO/R&D Centre for LSCM") said that the R&D Centre for LSCM had developed the technology of applying the Radio Frequency Identification system ("RFID") to assist the elderly in their daily lives, as well as keeping track for the elderly centres of the whereabouts of the elderly who were suffering from illnesses such as dementia and might have gone missing. With regard to the support for the underprivileged, the R&D Centre for LSCM collaborated with the MTR Corporation Limited to install RFID tags under the tactile paving in the MTR stations with a view to providing audio leadthrough instructions for the visually impaired with smart canes using RFID technology. The R&D Centre for LSCM would further promote the more in-depth development of the relevant technology.

Key Performance Indicators

20. Noting that the income generated from the commercialization of R&D results of the four R&D centres was on the low side, Dr KWOK Ka-ki, Mr SIN Chung-kai and Ms Cyd HO queried the Administration's justifications for seeking funding provisions to sustain their operations, whilst other R&D directions with potential, such as food technology and sharing economy, were being overlooked. Mr LEE Cheuk-yan and Mr LEUNG Yiu-chung expressed similar views and enquired whether key performance indicators in respect of the commercialization income of the R&D centres had been drawn up to enable the Legislative Council and the public to monitor the effectiveness of the various R&D centres.

21. SIT advised that the Administration would review the development directions of the R&D centres and consult the industries in a timely manner. For instance, robotics and "Smart City" were two R&D directions with development potential. However, success and immediate commercialization of the R&D projects were not guaranteed. CIT added that some R&D results could benefit the whole industry while some others could even benefit other industries, and the benefits were not necessarily reflected in the commercialization income. Apart from the commercialization income, the Administration would also make reference to other data, such as the level of sponsorship from the industries. In this connection, the rising level of industry sponsorship received by the R&D centres in recent years was reflective of the

industries' increasing recognition that the work of these R&D centres was beneficial to their development.

22. Mr CHAN Chi-chuen queried that the rising level of industry sponsorship that the Administration had all along emphasized was only the result of the appeal for additional sponsorship made by the R&D centres, which was by no means adequate for evaluating the effectiveness of the R&D centres. Mr CHAN requested the Administration to provide more concrete performance indicators, such as the number of employment opportunities increased. Dr KWOK Ka-ki enquired whether the four R&D centres had brought about economic interests and employment opportunities for Hong Kong.

23. SIT and CIT responded that the level of industry sponsorship was a key indicator, as its ups and downs directly reflected the industries' recognition of the work of the R&D centres. The industry sponsorship provided for certain R&D projects could even cover more than half of the project expenditures. Nevertheless, having regard to the views and concerns raised by members, the Administration would consider drawing up other quantifiable performance indicators, so as to reflect more fully the performance of the R&D centres and the benefits they brought to different industries. CEO/R&D Centre for LSCM added that, for instance, R&D Centre for LSCM developed an E-Lock-Based Enabling Technology for the logistics flow of goods clearance, to reduce significantly the time required for goods clearance at the airport and container ports, thereby enhancing the capacity and effectiveness of the Hong Kong Customs and Excise in handling air freight.

Innovation and technology policies

24. Mr LEUNG Kwok-hung criticized that it was by no means a correct approach for the Administration to rely on industries' investments to promote the development of scientific research which was based on the co-operation among the Government, industry, academia and research sector. He requested the Administration to step up its efforts by fully subsidizing the R&D projects and attracting talents to develop their career in Hong Kong.

25. Mr WONG Yuk-man queried that the visions of the innovation and technology policies were empty talks and there was no long-term planning. He cited as an example that while the industry had proposed to the Administration that tax concessions be offered to R&D projects, the Innovation and Technology Commission only replied that taxation policies were not within its purview.

26. Ir Dr LO Wai-kwok said that as pointed out by the Administration earlier, Hong Kong was currently faced with problems such as a shrinking workforce and sluggish economic development. He expressed support for the Administration in developing R&D projects, yet he also opined that the Administration should strengthen the relevant policies and encourage enterprises to give extra injections of investment into R&D. During the meeting with the Chief Executive in respect of the forthcoming Policy Address, the Business and Professionals Alliance for Hong Kong had recommended offering enterprises triple tax deductions for R&D expenditures. Ir Dr LO would like SIT to respond to the relevant recommendation and set a target for the development of innovation and technology in terms of percentage share in the Gross Domestic Product ("GDP").

27. SIT advised that the Administration intended to step up its efforts in promoting R&D development, including encouraging the private sector to increase the investment in the relevant fields, and was considering using the percentage share of R&D expenditures in the GDP as one of the reference indicators of development. As regards the recommendation concerning a taxation concession policy, SIT said that he needed to have discussions with the relevant policy bureau and stakeholders.

Commercialization of R&D results and re-industrialization

28. Mr LEUNG Kwok-hung opined that the Administration should consider altering the land use of the 60-hectare site originally reserved for the development of the Hong Kong Disneyland, so as to promote the industrialization of innovation and technology.

29. Mr WU Chi-wai and Ms Cyd HO enquired about the specific policies the Administration had in place and the difficulties it had encountered in promoting the commercialization of R&D results to dovetail with the policy direction of re-industrialization. Members expressed their hope that the Administration would develop re-industrialization locally, so as to provide more high value-added employment opportunities for local workers.

30. Mr Martin LIAO considered that the insufficient support for commercialization and industrialization of R&D projects in Hong Kong had made it impossible for R&D results to be put into production locally. He enquired whether the Administration had assessed if the local industry based in Hong Kong could comprehensively support the commercialization of R&D results; and if not, what supporting measures the Administration had in place.

31. SIT remarked that according to the Administration's understanding, industries operating businesses on the mainland were now facing the problem of rising costs and they might relocate their operations back to Hong Kong for development. As such, supporting the upgrading and transformation of various industries, as well as the development of high value-added industries, were also included in the Administration's re-industrialization policy directions. The success of re-industrialization hinged on the degree of involvement of the industries. Hence, the Administration was committed to communicating with the industries, with a view to understanding their needs and thereby achieving the diversified development of industries in Hong Kong. Another focus of development of re-industrialization was to promote the R&D and application of high technology (such as Internet of Things) to enable various trades and sectors (including industries) to enhance their productivity.

32. Ms Cyd HO pointed out that the scale of development of local industries in Hong Kong was still on the low side, and the textile industry was one example because most of the industry's factories were located in the Mainland. Dr LAM Tai-fai also queried if granting funding provisions to the Hong Kong Research Institute of Textiles and Apparel ("HKRITA") could be beneficial to the development of the local textiles and apparel industry, as most of the production lines of the industry were no longer in Hong Kong.

33. SIT and CIT remarked that the Administration considered there was still room for development for the textiles and apparel industry in Hong Kong, and the HKRITA would continue to liaise with the industry to develop more suitable products. Chief Executive Officer, HKRITA added that, for the textile industry, the HKRITA would focus on developing high performance materials, such as developing clothing materials that could be used in areas of healthcare, fire services and sports.

Other issues

34. Dr Fernando CHEUNG was concerned about the intricate connections among the research sector and risks of transfer of benefits between senior levels of academia and the industry. He enquired about the measures the Administration had in place to prevent members of the Vetting Committee of the Innovation and Technology Fund ("ITF") from privately transferring benefits by approving funds to the companies they had connections with and benefiting the companies' senior management.

35. CIT advised that a mechanism under the ITF had been put in place to ensure proper use of grants. For example, projects of commercialization subsidized by the ITF were required to submit reports and audited accounts to the Commission. The Administration would continue to closely monitor the vetting and follow-up work of the R&D projects concerned.

36. At 6:30 pm, the Chairman declared that the meeting be adjourned and the Committee would continue with the discussion at 7 pm.

37. The meeting was adjourned at 6:30 pm.

Legislative Council Secretariat
15 March 2016