

**立法會**  
***Legislative Council***

LC Paper No. FC202/15-16  
(These minutes have been  
seen by the Administration)

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**Finance Committee of the Legislative Council**

**Minutes of the 16<sup>th</sup> meeting**  
**held at Conference Room 1 of the Legislative Council Complex**  
**on Friday, 11 December 2015, at 3:00 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 LEUNG Yiu-chung  
Hon Emily LAU Wai-hing, JP  
Hon TAM Yiu-chung, GBS, JP  
Hon Abraham SHEK Lai-him, GBS, JP  
Hon Tommy CHEUNG Yu-yan, GBS, JP  
Hon Frederick FUNG Kin-kee, SBS, JP  
Hon Vincent FANG Kang, SBS, JP  
Hon WONG Kwok-hing, BBS, MH  
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 WONG Kwok-kin, SBS  
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 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  
Dr Hon Kenneth CHAN Ka-lok  
Hon CHAN Yuen-han, SBS, JP  
Hon LEUNG Che-cheung, BBS, MH, JP  
Hon Kenneth LEUNG  
Dr Hon KWOK Ka-ki  
Hon KWOK Wai-keung  
Hon Dennis KWOK  
Hon Christopher CHEUNG Wah-fung, SBS, JP  
Hon SIN Chung-kai, SBS, JP  
Dr Hon Helena WONG Pik-wan  
Dr Hon Elizabeth QUAT, JP  
Hon POON Siu-ping, BBS, MH  
Hon TANG Ka-piu, 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:**

Hon James TO Kun-sun  
Dr Hon LAU Wong-fat, GBM, GBS, JP  
Hon Jeffrey LAM Kin-fung, GBS, JP  
Hon CHEUNG Kwok-che  
Hon Frankie YICK Chi-ming, JP

Hon Alice MAK Mei-kuen, BBS, JP  
Dr Hon Fernando CHEUNG Chiu-hung  
Hon IP Kin-yuen  
Hon Martin LIAO Cheung-kong, SBS, JP  
Hon CHUNG Kwok-pan  
Hon Tony TSE Wai-chuen, BBS

**Public officers attending:**

Ms Elizabeth TSE Man-ye, JP	Permanent Secretary for Financial Services and the Treasury (Treasury)
Ms Esther LEUNG, JP	Deputy Secretary for Financial Services and the Treasury (Treasury) <sup>1</sup>
Mr Alfred ZHI Jian-hong	Principal Executive Officer (General), Financial Services and the Treasury Bureau (The Treasury Branch)
Mr Nicholas YANG, JP	Secretary for Innovation and Technology
Ms Annie CHOI, JP	Commissioner for Innovation and Technology
Mr Johann WONG, JP	Deputy Commissioner for Innovation and Technology
Mr Rayson CHAN	Senior Manager (Innovation and Technology Fund), Innovation and Technology Commission
Ms Yan CHAN	Director, Business Development, 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
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**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

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Action

**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**

The Chairman advised that the item invited members to approve an increase in commitment of the 4 Subheads under Head 111 – Innovation and Technology, totalling \$677.6 million, to support the continual operation of the four research and development ("R&D") centres for four more years to the year of 2020-2021.

2. Secretary for Innovation and Technology ("SIT") said that he was unable to attend the second meeting held last Friday as it had been arranged much earlier on for him to meet with Mainland officials.

3. Mr WONG Kwok-hing expressed support for the funding proposal. He urged the Administration to regularly elucidate to the Legislative Council and the public the development and results of the R&D centres, and that Members of the Legislative Council should be invited to visit the R&D centres to gain a better understanding of their operation. SIT agreed to Mr WONG's view, and said that the Government was committed to strengthening ties with Legislative Council Members.

Development of research and development centres

4. Mr KWOK Ka-ki asked why the Administration had chosen to place its emphasis on promoting the research and development of automotive parts and accessories as well as nano-technology.

5. Mr LEE Cheuk-yan expressed doubt that as Hong Kong had already been lagging behind other places in terms of innovation and technology development, it could hardly find any room for development.

6. SIT and Commissioner for Innovation and Technology ("CIT") advised that the Government considered that all the major research areas of the four R&D centres had the potential for development. A study conducted by the Government in the past revealed that there was already some development foundation for automotive parts and accessories in Hong Kong and they were in some ways quite related to other local industries (such as plastics and metal products industries). The Automotive Parts and Accessory Systems ("APAS") Research and Development Centre had already made some achievements and could benefit the development of the industries.

7. Chief Executive Officer, The Nano and Advanced Materials Institute ("NAMI") added that the R&D centre worked hand in hand with local businesses, and particularly small and medium enterprises ("SMEs"), to develop various nano-related technologies, such as nano facemasks and waterproof cement-based coating. The industries planned to proceed with the commercialization of these two technologies. In addition, NAMI partnered with a company in the EcoPark in developing the technology of producing biodiesel from food waste for use by trucks. Ms Emily LAU and Ms Claudia MO urged the Innovation and Technology Bureau to work jointly with the Environment Bureau to step up the recovery of food waste and promote the use of biodiesel.

8. Mr Albert CHAN, Mr LEUNG Kwok-hung and Mr CHAN Chi-chuen queried that the Administration had exaggerated the R&D results of the four R&D centres. These members opined that the numbers of R&D projects released respectively by the four R&D centres online were smaller than those contained in the meeting paper FCR(2015-16)33, and requested a clarification from the Administration.

9. CIT responded that the information contained in the meeting paper had been verified and found to be accurate.

10. Mr CHAN Chi-chuen said there was a very large gap between the latest data on R&D projects (16 projects as at end-March 2015) under NAMI published online and the data (expected to reach 52 projects by end-March 2016) contained in the meeting paper. Chief Executive Officer, NAMI responded that the number of R&D projects under NAMI as set out in the meeting paper referred to the estimated number of projects to be taken forward in the year 2015-2016.

Performance indicators of R&D centres

11. Mr Alan LEONG expressed dissatisfaction at the Administration's remark that it was not able to formulate quantifiable performance indicators in respect of the results of commercialization and re-industrialization in the Paper (LC Paper No. FC45/15-16(01)) tabled to the Finance Committee. Mr LEONG asked the Administration to put forward relevant quantifiable performance indicators (such as the level of sponsorship from the industries or the number of employment opportunities created) and set a timetable for the purpose of conducting a value-for-money audit. Mr LEE Cheuk-yan and Ms Claudia MO echoed his views and expressed reservation about granting funding provisions before the performance indicators were formulated. These members urged the Administration to consult the industries and formulate suitable indicators.

12. Mr James TIEN expressed support for the Administration's effort in developing the R&D centres. He was concerned that, according to the data set out in the paper provided by the Administration, the commercialization income of various R&D centres was on the low side when compared to the R&D expenditure and operating expenditure.

13. Mr KWOK Ka-ki queried the Administration's justifications for seeking funding provisions to sustain the operations of the R&D centres until 2021 when commercialization incomes generated from R&D projects were on the low side, and this had given rise to the suspicion that there might be a case of misuse of public funds.

14. SIT and CIT advised that apart from the commercialization incomes (including income generated from licensing fees and contract services), the level of sponsorship from the industries was also one of the indicators for evaluating the effectiveness of commercialization. The continual rising level of industry sponsorship received by various R&D centres in recent years was reflective of the industries' increasing recognition of the development direction of these R&D centres. The R&D centres needed funding provisions to sustain their operations. Since the major research areas of various R&D centres differed, and the R&D projects might not necessarily succeed due to a number of factors, the Government was still studying ways to further formulate other quantifiable performance indicators for the R&D centres. CIT reiterated that the Government was considering the inclusion of a number of factors as performance indicators, and one of such might be changed to "income from the industries", which would comprise sponsorship from the industries, licensing fees/royalties and contract services. Another indicator was the number of participating organizations under the Public Sector Trial Scheme. The

Government hoped that it could formulate suitable performance indicators with regard to the operations of the R&D centres from 2017 to 2021, and would continue to work jointly with the R&D centres in this regard and report the progress to the Panel on Commerce and Industry in a timely manner. In addition, the R&D centres had also created some 1 200 R&D job opportunities for Hong Kong.

15. In response to a further question raised by Mr James TIEN, CIT stated that the operating expenditure as listed in Annex I to the Paper was the cumulative operating expenditure since the R&D centres started operation, while the operating expenditure mentioned in the letter to the Panel on Commerce and Industry dated 18 July 2015 reflected the operating expenditures of various R&D centres in 2014-15, and hence the two figures could not be compared directly.

16. Mr CHAN Chi-chuen remarked that even though the R&D efforts in innovations and technologies might not necessarily succeed, if the R&D centres could not achieve any results over a long period of time, it was necessary for the Administration to conduct a review. He asked whether the Administration had formulated any "failure indicators" to determine whether it was necessary for the R&D centres to be restructured or closed down.

17. SIT pointed out in response that if the level of sponsorship from the industries continued to decline, the Government would review the development directions of the R&D centres. However, R&D results from innovations and technologies might not bring about immediate benefits.

18. Mr LEUNG Kwok-hung criticized that while the Government had set the target level of sponsorship from the industries at 40% of the R&D cost when responding to a report of the Director of Audit in 2005, the Government had subsequently lowered the target level of sponsorship many times because the operation performance of the R&D centres had not been able to meet the target for a long period of time, and this practice was not desirable as this might arouse the suspicion of "moving the goalposts" or using some tactics to cover up their mistakes.

19. CIT pointed out in response that when revising the target level of sponsorship from the industries, the Government had consulted the Panel on Commerce and Industry of the Legislative Council and secured its agreement. Furthermore, the level of sponsorship from the industries had been rising steadily in recent years, reflecting that the R&D centres were found to be effective and capable of catering to the needs of the industries.

20. Mr LEUNG Yiu-chung queried that the Administration did not formulate performance indicators for the R&D centres' efforts in promoting social welfare so that it could evade the consequences of accountability in the event that the centres failed to meet the target. SIT pointed out in reply that in promoting the application of technologies for enhancing social welfare, the Administration had to rely on the participation of the industries, and so it was difficult to formulate any indicators.

Operation of R&D centres

21. With regard to the origin of the name of The APAS R&D Centre, Mr LEUNG Kwok-hung and Ms Claudia MO enquired about the difference between "parts and accessories" and "parts". Chief Executive Officer, APAS said that "parts and accessories" included both parts and accessories; and a spring was an example of parts, and an accessory was something that consisted of a number of parts, an example of which was a radio.

22. Mr KWOK Ka-ki enquired about the number of local graduates among IT talents recruited by R&D centres.

23. CIT remarked that IT talents employed by the R&D centres were mostly local graduates. In response to a further request made by Mr KWOK Ka-ki, the Government undertook to provide the relevant information after the meeting.

24. Mr Albert CHAN criticized that the information dissemination of the four R&D centres was not transparent, as a lot of information was only accessible to their members. Mr CHAN Chi-chuen asked the Administration to review the standards of public disclosure of information for compliance by the four R&D centres, and it should provide the Legislative Council with a full account of the details in this regard.

*Administrative overheads*

25. Mr SIN Chung-kai expressed concern about the proportion of administrative overheads in the total expenditure of the various R&D centres. In particular, he considered the proportions of administrative overheads of The Research and Development Centre for Logistics and Supply Chain Management Enabling Technologies ("R&D Centre for LSCM"), R&D Centre for NAMI and Hong Kong Applied Science and Technology Research Institute ("ASTRI") were on the high side (over 20%). He enquired if the R&D centres had in place any measures to control their administrative overheads.



26. CIT advised that while the R&D centres had different expenditure items, the R&D Centre for LSCM had participated more in the Public Sector Trial Scheme and thus incurred higher administrative expenses. CEO/R&D Centre for LSCM added that, the expenditure of R&D projects might not be reflected in the data of the same fiscal year when the projects commenced, and the administrative overheads of the R&D Centre for LSCM would be more volatile as a result. The operating expenditure of the Centre was mainly spent on communicating with the industries, organizing summits and roadshows, promoting application of innovative technology such as Internet of Things and radio frequency identification tags which would have an influence on the entire industry.

27. Ms Claudia MO asked about the difference between "Project and R&D expenditures" and administrative overheads of the R&D Centres. CEO/R&D Centre for LSCM advised that "Project and R&D expenditures" were expenditures incurred after the commencement of individual R&D projects, while administrative overheads referred to the recurrent operating expenditures of the Centres, including costs arising from communicating with people in the industries so as to understand their needs and promote the latest technologies, encourage them to make investment to facilitate the commercialization of the latest technologies. The relevant processes might entail more administrative overheads and might take longer time.

28. In response to a further question raised by Ms Claudia MO, CEO/R&D Centre for LSCM advised that foreign visits only constituted a very small proportion of the administrative overheads, this was because Hong Kong's foundation for commercialization of R&D projects was still not solid to enable the commercialization initiatives to develop in places outside Hong Kong, and hence most of the administrative overheads were used in communicating with local enterprises to help facilitate the commercialization process locally and promote technology among local enterprises (especially for SMEs). Besides, it might take a longer time to take forward certain projects.

#### Re-industrialization and industrial development

29. Ms CHIANG Lai-wan opined that developing innovation and technology was a national policy, and she hoped that the new Bureau would focus on the development in this area. She enquired about the efforts to be made by the Administration to promote the commercialization, industrialization and application studies of R&D results. SIT pointed out that the commercialization and industrialization of R&D results hinged on the participation of the relevant industries, and the Administration would provide assistance to such industries.

30. Ms Cyd HO and Ms Claudia MO requested the Administration to explain how it selected industries with development potential for the purpose of promoting re-industrialization. Ms HO queried that the Administration did not understand the problems encountered in the process of re-industrialization, such as the shortage of land.

31. SIT remarked that given the limited supply of suitable land in Hong Kong, the emphasis of re-industrialization should be placed on attracting high value-added industries to develop their operations in Hong Kong, and thereby boosting the overall economic development.

32. Ms Emily LAU requested the Administration to give an account of its vision of developing high value-added industries in Hong Kong, and enquired whether the textiles and apparel industry was included in the vision.

33. Ms Cyd HO enquired about the Administration's plan to promote the re-industrialization of the textiles and apparel industry.

34. SIT remarked that high value-added industries and the application of Internet of Things were closely related, and the use of Internet of Things for re-industrialization was the focus of development, which should be able to benefit the local textile and apparel industry.

35. Mr LAM Tai-fai requested the Administration to explain how the approval or otherwise of the funding provisions would impact on the textiles and apparel industry in Hong Kong.

36. SIT responded that if the funding provisions were not approved, the operation of The Hong Kong Research Institute of Textiles and Apparel would be terminated.

#### Conflict of interest

37. In response to a question raised by Mr Albert CHAN, SIT said that as far as he knew, he himself and his relatives did not have any conflict of interest in the funding provisions.

38. Mr Albert CHAN queried that as SIT had previously held a post in the Internet Professional Association ("iProA"), he might have a conflict of interest when handling funding provisions for the R&D centres. Mr LAM Tai-fai raised a point of order and opined that Mr CHAN was speaking on a subject unrelated to the item. The Chairman ruled that Mr Albert CHAN had

been speaking on subjects not directly related to the item, and requested Mr CHAN to raise questions directly related to it. Mr Albert CHAN expressed strong dissatisfaction with the Chairman's ruling, criticizing the Chairman for depriving members of their right to speak.

39. Ms Claudia MO opined that it was necessary for SIT to clarify any concerns relating to any possible conflicts of interest on his part.

40. SIT clarified that he had never held any post in iProA, but had provided free (*pro bono*) service for it.

Other issues

41. Mr Christopher CHEUNG enquired about the Administration's future development direction in the area of financial technologies. The Chairman said that the subject was not directly related to the item, but the Administration might make a brief response.

42. CIT advised that the R&D Centre for LSCM was conducting certain projects for promoting the development of financial technologies, such as e-Cheque. In addition, the Hong Kong Monetary Authority also planned to work together with the ASTRI on certain plans for developing financial technologies.

43. Mr Alan LEONG requested the Administration to provide a written response to questions raised by members during today's meeting in connection with the item. SIT agreed to provide the relevant paper.

Meeting progress

44. At 4:45 pm, The Chairman advised that he received motions proposed by members pursuant to paragraph 37A of the Finance Committee Procedure ("FCP"), and he directed the Committee to start dealing with the motions after the Committee had finished discussing the item.

Motion to adjourn further proceedings

45. At 4:52 pm, Mr Albert CHAN moved a motion pursuant to paragraph 39 of FCP that further proceedings of the Committee be now adjourned. The Chairman thereupon proposed the question that the meeting be now adjourned. He directed that a member, when speaking on the question, might speak once for not more than three minutes.

46. Mr Albert CHAN introduced his motion. Mr CHAN considered that although the new SIT showed sincerity in communicating with the Legislative Council, there were still a lot of unsolved questions on the direction of development and effectiveness of the four R&D centres. In order to ensure the proper use of public funds, the Committee should not approve the item hastily before a clear explanation was provided by the Administration.

47. Mr LEUNG Kwok-hung supported the motion to adjourn further proceedings. He queried whether the Administration had exaggerated the R&D results of the R&D centres, and held the view that horizontal comparison should be made between the relevant results and those of other competitors.

48. At 5:00 pm, The Chairman declared that the meeting be adjourned and discussion on the motion of adjourning further proceedings would be continued at the next meeting of the day.

49. The meeting was adjourned at 5:00 pm.

Legislative Council Secretariat  
29 April 2016