

立法會
Legislative Council

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Finance Committee of the Legislative Council

Minutes of the 39th meeting
held at Conference Room 1 of the Legislative Council Complex
on Friday, 27 February 2015, at 5:30 pm

Members present:

Hon Tommy CHEUNG Yu-yan, SBS, JP (Chairman)
Hon CHAN Kin-por, BBS, JP (Deputy Chairman)
Hon LEE Cheuk-yan
Hon James TO Kun-sun
Hon CHAN Kam-lam, SBS, JP
Hon LEUNG Yiu-chung
Dr Hon LAU Wong-fat, GBM, GBS, JP
Hon Abraham SHEK Lai-him, GBS, JP
Hon Frederick FUNG Kin-kee, SBS, JP
Hon WONG Kwok-hing, BBS, MH
Prof Hon Joseph LEE Kok-long, SBS, JP, PhD, RN
Hon Jeffrey LAM Kin-fung, GBS, JP
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
Hon IP Kwok-him, GBS, JP
Hon Paul TSE Wai-chun, JP
Hon Alan LEONG Kah-kit, SC
Hon LEUNG Kwok-hung
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
Hon WU Chi-wai, MH
Hon YIU Si-wing
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 Alice MAK Mei-kuen, JP
Hon KWOK Wai-keung
Hon Christopher CHEUNG Wah-fung, SBS, JP
Hon SIN Chung-kai, SBS, JP
Dr Hon Helena WONG Pik-wan
Hon IP Kin-yuen
Dr Hon Elizabeth QUAT, JP
Hon TANG Ka-piu, JP
Dr Hon CHIANG Lai-wan, JP
Ir Dr Hon LO Wai-kwok, BBS, MH, JP
Hon Christopher CHUNG Shu-kun, BBS, MH, JP
Hon Tony TSE Wai-chuen, BBS

Members absent:

Hon Albert HO Chun-yan
Hon Emily LAU Wai-hing, JP
Hon TAM Yiu-chung, GBS, JP
Hon Vincent FANG Kang, SBS, JP
Hon Ronny TONG Ka-wah, SC
Dr Hon LEUNG Ka-lau
Hon CHEUNG Kwok-che
Hon WONG Kwok-kin, SBS
Hon Mrs Regina IP LAU Suk-yee, GBS, JP
Hon Albert CHAN Wai-yip
Hon WONG Yuk-man
Hon Claudia MO
Hon Frankie YICK Chi-ming
Hon Gary FAN Kwok-wai

Hon Kenneth LEUNG
Dr Hon KWOK Ka-ki
Hon Dennis KWOK
Dr Hon Fernando CHEUNG Chiu-hung
Hon Martin LIAO Cheung-kong, SBS, JP
Hon POON Siu-ping, BBS, MH
Hon CHUNG Kwok-pan

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) 1
Mr Alfred ZHI Jian-hong	Principal Executive Officer (General), Financial Services and the Treasury Bureau (The Treasury Branch)
Miss Janet WONG, JP	Commissioner for Innovation and Technology
Mr Johann WONG, JP	Deputy Commissioner for Innovation and Technology
Mr Frank TSANG	Assistant Commissioner for Innovation and Technology (Funding Schemes)
Prof YUE On-ching	Science Advisor, Innovation and Technology Commission

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 Daniel SIN	Senior Council Secretary (1)7
Mr Raymond SZETO	Council Secretary (1)5
Mr Frankie WOO	Senior Legislative Assistant (1)3
Ms Michelle NIEN	Legislative Assistant (1)5
Miss Yannes HO	Legislative Assistant (1)6

Item No. 1 – FCR(2014-15)57

INNOVATION AND TECHNOLOGY FUND

HEAD 111 – INNOVATION AND TECHNOLOGY

Subhead 101 Innovation and Technology (block vote)

HEAD 184 – TRANSFERS TO FUNDS

New Subhead "Payment to the Innovation and Technology Fund"

The Committee continued with the discussion on the item.

2. Dr LO Wai-kwok declared interest that he was a director of the Nano and Advanced Materials Institute and had been involved in projects under the University-Industry Collaboration Programme and the Small Entrepreneur Research Assistance Programme ("SERAP") funded by the Innovation and Technology Fund ("ITF").

Supporting innovation and technology and local research and development

3. Dr CHIANG Lai-wan said that the Administration should step up its efforts to support the development of innovation and technology ("I&T") in Hong Kong so that it could truly benefit the local economy as she observed that some successful local research and development ("R&D") outcomes were often sold overseas. The Administration should consider promoting local production and commercialization of R&D outcomes.

4. Commissioner for Innovation and Technology ("CIT") said that the Administration had provided support to a variety of industries and R&D projects through ITF and its five R&D centres, with emphasis on industries with an advantage such as information technology ("IT") industries and the logistics industry. In granting support, local production of R&D outcomes would be a preferred but not mandatory criterion.

5. Dr CHIANG Lai-wan expressed concern that the Administration had limited its focus of R&D in IT industries without putting forth a broader vision for developing I&T for Hong Kong.

6. CIT said that the Administration would focus on supporting R&D in industries which could offer good prospects for realization and commercialization. Scientific Advisor, Innovation and Technology Commission ("SA, ITC") supplemented that R&D in IT industries, in terms of both hardware and software, encompassed innovations and products for a variety of applications with a promising prospect.

7. Mr LEUNG Kwok-hung criticized the Administration for its failure to set a direction for developing I&T and commercialization.

8. Mr Tony TSE urged the Administration to assess the effectiveness of its efforts in supporting R&D for schemes under ITF. CIT undertook to report the relevant assessments to the Panel on Commerce and Industry in due course.

Management of the Innovation and Technology Fund

9. Mr CHAN Chi-chuen enquired about the basis for the proposed injection of \$5 billion into ITF. To ensure that approved injections to ITF were well accounted for, he suggested that the Administration should consider seeking the Committee's approval of smaller provisions of funds for ITF on an annual or biannual basis, instead of an injection of a substantial amount of funds as it now proposed for use over a period of five to six years.

10. CIT said that the usual project duration of individual R&D projects was two years. The funding injection of \$5 billion would enable the continuous operation of ITF for five to six years.

11. Noting that ITF had not required further injection of funds since its inception in 1999 with \$5 billion, Mr LEUNG Kwok-hung questioned why the Administration estimated that the same amount of injection into ITF was sufficient for its operations for only five to six years. CIT said that the forecast was based on past expenditure pattern. It was shorter than the initial financial injection as the scope and schemes of ITF had expanded over the years. Having said that, the actual cash flow would depend on the number and amount of funding applications approved under different funding programmes as well as refinements in policy.

Small Enterprise Research Assistance Programme

12. Mr LEUNG Kwok-hung expressed grave concern that the dollar-for-dollar matching mechanism for providing funds under SERAP of ITF could be subject to potential abuse. CIT responded that each application for ITF funding was required to submit a comprehensive financial proposal for assessment.

13. Mr LEUNG Kwok-hung considered that the membership composition of the Project Assessment Panel under SERAP was skewed excessively towards the industry sector.

14. CIT said that the SERAP Project Assessment Panel comprised members with backgrounds from industry, business, academia and research sectors. For each round of application assessment, the Innovation and Technology Commission ("ITC") would select suitable members from the Assessment Panel based on their expertise. She considered that such membership composition was necessary and appropriate as industry participation was vital to promoting the application of R&D outcomes. Dr LO Wai-kwok expressed agreement with the Administration's explanation.

R&D centres

15. Mr LEUNG Kwok-hung enquired about the self-financing requirement of R&D centres under ITF. He criticized the Administration for revising the industry contribution for R&D centres downwards from 40% to 20%, which reflected the R&D projects' lack of economic appeal to private sector investments.

16. CIT said that the Administration had already indicated to the Panel on Commerce and Industry previously that it would not likely for the R&D centres to operate on a self-financing basis in the medium term having regard to their actual operational experience and the Panel had expressed their understanding. Deputy Commissioner for Innovation and Technology ("DCIT") supplemented that the Administration would continue to review the industry contribution target as appropriate.

17. Mr LEUNG Kwok-hung enquired about the components of operating costs for R&D centres under the ITF. DCIT said that operating costs for R&D centres comprised mainly the administrative costs and costs related to publicity and commercialization of the R&D outcomes.

Application of local R&D outcomes in the public sector

18. Dr CHIANG Lai-wan and Mr Tony TSE considered that the Administration should encourage more extensive use of local R&D outcomes in the public sector and enquired about the progress in this regard.

19. CIT said that where appropriate, ITC would act as an intermediary to promote the application of R&D outcomes in Government bureaux/departments. SA, ITC said that one of the R&D centres under ITF, the Hong Kong Research Institute of Textiles and Apparel, had been collaborating with the Fire Services Department to develop new functional clothing. Other examples of local R&D outcomes used by Government departments included the Electronic Lock system for monitoring of cargo transshipment used by the Customs and Excise

Department and a light-emitting diode system used by the Highways Department.

Motion to adjourn discussion on item FCR(2014-15)57

20. Mr LEUNG Kwok-hung moved, without notice, a motion under paragraph 39 of the Finance Committee Procedure ("the FC Procedure") that discussion on item FCR(2014-15)57 be then adjourned.

21. The Chairman thereupon put the question on Mr LEUNG Kwok-hung's motion and directed that each member, when speaking on the question, could speak once for not more than three minutes.

22. Mr LEUNG Kwok-hung spoke on his motion criticizing the high administrative expenses for R&D projects under ITF and reiterating his doubts about the soundness of the dollar-for-dollar matching basis on which SERAP under ITF provided support to small and medium enterprises for carrying out R&D activities.

23. Dr LO Wai-ki expressed opposition against the motion pointing out that it was a consensus of industries and the academia that the injection of funds to ITF would provide the needed support for developing local R&D.

24. Mr LEUNG Kwok-hung gave concluding remarks on his motion. The Chairman put Mr LEUNG's motion to vote. At the request of Mr LEUNG, the Chairman ordered a division and the division bell was rung for five minutes. Two members voted in favour of, and 32 members voted against the motion. The individual voting results were as follows –

For:

Mr LEUNG Kwok-hung
(2 members)

Mr CHAN Chi-chuen

Against:

Mr LEE Cheuk-yan
Mr CHAN Kam-lam
Mr Frederick FUNG Kin-kee
Mr WONG Ting-kwong
Dr LAM Tai-fai
Mr CHAN Kin-por
Mr Paul TSE Wai-chun
Mr Michael TIEN Puk-sun
Mr Steven HO Chun-yin

Mr James TO Kun-sun
Mr Abraham SHEK Lai-him
Mr WONG Kwok-hing
Ms Starry LEE Wai-king
Mr CHAN Hak-kan
Mr IP Kwok-him
Mr Alan LEONG Kah-kit
Mr NG Leung-sing
Mr YIU Si-wing

Mr MA Fung-kwok	Mr Charles Peter MOK
Mr CHAN Han-pan	Dr Kenneth CHAN
Ms CHAN Yuen-han	Mr LEUNG Che-cheung
Ms Alice MAK Mei-kuen	Mr KWOK Wai-keung
Mr Christopher CHEUNG Wah-fung	Mr IP Kin-yuen
Dr Elizabeth QUAT	Ir Dr LO Wai-kwok
Mr Christopher CHUNG Shu-kun	Mr Tony TSE Wai-chuen
(32 members)	

25. The Chairman declared that the motion was negatived.

Motion to adjourn further proceedings of the Committee

26. Mr LEUNG Kwok-hung moved, without notice, a motion under paragraph 39 of the FC Procedure that further proceedings of the Committee be then adjourned.

27. The Chairman thereupon put the question on Mr LEUNG Kwok-hung's motion and directed that each member, when speaking on the question, could speak once for not more than three minutes.

28. Mr LEUNG Kwok-hung introduced his motion. He criticized the ineffectiveness of ITF which he considered open to abuse as it was not subject to Legislative Council's scrutiny.

29. Mr CHAN Chi-chuen expressed support for the motion and urged the Administration to consider seeking the Committee's approval of injection to the Fund on an annual or biannual basis.

30. Mr LEUNG Kwok-hung gave concluding remarks on his motion. The Chairman put Mr LEUNG's motion to vote. At the request of Mr LEUNG, the Chairman ordered a division and the division bell was rung for five minutes. Two members voted in favour of, and 26 members voted against the motion. The individual voting results were as follows –

For:

Mr LEUNG Kwok-hung
(2 members)

Mr CHAN Chi-chuen

Against:

Mr CHAN Kam-lam
Mr WONG Kwok-hing
Ms Starry LEE Wai-king

Mr Abraham SHEK Lai-him
Mr WONG Ting-kwong
Mr CHAN Hak-kan

Mr CHAN Kin-por	Dr Priscilla LEUNG Mei-fun
Mr IP Kwok-him	Mr James TIEN Pei-chun
Mr NG Leung-sing	Mr Steven HO Chun-yin
Mr MA Fung-kwok	Mr CHAN Han-pan
Dr Kenneth CHAN	Ms CHAN Yuen-han
Mr LEUNG Che-cheung	Ms Alice MAK Mei-kuen
Mr KWOK Wai-keung	Mr Christopher CHEUNG Wah-fung
Mr IP Kin-yuen	Dr Elizabeth QUAT
Mr TANG Ka-piu	Ir Dr LO Wai-kwok
Mr Christopher CHUNG Shu-kun	Mr Tony TSE Wai-chuen
(26 members)	

31. The Chairman declared that the motion was negatived.

Voting on FCR(2014-15)57

32. There being no further question or comment from members, the Chairman put the item FCR(2014-15)57 to vote. At the request of members, the Chairman ordered a division and the division bell was rung for five minutes. Twenty-four members voted in favour of, and three members voted against the item. The individual voting results were as follows –

For:

Mr Abraham SHEK Lai-him	Mr WONG Kwok-hing
Mr CHAN Hak-kan	Mr CHAN Kin-por
Mr IP Kwok-him	Mr LEUNG Kwok-hung
Mr Michael TIEN Puk-sun	Mr NG Leung-sing
Mr Steven HO Chun-yin	Mr MA Fung-kwok
Mr Charles Peter MOK	Mr CHAN Han-pan
Dr Kenneth CHAN	Ms CHAN Yuen-han
Mr LEUNG Che-cheung	Ms Alice MAK Mei-kuen
Mr KWOK Wai-keung	Mr Christopher CHEUNG Wah-fung
Mr IP Kin-yuen	Dr Elizabeth QUAT
Mr TANG Ka-piu	Ir Dr LO Wai-kwok
Mr Christopher CHUNG Shu-kun	Mr Tony TSE Wai-chuen
(24 members)	

Against:

Mr WONG Ting-kwong	Ms Starry LEE Wai-king
Mr CHAN Chi-chuen	
(3 members)	

33. The Chairman declared that the Committee approved the item.

Action

34. Ms Starry LEE and Mr WONG Ting-kwong asked to put on record that they had intended to voted for, not against, the item.

35. At 6:52 pm, the Chairman declared that the meeting be adjourned.

Legislative Council Secretariat

12 August 2015