

立法會
Legislative Council

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Finance Committee of the Legislative Council

Minutes of the 27th meeting
held at Conference Room 1 of the Legislative Council Complex
on Friday, 4 June 2021, from 2:45 pm to 5:36 pm

Members present:

Hon CHAN Kin-por, GBS, JP (Chairman)
Hon CHAN Chun-ying, JP (Deputy Chairman)
Hon Abraham SHEK Lai-him, GBS, JP
Hon Tommy CHEUNG Yu-yan, GBS, JP
Hon Jeffrey LAM Kin-fung, GBS, JP
Hon Starry LEE Wai-king, SBS, JP
Hon CHAN Hak-kan, BBS, JP
Dr Hon Priscilla LEUNG Mei-fun, SBS, JP
Hon WONG Kwok-kin, SBS, JP
Hon Mrs Regina IP LAU Suk-ye, GBS, JP
Hon Paul TSE Wai-chun, JP
Hon Michael TIEN Puk-sun, BBS, JP
Hon Steven HO Chun-yin, BBS
Hon Frankie YICK Chi-ming, SBS, JP
Hon YIU Si-wing, BBS
Hon MA Fung-kwok, GBS, JP
Hon CHAN Han-pan, BBS, JP
Hon LEUNG Che-cheung, SBS, MH, JP
Hon Alice MAK Mei-kuen, BBS, JP
Hon KWOK Wai-keung, JP
Hon Christopher CHEUNG Wah-fung, SBS, JP
Hon Elizabeth QUAT, BBS, JP
Hon Martin LIAO Cheung-kong, GBS, JP

Hon POON Siu-ping, BBS, MH
Dr Hon CHIANG Lai-wan, SBS, JP
Ir Dr Hon LO Wai-kiwok, SBS, MH, JP
Hon CHUNG Kwok-pan
Hon Jimmy NG Wing-ka, BBS, JP
Dr Hon Junius HO Kwan-yiu, JP
Hon Holden CHOW Ho-ding
Hon SHIU Ka-fai, JP
Hon Wilson OR Chong-shing, MH
Hon YUNG Hoi-yan, JP
Hon CHEUNG Kwok-kwan, JP
Hon LUK Chung-hung, JP
Hon LAU Kwok-fan, MH
Hon Kenneth LAU Ip-keung, BBS, MH, JP
Dr Hon CHENG Chung-tai
Hon Vincent CHENG Wing-shun, MH, JP
Hon Tony TSE Wai-chuen, BBS, JP

Members absent:

Hon WONG Ting-kwong, GBS, JP
Dr Hon Pierre CHAN

Public officers attending:

Ms Alice LAU Yim, JP	Permanent Secretary for Financial Services and the Treasury (Treasury)
Mr Raistlin LAU Chun, JP	Deputy Secretary for Financial Services and the Treasury (Treasury) 1
Miss CHAN Cheuk-yin, Jennie	Principal Executive Officer (General), Financial Services and the Treasury Bureau (The Treasury Branch)
Mr Alfred SIT Wing-hang, JP	Secretary for Innovation and Technology
Ms Annie CHOI Suk-han, JP	Permanent Secretary for Innovation and Technology
Ms Rebecca PUN Ting-ting, JP	Commissioner for Innovation and Technology
Mr Indiana WONG Man-chung	Assistant Commissioner for Innovation and Technology (Funding Schemes)
Dr Raymond SO Wai-man, BBS, JP	Under Secretary for Transport and Housing

Ms Vivien LI Chim-wing	Principal Assistant Secretary for Transport and Housing (Transport) 2
Mr Patrick WONG Chi-kwong	Assistant Commissioner for Transport (Management and Paratransit)
Mr Daniel HUE Ka-yiu	Chief Transport Officer (Tunnels and Tsing Ma 2), Transport Department
Mr CHAN Ka-chung	Assistant Director of Electrical and Mechanical Services 1
Mr KO Chi-chung	Chief Engineer (Boundary Crossing Facilities and Transport Services), Electrical and Mechanical Services Department
Mr Dicky WONG Chi-wah	Senior Engineer (Transport Services 6), Electrical and Mechanical Services Department
Mr CHAN Nap-ming, BBS	Project Director (1), Transport and Housing Bureau
Mr Stephen WONG Wing-hung	Project Director (2), Transport and Housing Bureau
Ms Alanar YU Suk-wa	Senior Project Manager (2)A, Transport and Housing Bureau

Clerk in attendance:

Ms Anita SIT	Assistant Secretary General 1
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Staff in attendance:

Miss Bowie LAM	Council Secretary (1)1
Mr Frankie WOO	Senior Legislative Assistant (1)3
Miss Yannes HO	Legislative Assistant (1)7

Action

The Chairman reminded members of the requirements under Rule 83A and Rule 84 of the Rules of Procedure.

**Item 1 — FCR(2021-22)23
RECOMMENDATION OF THE ESTABLISHMENT
SUBCOMMITTEE MADE ON 5 MAY 2021**

EC(2020-21)14

**HEAD 138 — GOVERNMENT SECRETARIAT:
DEVELOPMENT BUREAU (PLANNING AND
LANDS BRANCH)**

Subhead 000 Operational expenses

2. The Chairman advised that this item sought the Finance Committee's ("FC's") approval for the recommendation of the Establishment Subcommittee made at its meeting on 5 May 2021 regarding EC(2020-21)14, i.e. the creation of one non-civil service position of Head of Invigorating Island South Office (equivalent to the rank of D2) in the Planning and Lands Branch of the Development Bureau to lead a multi-disciplinary team of the Invigorating Island South Office to co-ordinate with other relevant bureaux/departments to take forward and implement measures under the "Invigorating Island South" initiative.

Voting on FCR(2021-22)23

3. At 2:46 pm, the Chairman put item FCR(2021-22)23 to vote. The Chairman declared that the majority of the members present and voting were in favour of the item. The item was approved.

**Item 2 — FCR(2021-22)24
RECOMMENDATION OF THE PUBLIC WORKS
SUBCOMMITTEE MADE ON 12 MAY 2021**

PWSC(2021-22)10

HEAD 706 — HIGHWAYS

Transport — Footbridges and pedestrian tunnels

170TB — Braemar Hill Pedestrian Link

4. The Chairman advised that this item sought FC's approval for the recommendation made by the Public Works Subcommittee ("PWSC") at its meeting on 12 May 2021 in respect of PWSC(2021-22)10 on the Braemar Hill Pedestrian Link.

5. In relation to the public works proposals to be considered by FC at this meeting, the Chairman declared that he was an Executive Director and the Chief Executive Officer of Well Link Insurance Group Holdings

Limited. He was also a Director of Well Link General Insurance Company Limited and Well Link Life Insurance Company Limited, both under the Well Link Insurance Group.

Voting on FCR(2021-22)24

6. At 2:47 pm, the Chairman put item FCR(2021-22)24 to vote. The Chairman declared that the majority of the members present and voting were in favour of the item. The item was approved.

**Item 3 — FCR(2021-22)25
RECOMMENDATION OF THE PUBLIC WORKS
SUBCOMMITTEE MADE ON 12 MAY 2021**

**PWSC(2021-22)11
HEAD 703 — BUILDINGS
Support — Others
184GK — Chai Wan Government Complex and Vehicle Depot**

7. The Chairman advised that this item sought FC's approval for the recommendation made by PWSC at its meeting on 12 May 2021 in respect of PWSC(2021-22)11 on the 184GK Chai Wan Government Complex and Vehicle Depot.

Voting on FCR(2021-22)25

8. At 2:48 pm, the Chairman put item FCR(2021-22)25 to vote. The Chairman declared that the majority of the members present and voting were in favour of the item. The item was approved.

**Item 4 — FCR(2021-22)22
INNOVATION AND TECHNOLOGY FUND**

**HEAD 111 — INNOVATION AND TECHNOLOGY
Subhead 090 Midstream Research Programme for Universities
(block vote)
Subhead 101 Innovation and Technology (block vote)
Subhead 112 Re-industrialisation Funding Scheme**

**HEAD 184 — TRANSFERS TO FUNDS
New Subhead "Payment to the Innovation and Technology Fund"**

9. The Chairman advised that this item sought FC's approval for:
- (a) the creation of a new subhead "Payment to the Innovation and Technology Fund" under Head 184 Transfers to Funds and a supplementary provision of \$4.75 billion under the new subhead in 2021-2022, to sustain the continuous operation of the existing funding schemes under the Innovation and Technology Fund and the research and development centres/laboratories as well as the introduction of new measures;
 - (b) the transfer of all funds under Head 111 Innovation and Technology Subhead 090 Midstream Research Programme for Universities (block vote) and Subhead 112 Re-industrialisation Funding Scheme to Head 111 Innovation and Technology Subhead 101 Innovation and Technology (block vote) so as to enhance the flexibility in utilizing the funds; and
 - (c) a supplementary provision of \$425 million under the new subhead "Payment to the Innovation and Technology Fund" under Head 184 Transfers to Funds so as to transfer the remaining balance of \$425 million under Head 135 Government Secretariat: Innovation and Technology Bureau Subhead 700 General Non-recurrent Item 801 Innovation and Technology Fund for Better Living to Head 111 Innovation and Technology Subhead 101 Innovation and Technology (block vote), so as to enhance the flexibility in utilizing the funds.
10. The Chairman said that the Innovation and Technology Bureau ("ITB") had consulted the Panel on Commerce and Industry on the proposed item at the meeting on 20 April 2021.
11. At the invitation of the Chairman, Mr CHUNG Kwok-pan, Chairman of the Panel on Commerce and Industry, reported that Panel members called on the Administration to:
- (a) encourage private enterprises to further increase their expenditure on Research & Development ("R&D") so as to sustain public-private co-investments which was currently government-led;

- (b) undertake in-depth study and follow up with the relevant funded R&D institutes to find out the reasons for not being able to commercialize the research outcomes;
- (c) seek to increase the commercialization income of the five R&D centres under Innovation and Technology Fund ("ITF") so as to enhance cost-effectiveness;
- (d) revamp outdated legislation which might hinder innovation and technology;
- (e) establish a one-stop information platform and make use of the convenience of digital software to facilitate immediate communication with ITF applicants to address their enquiries;
- (f) enhance publicity on the importance of innovation and technology ("I&T") to the future development of Hong Kong and publicize successful funded projects so as to attract overseas investments and talents; and
- (g) review the overall I&T policy in Hong Kong with a view to enhancing the industry's contribution to the local economy.

12. Mr Jimmy NG, Ms Elizabeth QUAT, Mr Holden CHOW, Mr Jeffrey LAM, Mr Christopher CHEUNG, Mr Vincent CHENG and Ms YUNG Hoi-yan expressed support for the proposals under this item.

Financial arrangement

13. Mr Tony TSE noted that around \$22 billion injection for ITF had been allocated in the period from 1999 to 2020 since its establishment in 1999. In respect of the current proposal to inject \$9.5 billion into ITF to sustain its operation up to the first quarter of 2024, Mr TSE urged the Administration to exercise prudence in the use of public money particularly in view of the Government current fiscal deficit situation. Mrs Regina IP sought clarification on the financial arrangement of the proposal.

14. Permanent Secretary for Financial Services and the Treasury advised that after obtaining FC's approval at this meeting, the Government would inject \$4.75 billion into the ITF in this financial year (2021-2022). The proposal was that another \$4.75 billion would be injected into the ITF in 2022-2023 in the context of the Appropriation Bill concerned. As such, the proposed injection would be subject to members' scrutiny at the relevant special FC meeting to examine the estimates of expenditure for 2022-2023.

15. In response, Mrs Regina IP said that the financial arrangement was unsatisfactory as the \$4.75 billion injection in 2022-2023 would not be subject to FC's scrutiny and approval in the form of a separate financial proposal to FC.

16. Mr Holden CHOW noted the proposed incorporation of Re-industrialisation Funding Scheme ("RFS") and Innovation and Technology Fund for Better Living into the ITF Block Vote. Mr CHOW asked whether the incorporation would have any impact on the RFS application procedures. Secretary for Innovation and Technology ("S for IT") said that the incorporation would have no impact on the Government commitment to RFS and its current application procedure.

Benefits of the research outcomes of the funding schemes

Patents granted for collaborative projects of Hong Kong and the Mainland

17. In respect of the ITF-funded projects with patents granted which included elements of cooperation between the Mainland and Hong Kong, Mr Michael TIEN asked about the details of the sharing of benefits between the two places. Mr TIEN said that the Administration should provide more details regarding the benefits of the collaborative projects to Hong Kong.

18. Commissioner for Innovation and Technology ("CIT") said that:

- (a) Guangdong-Hong Kong Technology Cooperation Funding Scheme ("TCFS") and Mainland-Hong Kong Joint Funding Scheme ("MHKJFS") introduced respectively in 2004 and 2019 aimed to encourage local universities and research institutes to embark on collaboration with their counterparts in the Mainland for R&D, which would provide a solid foundation for furthering technology transfer and application;
- (b) Ministry of Science and Technology ("MOST") and Innovation and Technology Commission ("ITC") would each provide funding support for the collaborative R&D projects under MHKJFS. Funding applications under MHKJFS and TCFS were separately assessed by the respective authorities in the Mainland and Hong Kong (i.e. ITC). Issues related to sharing of intellectual property rights generated as an outcome of the jointly funded projects would be detailed in the respective agreements of the joint research projects; and

- (c) funded programmes under TCFS were mainly of upstream and midstream R&D and thus had not reached the commercialization phase. According to the consultancy study, the percentages of TCFS projects with commercialization income and patents granted were 18% and 56% respectively. ITC would provide support to encourage application and commercialization of research outcomes of the jointly funded projects.

Commercialization income of projects under Enterprise Support Scheme and Innovation and Technology Support Programme

19. The Deputy Chairman noted that ITF had contributed about \$402 million dollar-for-dollar matching funding for private companies to carry out in-house R&D projects under the Enterprise Support Scheme ("ESS"); and around 53% of the ESS projects had generated a total of \$378 million cumulative commercialization income. In contrast, a total of \$3,742 million cumulative commercialization income was generated from the 33% of projects under the Innovation and Technology Support Programme ("ITSP"). Ms YUNG Hoi-yan noted, on average, less than 50 % of the funded projects of the respective schemes (viz. ESS, ITSP, and TCFS) had achieved commercialization of outcomes and knowledge/technology transfer and sharing. The members enquired about the Administration's evaluation of these schemes.

20. S for IT and CIT advised that:

- (a) as ESS was only introduced in 2015, the cumulative commercialization income was understandably less than that generated under ITSP which was introduced in 1999;
- (b) ESS provided dollar-for-dollar matching of up to \$10 million for each approved project for private companies to carry out in-house R&D projects without guarantee of assured outcome. According to the independent consultant studying the outcomes of the relevant ITF schemes, the outcome of ESS was satisfactory in respect of the projects' generation of commercialization income; and
- (c) as for ITSP, the projects were mainly seed projects and platform projects which were relatively upstream and midstream, but indispensable for the enabling of downstream application and commercialization in the later stage. It was considered satisfactory that commercialization income was

generated for 33% of ITSP projects. According to the study of the consultant, many of the projects under ESS and ITSP could not have been conducted if not for funding under the ITF.

Knowledge /technology transfer and sharing

21. Ms YUNG Hoi-yan considered that publication of project outcomes in academic/professional publications was an indicator of the benefits of the respective funding schemes. The promotion of ITF projects was pertinent to developing Hong Kong into an international I&T hub as supported under the 14th Five-Year Plan. Noting that only 17% of the outcome of ESS projects was published, Ms YUNG called on the Administration to follow up with the relevant funded institutes and encourage them to foster knowledge/ technology transfer and sharing both in the local and international arenas.

22. CIT said that the innovative level and quality of R&D projects would be decisive factors in determining whether a research outcome could be published in academic/professional publications. In respect of developing Hong Kong into an international I&T hub, the first technology start-up "unicorn" (viz., SenseTime) in Hong Kong had received funding under ITSP in as early as 2003. ITF also provided funding for nurturing I&T talents under the Research Talent Hub and supported start-up companies in the Cyberport and the Hong Kong Science Park.

Assessing the effectiveness of the funding schemes

Key performance indicators

23. Noting that only minimal income was generated through funding investment (viz. ranging from \$0.78 billion to \$1.03 billion per year) on R&D centres, Mr Tony TSE urged the Government to establish key performance indicators ("KPIs") to measure the cost-effectiveness of ITF. Mr CHUNG Kwok-pan said that KPIs in terms of contribution to local I&T and economic development were pertinent to sustain public support for the funding proposal.

24. Ir Dr LO Wai-kwok said that, since ITF's establishment in 1999 with an injection of \$5 billion, no further injection was provided until 2015. Since 2015, injection into ITF was proposed regularly pitching at an average of about \$5 billion each year, covering provisions not just for scientific research institutes but R&D startups and small and medium enterprises ("SMEs"). Ir Dr LO considered it imminent that ITB should take the lead

in establishing comprehensive data for the I&T industry by providing updated statistics on the productivity, economic output, and workforce of the trade in line with those provided for other industries/trades in Hong Kong.

25. Noting the Government's \$9.5 billion commitment for injections into ITF in the 2021-2022 and 2022-2023 financial years, Mrs Regina IP remarked that such huge financial commitment should be justified with the provision of KPIs to measure the effectiveness of each of the 17 funding schemes. Ms YUNG Hoi-yan expressed similar view that the Government should provide performance indicators to assist members to assess the effectiveness of various ITF programmes in fostering HK's local economic productivity and global competitiveness. Ms Elizabeth QUAT called on the Administration to conduct regular review of the various funding schemes to ensure their viability and sustainability.

26. S for IT advised that:

- (a) The respective I&T funding schemes were able to foster co-investment of the private sectors and attract investment from private market funds amounting to \$16.3 billion in 2018 compared to \$1.24 billion in 2014. The number of startup enterprises had increased to about 3 400 in 2020 from 1 100 in 2014, whereby the number of R&D personnel engaged had increased to 10 700 in 2019 from 2 400 in 2014. Further details of the positive outcomes of ITF on local I&T development were available in paragraph 3 of FCR(2021-22)22; and
- (b) the effectiveness of ITF was not to be gauged by commercialization income of the respective R&D, but the economic benefits it generated, such as increase in job opportunities and personnel income, tax revenue payable by private enterprises in the I&T sector. In terms of international ranking, Hong Kong was ranked 5th in the world in overall digital competitiveness; as for the performance in technological infrastructure, Hong Kong was ranked 7th. According to the study of the consultant, many of the projects under ESS and ITSP would have been difficult to conduct without the funding support from ITF. It was considered satisfactory that commercialization income was generated for 33% of ITSP projects.

27. Permanent Secretary for Innovation and Technology ("PS for IT") added that I&T enterprises of the Hong Kong Science and Technology Parks

Corporation and the Cyberport alone had contributed some \$23 billion to the Gross Domestic Product each year and also attracted around \$40 billion in tech startups investment in the past three years. The main purpose of ITF was to liven up the local I&T ecosystem through funding R&D, instead of making capital investment for financial returns.

28. Mrs Regina IP remarked that the nine unicorn startups in Hong Kong were mostly not beneficiary of ITF schemes. The success of the unicorn startups was mainly attributed to the innovation and effort of Hong Kong-based I&T talents and entrepreneurs. The Government should study their operation and modus operandi contributing to their successful performance. Despite that Hong Kong was ranked 5th in overall digital competitiveness, the decision by Google and Facebook Inc. to drop plans for operating an undersea cable between the U.S. and Hong Kong under the Pacific Light Cable Network project in 2020 might have an impact on the digital infrastructure development in Hong Kong. The Government should study the strength of Singapore which was ranked second and had surpassed HK in respect of digital competitiveness.

29. S for IT said that many unicorn startups established in Hong Kong were companies with global investment making use of resources available in other places. A case in point was that the logistics platform of GoGoVan was first established in Hong Kong with start-up funding provided under ITF, and then extended to other places in South East Asia. GoGoVan was recently able to grasp the opportunities arising from the Guangdong-Hong Kong-Macao Greater Bay Area ("GBA") development by making use of Hong Kong as a business platform. In the global start-up world, unicorn companies were free to enjoy trade mobility worldwide. Albeit the onset of geopolitics, the Government was mindful of the need to strengthen self-reliance and venture on the opportunities provided under the GBA development as outlined in the 14th Five-Year Plan by the National People's Congress. Acknowledging that Hong Kong had only stepped up its supporting measures for I&T development since 2015, PS for IT said that Singapore and Hong Kong had different strengths in respect of I&T development. In terms of unicorn start-ups, Hong Kong outnumbered Singapore.

Adoption of research outcomes under the funding schemes

Innovation and Technology Support Programme

30. Mr YIU Si-wing said that although 10.48 million ITSP-funded CuMask+ had been distributed to the public, the usage rate by the general public was far from satisfactory. Mr YIU told of his own experience that

CuMask+ would be out of shape after washing a few times and it was doubtful that it was reusable for 60 times. Mr Christopher CHEUNG and Mr CHUNG Kwok-pan expressed similar concerns that CuMask+, which was listed as a signature example of ITF projects, was not well-received by the general public. Mr YIU asked whether the Government would continue to pursue the provision of facemask for the general public by improving the relevant technology. Mr YIU also asked about the updated position regarding the distribution of CuMask+ and whether the product was adopted by other places outside Hong Kong.

31. PS for IT said that the usage rate of the reusable CuMask+ was attributive to factors including the market supply and prices of disposable facemasks. There was a public demand for CuMask+ especially for the low-income families as it could relieve their financial pressure of procuring facemasks in coping with the pandemic. The Government had provided the information related to the production of CuMask+ for the reference of other places which adapted the design for commercialization and application. The distribution of CuMask+ was almost completed with a small amount reserved for distribution at the borders for returning Hong Kong residents.

Public Sector Trial Scheme

32. Mr Vincent CHENG noted that the development of Food TranSmarter by the Hong Kong Productivity Council ("HKPC") funded under Public Sector Trial Scheme ("PSTS"), which was the first-ever system in Hong Kong to automatically liquefy food waste for conversion into renewable energy, was jointly collaborated by ITC, the Environmental Protection Department and a local university. Mr CHENG called for more similar R&D collaborative efforts between ITB and other departments to take forward eco-friendly initiatives.

33. S for IT noted the need to enhance the adoption of I&T to revitalize industries such as the recycling industry and financial industry. It was of equal importance both to take forward the commercialization of I&T products and the upgrading of industries via adoption of R&D outcomes.

34. Mr Christopher CHEUNG noted that R&D outcomes should aim to bring benefits to Hong Kong people's livelihood and economic development. Noting that HKPC had arranged to install at around 50 sites the "kNow Touch" contactless elevator panel funded under PSTS including one at the LegCo Complex, Mr CHEUNG said that the limited site coverage of the trial system was not sufficient to test its overall performance. Mr CHEUNG enquired about the overall plan of the Government regarding the commercialisation and application of R&D results to enhance the livelihood

of the general public. Ms YUNG Hoi-yan remarked that there was room for improvement of the "kNOw Touch" technology which was an effort to adopt R&D outcomes for the prevention and control of epidemic.

35. S for IT reiterated that Hong Kong was ranked 7th in the world in the performance in technological infrastructure, rising from 18th in 2019. The integration of I&T infrastructure with the livelihood of the public could be seen in the coverage of about 40 000 free public Wi-Fi hotspots across the entire territory with an area of 1 400 square miles. As the "kNOw Touch" contactless elevator panel was in its trial stage, feedback from users would contribute to future enhancement and adoption of the system.

36. Mrs Regina IP called on ITB to improve Government e-platform mobile apps including iAM Smart, LeaveHomeSafe and eHealth, as many members of the public complained that they were not user-friendly. Pointing out that LeaveHomeSafe had reached 4.4 million downloads, S for IT said that ITB would continue to enhance the relevant apps.

Procuring and promoting local R&D products

37. Mr Jeffrey LAM asked whether ITB would take the lead in pursuing a procurement policy which would accord priority to the procurement of locally manufactured R&D products. As he understood, the Government had recently procured facemasks made in Vietnam instead of Hong Kong. Apart from government investment on scientific research, it was also important that the Government should actively adopt local R&D products.

38. S for IT said that the new procurement policy adopted in 2019 encouraged government contractors and suppliers to use I&T products on account of two main features, i.e. removing the requirement on tenderers' experience and attributing 20% or more of the score of the technology aspect to the innovation element. The GBA would provide a sizeable market for the commercialization of local I&T outcomes.

39. Referring to the examples of signature projects under ITF at Enclosure 1 of FCR(2021-2022)22, Ms YUNG Hoi-yan said that the Administration should be more proactive in promoting local R&D outcomes so that the relevant outcomes could become Hong Kong's signature products. Mr CHUNG Kwok-pan said that the Government should inform the public and publicize extensively the achievement under ITF in energizing I&T development in Hong Kong. S for IT said that ITB had worked with the Trade Development Council to promote I&T development in Hong Kong.

Vetting and approval of funding schemes

Technology Voucher Programme

40. Mr Jimmy NG noted that ITC decided to engage HKPC as the implementation partner of Technology Voucher Programme ("TVP") with a view to expediting the vetting and approval of applications. Mr NG asked about the average processing time expected of HKPC to approve an application and whether a performance pledge would be set for the vetting and approval of TVP applications. Mr NG said that ITC currently required almost three months to vet and approve an application, whereas the processing time of the Distance Business Programme under the Anti-epidemic Fund was only 10 days.

41. S for IT and CIT advised that:

- (a) pursuant to the launch of TVP in 2016, the number of applications had increased year-on-year beyond the handling capacity of ITC. Hence ITC decided to engage HKPC as the implementation partner of TVP to make use of its human resources and professional experience to expedite the process. ITC and HKPC would endeavour to clear the applications backlog in the coming months; and
- (b) the processing time for TVP applications would depend on the time taken by applicants to submit the required supporting documents and supplementary information. The I&T solutions covered under TVP were more extensive than that of the Distance Business Programme. Due to the overwhelming number of funding applications under the Distance Business Programme, which stood at more than 38 000 as at end of October 2020, the initial estimated 10-day processing time (against an initial estimate of 3 000 applications) was not achievable.

42. Mr Michael TIEN asked how many of the 5 795 TVP applications in 2020 were approved, and the reason for the sharp rise in the number of applications. Mr TIEN said that he had received feedback from the trade that the amount of subsidy approved for some companies for similar technology from same supplier might vary by \$100,000. Mr TIEN suggested that ITC should reach out to the trade to explain the application criteria and answer applicants' enquiries. Mr YIU Si-wing asked whether the sharp rise in the number of applications of TVP was due to the impact of the pandemic, and, if so, whether the number of applications would drop

when the pandemic ended. Mr YIU asked about the future direction regarding the sustainability of TVP.

43. CIT advised that so far around 1 700 applications had been vetted due to the limited resources of ITC in handling the huge number of applications. The sharp rise in applications was largely due to the increasing need for SMEs to transform and revamp their business mode to cope with the impact of the pandemic in 2020. ITC expected that the number of applications under TVP would continue to remain high. ITC followed the stipulated guidelines and operation manual in vetting and approving the applications and would refer to the price of the respective I&T solutions in the market to ensure consistency. ITC would also seek the advice of the TVP Committee comprising representatives of business, technology and the professional services sectors. S for IT advised that TVP aimed to subsidize local enterprises, companies incorporated/registered in Hong Kong and statutory bodies set up in Hong Kong (except government subvented organizations and their subsidiaries) in using technological solutions to improve productivity, or facilitate the upgrading or transformation of their business processes. Starting from 1 April 2020, the Government's funding ratio had increased and the ceiling on the number of approved projects had also been raised. As there was strong demand from SMEs in using I&T to upgrade their business, the number of applications would likely to remain high. ITB would continue to provide funding assistance for SMEs under TVP.

44. Mr Vincent CHENG said that, as he understood, some SMEs applying for TVP had engaged agents in the market to file applications by paying a charge proportional to the subsidy. Mr CHENG called on ITC to simplify the relevant application procedure and reach out to provide assistance to SMEs to save their cost for engaging agents.

45. S for IT said that HKPC would provide one-stop services in handling applications under TVP and reach out to assist SMEs on matters related to their applications. PS for IT said that administrative expenses payable to agents for filing an application was not an item covered in the subsidy. There was no need for applicants to submit written proposal apart from filling out a standard application form which had been simplified as far as possible. A completed application form sample was available on the website for the reference of applicants. In response to Mr Holden CHOW's concern, S for IT advised that ITB would provide support to HKPC to enhance its resources to expedite the processing of TVP applications if so required.

Mainland-Hong Kong Joint Funding Scheme ("MHKJFS")

46. The Deputy Chairman said that the fact that only around 12 proposed projects under MHKJFS had been approved by mid-2021 was far from satisfactory. Research institutes might not be incentivized to join the scheme due to the low success rate.

47. CIT said that MHKJFS was first launched in 2019. A high benchmark was set for vetting and approving the applications under MHKJFS. The approval procedures required relatively more time as MOST and ITC had to separately assess the applications and compare the assessment results and then discuss and finalize the list of applications to be supported. The onset of the pandemic had impacted the processing time of the applications. In addition to the 12 approved projects, two more proposed projects were due to be approved. ITC would make an effort to streamline the application and vetting procedures as far as possible.

Guangdong-Hong Kong Technology Cooperation Funding Scheme

48. Mr YIU Si-wing asked whether the number of 58 projects funded under TCFS in the past four years amounting to \$90.78 million was considered high by the total number of projects approved since the scheme's introduction in 2004.

49. CIT advised that since 2004, a total of 303 projects had been funded under TCFS amounting to a total of some \$923 million. ITC and Guangdong/Shenzhen authorities adhered to a high standard in vetting and approving the R&D proposals under TCFS.

Re-industrialisation Funding Scheme

50. Mr Tony TSE said that RFS was launched in 2020 via an injection of \$2 billion into the ITF to subsidize manufacturers on matching grant basis to set up smart production lines in Hong Kong. Noting that only \$55 million had been allocated for funding nine approved RFS projects, Mr TSE asked whether there was any plan for ITC to set a target for the implementation of RFS to ensure more efficient utilization of the fund. Mr Holden CHOW asked whether ITC would streamline application procedure for RFS to encourage more private companies to benefit from the scheme.

51. S for IT said that the RFS was only launched in the second half of 2020 and it would take time for the industry to get familiar with the new funding scheme. He noted members' view to ensure efficient utilization of

the scheme. PS for IT said that implementation of the scheme was hindered due to the pandemic's impact on the manufacturing industry.

Innovation and Technology Venture Fund and Research Talent Hub programme

52. Ms Elizabeth QUAT said that the Government should consider enhancing its investment in local I&T startups through the Innovation and Technology Venture Fund set up in 2017. The total of some \$100 million investment in 19 local I&T start-ups was far too little. The Government should support local I&T ventures by encouraging investment from enterprises overseas and in the Mainland.

53. S for IT said that ITC had increased its co-investment partners from six in 2018 to nine in 2020 by the selection of three more private venture capital funds to invest in local I & T start-ups at an overall matching ratio of approximately 1(Government):2(co-investment partners). In respect of talent nurturing and encouraging startups, the Research Talent Hub programme established in 2020 (merging the former Researcher Programme and Postdoctoral Hub) had approved about 4 500 applications for research talent in the past four years, including over 1 500 postdoctoral research talents. The *InnoHK* Research Clusters with its 20 R&D centres now in operation, had provided a platform for I&T research attracting proposals from world-renowned universities and research institutes. The nurturing of I&T talents and encouraging start-ups were the main goals of ITF.

54. At 3:37 pm, the Deputy Chairman took the chair.

Voting on FCR(2021-22)22

55. At 4:37 pm, the Deputy Chairman put item FCR(2021-22)22 to vote. The Deputy Chairman declared that the majority of the members present and voting were in favour of the item. The item was approved.

**Item 5 — FCR(2021-22)27
CAPITAL WORKS RESERVE FUND**

**HEAD 708 — CAPITAL SUBVENTIONS AND MAJOR
SYSTEMS AND EQUIPMENT Transport
Department**

Transport Department

**New Subhead "Replacement of Traffic Control and Surveillance
System of the Lion Rock Tunnel"**

56. The Deputy Chairman advised that this item sought FC's approval for a new commitment of \$139 million for the replacement of the traffic control and surveillance system ("TCSS") of the Lion Rock Tunnel ("LRT").

57. The Deputy Chairman said that the Transport and Housing Bureau ("THB") had consulted the Panel on Transport on the proposal at the meeting on 19 March 2021. The Panel had requested the Administration to provide further information to address members' concerns, namely, the number of faults due to defective components of the existing TCSS and explanation of such faults; the tunnel area without traffic surveillance coverage; the effectiveness of the enhanced TCSS; the justifications for engaging engineering consultants and the respective role of the consultants and the Electrical and Mechanical Services Trading Fund ("EMSTF") on the replacement project work. Some members considered the schedule for works completion by the end of 2025 should be compressed to target for completion before 2025. Members also sought information on the Government's plan, if any, to replace TCSS of other government tunnels.

Capital expenditure of the project works

Engagement of engineering consultants and contractors

58. Mr LUK Chung-hung said that the relevant departments should be familiarized with the existing structure and building facilities of LRT which had been in operation for 50 years. Mr LUK queried about the need to engage engineering consultants for the project. Given that the Transport Department and EMSTF were respectively responsible for the planning and monitoring of the projects, Mr Wilson OR sought justification to support the engagement of engineering consultants in the project at an estimated cost of \$15 million. Mr OR called on the Administration to adhere to the value for money principle and make an effort to minimize the expenditure for outsourcing services to contractors.

59. Noting that an expenditure of \$110.32 million was estimated for the installation of the new TCSS and the related-works, Mr YIU Si-wing asked whether the related works would cover alteration of building structure of the tunnel, and if so, whether the engineering consultants to be engaged would advise on structural and building issues arising from site investigations.

60. Assistant Director of Electrical and Mechanical Services 1 ("AD/EMS1") and Chief Engineer (Boundary Crossing Facilities and Transport Services) ("CE(BCF&TS")) advised that:

- (a) the engineering consultants would be responsible for conducting a wide range of tasks pertaining to multi-disciplinary aspects of the TCSS, including traffic and transport, civil and structural engineering, etc.. Such tasks included, but not limited to, site investigation, design of system functions and performance requirements, as well as review of site conditions and traffic plans;
- (b) the consultants would give advice regarding structural and civil engineering issues arising from site investigations and would be responsible for assisting EMSTF in taking forward the replacement project, such as drafting the relevant tender specifications on installation of hardware and software systems, data communication network, ducting and cable installation. On the other hand, EMSTF would be responsible for, among other things, the tendering procedures and the engagement of contractors for carrying out the replacement works. EMSTF would, with the assistance of the engineering consultants, monitor the performance of the contractors and the works progress; and
- (c) the new TCSS to be installed included new and enhanced equipment, such as new digital cameras and computer monitors for more effective traffic monitoring. It would require site investigations to ascertain the locations for setting up additional closed-circuit television ("CCTV") cameras to ensure full coverage of the tunnel area, including the open section of approach roads to the tunnel. The estimated expenditure would cover cost to be incurred for addressing structural issues that were related to this project as identified from site investigations.

61. Referring to the works quality problem of Leighton Contractors (Asia) Limited ("Leighton"), the contractor of the Shatin to Central Link project in 2018, and the fact that regulating action had been imposed by the Government against Leighton, Mr Michael TIEN noted that the Transport Department had awarded a contract for the procurement of services for the installation, operation and maintenance of transport control devices to a related company of Leighton while the regulating action against Leighton was in force. In this regard, Mr TIEN expressed concern as to whether contracts of the proposed LRT project would be awarded to companies related to Leighton should they submit their bids.

62. Assistant Commissioner for Transport (Management and Paratransit) ("AC for T") said that, in the vetting and award of contract to bidders, the Government would have due regard to the approved list of eligible bidders in accordance with the established tendering procedures and relevant regulations.

Traffic surveillance system

63. Mr Wilson OR and Mr CHAN Han-pan acknowledged the effort of the Administration to address members' concern on the need to enhance traffic surveillance to ensure that the new TCSS would cover existing blind spots within the tunnel areas. In response to Mr CHAN's enquiry, AD/EMS1 said that the cost of providing the traffic surveillance system for the entire tunnel was covered in the estimated expenditure.

64. Mr LUK Chung-hung asked whether the new system would include installation of intelligent systems in the tunnel which would enable, among others, the capturing of information on vehicles. CE(BCF&TS) said that the facilities under the new surveillance system would enhance the capability of identifying traffic incidents. New digital cameras and computer monitors would provide clearer images and full coverage of the tunnel area for more effective monitoring. The image-processing technology of the new surveillance system would also enhance detection of traffic incidents, trespassers or fallen objects inside the tunnel tube.

Recurrent expenditure for the maintenance and repair of the new TCSS

65. Mr Michael TIEN noted the need for the new TCSS to replace the existing one, which had been in use for over 12 years and hence would incur higher maintenance and repair cost. Mr TIEN sought explanation as to why the annual recurrent expenditure estimated for the maintenance and repair of the new TCSS remained the same at the existing level, i.e. about \$5 million each year. Mr TIEN called on the Administration to review the estimation and try to reduce the maintenance cost as far as possible. Mr YIU Si-wing sought clarification as to whether the estimated annual recurrent expenditure for the maintenance and repair of the new system had taken into account the one-year defects liability period ("DLP") during which no charge would be incurred for rectifying defects.

66. AD/EMS1 and CE(BCF&TS) advised that:

- (a) the new system comprised enhanced functions of the three sub-systems of TCSS, namely, a new central control system with improved operational efficiency; an enhanced new

traffic control system, and a new traffic surveillance system equipped with enhanced CCTV and automatic incident detection systems. There would also be increased number of equipment (such as CCTV cameras); and

- (b) although the new system would enhance the functions of the three sub-systems of TCSS as explained in (a), the fee for the maintenance and repair of the new TCSS was still estimated to be similar to the current level. The actual maintenance and repair fee, which would form part of the overall management fee payable to the tunnel operator for the management, operation and maintenance of the tunnel, would be subject to the next tender for the tunnel operator.

Implementation plan

67. Mr Tony TSE asked why the TCSS system replacement project of LRT which was half the length of the Tate's Cairn Tunnel would require 56 months to complete, while the latter required only around 60 months. Mr TSE also asked whether there was any timetable for the extension of the tunnel tube of LRT.

68. AD/EMS1 said that the project involved multi-disciplinary aspects, such as traffic and transport, civil and structural engineering, etc., and hence required around 31 months for carrying out a series of tasks prior to the replacement work. The installation work of the new TCSS would require around 25 months. The Under Secretary for Transport and Housing ("USTH") advised that the Government noted the need to enhance the capacity and condition of the 50-year-old LRT in the longer term. THB would conduct a study and consult stakeholders on the improvement of LRT for the longer term.

69. Mr YIU Si-wing noted that the existing TCSS was approaching the end of its economical serviceable life while the new system would not be in place until the end of 2025. Mr YIU asked how the Administration would, in the interim, ensure safe and effective operation of the tunnel under the existing system.

70. AD/EMS1 said that the tunnel operator would abide by the requirements under the contract to ensure safe and effective operation of the tunnel. In case of fault due to defective components of the traffic control system, the operator would assess the time required for repair, enforce patrol in and out of the tunnel tube round-the-clock, enhance the monitoring of specific locations, and, in case of a traffic incident, make an immediate report

of the incident to the relevant parties and inform drivers through radio broadcast.

71. Mr Wilson OR enquired about measures to minimize the impact on drivers during the works period. AC for T said that traffic control measures would suitably be put in place, in line with the prevailing practice for tunnel maintenance and repair. LRT would adopt a "one-tube two-way" arrangement (closing the tunnel tube from around 1:30 am to 6:00 am) on 14 nights every month to facilitate the carrying out of the relevant works to minimize impact on tunnel operation and traffic.

Voting on FCR(2021-22)27

72. At 5:13 pm, the Deputy Chairman put item FCR(2021-22)27 to vote. The Deputy Chairman declared that the majority of the members present and voting were in favour of the item. The item was approved.

Item 6 — FCR(2021-22)28

HEAD 62 — HOUSING DEPARTMENT

Subhead 700 General non-recurrent

Item 801 Funding Scheme to Support Transitional Housing Projects by Non-government Organizations

73. The Deputy Chairman advised that this item sought FC's approval for enhancements to the Funding Scheme to Support Transitional Housing Projects ("Funding Scheme") by non-government organizations ("NGOs")

74. The Deputy Chairman said that THB had consulted the Panel on Housing on the proposal at the meeting on the 5 May 2021. The Panel members expressed concern as to how the proposal could expedite the provision of transitional housing units to meet the target of supplying 15 000 transitional housing units by 2022-2023. In respect of the Administration's proposal to enhance the Funding Scheme by expanding its scope to cover the rent payment for conversion or use of private premises as transitional housing, a member disagreed and asked whether the Administration could provide direct subsidy for the renting of private premises by eligible families. As for the proposal to increase the funding ceiling for transitional housing developments on vacant land with site development constraints, members asked how the funding ceiling per transitional housing unit was worked out. Members also asked whether the Administration had previously indicated to the Panel that owners of the land/premises involved in the projects might charge rent.

Expanding the scope of the Funding Scheme to cover the rent payment for conversion or use of private premises as transitional housing

75. Mr Michael TIEN noted the funding ceiling of \$550,000 per transitional housing unit to be provided for NGOs for conversion of non-domestic premises as transitional housing, and the remaining fund after the completion of the conversion might be used for subsidizing the project operators. Mr TIEN was concerned as to whether the funded operating expenses of such premises would be capped at a specified ceiling amount. The USTH replied in the affirmative and said that the Task Force on Transitional Housing ("Task Force") would take note of Mr TIEN's concern.

Pilot Scheme for providing transitional housing units in hotels/guesthouses

76. Mr Vincent CHENG and Mr YIU Si-wing asked about the progress of the Pilot Scheme to Subsidize Using Rooms in Hotels and Guesthouses as Transitional Housing ("Pilot Scheme") which subsidized NGOs to use suitable rooms in hotels/guesthouses with relatively low occupancy rates as transitional housing.

77. USTH said that as at May 2021, THB received two Applications from NGOs which were processed by the Pilot Scheme Assessment Committee in accordance with the established assessment mechanism and in-principle support had been granted for the NGOs to sign the formal tenancy agreements with the proposed hotels/guesthouses. The Applications proposed to provide a total of about 240 rooms for transitional housing use with a total of \$30 million to be granted under the Pilot Scheme. The details of the projects would be announced at appropriate time after the tenancy agreement was signed. It was anticipated that these 240 rooms would be taken up by the needy households in the third quarter of 2021.

78. Mr Vincent CHENG expressed concern that only two submissions were received from NGOs under the Pilot Scheme. Mr YIU Si-wing asked whether the Administration had encountered difficulties in coordinating the NGOs and the hotel/house guest industries. Mr YIU noted complaints from members of the industries about the lack of response from the relevant NGOs and the Administration after their expression of interest on the scheme.

79. USTH advised that THB sought the approval from the Commission of Poverty in late February for funding of \$95 million from the Community Care Fund to facilitate launching the Pilot Scheme for the provision of about 800 transitional housing units. THB then carried out briefing sessions to the hotels/guesthouses industries and NGOs on the Pilot Scheme in late

March 2021. Since the launch of the Pilot Scheme from early April onwards, THB had processed about 200 registrations from interested hotels/guesthouses. USTH noted that divergent expectations from both sides were not uncommon, whilst the hotels/guesthouses practitioners in some cases changed their mind during the negotiation with the NGOs due to their anticipation of the changing market trend. THB had been assisting the NGOs to formulate their proposals in accordance with the established principles and would continue to communicate with the industries and Members about the Pilot Scheme.

80. Mr Holden CHOW said that the provision of transitional housing for the needy families by making use of rooms in hotels/guesthouses would be a fast track to meet their housing needs. He called on the Administration to expedite the implementation of the Pilot Scheme.

Increasing the funding ceiling for transitional housing developments on vacant land with site development constraints

81. Mr Wilson OR enquired about the progress of the implementation of the transitional housing development projects on vacant land under the Funding Scheme. Mr OR noted that so far 2 400 transitional housing units had been approved by the Assessment Committee for the Funding Scheme ("AC") and considered that the number fell short of the target of 15 000 units to be met by 2022-2023. Mr OR urged the Administration to enhance efficiency in vetting and approving the proposed development projects by NGOs.

82. USTH advised that as at mid May 2021, the Task Force had identified land for the provision of about 14 000 transitional housing units by 2022-2023. Of the 14 000 units, over 1 300 had been completed, and about 2 300 were under construction. The dedicated website of THB would provide updated information on the approved development projects by AC. The Task Force had convened 9 inter-bureaux/department meetings and studied in detail the feasibility of the each of the proposals by NGOs. The Task Force would help resolve the comments /concerns raised by the concerned bureau/departments on the technical studies prior to submitting the relevant development project proposal to the Town Planning Board for approval.

83. Mr Wilson OR enquired about the feasibility of relaxing the relevant height restriction on the construction of transitional housing so as to maximize the utilization of vacant lands. USTH said that transitional housing development project had to comply with the obligatory building requirements which stipulated that accessible lifts should be provided for building exceeding four storeys and the increase in the number of storeys

would likely require piling instead of the simpler footing foundation for the building and consequently longer construction time and higher cost. In the planning of the transitional housing development project, the Government had to take into account site-specific factors of the vacant land and the construction cost.

84. At 5:26 pm, the Deputy Chairman directed that the meeting be extended for 15 minutes beyond the appointed ending time.

85. Mr Vincent CHENG noted the proposal to provide an additional financial subsidy for transitional housing development project on vacant land with site development constraints subject to a ceiling of \$15,000 per transitional housing unit on top of the existing funding ceiling of \$550,000 per unit. Mr CHENG said that the Administration should review the subsidy level regularly with reference to the actual expenses of the development projects and make adjustment with a view to minimizing the cost as far as possible.

86. USTH said that the additional funding subsidy was exclusively for those projects on vacant lands without public storm and/or foul water connection in the vicinity. The actual amount of subsidy to be disbursed would be based on the actual construction cost of such drainage facilities. Referring to the recent rise of construction cost in the market, USTH said that the Government noted the need to exercise cost control and ensure effective use of public fund.

Rental level of transitional housing

87. Mr Michael TIEN noted the Funding Scheme had set the rent ceiling at not more than 40% of the prevailing public rental housing income limit. He urged the Administration to lower the rent ceiling to not more than 30% of the household income.

88. USTH noted members' view that the rental level should be affordable to the transitional housing tenants. The rent ceiling was not intended to be an indicator, but to allow appropriate flexibility for transitional housing project operators. In practice, most NGOs determined the rent level based on the latest rent allowance under the Comprehensive Social Security Assistance Scheme or no more than 25% of the household income. The Task Force would take note of Mr TIEN's view and keep an open mind in gauging the rental level standard.

Voting on FCR(2021-22)28

89. At 5:36 pm, the Deputy Chairman put item FCR(2021-22)28 to vote. The Deputy Chairman declared that the majority of the members present and voting were in favour of the item. The item was approved.

90. The meeting ended at 5:36 pm.

Legislative Council Secretariat
3 November 2021