

**Mr Fung Chun-Yu, Chief Executive Officer  
Nano and Advanced Materials Institute**

**Opening Remarks for the  
Public Accounts Committee on  
7 December 2024**

Chairman,

- First of all, on behalf of Nano and Advanced Materials Institute (NAMI), I would like to express my gratitude to Audit Commission once again for the audit work on NAMI. We have already followed up on most of the recommendations. The remaining recommendations will be addressed by the end of this financial year.

**(1) Project Management:**

- NAMI has been focusing on conducting applied research and development (R&D) in nanotechnology and advanced materials and supporting the industry in their transformation and upgrading through technology transfer, thus leading to successful realisation of R&D outcomes. However, various technical factors of which some of them are beyond control could affect the commencement, completion and even successful development of R&D work. That said, we have adjusted our project management arrangements from October 2024 onwards. The role of the Project Administration Team has been strengthened and the Team is responsible for closely monitoring project progress with the respective R&D teams. The Team is required to report direct to me and the Chief Operating Officer which enables us to identify issues as early as possible and to address them promptly.
- We have already stepped up efforts in showcasing the technological strength of NAMI to the industry, aiming to boost industry confidence in participating in R&D. Our goal is to increase the number of new projects and create more opportunities for generating industry income.
- We have strengthened our laboratory safety monitoring mechanism including increasing the frequency of random

inspections and regularly circulating the laboratory safety manual to all relevant staff.

(2) Industry Income and Commercialisation work:

- NAMI strives to generate more R&D projects in collaboration with industries through promotions such as exhibitions and roadshows. We are planning to use the Shenzhen Science and Technology Park as a key promotion showcase to expand our cooperation with the Greater Bay Area and other Mainland cities. Additionally, we will launch various licensing models to flexibly support different industry partners in order to advance research outcome and enhance the transfer of these results into income.
- As a public R&D centre, NAMI needs to strike a balance between fulfilling its public mission of benefitting the industry through extensive technology transfer and increasing its level of industry income.

(3) Administrative Expenditure and Corporate Governance:

- NAMI manages its administrative expenditure in accordance with the Corporate Governance Manual which has been approved by the Board. Specific guidelines for business travel arrangements and entertainment expenses were initially formulated with reference to our host institution, the Hong Kong University of Science and Technology and has been enhanced and updated where necessary.
- Several issues related to administrative expenditure were highlighted in the audit report and had received quite some media attention, including the approval for airfares and hotel accommodations during business travel. Although colleagues concerned had followed the prevailing guidelines in handling these matters, we agree with the recommendation of the Audit Commission that there were inadequacies in the procedures and arrangements which called for improvement.
- In following up, we have amended the specific guidelines based on the audit recommendations. These amendments included clearly setting out the approval mechanism and procedures for expenditure claims and for modifying business travel arrangements, as well as

requiring Board's approval for arrangements concerning the Chief Executive Officer. Additionally, we will regularly circulate the guidelines to remind all staff to comply with them.

(4) Other Issues:

- It is particularly important to recruit and retain talent, as well as to upgrade laboratory equipment in innovative R&D fields such as nanotechnology and advanced materials. This required greater investment and capital inputs which in turn raised our operating expenditure in the past few years. We will uphold fiscal prudence and strive to secure more industry sponsorship for R&D projects in order to conduct our work more efficiently and effectively. Ultimately, we are aiming to make a greater contribution to Hong Kong's GDP.
- There is room for improvement at various management aspects at NAMI and the observations of this Audit Report motivate us to make greater efforts continuously. NAMI will be dedicated to improving and enhancing both the quality and quantity of our work to firmly support Hong Kong's development as an international I&T centre.
- We welcome the Chairman and all members to share their valuable insights on NAMI with us. Thank you.