

Your Ref: CB3/PAC/R83

7 January 2025

Ms Shirley CHAN
Clerk, Public Accounts Committee
Legislative Council Secretariat
Legislative Council Complex
1 Legislative Council Road
Central, Hong Kong

Dear Ms Chan,

Public Accounts Committee
Chapter 1 of the Director of Audit's Report No. 83
Nano and Advanced Materials Institute

Thank you for your letter of 19 December 2024 to the Secretary for Innovation, Technology and Industry, requesting the Administration to coordinate the responses from the Government and the Nano and Advanced Materials Institute (NAMI) regarding information requested therein in related to the captioned Audit Report. This Commission is authorised to reply.

The reply from the Commission and NAMI in relation to the information requested in the incoming letter is at the Annex. Among others, as Appendices 1 to 3 contain guidelines on NAMI's internal operation (including licensing fee calculation basis and procurement matters) and commercial information (including royalties share), these three documents are restricted to Public Accounts Committee's internal consumption only.

Yours sincerely,


(Mrs Elina Chan)
for Commissioner for Innovation and Technology

c.c. Secretary for Innovation, Technology and Industry
Secretary for Financial Services and the Treasury
Director of Audit
Chairperson of Nano and Advanced Materials Institute
Chief Executive Officer of Nano and Advanced Materials Institute

Part 2. Project Management

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| (a) | (i) | NAMI stated that the nature of violations found in their seven laboratories were similar, including overall laboratory cleanliness and tidiness, staff did not wear appropriate protective equipment while conducting experiments, chemical storage and labeling did not comply with relevant guidelines, and access blockage of first aid equipment such as eyewash stations, emergency showers, etc. |
| | (ii) | NAMI stated that revised arrangements had been implemented to avoid future violations, including quarterly circulation of laboratory safety manual via email or as and when the guidelines were updated, and posting of safety rules in the laboratory to enhance employees' safety awareness. The laboratory safety team would also conduct random safety inspections every day, provide safety training for new employees and relevant employees every two months, and hold safety team bi-monthly meetings with laboratory leaders to remind employees to follow the laboratory safety regulations. |
| (b) | (i) | NAMI stated that it had developed and implemented a two-tier laboratory inspection mechanism, having made reference to the practice of the Massachusetts Institute of Technology and the Chinese Academy of Sciences in respect of laboratory environment. For the first tier, technical teams in charge of the respective laboratories would conduct weekly safety inspections, report and take follow-up actions as appropriate. Such records would be reviewed and endorsed by the person in charge of the subject technical teams and the laboratory safety team. For the second tier, bi-monthly inspections would be conducted by the laboratory safety team. The inspection procedures would be reviewed by the person in charge of the subject laboratory technical teams. Inspection reports and follow-ups would be further reviewed by the Chief Operating Officer and Chief Technology Officer (CTO). For any violations spotted, detailed remedial actions and improvement measures would be recorded by the relevant person in charge of the subject |

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| | | laboratory after the safety inspection. Photos would be attached as evidence that the issues had been properly followed up. All these would be submitted to R&D Director and CTO for endorsement. The laboratory safety team would verify if the violations had been rectified during their daily inspections. |
| | (ii) | NAMI stated that the above-mentioned measures for improving laboratory safety had been implemented since mid-December 2024. No violations had been spotted so far. NAMI would keep reviewing relevant arrangements to ensure proper laboratory operation and employee safety. |

Part 3. Industry income and Commercialisation

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| (c) | <p>NAMI stated that in 2020-21, with the outbreak of the COVID-19 epidemic, the number of new collaborative projects involving industry sponsorship had decreased and the "level of industry and other income" was adversely impacted. In 2022-23, despite the eased epidemic, the overall economy was still volatile. Industry partners generally adopted a wait-and-see attitude towards investing in innovative technologies. This had directly affected the number of new collaborative projects sponsored by the industry and contract research projects and hence NAMI's "level of industry and other income".</p> <p>Considering that the economic situation had stabilised and having regard to the Government's intention to further encourage the R&D Centres to strengthen cooperation with the industry, thereby facilitating the R&D Centres' technology transfer to the industry and commercialisation of R&D results, the Innovation and Technology Commission (ITC) raised the "level of industry and other income" target to 35% from 2023-24.</p> |
| (d) | <p>ITC set the "level of industry and other income" target for R&D Centres at 35% since 2023-24. Having considered that all Centres had eventually achieved beyond the 35% target in 2023-24, and with a view to further encouraging R&D Centres to strengthen cooperation with the industry, ITC subsequently raised the target to 40% in 2024-25, and would explore the possibility of raising the target to 50% in the long run. Notwithstanding the aforementioned, R&D Centres had the public mission to widely transfer technology to the industry and considerations over other objective factors (such as the overall economic situation) should also be taken into account when setting targets. Considering that the economic environment still challenging in the short run, ITC would continue to monitor the situation in the coming year before fixing any implementation timetable for adjusting the target further upward. At the same time, ITC would continue to encourage R&D Centres to strengthen cooperation with the industry to achieve relevant performance targets.</p> |
| (e) | <p>ITC regularly reports the R&D Centres' progress of work to the Panel on Commerce, Industry, Innovation and Technology of the Legislative Council (LegCo). In the</p> |

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| | | <p>relevant Panel papers, figures on the Centres' "level of industry and other income" were provided. On the other hand, in NAMI's annual reports, figures related to "industry income" and "other income" were presented as separate entries. The figures presented in the said two documents were therefore different, as mentioned in the Audit report.</p> |
| (f) | (i) | <p>NAMI stated that the patents data listed in the Audit Report had covered seed projects, platform projects, collaborative projects with industry sponsorship less than 50% of the total project cost, and NAMI's in house small-scale experiments for initial feasibility study.</p> <p>Among the 142 approved patents, 69 were from seed projects (49%), 39 from platform projects (27%), 11 from collaborative projects (8%), and 23 from small-scale experiments (16%).</p> <p>Among the 81 discontinued patent applications, 26 were provisional patents that automatically expired without submitting further standard patent applications. For the remaining 55 discontinued standard patent applications, 28 were from seed projects (51%), 15 from platform projects (27%), 7 from collaborative projects (13%) and 5 from small-scale experiments (9%).</p> |
| | (ii) & (iii) | <p>NAMI stated that for patent application, it would generally apply provisional patent for a R&D project in order to secure the "priority date" of the patent application. With the possession of the priority date, when applying standard patent, NAMI would have priority over competitors who wanted to register the same technology and this was crucial to obtaining the ownership of the final standard patent. For the sake of effective resources utilisation, NAMI would not submit a standard patent application after the expiration date of the provisional patent if it would discover during the subsequent R&D process that the technology under a said provisional patent could not satisfy a basket of factors that warrant standard patent application, e.g. the amount of commercialisation income the patent might generate, maintenance costs, whether the technology could be used as background intellectual property for future R&D projects, availability of similar yet more sophisticated patents within NAMI or in the market, whether the patent would match the future</p> |

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| | | <p>development of NAMI, etc. During the standard patent application process, NAMI would keep reviewing the application based on these factors to determine whether the application should be continued.</p> <p>Seed projects, platform projects, collaborative projects with industry sponsorship less than 50% of the total project cost, and small-scale experiments have higher threshold in innovativeness. There were no significant differences in the successful application rate among these projects, which was above 70%.</p> <p>NAMI stated that they would generally encounter the following difficulties during patent application:</p> <ul style="list-style-type: none"> ➤ Technical complexity: High-end technologies often involved complex technical details which were difficult to present in patent application documents. It was also not easy to review such documents. ➤ Prior art search: it would take 12-24 months for each patent application to be disclosed. Consequently, when searching for similar technologies in the patent database to determine the innovativeness of a technology, more recent applied patents information might not be revealed. ➤ Legal and normative changes: Patent regulations and examination standards might vary with countries and regions, which would increase the complexity and uncertainty of high-end technology patent applications. <p>NAMI would take a series of measures to enhance the possibility of getting standard patent applications approved, e.g. to use designated prior art search software for comprehensive search of existing technology, expand patent law firms database and communicate closely with lawyers to enhance the quality of patent filing write-up, formulate a timetable after receiving examiner's opinions and respond to each examination opinion in a timely manner to shorten the overall time.</p> |
| (g) | (i) | <p>NAMI stated that in addition to transferring its patented technology to the industry through licensing arrangements, it had also conducted technology transfer through</p> |

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| | | <p>collaborative projects and contract researches for the industry. In general, if an industry would sponsor more than 50% of the total cost of an R&D project, the industry sponsor would own the intellectual property right(s) to be generated by the subject project for direct commercialisation, and no licensing arrangement would be involved.</p> <p>Among the 50 projects that did not induce any licensing fee (included 30 seed projects and 20 platform projects), 16 projects (32%; including 6 seed projects and 10 platform projects) were completed in 2023-24 (i.e. 1 year or less since project completion date). And, 30 (60%) were seed projects of exploratory nature that could pave way for further R&D collaborations with the industry. Seed projects often derive downstream platform projects, collaborative projects, or contract research projects, thereby generating commercialisation income.</p> <p>As of November 2024, 28 of those 50 projects (included 17 seed projects and 11 platform projects) had derived 36 downstream projects (including 24 platform projects, 9 collaborative projects and 3 contract research projects and other applied research projects).</p> |
| | (ii) | <p>NAMI stated that past successful examples included a collaborative project related to separator-free lithium-ion battery derived from two seed projects. In addition to the industry sponsorship provided by the relevant industry partner for the project, NAMI also received a royalty of more than \$150,000.</p> <p>Another seed project involving oral nuclear-shell microsphere technology had led to a platform project for encapsulated probiotics with targeted delivery function. NAMI also received over \$30,000 licensing fee.</p> |
| | (iii) | <p>NAMI stated that they had taken the following measures to increase licensing fee income from projects:</p> <ul style="list-style-type: none"> ➤ Strengthen the screening of platform and seed projects, such as requiring active industry participation for each project through, for example, provision of relevant trial production support to the industry to increase the chance of successful |

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| | | <p>commercialisation after project completion and thereby increase licensing fee income.</p> <ul style="list-style-type: none"> ➤ produce small batch of the project deliverable/prototype where feasible for promotion to the industry with a view to facilitating the industry's adoption of related technology. ➤ actively cooperate with strategic partners and arrange dedicated technology display areas such as in the Hong Kong Science Park Shenzhen Branch, Nanshan Zhiyuan Shenzhen-Hong Kong Youth Innovation and Entrepreneurship Base, the exhibition hall of Jiangmen Science and Technology Bureau etc., to increase the chance of technology licensing and receive licensing fee. In addition, NAMI had compiled a summary of the list of licensable technologies for promotion through chambers of commerce, exhibitions and promotional meetings. NAMI would also actively participate or organise briefings in the Greater Bay Area cities, Belt and Road countries and Southeast Asian countries to promote cross-region exchanges and cooperation in technology. |
| | (iv) | <p>NAMI stated that a clear guideline and calculation mechanism had been established, with different levels of charging set based on project cost. Respective licensing fees, trial duration and annual charges were further defined under each level. Please refer to <u>Appendix 1</u> for details.</p> <p>The licensing fee might be further adjusted taking into account project cost and technical considerations.</p> |
| | (v) | <p>NAMI stated that collaborative projects involving 50% of funding from industry sponsorship and contract research with 100% sponsorship from the industry generally would not involve licensing fee but royalty. After the completion of a collaborative project or contract research project, according to the contract terms, royalty would be charged based on usage or sales volume. For details of the royalty charges from 2019-20 to 2023-24, please refer to <u>Appendix 2</u>.</p> |

***Note by Clerk, PAC:** Appendices 1 and 2 not attached.

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| (h) | <p>In the past, R&D Centres were required to return incomes generated from the Innovation and Technology Fund (ITF)-supported projects (such as income generated by commercialisation of project deliverables) to ITF. In order to encourage R&D Centres to commercialise R&D outcomes of R&D projects, with the approval of the Finance Committee of LegCo in July 2018, ITC allowed R&D Centres to retain part of their commercialisation income for use in strategic activities, such as technology development and market trends analyses, R&D infrastructure building, staff development or experimental projects, etc., so as to further incentivise commercialisation of R&D outcomes. NAMI was required to submit a detailed proposal every year regarding the use and estimates of the strategic reserve fund. The proposal had to be endorsed by the Board of Directors and approved by the Commissioner for Innovation and Technology.</p> |
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Part 4. Administrative expenditure and Corporate governance

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| (i) | (i) | NAMI stated that the new guideline had clearly stated that employees should avoid varying business trip for personal reasons. Employees with genuine need to vary duty passage should submit such the application together with that for the business travel and bear any additional costs involved. |
| | (ii) | NAMI stated that they would consider in a prudent manner whether to accept application for variation of duty trips due to personal reasons, in particular those involving staff in supervisory grade. NAMI would also continue to review relevant mechanism to ensure rationality and transparency. |
| | (iii) | As advised by the Civil Service Bureau, the provision of duty passage for civil servants travelling on duty outside Hong Kong is governed by the Civil Service Regulations. An officer who wishes to vary his duty passage arrangements for personal reasons should seek prior approval from the approval authority. Approval may be given subject to the conditions that (a) the modification would not undermine the original justifications for the passage arranged by the Department; (b) additional expenses, if any, must be met by the officer; and (c) savings, if any, should not be used to subsidise the officer's personal travel. The authority for modification of passage rests with Heads of Department, or the relevant Permanent Secretary (or supervising officer if there is no relevant Permanent Secretary) if the officer travelling is a Head of Department. |
| (j) | (i), (ii) & (iii) | NAMI stated that according to the previous edition of the "Corporate Governance Manual", the approving personnel for expenses was dependent on the amount of the claim involved instead of the rank of the claimant. Details are contained in <u>Appendix 3</u> . Nevertheless, NAMI agreed with the Audit Commission's recommendation that there was room for improvement in the previous guidelines regarding the approval mechanism of subsistence allowance and entertainment expense involving Chief Executive Officer (CEO). NAMI had subsequently revised the relevant specific guidelines in October and November 2024 respectively, stipulating that all subsistence allowances and entertainment expenses involving CEO must be approved by the Chairperson of |

***Note by Clerk, PAC:** *Appendix 3 not attached.*

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| | | <p>the Board. Please refer to <u>Appendix 4 and 5</u> for the revised specific guidelines. NAMI was reviewing the criteria for making approval recommendations and decisions to better assist the Chairperson of the Board. The relevant mechanism would be updated in a timely manner.</p> |
| (k) | | <p>NAMI stated that the business travel quoted in the Audit Report with an excess amount of \$607 involved 1 meal arrangement for 7 staff, and the business travel with an excess amount of \$4,700 involved 8 meal arrangements (5 to 6 staff were involved in each meal, and the excess amount per head was about \$105). All the business trips mentioned in the Audit Report involved participation in large-scale exhibitions or conferences. The main reason for meal expenses in excess of allowance was that staff were under tight event schedule and there lacked cheaper dining options in the vicinity of the relevant event venues.</p> <p>NAMI had revised the relevant guideline in November 2024 to improve the approval process for meal expenses exceeding the subsistence allowance. The CEO had also elaborated on the relevant guideline rationales to all employees at a town hall meeting held in December, instructing all to follow the guideline to ensure proper use of public fund.</p> |
| (l) | | <p>NAMI stated that of the two cases quoted in the Audit Report with excess entertainment expenses, one was for lunch, of which the maximum allowance per head was \$450, while the other case was for dinner, of which the maximum allowance was \$600. The relevant limits were set according to the guidelines of its host institution, the Hong Kong University of Science and Technology (HKUST), and would be revised subject to updates from HKUST. NAMI had revised the relevant guidelines in October 2024 to enhance the approval process for excess entertainment expense, including the requirement that subsistence allowances and entertainment expenses involving CEO must be approved by the Chairperson of the Board. All employees had been reminded to comply with the allowance limits of entertainment expenses. Relevant guidelines would be recirculated on a quarterly basis. NAMI had also reminded all employees that applications in excess of the limit would be approved only</p> |

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| | | with sufficient justifications, and the justifications would be properly documented. |
| (m) | | NAMI stated that for those 8 entertainment expenses claims, the relevant employees had made verbal reports to their respective supervisors prior to the event and received formal covering approvals afterwards. NAMI agreed that there was room for improvement and had revised the relevant guideline in October 2024 to clearly stipulate that prior approval must be obtained for all entertainment expenses. In exceptional circumstances, if formal prior approval could not be obtained, covering approval must be obtained promptly. All prior and covering approvals and the corresponding justifications would be properly documented. |
| (n) | | NAMI stated that the subject entertainment case involved two industry partners. As the discussion would involve collaboration and promotion plans for commercialisation of multiple projects, 8 NAMI employees joined, including CEO, Chief Officers, technical managers and marketing managers of the related fields. In relation to the subject case where the claimant had not provided justifications, NAMI agreed that there was room for improvement. It had already revised the relevant guideline in October 2024 to set out the reasonable ratio on the number of NAMI staff to guests being entertained. For exceptional cases, justifications must be provided and documented. |
| (o) | | NAMI stated that the subcommittee had discussed and approved agenda items, including audited accounts after project completion and project-related change requests (such as project extension, adjustment of conditions of project deliverable, etc.), through emails. Since November 2024, regular weekly meetings had resumed to discuss and approve relevant agenda items. NAMI would review the arrangement and consider appropriate revision to the Corporate Governance Manual as and when required. |
| (p) | | NAMI's Board of Directors is not a Government Advisory and Statutory Body and the "Six-year" rule does not apply. However, ITC has been making its best effort to take the rule into consideration when appointing non-official Board members. NAMI's Board is responsible for monitoring routine operation and financial aspects of NAMI, |

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| | | <p>examining and endorsing various reports, vetting R&D projects as well as steering the research direction including commercialisation of R&D deliverables. Therefore, the key consideration in appointment is whether the candidate/personnel possesses the specific expertise, professional background and relative experience required for NAMI's future development needs. If it is recommended to reappoint a member who has already served the Board for more than six years, considerations and justifications will be specified.</p> |
| (q) | | <p>NAMI stated that it would continue to strengthen efforts in reminding Board members or committee members to declare conflict of interests due to personal or work capacities at meetings. In addition, NAMI would improve record keeping practice. Details of declarations made and whether the members concerned had remained in the meeting or vote on matters concerned would be properly documented.</p> |

Part 5. Other Issues

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| (r) | NAMI stated that the relevant cases mainly involved working relationships. For instance, the applicants were current NAMI staff, former staff, former summer interns, etc. For the 10 recruitment cases, details of the declarations of interest of the selection panel members are in <u>Appendix 6</u> . |
| (s) | (i) The number and percentage of R&D staff resigned between 2019-20 and 2023-24 are shown in <u>Appendix 7</u> . |
| | (ii) NAMI stated that employee resignation reasons mainly included change in work fields, further study pursuits, depart from Hong Kong and family causes. NAMI had taken a number of measures to retain staff, e.g. provision of special bonus to R&D teams as recognition for their achieving outstanding performance in international competitions. NAMI also provided research excellence bonus out of the commercialisation income to relevant R&D teams. Furthermore, NAMI had a part-time PhD programme to fully subsidise staff with potential to pursue part-time PhD study. Staff receiving subsidy under the said programme would be required to fulfill a 2-year service commitment. The service period would begin upon receipt of the last tuition fee reimbursement or upon graduation, whichever is later. |
| | (iii) NAMI stated that employee turnover had certain impact on the operation of the Centre. In order to reduce the impact of staff turnover on R&D work, other than the measures mentioned in the reply to (s)(ii) above, NAMI also attracted talents through different recruitment channels, reviewed salary and benefits as appropriate, as well as strengthened communication and manpower deployment. |
| | (iv) NAMI stated that when considering whether to hire researchers under Research Talent Hub, factors such as the ranking of the institution where the applicant graduated from, the years and skills required for the position, etc., would be taken into consideration. In addition, NAMI could also hire required researchers through ITF project funding. |

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| (t) | <p>NAMI stated that it had made reference to the overall distribution of employee performance ratings recommended by the Board. Nevertheless, employee performance was assessed based on a number of performance indicators with grading provided based on actual performance. When the overall distribution had exceeded the recommended range, NAMI would report to the Board with explanations and seek the Board's endorsement. NAMI would continue to review and optimise its current performance rating mechanism.</p> |
| (u) | <p>NAMI stated that four new chief officer posts were created in 2022-2023, including the Chief Science Officer post which was responsible for driving the technical direction and development of NAMI in a longer term. Having considered cost-effectiveness and the development direction of NAMI, relevant tasks were shared among the other Chief Officers in the past two years. The Finance and Administrative Committee under the Board discussed the matter again at its meeting on 7 November 2024. In view of the upcoming merger of NAMI with the Applied Science and Technology Research Institute, the recruitment for the Chief Science Officer would be stalled.</p> |
| (v) | <p>NAMI stated that during the period from 2019-2020 to 2023-2024 (2020-2023 in particular), due to the impact of the COVID-19 epidemic, promotional activities such as exhibitions/seminars that NAMI had planned to organise or participate were postponed or cancelled. The number of website visitors had also been affected and the relevant performance targets were not met.</p> <p>NAMI would set clear, aggressive yet practicable targets based on the overall technology R&D and business development strategies, and with regard to resources and time constraints. NAMI would strive to carry out promotional activities as planned and adjust strategies and allocate resources as necessary. NAMI would also organise industry exhibitions, seminars and other promotional activities through enhanced cooperation with relevant industry associations, chambers of commerce or other enterprises and organisations. The NAMI website content, structure and search engine would be optimised to increase overall traffic and engagement rate.</p> |

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| (w) | <p>NAMI stated that the administrative and operating expenses had included some R&D-related expenditure, such as laboratory rental and equipment, technology and testing service fees, etc. NAMI had set up a healthcare laboratory in 2021-22 to carry out bio-and-health-related R&D projects. A battery laboratory was also set up in 2022-23 to carry out R&D projects related to advanced battery materials. The relevant rental, facilities and equipment costs had increased accordingly.</p> |
| (x) | <p>In the past few years, the overall economic situation has been severely affected by the COVID-19 epidemic and the local economy needs more time to recover. During the epidemic, some R&D Centres (included NAMI) have switched the focus to conduct more upstream R&D projects or provide pandemic-related technology support for the Government, thereby the overall economic contributions by the R&D Centres have inevitably dropped. Although NAMI's GDP contributions has declined from 2020-21 to 2022-23, it has made a considerable amount of contributions (more than \$3.9 billion) over these three years. ITC will continue to review and assess regularly all R&D Centres' (including NAMI) GDP contributions and other performance. ITC will also work with NAMI's Board to urge NAMI to exploring more opportunities of collaboration with the industry, and transferring technology for industry applications and commercialisation, thereby driving economic growth and increase its GDP contributions.</p> |

NANO AND ADVANCED MATERIALS INSTITUTE LIMITED

Financial Circular No. 2/2024
Regulations on Provision of Meals to Guests and Staff

The Guiding Principles

1. Staff members should exercise prudent judgement and economy when entertaining guest(s) for official purposes in order to avoid any public perception of extravagance. The following guiding principles on the hosting of official meals should be closely adhered to:

- (a) Official meals should only be provided with good cause.
- (b) Frequency – Official entertainment should only be carried out on a need basis. Repeated provision of official meals for the same group of guests within a short period of time should be avoided.
- (c) Number of staff members – The number of staff members who attend to assist the host should be kept to the minimum.
- (d) Scale and format – When deciding the format, place, and scale of entertainment, the objective of the event, status of the principal guest(s) and the standard of entertainment appropriate to the occasion should be taken into account. As a rule of thumb, lavish official meals must be avoided.

Coverage

2. This Financial Circular covers dollar limits of meal costs for entertaining external guests, recruitment, and working meals.

Regulations

3. The meal cost limits set out below should be inclusive of all expenses incurred on food and beverages consumed on the occasion, service charges and tips. The costs of food and beverages that are separately procured and provided for consumption at the same official meal should also be taken into account in the overall expenditure. Staff members claiming

reimbursement of meal costs should provide details of any food and beverages that are separately purchased for consumption at the same event.

Provision of Meals to Non-Staff Members

Entertaining external guests

4. A maximum meal cost per head of **\$600** is set **for dinner, \$450 for lunch and \$200 for breakfast** for entertaining external guests. Exceptional approval from Chief Executive Officer /Chief Operating Officer should be obtained if the meal cost exceeds the limit (CEO's claim would be subject to approval by Chairman of the Board).

5. This dollar limit is not applicable to banquets/dinners/lunches organized for the participants of workshops/conferences/corporate programs financed by registration/program fees.

6. All claims for meal costs for entertaining external guests are restricted to Section Directors and above, and those with **prior** approval from Section Directors or above. Such claims should be supported by receipts and details regarding the purpose of the entertainment and participants.

7. There ought to be a reasonable ratio of NAMI staff to guests on all occasions of entertaining external guests, which normally should be **2:1**. Full justifications should be given for exceptional cases. It must be emphasized that successful reimbursement of unreasonable claims is not guaranteed.

8. For staff members attending meals for entertaining external guests, their capacity should be consistent with or related to their roles and posts.

Recruitment meals

9. For recruitment meal costs incurred locally, the maximum reimbursable amount for each person is the same as that for entertaining external guests as per paragraph 4 above.

10. For recruitment meal costs incurred overseas, the maximum reimbursable amount for each person is the same as that for local recruitment meal OR 1.5 times of the relevant applicable subsistence allowance rate for each meal during overseas business travel, whichever is higher.

Provision of Meals to Staff Members

Working meals

11. Working meals without involving external guests may be claimed by staff members, for example, attend an exhibition counter with insufficient time for or not given a meal break, attend meeting/activities required by NAMI during a normal meal time, etc. The maximum **working meal** cost per head is **\$100**. Meals for general staff gathering purposes cannot be claimed as working meals.

Reimbursement Procedures

12. To claim reimbursement of the meal costs incurred, supporting documents (official receipt(s), name of participants and their titles, information about the event, any food and beverages that are separately purchased for consumption at the same event, etc.), should be provided.

Exception

13. Any exception to the above rules would require the approval of Chief Executive Officer/Chief Operating Officer.

October 2024

NANO AND ADVANCED MATERIALS INSTITUTE LIMITED

Financial Circular No. 1/2024 (revised)
Travelling outside Hong Kong on Business

NAMI will fund the necessary expenses incurred by staff for business travel in the performance of their duties of employment or travel by any eligible non-staff to or from the place they are required to attend as part of NAMI business.

Travel Authorization

2. For any business travel outside Hong Kong, prior approval from Sector Head and Chief Executive Officer (CEO) / Chief Operating Officer (COO) as appropriate should be sought for the whole trip period from date of departure to date of return, with details of the business travel itinerary (CEO's business travel and related claims would be subject to approval by Chairman of the Board). Staff should submit application for business travel through the Human Resource Management System, and if approval through the System may not be granted before commencement of the business travel, prior approval by email is needed. The number of staff travelling on the same business purpose should be restricted as appropriate.

3. Approval from Sector Head and CEO / COO is required for any revised itinerary from the approved ones. Staff should avoid modification of business travel arrangements for personal reasons, and prior approval is necessary.

Expenses

4. Where NAMI business is undertaken wholly or partly outside Hong Kong, NAMI will fund the cost of round-trip travel between Hong Kong and the destination where the business duties would be carried out (including local transportation costs between home/place of residence and airport/train or ferry station, if deemed necessary). Claims for relevant expenses should be supported by official receipts and any other supporting documents. These include boarding pass for air travel and hotel bills for accommodation showing the identity of the staff and the period, etc.

5. Other claims which are deemed necessary and appropriate including normal meal costs and travelling expenses for business journeys incurred during the period of business travel are allowed and should be supported by official receipts and any other relevant documents.

6. NAMI will also fund identifiable expenses as follows within city or between cities upon production of relevant receipts.

- Airport tax
- Taxi/coach fare to/from airport
- Official telephone/internet charges
- Car hire charges (including parking, fuel costs, tunnel tolls, insurance, etc.)
- Foreign currency charges & exchange difference on actual rate from system exchange rate
- Entry visa fees

CEO / COO shall determine if any expense not being specifically mentioned above should be separately reimbursed.

7. NAMI will also provide subsistence allowance & hotel accommodation for approved duty/business trip outside Hong Kong.

Air Travel

8. NAMI has appointed designated travel agents for air travel arrangement services to staff for NAMI approved business travels. The following rules should be observed:

Travel arrangements through NAMI appointed travel agents

NAMI shall settle all “business related” travelling costs directly with the appointed travel agents (but not other outside travel agents). “Business related” cost is the airfare for itinerary solely for business related destination(s) and period(s) and in the flight class that the staff is entitled.

- Other “non-business related” travelling costs (excess of the actual costs over the “business related” costs) shall be borne and settled by staff.
- Staff should not pay for the “business related” travelling costs to the appointed travel agents and claim reimbursement.

Travel arrangements NOT through NAMI appointed travel agents

- Under exceptional circumstance and with approval from CEO / COO, staff may make travel arrangements through outside agents or purchase online and provide the official receipt and other supporting documents (e.g. air-ticket stubs) to claim reimbursement.

- If there is any “non-business related” element in the receipts, staff should obtain quotation from one of the appointed travel agents to ascertain the “business related” costs for comparison. Only the lower of the actual costs or the quoted price will be reimbursed.

9. If staff purchases an ineligible higher class air ticket or the air ticket involves both business and personal stay/stop-over, the “business related” costs will be ascertained by a contemporaneous quotation:

- obtained from one of the appointed travel agents;
- for itinerary solely for business related destination(s)/period(s);
- for same airline as the actual air-ticket; and
- for same flight class as the actual air-ticket, or the class that the staff is entitled, whichever is lower.

10. If sponsorship for airfare is provided by external organization, the maximum amount that can be charged to NAMI funding (or the reimbursable amount) should be the airfare of the entitled class of ticket minus the sponsorship amount. Staff are not allowed to use sponsorship money to top up to an ineligible higher class of air tickets, unless it is specifically stated in writing that the sponsorship can be used to pay for the excess cost of airfare above the NAMI normal allowable entitlement amount.

11. Maximum eligibility for different classes of air ticket for NAMI staff is as follows:

Business class

- CEO
- Staff at the rank of Chief Officer for long-haul flights where the flying time exceeds 5 hours (excluding transit time).

Upgradable economy class

- Staff below the rank of Chief Officer for long-haul flights where the flying time exceeds 5 hours (excluding transit time). The upgradable economy class means the cheapest upgradable economy class permitting mileage upgrade to business class.

Flexible economy class

- All staff except for those stated above.
- Allow flexible economy travel that provides the required flexibility for making

changes to the itinerary with expectation that staff will choose the lowest cost option.

- Flexible economy class is not the same as Premium economy class.

12. The air ticket will be issued in the name of the staff on business travel. Provision of air passage to approved visiting personnel outside Hong Kong normally follows that which is applicable to general NAMI staff as set out above. “Trading down” of travel tickets, i.e. travelling by a lower class in order to claim an extra ticket for staff’s family member or guest, will not be permitted.

13. For a candidate coming to Hong Kong to attend an interview, the eligibility for the different classes of air ticket will be the same as that which is applicable to NAMI staff, i.e. depending on the position for which the candidate is interviewed.

Rail/Ferry Fares

14. Travel by standard class should be the default in most instances. Staff on business travel to Mainland China or Macau should buy train tickets or ferry tickets themselves and obtain reimbursement after completing the trip, with an acceptable official receipt, ticket stubs, etc.

15. Staff may apply for upgrade of the class of travel due to special needs if well justified. Approval from CEO / COO is required for the upgrade.

Car Hire

16. NAMI will fund identifiable travelling expenses within city or between cities only for business journeys. It includes car hire charges (including fuel costs and insurance), taxi fares, coach fares and expenses for other appropriate mode of transportation which will be reimbursed, based on actual cost, including trips to/from the airports.

17. Car hire for cross region travel between Hong Kong and China; within city or between cities of designated country, which is well justified for business purposes, are allowed. Proposed driving route, quotation of car hire and the estimated related cost should be reviewed and approved by CEO / COO before commencement of the trip.

Travel Insurance

18. When travelling abroad on NAMI business, staff with place of departure from Hong

Kong will be covered by NAMI's group travel insurance policy. For place of departure outside Hong Kong, staff are required to purchase appropriate travel insurance by themselves and claim reimbursement.

Subsistence Allowance

19. A staff member travelling outside Hong Kong on official duties is paid a daily subsistence allowance on the basis of number of nights outside Hong Kong. For claims of the subsistence allowance for accommodation, receipt(s) from hotel/guest house is needed to support the claim (Note). Staff may also claim subsistence allowance for overnight stay solely for transit purpose if no other alternative travelling arrangement is available which can avoid such overnight stay and fit the staff's business schedule. Moreover, subsistence allowance may also be claimed for the "bridge period" between two separate business events within the same trip, if it can be proven that the alternative of arranging separate trips is less cost effective and the bridge period is less than 5 nights. In this case the subsistence allowance rate applicable will be the lower of the two subsistence allowance rates for locations before and after the bridge period. All personal and private travelling expenses will not be reimbursed.

20. The nights away from Hong Kong should be analyzed in the travel application as (i) business night (including the night before or after which business duty will be carried out if justified), (ii) non-business night on weekend/public holiday in-between the duty period, (iii) overnight stay with accommodation for transit only, (iv) overnight travel on plane/train, or (v) night on personal leave day. Staff should also indicate for which nights subsistence allowance will be claimed.

21. 60% of the subsistence allowance is deemed to cover accommodation, 5% for breakfast, 10% for lunch, 15% for dinner, and 10% for other minor out-of-pocket expenses. Prior approval from CEO / COO is required for hotel accommodation expenses exceeding 60% of normal subsistence allowance rate under special circumstance. This may include a staff member attending events and staying in designated event hotels (conference/event details showing the names of the designated hotels are required).

22. Approval from CEO / COO is required for staff claiming extra meal costs in addition to the entitled subsistence allowance. Such claim should be well justified and supported by original receipts. Only actual costs incurred will be reimbursed if exceptional approval is granted.

23. In the event that any of the expenses set out above are paid through other means such as out of the registration fee for a conference or meals paid out of official entertainment account, separate claim for the corresponding subsistence allowance as stated in para. 21 will not be allowed.

24. Hotel accommodation-related taxes are not included in the subsistence allowance rates for the United States of America (USA) destinations. The taxes paid during duty visits in the USA shall be reimbursed on an “actual-expenses” basis. To facilitate the reimbursement arrangement, breakdown of hotel accommodation-related taxes should be shown on the hotel bill and/or receipt. This arrangement is not applicable to non-USA destinations as the subsistence allowance rates have already taken into account the hotel accommodation-related taxes to be incurred.

25. If a staff member stays with friends, relatives or stays in his/her own house, or cannot provide any hotel receipt (Note), the 60% subsistence allowance for accommodation will not be allowed.

26. The rates of daily subsistence allowance for duty outside Hong Kong are set out in Appendix. The daily rates of subsistence allowance, accountable or non-accountable, which are set out in the currencies of the countries to be visited are converted into and paid in Hong Kong dollars on a reimbursement basis.

27. As soon as the business trip is completed, a staff member has to set out the amount of claims (which may be at or lower than the standard rates of subsistence allowance) and the budget line charging account in the relevant reimbursement claim form, and forwarded to the Administration Unit as early as possible, together with the used ticket stub(s), the hotel receipt(s) and receipt(s) for other necessary expenses.

28. When a staff member buys the foreign currency, the actual exchange rate may be higher or lower than the book rate used. In the event that the actual exchange rate is higher than the book rate, staff member could claim reimbursement on the basis of the actual Hong Kong dollars required for the actual amount of foreign currency exchanged. The claim has to be supported by the relevant bank exchange memo. Where the actual exchange rate is lower than the book rate, the actual reimbursement will be made on this actual rate.

For one day business trip (non-air)

- Prior approval from Sector Head should be sought for any claim for taxi fare from home

(Hong Kong/Mainland China)/office to the borders/High Speed Rail Station/train station, and vice versa.

- Meal costs (lunch or dinner) are not reimbursable except for occasional working meals (i.e. performing official duties during a normal meal time), and the reimbursable amount is capped at the prevailing rate of working meal, which is HKD 100.

Note

A valid receipt should contain the following minimum information:

- (i) Name of the claimant,
- (ii) Check-in and check-out dates; and
- (iii) Room charge(s) paid by the claimant (that is, a direct actual payment of room charge(s). The settlement of room charges through the redemption of coupons, bonus points, purchased points or other kinds of rewards are not considered as “paid” and will not be reimbursed.)

Nov 2024

**Declarations of Interest of Selection Panel Members for Cases Involving
Personal or Working Relationships with Applicants**

| | Applied Post | Selection Panel Members | Relation |
|---|------------------------------|---|---|
| 1 | Chief Commercial Officer | Chairpersons of the Board of Directors, Finance and Administration Committee, and Technology Committee, Assistant Commissioner for Innovation and Technology, and Chief Executive Officer | Existing NAMI staff |
| 2 | Chief Technology Officer | Chairpersons of Board of Directors, Finance and Administration Committee, Technology Committee, and Audit Committee, Science Advisor of the Innovation and Technology Commission, and Chief Executive Officer | Existing NAMI staff |
| 3 | Business Development Manager | Chief Commercial Officer, Chief Operating Officer, Research and Development Director | Candidate once interviewed by the Research and Development Director |
| 4 | Senior Engineer | Senior Technology Manager, and Technology Manager | Former NAMI staff |
| 5 | Senior Engineer | Research and Development Director, Senior Technology Manager, and Technology Manager | Met at a seminar before |
| 6 | Engineer | Research and Development Director, Senior Technology Manager, and Senior Engineer | Classmate |
| 7 | Engineer | Research and Development Director, Senior Technology Manager, and Senior engineer | Staff of a NAMI's licensee company |

Appendix 6

| | | | |
|----|------------------|--|---------------------------|
| 8 | Engineer Trainee | Senior Technology Manager, and Technology Manager | Former NAMI summer intern |
| 9 | Senior Engineer | Research and Development Director, and Senior Technology Manager | Ex-colleague |
| 10 | Senior Engineer | Research and Development Director, Senior Technology Manager, and Technology Manager | Ex-colleague |

R&D Staff Turnover Rate from 2019-20 to 2023-24

| | 2019-20 | 2020-21 | 2021-22 | 2022-23 | 2023-24 |
|------------------------------------|----------------|----------------|----------------|----------------|----------------|
| Number of R&D Staff Resigned | 47 | 53 | 58 | 48 | 40 |
| Percentage of R&D Staff | 25.9% | 27.6% | 28.6% | 24.2% | 20.8% |