

立法會
Legislative Council

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Finance Committee of the Legislative Council

Minutes of the 26th meeting
held at Conference Room 1 of the Legislative Council Complex
on Friday, 8 May 2020, from 9:00 am to 9:56 am

Members present:

Hon CHAN Kin-por, GBS, JP (Chairman)
Hon CHAN Chun-ying, JP (Deputy Chairman)
Hon James TO Kun-sun
Hon LEUNG Yiu-chung
Hon Abraham SHEK Lai-him, GBS, JP
Hon Tommy CHEUNG Yu-yan, GBS, JP
Prof Hon Joseph LEE Kok-long, SBS, JP
Hon Jeffrey LAM Kin-fung, GBS, JP
Hon WONG Ting-kwong, 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-yee, GBS, JP
Hon Claudia MO
Hon Michael TIEN Puk-sun, BBS, JP
Hon Steven HO Chun-yin, BBS
Hon Frankie YICK Chi-ming, SBS, JP
Hon WU Chi-wai, MH
Hon YIU Si-wing, BBS
Hon MA Fung-kwok, SBS, JP
Hon Charles Peter MOK, JP
Hon CHAN Chi-chuen

Hon CHAN Han-pan, BBS, JP
Hon LEUNG Che-cheung, SBS, MH, JP
Hon Kenneth LEUNG
Hon Alice MAK Mei-kuen, BBS, JP
Dr Hon KWOK Ka-ki
Hon KWOK Wai-keung, JP
Hon Dennis KWOK Wing-hang
Hon Christopher CHEUNG Wah-fung, SBS, JP
Dr Hon Fernando CHEUNG Chiu-hung
Hon IP Kin-yuen
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-kwok, SBS, MH, JP
Hon Alvin YEUNG
Hon Andrew WAN Siu-kin
Hon CHU Hoi-dick
Hon Jimmy NG Wing-ka, BBS, JP
Dr Hon Junius HO Kwan-yiu, JP
Hon HO Kai-ming
Hon LAM Cheuk-ting
Hon Holden CHOW Ho-ding
Hon SHIU Ka-fai, JP
Hon SHIU Ka-chun
Hon Wilson OR Chong-shing, MH
Hon YUNG Hoi-yan, JP
Hon Tanya CHAN
Hon CHEUNG Kwok-kwan, JP
Hon HUI Chi-fung
Hon LUK Chung-hung, JP
Hon LAU Kwok-fan, MH
Hon Kenneth LAU Ip-keung, BBS, MH, JP
Dr Hon CHENG Chung-tai
Hon KWONG Chun-yu
Hon Jeremy TAM Man-ho
Hon Vincent CHENG Wing-shun, MH, JP
Hon Tony TSE Wai-chuen, BBS
Hon CHAN Hoi-yan

Members absent:

Hon Paul TSE Wai-chun, JP
Dr Hon Helena WONG Pik-wan
Hon CHUNG Kwok-pan
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
Mr Mike CHENG Wai-man	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
Mrs Millie NG KIANG Mei-nei, JP	Deputy Secretary for Innovation and Technology (1)
Ms Rebecca PUN Ting-ting, JP	Commissioner for Innovation and Technology, Innovation and Technology Commission
Mr Ivan LEE Kwok-bun, JP	Deputy Commissioner for Innovation and Technology, Innovation and Technology Commission

Other persons attending:

Mr Aldous MAK	Chief Financial Officer, Hong Kong Science and Technology Parks Corporation
Ir Dr YIU Hing-leung	Head of Advanced Manufacturing, Hong Kong Science and Technology Parks Corporation

Clerk in attendance:

Ms Anita SIT

Assistant Secretary General 1

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(2019-20)40

INNOVATION AND TECHNOLOGY FUND

HEAD 111 — INNOVATION AND TECHNOLOGY

New Subhead "Re-industrialisation Funding Scheme"

HEAD 184 — TRANSFERS TO FUNDS

Subhead 992 "Payment to the Innovation and Technology Fund"

Subhead 987 "Payment to the Capital Investment Fund"

CAPITAL INVESTMENT FUND

HEAD 962 — INDUSTRY

New Subhead "Equity in the Hong Kong Science and Technology Parks Corporation for developing a Microelectronics Centre"

2. The Finance Committee ("FC") continued with the discussion on item FCR(2019-20)40.

3. The Chairman advised that the item sought FC's approval of:
 - (a) a supplementary provision of \$2 billion under Head 184 Transfer to Funds Subhead 992 Payment to the Innovation and Technology Fund to enable the creation of a commitment for setting up a funding scheme to subsidize manufacturers to set up new smart production lines in Hong Kong; and
 - (b) a supplementary provision of \$2 billion under Head 184 Transfers to Funds Subhead 987 Payment to the Capital Investment Fund to enable the creation of a commitment to inject \$2 billion as equity from the Capital Investment Fund to the Hong Kong Science and Technology Parks Corporation for developing the Microelectronics Centre.

FC started discussing the item at the last meeting for 42 minutes.

Re-industrialization of Hong Kong

Technology and cost of the CuMask+TM

4. In connection with the re-industrialization of Hong Kong, Mr LAM Cheuk-ting said that the manufacturing industry was very important to Hong Kong especially in the face of the epidemic which called for Government subsidy for the production of masks locally. However, as it had been reported that the CuMask+TM provided by the Administration did not contain the magnetic field used in the mask with the patented technology, Mr LAM sought clarification on whether the Administration had been misled by the manufacturer.

5. Secretary for Innovation and Technology ("S for IT") said that the Government commissioned the Hong Kong Research Institute of Textiles and Apparel ("HKRITA") to coordinate the production of the CuMask+TM. HKRITA owned the intellectual property of the mask originated from a model which was designed in 2017 and won a gold medal in the International Exhibition of Inventions of Geneva in 2018. The design of the mask had several components such as application of magnetic field, six-layer structure and ergonomic design. As the epidemic necessitated the mass production of masks meeting certain standard for distribution among over 7 million Hong Kong residents within a short period, improvement to the design of the mask was required. Accordingly, the Government had engaged experts in the field to undertake the related work, and embarked on an elaborate process through which the CuMask+TM, meeting the ASTM F2100 Level 1 standard, was produced. S for IT emphasized that the

research and development ("R&D") work of an innovation and technology ("I&T") product was a long process, and the Government would explain the benefits of I&T products to the public. He added that the most important goal of the Government was to facilitate the best utilization of local R&D results to meet the needs of Hong Kong.

6. Mr LAM Cheuk-ting said that the Administration had claimed that anti-bacterial materials with magnetic field application were used in the CuMask+TM, but copper was used instead. He was of the view that the technology used was different, and the samples displayed at the press conference for the CuMask+TM were misleading.

7. S for IT said that the patent for the mask involved an overall design and several key components had been retained.

8. Ms Tanya CHAN pointed out that the patent numbers as well as the descriptions of the CuMask+TM provided by HKRITA were identical to those set out by the National Intellectual Property Administration of the People's Republic of China. She considered that the key feature of the patented mask was the application of magnetic field, and its absence from the CuMask+TM meant that a different technology had been used; it was misleading for the Administration to confuse the two types of masks. Ms CHAN cast doubt on whether the \$800 million had been properly spent for the purpose under the Anti-epidemic Fund, and queried the direct engagement of the manufacturer without calling for open tender.

9. S for IT said that consideration must be given to the expeditious provision to Hong Kong residents reusable masks which met the requisite standard. As the function of the magnetic field was not sustainable after 20 washes, HKRITA had adopted an improved design to allow the mask be effective for 60 washes. S for IT urged members to note that the production of over 7 million CuMask+TM within a short period was the joint efforts of industrialists, researchers, scientists and factory workers.

10. Permanent Secretary for Innovation and Technology ("PS(IT)") supplemented that according to HKRITA, the design of the mask which won the award in Geneva comprised several components. Apart from the application of magnetic field, other key features included multi-layer as well as ergonomic design. As the magnetic field would lose effect after 20 washes, this particular feature was not applied in the production of the CuMask+TM but all other features of the patented mask remained.

11. Dr KWOK Ka-kai was of the view that the patented technology recognized by Geneva was mainly for resolving air pollution concerns, and

the application of magnetic field in the mask was different from that of inclusion of copper. He asked whether the Administration had conducted fact check on what was said at the press conference on the CuMask+TM, and whether it would take responsibility for providing the misleading information and apologize to the public.

12. S for IT said that the Government's responsibility was to perform its due role in serving Hong Kong residents and, especially during the epidemic, to make available masks with endeavours which were up to standard for use by Hong Kong residents. He reiterated that there was room for improvement in the procurement process but stressed that the Government was faced with many constraints during January/February 2020 when the epidemic was very serious. PS(IT) clarified that the HKRITA development team had affirmed that the patented mask was a multi-layer design with the anti-bacterial layer which also contained micro-copper, the filtration layer and the supportive layers. This multi-layer design enabled its sustainability after multiple washes and was a key feature of the CuMask+TM. The Government respected the views of HKRITA and its research.

13. Mr Jeremy TAM cited the example of the Chinese medicine "Chuan Bei Pa Koa" ("川貝枇杷膏") which had many components, and said that it was questionable if its name and effectiveness could remain intact if "chuan bei" ("川貝") and "pei pa" ("枇杷") were excluded from the formula. He cast doubt in the same vein on whether CuMask+TM had any relevance to the patented mask. He asked if the Intellectual Property Department would be consulted on the appropriateness for attributing the CuMask+TM to the intellectual property patent in question.

14. S for IT and PS(IT) reiterated that the major components of the patented mask remained in the CuMask+TM. The multi-layer design of the patented mask and other key features remained intact in the CuMask+TM after the improvement was made.

15. Mr CHU Hoi-dick sought the following information: (a) an itemized breakdown of the \$800 million expended for technology applications to enable reusability of masks under the Anti-epidemic Fund; (b) the amount of the order for the Crystal International Group Limited to produce the CuMask+TM including the unit cost and the total number of masks involved; and (c) the amount of the order for the Novetex Textiles Limited to sterilize and package the CuMask+TM.

16. On (a), S for IT said that the final expenditure figure was not yet available as the relevant process was still on-going. The Government would make public the information as soon as possible upon completion of the

exercise. For (b), PS(IT) said that the cost payable to the Crystal International Group Limited was less than US\$1 for each CuMask+™ as the production charge, and the industry had advised that this was basically the price at cost. As for (c), PS(IT) said that HKRITA had not been charged by Novotex Textiles Limited and would only need to pay the Mills utility charge of around \$10,000.

17. Mr CHU Hoi-dick said that the share price of the Crystal International Group Limited rose considerably upon disclosure by the Administration of its name as the manufacturer of the CuMask+™, and PS(IT) had explained that the disclosure was made after obtaining its agreement. He questioned the reason for PS(IT) to have to inform the party concerned before disclosing information which was in its favour.

18. In response, PS(IT) explained that the manufacturer concerned had taken up the job for the benefit of Hong Kong rather than for profit. As there were continuous enquiries from the public, she had obtained the agreement of all the parties concerned before disclosing their names.

Local production

19. Mr Andrew WAN remarked that the Administration was dishonest about the technology used for the CuMask+™, and might contravene the Trade Description Ordinance (Cap. 362) if the mask was put to sale. As conflict of interest might be involved, Mr WAN enquired if any declaration of interests had been made. He also questioned how the production of the CuMask+™ in Vietnam could help manufacturers and workers in Hong Kong.

20. S for IT said that the CuMask+™ case was illustrative of the fact that Hong Kong currently had to rely on other places when confronted by challenges, and why the re-industrialization of Hong Kong was necessary. He emphasized that the production of the CuMask+™ required expertise in various fields such as R&D, textiles, apparel, etc. HKRITA had the expertise in this area and had developed a lot of new technologies for adoption by the industry. S for IT appealed to members to show support for the work of experts and scientists in Hong Kong.

21. On the reason for the CuMask+™ to be produced outside Hong Kong, PS(IT) explained that the Government had commissioned HKRITA to produce the mask. After securing the raw materials for the six-layer mask, HKRITA contacted over 10 manufacturers for its production and had since set up two small scale pilot production lines in Hong Kong, i.e. at The Mills and the TAL Apparel Limited. However, as their scale was only for pilot

production, and was too small for the production of over 7 million masks within two months, it was necessary to expedite the production process in parallel. Other difficulties which had to be overcome included the lack of computer cutting beds in Hong Kong, and the cessation of production or imposition of export control in many places as a result of the epidemic. When she discussed these constraints with Mr Kenneth LO of the Crystal International Group Limited, Mr LO advised that one of the group's factories was not subject to these restrictions and Professor Edwin KEH, Chief Executive Officer of HKRITA, undertook to follow up. As regards declaration of interests, Mr WONG Chi-fai of the Crystal International Group Limited and a member of the Board of Directors of HKRITA had declared interests and abstained from related discussions. The lack of production venue and sterilization and related equipment at that time, coupled with the huge quantity of masks required, did not make it possible to conduct the entire production in Hong Kong.

22. Mr WU Chi-wai said that Hong Kong residents were supportive of the Administration attaching importance to R&D work and respecting technologists, and the use of their products in Hong Kong. The principle of re-industrialization should be for the production chain to remain in Hong Kong, and not for its fruit to be reaped elsewhere. He considered that the Administration should give recognition to the patented mask and at the same time announce that changes had been made for it to become the CuMask+TM, as only by respecting the content of the patent would the Administration be demonstrating its respect to the scientists concerned. Furthermore, if the Administration respected the patented technology which included the application of the magnetic field, it could adopt the option of using the patented mask and providing replacement filters after 20 washes, instead of changing the technology and providing replacement filters after 60 washes.

23. S for IT stressed that the Government was keen on fostering re-industrialization in Hong Kong, and agreed that it was best if local R&D outcomes could be put to production in Hong Kong. For this reason, the Government had proposed the provision of funding to manufacturers for setting up smart production lines in Hong Kong on a 1 (Government) : 2 (enterprise) matching basis, as detailed in FCR(2019-20)40. In response to Mr WU on Government subsidy recently provided for setting up 20 mask production lines in Hong Kong, S for IT explained that it took time and was not possible in January/February 2020 when the problem created by the epidemic was acute.

24. Mr Christopher CHEUNG spoke in support of the funding proposals set out in FCR(2019-20)40, as these would be conducive to the development of I&T in Hong Kong and bring economic benefits. However, since the

CuMask+™ was produced in Vietnam, he expressed concern on whether high-end technological products researched and developed in Hong Kong might ultimately be manufactured elsewhere. If so, it would run contrary to the Administration's goal for promoting re-industrialization in Hong Kong as well as the creation of job opportunities in Hong Kong and the rejuvenation of the "Made in Hong Kong" brand. Mr CHEUNG urged the Administration to accord priority to "Hong Kong First".

25. S for IT assured members that the purpose of the funding proposals was to drive re-industrialization in Hong Kong, which would facilitate the local manufacturing of products researched and developed in Hong Kong. The Government, with the support of the legislature, would provide financial incentives for manufacturers to set up high-tech production lines in Hong Kong. The sound legal system, robust intellectual property protection regime and sophisticated logistics support, etc. in Hong Kong would complement one another for further advancement of re-industrialization. PS(IT) added that the CuMask+™ was manufactured outside Hong Kong because time was pressing. She stressed that when coping with the tight production schedule, manufacturers had to mobilize some 10 000 workers to work overtime and use large-scale computerized cutting tables and sterilization systems, all of which were not available locally within a short period.

26. The meeting ended at 9:56 am.