

(Unclassified version with commercially sensitive or confidential information and Members' names removed)

P.C. 24/2012 (Revised)

**Revised Minutes of the 120<sup>th</sup> Meeting of the Hong Kong Productivity Council held at 2:30p.m. on Tuesday, 31 July 2012 in the Board Room, 2<sup>nd</sup> floor HKPC Building, 78 Tat Chee Avenue, Yau Yat Chuen, Kowloon**

**Present:** Chairman – Mr. Clement Chen Cheng-jen, BBS, JP  
Members – Mr. Albert Au Siu-cheung  
Mrs. Helen Chan, JP  
Ir Daniel Cheng Man-chung, MH, JP  
Mr. Jimmy Kwok Chun-wah, MH, JP  
Dr. Delman Lee  
Miss Lam Kam-yi  
Mr. Leung Yam-shing  
Mr. Kenneth Mak, JP  
Prof. Helen Meng Mei-ling  
Ms. Joyce Mok (representing Permanent Secretary for Commerce and Economic Development (Communications and Technology))  
Mr. Byron Ng, JP  
Dr. David Ng Tai-chiu  
Dr. Dennis Ng Wang-pun, MH  
Mr. Victor Ng, MH  
Dr. Elizabeth Shing Shiu-ching, BBS, JP  
Mr. Sin Kai-ming, MH  
Ms. Marilyn Tang Yin-lee  
Mr. Johann Wong (representing Miss Janet Wong, JP)  
Mr. Jack Yeung Chung-kit

**Absent with Apologies:** Dr. Cliff Chan Chok-ki  
Mr. Andrew Mak Yip-shing, JP  
Mrs. Katherine Ngan Ng Yu-ying, JP

**In Attendance from ITC:** Mr. Ting Lup-wong  
Mr. Danny Lo

**In Attendance from HKPC:**  
Mrs. Agnes Mak Tang Pik-ye, MH, JP Executive Director  
Mr. Leo Lam Director, Business Innovation  
Mr. Tony Lam Director, Corporate Services  
Mr. Joseph Poon Director, Technology Development  
Mr. Jonathan Ho General Manager, Corporate Communications

Mr. Dennis Wu

General Manager, Corporate HR and  
Administration

Dr. Samuel Leung

General Manager, Finance and Procurement

Mr. Alfonso Tam

Chief Manager, Council Secretariat

Ms. Miranda Yeap

Senior Manager, Council Secretariat

### **Welcome to New Members**

The Chairman welcomed Dr. Delman Lee, Mr. Kenneth Mak, Director-General of Trade and Industry, Mr. Johann Wong, Deputy Commissioner for Innovation and Technology, Ms. Joyce Mok, Assistant Government Chief Information Officer and Mr. Leo Lam, Director of Business Innovation, HKPC who attended the meeting for the first time.

### **Vote of Appreciation**

Members supported the Chairman's suggestion to record a vote of appreciation to Ms. Maria Kwan, then Director-General of Trade and Industry and Miss Elizabeth Tse, then Permanent Secretary for Commerce and Economic Development (Communications and Technology) for their contributions to HKPC during their tenure as Council Members.

### **Confirmation of Minutes (P.C. 12/2012 Revised)**

The Revised Minutes of the 119<sup>th</sup> Council meeting held on 27 March 2012 had been circulated to Members and there were no further requests for amendments. The Revised Minutes were taken as read, confirmed and signed by the Chairman.

#### **I. Three-year Strategic Plan of HKPC for 2013/14-2015/16 (P.C. 13/2012)**

1. Invited by the Chairman, \_\_\_\_\_ said that at the 113<sup>th</sup> Council meeting held on 30 March 2010, the Council had agreed that HKPC should submit a three-year strategic plan annually to Council before it considered the three-year Forecast for the same period. The Management had revisited the existing strategic plan of HKPC endorsed by the Council on 26 July 2011 anchored on the four-pronged strategy of scaling up platforms, creating value for SMEs, sharpening core competencies and developing strategic partnership, and substantiated with a new Vision, Mission and Values. Taking into account the macro environment and market situation, the Management considered that the Strategy was still valid. In this connection, the Strategy had been enhanced with appropriate business initiatives (tabulated under paragraph 5 of the paper) for the respective strategies in line with the macro environment and

government policies to form an updated HKPC Three- year Strategic Plan 2013/14 -2015/16 at Annex of the paper. The Management would consider the necessity of revisiting the three-year strategy in case of any fundamental changes in the macro policy environment and infrastructural changes in the technology and industry support arena to ensure that HKPC's strategy was in line with government policy. The updated three-year Strategic Plan was endorsed by the Finance Committee (FC) at its 45<sup>th</sup> meeting held on 24 July 2012. The various business initiatives under the updated strategic plan were supported by the Business Development Committee (BDC) at its 48<sup>th</sup> meeting held on 3 July 2012.

2. supported the business initiatives. While noting that the proposed Hong Kong branch of the National Magnesium Engineering Development Branch Centre at the Chongqing University would focus on surface treatment which would not generate high heat in the process, advised that, for better planning, the Management should nevertheless consult relevant government departments (such as the Fire Services Department), if necessary, in advance for their agreement as magnesium was considered a dangerous substance. Separately, said that HKPC should also extend ERP support services to SMEs to help them reduce operation cost. thanked for his advice.

3. In response to remark on industry-academia collaboration in driving technology transfer, said that HKPC had been in close collaboration with universities, both local, Mainland and overseas. informed Members that, following an earlier visit to the UK, we were actively pursuing collaboration opportunities with the Oxford University in particular with regard to their expertise and proven system in technology evaluation and commercialization. We were also exploring similar collaboration opportunities with Taiwan universities and meanwhile would continue our liaison with local universities in transferring technologies to industry. On technology commercialization, said that it was important that the threshold should be low enough to attract commercialization partners to fully explore and exploit the market potential of technologies on a royalty sharing basis rather than charging a hefty one-off license fee.

4. said that the annual review of the three-year strategic plan on a rolling basis might risk HKPC chasing moving targets. explained that the strategic plan aimed to provide a framework to guide HKPC in developing and delivering relevant support services to meet industry's current and emerging needs on a continuous basis. The annual review was essentially an environmental scan of the latest technology and market landscape, industry needs and government policies to ensure relevance of HKPC's services. In this connection, the proposed future business initiatives under the strategic plan

would be translated into concrete programmes in the subsequent Programme and Estimates exercise subject to availability of resources. said that when the Business Development Committee (BDC) was next consulted on the business initiatives for HKPC's updated three-year strategic plan, the Management should also report on the progress and status of those initiatives under the last strategic plan.

5. Members approved the updated Three-year Strategic Plan (2013/14 - 2015/16) for HKPC's business in Hong Kong and the Mainland at Annex A of the paper.

## **II. Annual Accounts for the year 2011/12 (P.C. 14/2012)**

6. Invited by the Chairman, briefed Members on the financial accounts of HKPC in 2011/12 which produced a surplus of \$8M after a proposed provision of \$6.3M for variable pay which would be considered by Members later at the meeting. The consolidated accounts for 2011/12 were considered by the Audit Committee (AC) at its 22<sup>nd</sup> meeting held on 8 June 2012 and endorsed by FC at its 45<sup>th</sup> meeting held on 24 July 2012 and no major adverse comment was made.

8. recapitulated the deliberations at the last FC meeting that the Management should draw up a policy with regard to the procurement conducted for clients for projects in the light of its impact on HKPC's accounts even though had confirmed that the booking of such procurement expenses as external project income was not an issue. In this connection, FC noted that the Management had instructed staff that HKPC should avoid conducting procurement for project clients unless circumstances so warranted. For instance, client might be insistent on HKPC taking up such responsibility as part and parcel of the projects.

9. Members approved the Annual Accounts of HKPC for the year ended on 31 March 2012.

## **III. 2012/13 Pay Review (P.C. 15/2012)**

10. Invited by the Chairman to report, said that the 2012/13 pay adjustment for staff under the Non Performance Pay System (Non-PPS) would follow the same principle of the Civil Service, namely an increase of 5.26% for the top and senior level staff and 5.8% for the middle and

general level staff. As regards the PPS staff, they would be entitled to pay adjustment that reflected the market trend by reference to the pay trend surveys available in the market as well as the pay trend review of the Civil Service. The same mechanism adopted since the introduction of the PPS was applied for calculating the weighted average of salary adjustment for 2012 based on the actual pay adjustment data in the surveys. Based on this, the proposed pay adjustment for PPS staff would be an increase of 4.76%, 4.87%, 5.13% and 5.11% for the top, senior, middle and general level staff respectively. Based on the current salary outlay of all staff, the cost arising from the proposed pay adjustment for staff under the PPS and the Civil Service pay trend for the remaining staff was estimated to be HK\$9.9M and HK\$3.5M per annum respectively.

11. Members approved the proposed 2012/13 pay adjustments for Non-PPS and PPS staff as outlined in paragraphs 4 and 5 of the paper with retrospective effect from 1 April 2012 and agreed for the Management to seek the necessary Government approval in accordance with the HKPC Ordinance. Members also noted that while the above-mentioned four pay surveys were representative market reports, the Management had plans to conduct a review of the choice and mix of pay survey reports available in the market and that the Staffing Committee and Council would be consulted on any changes proposed.

#### **IV. Annual Review of HKPC Activities in 2011/12 (P.C. 17/2012)**

12. Invited by the Chairman, introduced the paper and briefed Members on HKPC's performance against the 30 indicators under four Key Performance Measures covering the areas of service delivery, operating efficiency, financial results and effectiveness. said that the performance targets of 23 indicators had been met with achievement rates between 100% and 210%. The targets of another five indicators had also been largely met, of which three had a variance of less than 5% while the variance for the other two indicators was less than 9%. These were mostly within a reasonable margin of the target estimation. As regards the remaining two indicators, they showed a variance of more than 10%. For the performance targets for 2013/14, they would be compiled in line with the Three-year Forecast for 2013/14 - 2015/16 and the Programme and Estimates for 2013/14 for Members' approval at the next meeting.

13. Members approved the 2011/12 Annual Review and agreed that the Management should consider:

- (a) whether higher/lower targets should be set for those which had been repeatedly exceeded/under achieved; and

- (b) whether new targets should be incorporated, for example, project turnaround and recovery.

## V. Merger of APAS and HKPC (P.C. 18/2012)

14.                                  recapitulated on the background of the merger of APAS and HKPC and invited                                  to report on the latest progress.                                  briefed Members on the latest progress outlined in the paper and said that the indicative implementation date for the merger was now set on 1 November 2012 to allow sufficient time for APAS to serve termination notice having regard to the 3-month termination notice clause in the employment contracts of its tier 1 staff. In this connection,                                  said that at the 118<sup>th</sup> Council meeting held on 22 November 2011, Members agreed to the merger of APAS with HKPC and the transfer arrangements for the APAS staff upon merger. Members then subsequently agreed at the 119<sup>th</sup> Council meeting held on 27 March 2012 that upon termination of the employment contracts with APAS, full time staff of APAS would be offered new employment contracts to join HKPC as new staff on prevailing HKPC contract terms. Their previous years of service in APAS would not be counted in the new employment with HKPC which would follow HKPC's HR policies and practices. Redeployment of APAS staff to other divisions of HKPC and posting of HKPC staff to the new APAS Division would not be considered at the initial stage. To implement the transfer of APAS staff to HKPC upon merger, HKPC proposed to make the following arrangements:

- (a) contract term of about 2.5 years up to 31 March 2015 (save for project staff and interns whose contracts would tie to their original contract end-dates) and there would be no need to go through a recruitment process or probation; and
- (b) job ranks and remuneration package comparable to their current employment terms with APAS and essentially the same as those of HKPC staff at similar ranks under the prevailing framework, with key benefit items as follows:
  - i) annual salary review and adjustment with pay trend, merit increment and one-off discretionary variable pay where applicable (except for interns);
  - ii) medical benefits, including outpatient, hospitalization, maternity hospitalization and dental; and
  - iii) leave, including annual leave, sick leave, maternity leave, paternity leave, etc.

15. Continuing, said that subject to Members' approval of the above employment terms, it was planned for APAS and HKPC to meet the APAS staff and execute the termination notice and employment offer back to back respectively. In this connection, said that with regard to the termination of APAS staff, the APAS Board had approved at its Board meeting held on 20 April 2012 the following terms for the termination of APAS staff:

- (a) severance payment would be provided to all APAS full time staff who had been in continuous employment with APAS for not less than 24 months;
- (b) on an ex gratia basis, pro-rata severance payment would also be extended to full time staff of APAS who had less than the statutory requirement of 24 months of continuous employment with APAS; and
- (c) while the amount of severance payment would be calculated in accordance with statutory requirement, it would not be offset by the employer's contribution to the MPF for these APAS staff over the years.

16. In reply to and , said that while the APAS team would become a division of HKPC upon merger, it would continue with its existing job portfolio initially and its operation would continue to be fully subvented by the government under a separate account from that of HKPC's. Therefore, the merger would not affect the job security of HKPC staff and HKPC's finances. Supplementing, said the merger was essentially targeting enhanced synergy and hence in time some degree of gainful integration would be both logical and beneficial to the pursuance of R&D support for the healthy development of an automotive part and accessory sector in Hong Kong.

17. In reply to , said that the present approval of the Finance Committee of the Legislative Council was to extend funding support to APAS up to 31 March 2017. Further infrastructural and resource support beyond the present 5-year funding commitment would necessarily be subject to the performance of APAS, industry's changing needs and the then prevailing government policy.

18. After discussion, Members approved:

- (a) the employment terms in respect of the APAS staff mentioned in paragraph 14 above; and
- (b) to empower the Executive Director of HKPC with a discretion to exercise flexibility on specific arrangements for certain terms within the existing system of terms and conditions, e.g. maternity benefit for any pregnancy cases reported before transfer to HKPC.

## **VI. HKPC Branding Exercise (P.C. 19/2012)**

21. Invited by the Chairman, introduced the paper and said that the Management appointed a consultant in early 2012 to devise a branding tool for HKPC to promote its corporate identity (CI) to the public in a more sophisticated and professional manner. The consultant had used our new VMV endorsed by the Council in July 2011 as the basis for the brand development exercise, supplemented by a series of focus group meetings with different stakeholders, including staff members, clients and potential users of HKPC services to gauge their views on HKPC's public image. Based on this, the consultant had developed a new CI and a set of visual identity (VI) embodied in 2 visual spokespersons, Tec and Biz, representing HKPC's core competences in technology and business innovation. Together they would be used as a communication tool to "brand" HKPC.

22. A comprehensive communication plan had been drawn up to launch the new CI and VI to both internal and external stakeholders (paragraph 6 of the paper). The new CI and VI had been designed to project a contemporary, sophisticated and professional image. Their attractive outlook was expected to create a brand new image for HKPC and it was anticipated to receive positive feedback from the industry and public at large.

23. Members noted the recommendations by the consultant and supported the Management decision to adopt the new CI and VI to promote a young, vibrant and professional corporate image for HKPC.

## **VII. Report from the Audit Committee (P.C. 20/2012)**

24. Members noted the report from the Audit Committee on the matters considered at its 22<sup>nd</sup> and 23<sup>rd</sup> meeting held on 8 June 2012 and 23 July 2012 respectively.

## **VIII. Report from the Business Development Committee (P.C. 21/2012)**

25. Members noted the report from the Business Development Committee on the matters considered at its 48<sup>th</sup> meeting held on 3 July 2012.



## **IX. Report from the Finance Committee (P.C. 22/2012)**

26. Members noted the report from the Finance Committee on the matters considered at its 45<sup>th</sup> meeting held on 24 July 2012.

## **X. Report from the Staffing Committee (P.C. 23/2012)**

27. Members noted the report from the Staffing Committee on the matters considered at its 42<sup>nd</sup> meeting held on 10 July 2012.

## **XI. Any Other Business**

### **(A) SME One**

28.               said that at the last meeting, Members supported the Management's initiative to set up SME One which was a one-stop advisory service centre for SMEs. A soft opening was held on 17 July 2012 and up to 30 July 2012, 728 visitors and 119 enquiries had been received. Separately, 3 events had been held at the centre. The bulk of the enquiries, around 80%, were related to the various funding schemes and the BUD Programme. Another 14% of the enquiries were related to HKPC's services demonstrating that, apart from providing an integrated resource and service centre for SMEs, the centre would also serve a marketing function to extend our support services to reach more SMEs. Formal opening and launch of SME One was planned for the end of September 2012.

29.               invited Members to help promote SME One to their business and association contacts. Apart from sending pamphlets to the associations,               said that HKPC should explore hyperlink with the web sites of the various trade and industry associations.

### **(B) Most Admired Knowledge Enterprise (MAKE) Award**

30. Members noted that HKPC was selected as one of the top three winners of the Hong Kong MAKE Award 2012. The Global MAKE Award was established in 1988 which was an internationally recognized award to recognize organizations for creating stakeholders' wealth by transforming enterprise knowledge and intellectual capital into superior products, services and solutions. Winning the award would reinforce HKPC's image as a knowledge enterprise to lead industries by example. The award had also enabled HKPC to take stock of our past efforts in knowledge management and identify areas for improvement. HKPC was nominated for the Asian MAKE Award 2012 and the application had already been submitted.

31.                               congratulated HKPC for winning the award which would enhance HKPC's credentials in providing knowledge management consultancy to enterprises.

**(C) Functional Constituency Election 2012**

32. The meeting noted that as there was only one candidate for the Industrial (First) constituency, there was no need for ED to vote on behalf of HKPC.

**(D) Attendance Record of Council Members**

33. Members noted their attendance record in 2012 tabled at the meeting.

**XIII. Date of Next Meeting**

35. The next meeting was tentatively scheduled on 27 November 2012 at 2:30pm.

36. There being no other business, the Chairman thanked Members for their attendance and the meeting was adjourned at 5:45pm.