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F.C. 9/2012 (Revised)

**Revised Minutes of the 45th Meeting of the Finance Committee
held at 2:30p.m. on Tuesday, 24 July 2012
in the Board Room, 2nd Floor, HKPC Building
78 Tat Chee Avenue, Yau Yat Chuen, Kowloon**

Present : Chairman - Mr. Victor Ng, MH
Members - Mr. Clement Chen Cheng-jen, BBS, JP
Mr. Adolph Leung, JP
(representing Mrs. Helen Chan, JP)
Mrs. Agnes Mak Tang Pik-yee, MH, JP
Dr. David Ng Tai-chiu
Dr. Dennis Ng Wang-bun, MH
Mr. Johann Wong

In attendance from ITC : Mr. Ting Lup-wong

In attendance from HKPC :

Mr. Tony Lam	Director, Corporate Services
Mr. Joseph Poon	Director, Technology Development
Dr. Samuel Leung	General Manager, Finance and Procurement
Mr. Alfonso Tam	Chief Manager, Corporate Services
Ms. Miranda Yeap	Senior Manager, Corporate Services

Welcome

The Chairman welcomed Mr. Johann Wong, Deputy Commissioner for Innovation and Technology Commission, who attended the meeting for the first time.

Confirmation of Minutes (F.C. 3/2012 Revised)

The Revised Minutes of the 44th Meeting of the Finance Committee held on 20 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 (F.C. 4/2012)

1. Invited by the Chairman to report, _____ said that a three-year strategic plan outlining the broad strategies of HKPC for 2012/13 -2014/15 was endorsed by the Council at its 117th meeting held on 26 July 2011. The Management had revisited the existing strategic plan and considered that the four pronged strategy of scaling up platforms, creating value for SMEs, sharpening core competencies and developing strategic partnership was still valid. _____ explained to Members the various initiatives being implemented and explored to take forward the four strategies as outlined in paragraph 5 of the paper. These initiatives had been considered and supported by the Business Development Committee at its 48th meeting held on 3 July 2012.

2. Members endorsed for the Council's approval the updated Three-year Strategy Plan for HKPC's business in Hong Kong and the Mainland at Annex A of the paper.

II. Annual Accounts for the year 2011/12 (F.C. 5/2012)

3. Invited by the Chairman to report, _____ briefed Members that the total fees & services charges for 2011/12 amounted to \$337.5M which was higher than the budget by \$4.2M (or 1.3%). The income surplus primarily came from consultancy projects (\$12.9M) and study missions (\$5.6M) but was offset by the shortfall in in-class training/conference (\$4.7M) and government funded projects (\$7.5M). Total expenditure for the year amounted to \$512.3M which was \$5.9M (or 1.2%) higher than the budget of \$506.4M.

4. _____ said that while financial prudence was exercised to control operation expenditure, capital expenditure had been centrally managed to ensure that the planned capital investment for capability enhancement and other corporate purposes would be implemented as scheduled. In this connection, _____ pointed out that increasing expenditure for the maintenance of the HKPC Building and its contents would need to be incurred as the HKPC Building aged. In response to _____ enquiry on whether the Government would provide additional special resource support to HKPC for the necessary and costly building maintenance works given that HKPC's subvention level had been frozen for the past few years, _____ said that where the

request was legitimate and reasonable, the Government was willing to open a dialogue with the HKPC Management.

7. continued to inform the meeting that the Audit Committee, during examination of the Annual Accounts at its meeting held on 8 June 2012, raised the observation on whether the goods/equipment purchased on behalf of clients in a consultancy should be counted as revenue. had advised that given HKPC's business nature, the inclusion of purchased goods as part of the revenue posed no particular problem as those purchases did form part of the sales contracts. In reply to , said that staff had been instructed to avoid conducting pure procurement for clients. But as long as there were clients insisting on HKPC undertaking project procurement for them, the related cost would need to be entered into as external project income. In this connection, as part of an education process, the Management would introduce the value-added concept where financial performance would not be counted only on the basis of total external income generated.

8. In response to enquiry on the overspending of direct project expenses, said that steps had been taken to ensure accurate estimates by Divisions on direct project expenses which should show a clear reference to the trend of such expenses over a period of say 3 years.

10. In response to suggestion, the Management would look into providing further breakdown in project expenses in future reports to the Finance Committee.

11. Members endorsed the Annual Accounts 2011/12 for the Council's approval.

III. Financial Performance of HKPC for the First Quarter of 2012/13 (April – June 2012) (F.C. 6/2012)

12. Invited by the Chairman to brief Members, said

and six items found damaged or obsolete. The relevant divisions had taken corresponding actions to follow-up.

17. said that the Management considered that there was further room for enhancing the internal control over fixed assets and was looking at the merits and feasibility of conducting annual divisional stock take instead of a corporate-wide full stock taking every five years supplemented by random checking annually.

18. Members noted the results of the annual random stock taking of fixed assets in 2011/12.

V. Quarterly Report on Investment of HKPC's Funds (F.C. 8/2012)

19. Invited by the Chairman to brief Members, reported that HKPC had a cash balance of \$180M as at 30 June 2012. Under the existing framework, all HKPC's funds were placed in time deposits or savings accounts.

20. Continuing, reported that the actual bank interest income earned by HKPC in 2011/12 was \$1.23M, representing an average return rate of 0.99%. In the 1st quarter of 2012/13, the actual bank interest income was \$0.28M, representing an average return rate of 0.97%. Both return rates were higher than the average interest rate (around 0.01%) for savings account currently offered by the major banks in Hong Kong.

21. In response to enquiry on the possibility of investing in foreign currencies, said that ITC was awaiting the completion of the Financial Services and the Treasury Bureau's review of the Investment Guide for government departments and quangos. ITC would keep in view the issuance of the new Guide and inform HKPC accordingly.

22. Members noted the cash balance and treasury activities of HKPC as at 30 June 2012.

VI. Any Other Business

(A) Attendance Record of FC Members

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

VII. Date of Next Meeting

24. It was agreed that the date of the next meeting was scheduled for 20 November 2012 at 2:30pm.

25. There being no other business, the Chairman thanked Members for their attendance and the meeting was adjourned at 4:15pm.