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and Members' names removed)**

P.C. 39/2016 (Revised)

**Revised Minutes of the 133rd Meeting of the Hong Kong Productivity Council
held at 2:30p.m. on Wednesday, 30 November 2016 in the Board Room
2nd floor, HKPC Building, 78 Tat Chee Avenue, Yau Yat Chuen, Kowloon**

Present: Chairman – Mr. Willy Lin Sun-mo, SBS, JP

Members – Prof. John Chai Yat-chiu, JP
Mr. Cheuk Wing-hing, JP (Permanent Secretary for
Innovation and Technology)
Mr. Alan Cheung
Ms. Annie Choi Suk-han, JP (Commissioner for
Innovation and Technology)
Mr. Felix Chow Bok-hin
Mr. Wilson Fung Ying-wai
Miss Lam Kam-yi
Ms. Amy Lee Sau-king
Dr. Delman Lee
Mr. Adolph Leung, JP (Principal Economist, representing
Mrs. Helen Chan, JP, Government Economist)
Mr. Leung Kwong-chuen
Mr. Leung Yam-shing
Mr. Li Hoi
Mr. Byron Ng, JP (Deputy Commissioner for Labour)
Dr. Dennis Ng Wang-pun, BBS, MH
Mr. Victor Ng Chi-keung, MH
Mrs. Katherine Ngan Ng Yu-ying, MH, JP
Mr. Sunny Tan
Mr. Patrick Wong Chi-kwong
Ms. Salina Yan Mei-mei, JP (Director-General of Trade
and Industry)
Dr. Jack Yeung Chung-kit

Absent with Apologies: Prof. Helen Meng Mei-ling

In Attendance from the Innovation and Technology Commission:

Mr. Bryan Ha

In Attendance from HKPC:

Mrs. Agnes Mak Tang Pik-yee, MH, JP	Executive Director
Dr. Lawrence Cheung	Director, Technology Development
Mr. Tony Lam	Director, Corporate Services
Mr. Gordon Lo	Director, Business Management
Mr. Jonathan Ho	General Manager, Corporate Communication and Marketing
Ms. Lilian Ho	General Manager, Human Resources and Administration (Item V only)
Ms. Vivian Lin	General Manager, Finance and Procurement (Items III & IV only)
Mr. Alfonso Tam	Chief Manager, Council Secretariat
Ms. Gillian Luk	Senior Manager, Council Secretariat

Welcome

Mrs. Agnes Mak, Executive Director (ED) welcomed Mr. Willy Lin Sun-mo, SBS, JP, new Chairman to chair the meeting.

The Chairman welcomed Ms. Salina Yan Mei-mei, Director-General of Trade and Industry who attended the meeting for the first time.

Vote of Appreciation

The Chairman suggested, and Members agreed, to record a vote of appreciation to Mr. Victor Ng Chi-keung, Dr. Jack Yeung Chung-kit, Mr. Leung Yam-shing, Prof. Helen Meng Mei-ling and Mrs. Katherine Ngan Ng Yu-ying who would retire from the Council after 31 December 2016 for their contributions to HKPC during their tenure as Council Members.

Permanent Secretary for Innovation and Technology (PSIT) thanked the retiring Members for their guidance and support through the years especially Mr. Victor Ng who had served as Council Member, Deputy Council Chairman and as Chairman of the Audit Committee and Finance Committee.

I. Confirmation of Minutes (P.C. 29/2016 Revised and P.C. 28/2016 Revised)

The Revised Minutes of the 132nd Council Meeting held on 27 July 2016 had been circulated to Members and there were no further requests for amendments. The Revised Minutes of the meeting were taken as read, confirmed and signed by

the Chairman. As for the Revised Minutes of the closed session held during the meeting, no further requests for amendments had been received from Members and the Revised Minutes of the closed session were also taken as read, confirmed and signed by the Chairman.

III. Revised Programme and Estimates of HKPC for 2016/17 (P.C. 31/2016)

5. Invited by the Chairman, introduced the paper and said that the Finance Committee, in endorsing the draft audited accounts for 2015/16 at its 57th meeting held in July 2016, noted that while income performance and the overall financial results achieved were commendable, the value-added was below target. The Management was requested to ensure that realistic budgets should be set to minimize variance between the budget estimates and actual results, particularly for important parameters such as project expenses which, if budgeted incorrectly, would adversely affect performance in value-added. It was against this background that the Management had re-examined the estimates for 2016/17, taking into account the past trends between the budgeted and actual performance as well as the estimated project expenses for projects in the pipeline. The review focused on four major expenses items, namely: direct project expenses, staff emolument, other fixed costs and depreciation, as well as reference to the direct project expenses of the projects in the pipeline on hand in order to determine realistic direct project expenses estimates.

6. said that the two arguably most important parameters, namely external income and financial results, would remain unchanged as in the originally approved Programme and Estimates for 2016/17. However, there would be an increase in direct project expenses estimates which would be compensated by reduction in staff emolument and other fixed costs estimates, as follows:

- (a) direct project expenses estimates for 2016/17 would be revised upward from \$164.5M to \$185.3M, or from 38.3% to 43.2% as a percentage of external income, the latter of which was more aligned with the recent trend and projects in the pipeline;
- (b) staff emolument estimates would be revised downward from \$373.4M to \$358.1M with a growth rate of 4.8% from 2015/16; and
- (c) the overall other fixed cost estimates would be reduced from \$63.0M to \$57.5M.

7. said that the revised programmes and estimates for 2016/17 as laid out in paragraph 9 of the paper had been endorsed by the Finance Committee at its meeting held on 16 November 2016. In the light of the performance of the first 6 months of 2016/17, the Management had also refined the targets of 6 Key

Performance Indicators (KPIs) with both upward and downward adjustment as highlighted in Appendix 6 of the paper.

12. The meeting discussed the pros and cons of revising the estimates as proposed. After some discussion, the meeting noted and understood the rationale behind revising the estimates (as well as for the 6 selected KPIs). At the same time, the meeting also noted the arguments put forward by [redacted] about the absence of absolute necessity for revising the estimates at this point in time. Overall, the meeting did not direct the Management to proceed to submit the proposed revised estimates for 2016/17 as outlined in the paper to the ITC for approval. The meeting also considered that the KPIs for 2016/17 would remain unchanged without the proposed revision.

IV. Programme and Estimates of HKPC for 2017/18 and Three-Year Forecast 2017/18-2019/20 of HKPC Income and Expenditure (P.C. 32/2016)

13. Invited by the Chairman, [redacted] introduced the paper and said that the forecast for the years 2017/18 to 2019/20 was anchored on the three-pronged strategy and the Three-Year Strategic Plan of HKPC approved by the Council in April and July 2016 respectively. In pursuance of the strategic plan, 12 corporate goals had been approved by the Council in July 2016. These goals had been formulated under the “Smart City” and “Smart Industry” concept to help local industries seize the many opportunities offered by Industry 4.0 which advocated a new smart business and industry paradigm transformation for enterprises in both the manufacturing and service sectors to stay competitive globally. More importantly, these initiatives would support the government policy to promulgate re-industrialization as a potential new area of economic growth for Hong Kong. In developing new services under these corporate goals, HKPC would aim to focus on four major categories of activities, namely: market research and study, stakeholder engagement and survey, service and technology roadmap development, and industry engagement and service promotion. Meanwhile, HKPC’s ongoing services would also support the “Smart” concept to address industry needs in five major areas:

- (a) solutions in biomedical engineering, optical and precision engineering, smart mobility and green transportation;
- (b) smart and innovative environmental solutions;
- (c) integrated one-stop support in smart manufacturing technologies;

- (d) end-to-end consultancy and training services on business sustainability and continuous improvement; and
- (e) e-Commerce IT consultancy, new cyber security, business process management and industry support.

Details of the corporate goals and major service focus were outlined in paragraphs 7-11 of the paper. With regard to the KPIs for HKPC, said that the 2017/18 targets for the set of 23 indicators approved by the ITC were set out in Appendix 14 of the paper.

14. Members were then briefed by on the financial estimates and forecast. On the overall forecast, external income was estimated to increase by 10.3% from \$449.8M in 2017/18 to \$496M in 2019/20, while expenditure was estimated to increase by 7.2%. The income/expenditure ratio was estimated to increase from 69.6% in 2017/18 to 71.6% in 2019/20. With regard to the estimates for 2017/18, said that total income for 2017/18 came to \$449.8M while total expenditure was projected to be \$646.4M. The income/expenditure ratio for 2017/18 was estimated at 69.6%.

15. In response to the enquiries of and , said that staff size was now closely controlled and there was no automatic replacement unless supported by demonstrated business and operation needs. added that if we took a longer perspective, say, two years' time, on assessing the amount of staff emolument provided, the budgeted amount for 2017/18 was already about 8% (or \$27M increase) over that in 2015/16. The meeting noted.

17. After discussion, Members approved:

- (a) HKPC's Three-Year Forecast for 2017/18 – 2019/20 endorsed by the Finance Committee at its 58th meeting held on 16 November 2016;
- (b) the detailed Programme and Estimates of HKPC for 2017/18 which included the overall staff establishment of 695 (including the Automotive Parts and Accessory Systems R&D Centre (APAS) of which the establishment size was 33) endorsed by the Staffing Committee at its 55th meeting held on 8 November 2016; and
- (c) the proposed targets for KPIs for 2017/18.

18. Members also noted:

- (a) the revised estimates for 2016/17 and the forecast for 2017/18 – 2019/20 of

the Mainland subsidiaries which did not form part of HKPC's estimates for the purpose of subvention requirement; and

- (b) the continued operation of APAS (as separately funded under ITF) for 4 years up to 31 March 2021 and the indicative funding to be allocated to support the operation of APAS during 2017/18 – 2019/20 as supported by the Panel on Commerce and Industry of the Legislative Council on 16 June 2015.

VI. HKPC 50th Anniversary Commemorative Programmes (P.C. 34/2016)

26. Invited by the Chairman, introduced the paper and said that in November 2015, the Council agreed to set up a Steering Committee (it was later renamed Organizing Committee (OC) to better reflect its function) to provide guidance for the planning and execution of the commemorative programmes. At the Council Meeting held on 27 April 2016, Members generally supported the “2+3 structure” for the commemorative programmes, i.e. 2 flagship events plus 3 fringe events. The 2 flagship events referred to an international conference on the latest development on technology pertinent to smart industry and an exhibition on the development of Hong Kong's industry in the past 50 years. The 3 fringe events included a cocktail reception, a commemorative booklet and a distance run event. then briefed Members on the latest development of these events, as laid out in paragraphs 5-10 of the paper.

33. Members noted the latest update on the commemorative programmes for the 50th anniversary and agreed that the exhibition should be taken out of the programmes and that HKPC would not withdraw from the research commissioned for the exhibition.

VII. Progress Report from the Audit Committee (P.C. 35/2016)

34. Members noted the report from the Audit Committee on matters considered at its 40th meeting held on 9 November 2016.

VIII. Progress Report from the Business Development Committee (P.C. 36/2016)

35. Members noted the report from the Business Development Committee on matters considered at its 61st meeting held on 15 November 2016.

IX. Progress Report from the Finance Committee (P.C. 37/2016)

36. Members noted the report from the Finance Committee on matters considered at its 58th meeting held on 16 November 2016.

X. Progress Report from the Staffing Committee (P.C. 38/2016)

37. Members noted the report from the Staffing Committee on matters considered at its 55th meeting held on 8 November 2016.

XI. Any Other Business

(A) Attendance Record of Council Members

38. Members noted their attendance record in 2016 tabled at the meeting.

(B) 2017 Meeting Schedule

39. Members noted the proposed 2017 Council meeting schedule tabled at the meeting, as follows:

Meeting	Date and Time
134 th meeting	29 March 2017 (Wednesday) 2:30pm
135 th meeting	26 July 2017 (Wednesday) 2:30pm
136 th meeting	29 November 2017 (Wednesday) 2:30pm

XII. Date of Next Meeting

40. The next meeting was tentatively scheduled on 29 March 2017 at 2:30pm.