Welcome to New Chairman

Mrs. Agnes Mak, the Executive Director (ED) welcomed Mr. Wilson Fung Ying-wai as Chairman of the Finance Committee.

Welcome

The Chairman welcomed Prof. John Chai Yat-chiu and Ms. Karmen Yeung Ka-yin 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 for his contribution during his tenure as Chairman of Finance Committee.

I. Confirmation of Minutes (F.C. 20/2016 Revised)

1. The Revised Minutes of the 58th Meeting of the Finance Committee held on 16 November 2016 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.


8. Invited by the Chairman, introduced the paper which set out the financial performance of HKPC and its branches for the period from April 2016 to January 2017. During the period, HKPC’s total fee income was $341.6M, which was lower than the budget by $16.2M (or 4.5%). Total expenditure was $332.3M, or 12.8% less than the budget. The financial result for the period was more than the budget by $23.5M. During the same period, the balance of the provision for staff annual leave was reduced by 32.6% to $10M as at end of January 2017, while the balance of the number of staff annual leave days with financial implication was also reduced from 6,902 to 5,703, or by 17.4%.

9. With regard to the financial performance for the period, enquired if direct project expenditure relative to external income would be controllable. In reply, said that such project expenses as a percentage of external income depended largely on the project nature of projects undertaken by HKPC. Generally, technology and R&D intensive projects, as opposed to business consultancy projects, frequently involved machines and fabrication, and would necessarily increase total direct project expenses. Overall, the Management considered that the external income target for 2016/17 was achievable but the level of direct project expenses would have a negative impact on achieving the budgeted value added for the year.

10. said that to minimize the potential impact of direct project expenses on achieving the budgeted value-added, the general managers of
the operation divisions had to ensure their estimates of direct project expenses were realistic based on past trends between the budgeted and actual outcome as well as an educated estimate of the direct project expenses for projects in the pipeline. In a strive to ensure more realistic estimates on projection, the Finance Committee endorsed a revised budget for 2016/17 in November 2016 for Council’s approval, but in the event the recommendation had not been taken on.

said that the Management would continue to keep a close watch on the level of actual direct project expenditure against the estimates to ensure it would be under close control.

11. In reply to on the progress of building maintenance works, said that the planned building works would be implemented according to their priorities and were being closely monitored. It was anticipated actual expenditure in these area would be close to the budget for the year.

12. With regard to the underspending in staff emolument, enquired if this would impact on staff loading and talent cultivation to support the continuous growth of the organization. said that the staff emolument budget was based on full staff establishment. In theory, the approach would ensure a sufficient budget to meet the cost of manpower needs next year. In practice, not all vacancies resulting from staff turnover during the year could always be filled immediately. Furthermore, replacement was not automatic as each and every recruitment must be justified in terms of present business needs, future business development strategy, and gainful deployment within the organization for enhanced synergy.


IV. Quarterly Report on HKPC’s Funds (F.C. 3/2017)

14. Members noted that as at 31 December 2016, HKPC’s cash balance was $284M. The actual bank interest income earned by HKPC for the period was $0.3M, representing an average return rate of 0.4%, which was higher than the 0.02% average interest rate for savings accounts offered by major banks in Hong Kong. Members also noted that no investment had been made in Bonds/Notes and Certificates of Deposits which were added to the investment framework of HKPC after approval by the Financial Secretary in June 2015. This was because these products so far offered a lower rate of return and flexibility than time deposit.
15. noted an uptrend of interbank interest rates in the second half of 2016, and thus asked how the average return rate of HKPC’s deposits in the first three quarters of financial year 2016/17 compared with that in the preceding financial year. undertook to examine the interest income earned by HKPC compared with the same period in 2015/16.

(Post meeting note: the actual interest income earned by HKPC in the first three quarters of 2015/16 was HK$0.3M, representing an average return rate of 0.5%. This is generally comparable with the actual bank interest income earned by HKPC in the first three quarters of 2016/17.)

V. Any Other Business

(A) Secretariat Service for the Enterprise Support Programme (ESP) of the Dedicated Fund on Branding, Upgrading and Domestic Sales (BUD)

16. Invited by the Chairman, briefed Members that the extension of the application period of the BUD Fund for 5 years to June 2022 was announced in the 2017/18 Budget Speech delivered by the Financial Secretary on 22 February 2017. said that based on the pricing approach supported by the Finance Committee at its 58th meeting held on 16 November 2016, the Government had formally accepted HKPC’s fee proposal for its ESP secretariat service for a period of seven-and-a-half years starting from 25 June 2017.

17. Members noted the update on the continued engagement of HKPC as the ESP secretariat of the BUD Fund.

(B) Attendance Record of FC Members

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

VI. Date of Next Meeting

19. It was agreed that the date of the next meeting was scheduled for 11 July 2017 at 2:30pm.

20. There being no other business, the Chairman thanked Members for their attendance and the meeting was closed at 3:30pm.