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P.C. 32/2017 (Revised)

Revised Minutes of the 136th Meeting of the Hong Kong Productivity Council held at 2:30p.m. on Wednesday, 29 November 2017 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
Ms. Mandy Kwok Man-yee
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
Miss Mabel Li, JP (Deputy Commissioner for Labour)
Dr. Dennis Ng Wang-pun, BBS, MH
Prof. Tam Kar-yan, MH
Mr. Sunny Tan
Mr. Patrick Wong Chi-kwong
Mrs. Carrie Yau Tsang Ka-lai, GBS, JP
Ms. Karmen Yeung Ka-yin

Absent with Apologies: Mr. Li Hoi
Ms. Salina Yan Mei-mei, JP (Director-General of Trade and Industry)
Mr. Emil Yu Chen-on, JP

In Attendance from the Innovation and Technology Commission:

Mr. Bryan Ha Kwok-fung

In Attendance from the Trade and Industry Department:

Mr. Mike Ng Man-yu

In Attendance from HKPC:

Mr. Gordon Lo	Executive Director (Acting)
Dr. Lawrence Cheung	Director, Technology Development
Ms. Vivian Lin	General Manager, Finance and Procurement
Ms. Flora Li	General Manager, Human Resources and Facility Management (Item IV only)
Mr. Alfonso Tam	Chief Manager, Council Secretariat
Ms. Gillian Luk	Senior Manager, Council Secretariat

Vote of Appreciation

The Chairman suggested, and Members agreed, to record a vote of appreciation to Dr. Delman Lee, Dr. Dennis Ng Wang-pun and Miss Lam Kam-yi who would retire from the Council after 31 December 2017 for their contributions to HKPC during their tenure as Council Members.

I. Confirmation of Minutes (P.C. 21/2017 Revised)

1. The Revised Minutes of the 135th Council Meeting held on 26 July 2017 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.

II. Hong Kong Financial Reporting Standard 15 (HKFRS 15): Revenue from Contracts with Customers (P.C. 22/2017)

2. Invited by the Chairman, said that HKFRS 15 was a new accounting standard in income recognition. It established principles for reporting useful information to financial statement users about the nature, amount, timing and uncertainty of income and cash flows arising from contracts with customers. This standard would be effective on 1 January 2018 and HKPC was required to adopt the standard in the financial year 2018/19.

4. After discussion, Members approved the adoption of the new accounting standard, HKFRS 15, through the cumulative effect approach in transition, as endorsed by the Finance Committee at its 61st meeting held on 21 November 2017.

III. Programme and Estimates of HKPC for 2018/19 and Three-Year Forecast 2018/19 – 2020/21 of HKPC Income and Expenditure (P.C. 23/2017)

5. Invited by the Chairman, presented a video on HKPC's major activities and achievements in the past year. then introduced the paper and said that the forecast for the years 2018/19 to 2020/21 was anchored on the three-pronged strategy and the Three-Year Strategic Plan of HKPC approved by the Council in April 2016 and July 2017 respectively. 14 corporate goals developed under the Smart City and Smart Industry concept would be pursued to improve people's daily living and promote re-industrialization, as detailed in paragraphs 7 to 9 and Appendices 1 and 2 of the paper. Separately, HKPC would also be prepared to provide the needed support to industry in respect of the Guangdong-Hong Kong-Macau Bay Area and Belt and Road initiatives, as detailed in paragraph 10 of the paper.

6. Members were then briefed by on the financial estimates and forecast. With regard to the estimates for 2018/19, said that external income for 2018/19 came to \$433.9M while total expenditure was projected to be \$641.4M. The income/expenditure ratio for 2018/19 was estimated at 67.6%. On the overall forecast, as compared with 2018/19, external income was estimated to increase by 9.3% to \$474.4M in 2020/21, while expenditure was estimated to increase by 6.2% to \$681.2M in 2020/21. The income/expenditure ratio was estimated to increase to 69.6% in 2020/21.

7. said that a major initiative for the forecast period was Inno Space. Since opening in late October 2017, Inno Space had attracted over 1000 visitors and about 70 membership registrations had been approved. At this early stage, HKPC would focus on promotion of Inno Space and membership drive to create awareness at the industry and community level. Student membership was also available to help cultivate in the younger generation a culture of innovation and how to turn ideas to industry to contribute to the re-industrialization of Hong Kong.

8. In reply to , said that in August 2017, HKPC signed an MOU with the Futian Municipal Government to set up the HKPC Shenzhen Innovation and Technology Centre (the Centre) in the Shenzhen Futian Free Trade Zone. This was part of a critical strategy for HKPC to position itself in the Guangdong-Hong Kong-Macau Bay Area to support the development of the Hong Kong/Shenzhen Innovation and Technology Park and the Belt and Road initiative. As reported to the Council at its last meeting on 26 July 2017, the Centre would be set up as a non-commercial body (非編制的事業單位). Services of the Centre would focus on R&D of smart manufacturing, artificial intelligence, big data and environmental technologies, as well as training. With reference to the

operation model of Inno Space of HKPC, it was anticipated that the Centre could also provide integrated support services for start-ups and SMEs and to create synergy with Inno Space to assist local start-ups to showcase their innovations to manufacturers and investors for business collaboration.

11. After discussion, Members approved:

- (a) HKPC's Three-Year Forecast for 2018/19-2020/21 endorsed by the Finance Committee at its 61st meeting held on 21 November 2017;
- (b) the detailed Programme and Estimates of HKPC for 2018/19 which included the overall staff establishment of 695 based on the new job family adopted by the Council (including the Automotive Parts and Accessory Systems R&D Centre (APAS) of which the establishment size was 33) as endorsed by the Staffing Committee (SC) at its 58th meeting held on 7 November 2017; and
- (c) the proposed targets for KPIs for 2018/19 at Appendix 13 of the paper.

12. Members also noted the Three-year Forecast of Mainland subsidiaries, including the setup of the Centre, and the indicative funding from the Innovation and Technology Fund to support the operation of APAS for the 3 year period from 2018/19 to 2020/21 which did not form part of HKPC's income and expenditure forecast for the purpose of subvention requirement.

IV. Introduction of New Leave Types (P.C. 24/2017)

13. Invited by the Chairman, briefed Members on a proposal to introduce Compassionate Leave and Marriage Leave of 3 paid days each to align HKPC's benefit provisions with market practice and maintain HKPC's competitiveness as an employer for staff retention and talent acquisition. The proposal to introduce Compassionate Leave and Marriage Leave was drawn up initially having regard to two surveys on market practice conducted by Korn Ferry Hay Group in August 2017 and the West Kowloon Cultural District Authority in May 2013, as detailed in paragraph 4 and Annexes I and II of the paper. The SC supported the proposal in principle but requested that more information on the practices of organizations offering such leave types should be included in the proposal prior to seeking the Council's approval. A survey of the practices of 11 quangoes was subsequently conducted by HKPC in mid-November 2017, details as contained in paragraph 5 and Annex III of the paper. said that according to the latest survey in November 2017, most of the surveyed organizations offered both Compassionate

Leave and Marriage Leave to their employees, with the majority providing three days with pay for the two leave types.

15. said that based on the 2016 crude death and marriage rates provided by the Census and Statistics Department and the average daily pay of HKPC staff, the estimated financial implication of introducing Compassionate Leave and Marriage Leave was minimal.

16. After discussion, Members approved the proposal as laid out in paragraph 8 of the paper and summarized in paragraph 14 above, with the following amendments:

- (a) marriage certificates issued by competent authorities locally and in other countries would be accepted as documentary proof for Marriage Leave application; and
- (b) Compassionate Leave should be extended to the parents of the spouse of a staff member.

17. Members also agreed that, subject to the formal approval of the Innovation and Technology Commission (ITC), the proposed introduction of Compassionate and Marriage Leave would take effect from 1 January 2018.

V. Review of Terms of Reference of Business Development Committee and Finance Committee (P.C. 25/2017)

19. Invited by the Chairman, said that at the 135th Council meeting held on 26 July 2017, Members agreed that since the Three-year Strategic Plan of HKPC consisted of business strategies, it should be reviewed and recommended to the Council by the Business Development Committee (BDC) instead of the Finance Committee (FC). Members also agreed that the Management should review and submit the changes to the Terms of Reference (TOR) of the BDC and FC for the Council’s approval in one go at its next meeting.

20. Members approved the revised TOR of the BDC and FC as laid out at Appendices 1 and 2 of the paper, incorporating the following changes:

- (a) the insertion of a new pointer (vii) in the TOR of the BDC – “To recommend HKPC’s Three-year Strategic Plan to the Council for consideration.” ; and
- (b) combining pointers (ii) and (iii) of the TOR of the FC and removing the

reference to Three-year Strategic Plan – “To recommend HKPC’s Three-year Forecast and an Annual Programme and Estimates to the Council for consideration.”

VII. Progress Report from the Audit Committee (P.C. 27/2017)

22. Members noted the report from the Audit Committee on matters considered at its 44th meeting held on 16 November 2017.

VIII. Progress Report from the Business Development Committee (P.C. 28/2017)

23. Members noted the report from the Business Development Committee on matters considered at its 64th meeting held on 14 November 2017.

IX. Progress Report from the Finance Committee (P.C. 29/2017)

24. Members noted the report from the Finance Committee on matters considered at its 61st meeting held on 21 November 2017.

X. Progress Report from the Staffing Committee (P.C. 30/2017)

25. Members noted the report from the Staffing Committee on matters considered at its 58th meeting held on 7 November 2017.

XI. Any Other Business

(A) Invention Centre - Powered by HKPC and Fraunhofer IPT

26. informed Members that a new centre, namely Invention Centre, would be set up jointly with Fraunhofer IPT to support Hong Kong companies in smart products and services invention, time-to-market development and prototyping through the intensive expertise, technology network and facilities of both organisations. The proposed Centre, to be located next to Inno Space, would comprise a Data Analytic Corner, a Technology Cube and office booths for up to 4 staff. Fraunhofer IPT would deploy 1 to 2 full time colleagues from Germany to be stationed at the Centre at their own costs to work with HKPC staff in providing services and training. It was expected that the Invention Centre

would commence operation in April 2018. Progress would be reported to the BDC in due course.

(B) Attendance Record of Council Members

27. Members noted their attendance record in 2017 tabled at the meeting.

(C) 2018 Meeting Schedule

28. Members noted the proposed 2018 Council meeting schedule tabled at the meeting, as follows:

Meeting	Date and Time
137 th meeting	28 March 2018 (Wednesday) 2:30pm
138 th meeting	25 July 2018 (Wednesday) 2:30pm
139 th meeting	28 November 2018 (Wednesday) 2:30pm

XII. Date of Next Meeting

29. The next meeting was tentatively scheduled on 28 March 2018 at 2:30pm.