

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

F.C. 18/2017 (Revised)

**Revised Minutes of the 61st Meeting of the Finance Committee
held at 2:30p.m. on Tuesday, 21 November 2017
in the Board Room, 2nd Floor, HKPC Building
78 Tat Chee Avenue, Yau Yat Chuen, Kowloon**

Present : Chairman - Mr. Wilson Fung Ying-wai

Members - Prof. John Chai Yat-chiu, JP
Mr. Felix Chow Bok-hin
Mr. Adolph Leung, JP
(representing Mrs. Helen Chan, JP)
Mr. Gordon Lo
Dr. Dennis Ng Wang-pun, BBS, MH
Ms. Karmen Yeung Ka-yin
Mr. B.S. Yeung
(representing Mr. Bryan Ha Kwok-fung)

In attendance from Innovation and Technology Commission :

Mr. Gary Wan Senior Manager, Innovation and
Technology Fund

In attendance from KPMG :

Mr. Bayern Chui Partner, Audit
Mr. Salz Yuan Manager, Audit

In attendance from HKPC :

Dr. Lawrence Cheung Director, Technology Development
Ms. Vivian Lin General Manager, Finance and Procurement
Mr. Alfonso Tam Chief Manager, Council Secretariat
Ms. Olivia Poon Manager, Council Secretariat

I. Confirmation of Minutes (F.C. 11/2017 Revised)

1. The Revised Minutes of the 60th Meeting of the Finance Committee (FC) held on 12 July 2017 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.

II. Hong Kong Financial Reporting Standard 15 (HKFRS 15): Revenue from Contracts with Customers (F.C. 12/2017)

2. Members were briefed by and on the “Hong Kong Financial Reporting Standard 15 (HKFRS 15): Revenue from Contracts with Customers” which would become effective on 1 January 2018 and how this would impact income recognition for HKPC.

(Mr. Bayern Chui and Mr. Salz Yuan left the meeting at 3:00pm after the presentation.)

3. Invited by the Chairman, said that HKPC would need to adopt HKFRS 15 from 2018/19 onwards. then briefed Members on the recommendation, as outlined in paragraphs 9 to 10 of the paper, for HKPC to adopt the new standard through a cumulative effect approach in transition, rather than using a retrospective approach.

6. Members supported the Management’s recommendation to adopt the new standard through a cumulative effect approach in transition.

III. Programme and Estimates of HKPC for 2018/19 and Three-Year Forecast 2018/19 – 2020/21 of HKPC Income and Expenditure (F.C. 13/2017)

7. Invited by the Chairman, 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 and July 2017 respectively. 14 corporate goals under the Smart City and Smart Industry concept would be pursued, as detailed in paragraphs 7 to 9 and Appendix 1 of the paper, to improve people’s daily living and promote re-industrialization. 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. Details were outlined in paragraph 10 of the paper.

8. 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 \$433.9M in 2018/19 to \$474.4M in 2020/21, while expenditure was estimated to increase by 7.2%. The income/expenditure ratio was estimated to

increase from 67.6% in 2018/19 to 69.6% in 2020/21.

9. Members agreed with that, for clarity, the estimated amounts of variable pay and capital expenditure for 2018/19 should also be laid out in the main body of the paper in addition to inclusion under Appendices 3 and 10 when presenting to the Council for approval.

11. said that since Inno Space would start to ramp up in 2018/19, a conservative approach in income forecast was adopted. The 2019/20 and 2020/21 forecast for Inno Space would need to be reviewed and revised in 2018/19 when more information on the business picture and revenue generation of Inno Space would be available.

14. Members endorsed for the Council's approval:

- (a) HKPC's Three-Year Forecast for 2018/19-2020/21;
- (b) the detailed Programme and Estimates of HKPC for 2018/19 which included the overall staff establishment of 695 (including APAS of which the establishment size was 33) (based on the new job family approved by the Council) endorsed by the Staffing Committee 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.

15. Members also noted the Three-year Forecast of the 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.

VI. Financial Performance of HKPC for the First Two Quarters of 2017/18 (April - September 2017) (F.C. 16/2017)

24. Members noted the financial performance of HKPC for the period from April to September 2017. For the first two quarters of 2017/18, HKPC's total external income was \$227.8M, which was more than the budget by \$2.9M (or 1.3%). Total expenditure was \$200M, or 11.6% less than the budget. The surplus for the period was more than the budgeted surplus by \$16.3M. During the same period, the provision for staff annual leave was reduced by 22.8% to \$8.2M in September 2017 compared to a year ago, and the number of staff

annual leave days with financial implication was also reduced from 6,006 to 4,721, or by 21.4%.

26. In reply to _____, _____ said that despite changes in the training landscape, new training initiatives were being actively pursued towards meeting the KPI targets, which included cooperation with Fraunhofer Institute for Production Technology (IPT) of Germany to support the retooling needs of enterprises in advanced manufacturing technologies, especially those related to Industry 4.0, through offering their internationally-accredited certification programmes in Hong Kong.

VII. Quarterly Report on HKPC's Funds (F.C. 17/2017)

27. Members noted that as at 30 September 2017, HKPC's cash balance was \$250M. The actual bank interest income earned by HKPC for the period was \$0.4M, representing an average return rate of 1.0%, which was higher than the 0.01% average interest rate for savings accounts offered by major banks in Hong Kong.

28. Members noted the quarterly report on HKPC's funds and advised that the Management should review the deposit of funds with a view to achieving a more balanced distribution of funds deposited with the various banks.

VIII. Any Other Business

(A) Attendance Record of FC Members

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

(B) 2018 Meeting Schedule

30. Members noted the proposed 2018 FC meeting schedule tabled at the meeting, as follows:

Meeting	Date and Time
62 nd FC meeting	20 March 2018 (Tuesday) 2:30pm
63 rd FC meeting	17 July 2018 (Tuesday) 2:30pm
64 th FC meeting	20 November 2018 (Tuesday) 2:30pm

IX. Date of Next Meeting

31. It was agreed that the date of the next meeting was scheduled for 20 March 2018 at 2:30pm.

32. There being no other business, the Chairman thanked Members for their attendance and the meeting was closed at 5:20pm.