

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

BDC 18/2019

**Minutes of the 69th Meeting of the
Business Development Committee held at 2:30 p.m.
on Tuesday, 23 July 2019 in the Board Room,
2nd Floor, HKPC Building, 78 Tat Chee Avenue, Yau Yat Chuen, Kowloon**

Present: Chairman – Mr. Emil Yu Chen-on, JP

Members – Mr. Mohamed D. Butt
Miss Kathy Chan Nap-sze (Assistant
Commissioner for Innovation and
Technology (Funding Schemes),
representing Ms. Annie Choi, JP,
Commissioner for Innovation and
Technology)
Mr. Paul Poon Wai-yin
Prof. Tam Kar-yan, MH

Absent with Apologies: Ms. Clara Chan Yuen-shan, MH
Mr. Alan Cheung
Mr. Felix Chow Bok-hin

In Attendance from HKPC:

Dr. Lawrence Cheung	Chief Innovation Officer
Mr. Edmond Lai	Chief Digital Officer
Ms. Flora Li	Chief People and Culture Officer
Ms. Vivian Lin	Chief Financial Officer
Mr. Terrence He	General Manager, Mainland Business (Agenda Item IV only)
Ms. Gillian Luk	Senior Manager, Council Secretariat
Ms. Olivia Poon	Manager, Council Secretariat

Safety Video

A safety video was shown to Members about the safety measures in the HKPC Building.

Declaration of Interest

The Chairman reminded Members to make declaration before the meeting should they observe any direct/pecuniary interest in any matter to be discussed at the meeting.

I. Confirmation of Minutes (BDC 10/2019 Revised)

1. The Revised Draft Minutes of the 68th Business Development Committee (BDC) meeting held on 19 March 2019 had been circulated to Members and there were no further requests for amendments. The Revised Draft Minutes of the meeting were taken as read, confirmed and signed by the Chairman.

II. Matters Arising

Establishment of Artificial Intelligence and Robotics Centre at AIR@InnoHK

2. briefed Members on the progress of the establishment of Artificial Intelligence and Robotics Centre (the Centre). Members noted that HKPC attended a vetting meeting on 29 June 2019 to present its proposal about the Centre. The comment of the vetting committee was being awaited.

Review of Use of Space for Associations in HKPC Building

3. said that in accordance with the action plan presented to the BDC at its 68th meeting held in March 2019, HKPC had communicated with the 11 industry associations which had licensee/mailbox service agreements with HKPC about cessation of the service upon the expiry of the agreements. In the event, all the associations had indicated understanding of HKPC's request and had agreed to move out. HKPC would closely follow up with the associations and offer support as appropriate.

2018/19 Annual Report of Inno Space

4. said that Members were informed by circulation of paper on 7 May 2019 the work progress of Inno Space during 2018/19. The Annual Report of Inno Space for 2018/19 was submitted to Innovation and Technology Commission (ITC) on 14 May 2019 in accordance with the service proposal for Inno Space as

approved by the Government.

5. Members were briefed by _____ on the latest activities of Inno Space, which included the organisation of an Inno Fair jointly with The Hong Kong Maker Club in May 2019, a 2-week entrepreneurship programme with the European Innovation Academy in July 2019 and support to hackathon/solveathon events of MIT Hong Kong Innovation Node in the first quarter of 2019/20. Inno Space would seek to expand to provide STEM education apart from startup support.

III. Three-year Strategic Plan of HKPC for 2020/21-2022/23 (BDC 12/2019)

6. Invited by the Chairman, _____ showed a corporate video to Members as a new vehicle to promote the revamped branding of HKPC and its new inhouse technologies to support enterprises at every stage of their transformation journey.

_____ then briefed Members on the Three-year Strategic Plan for 2020/21-2022/23 (Strategic Plan). Following the directions set by the Council in terms of vision, mission and 10 strategic themes, HKPC conducted a Voice of Industry exercise with associations and several HK-INCs to come up with the strategy for the next 3 years:

- (a) aiming for smart city development, reindustrialisation and industry upgrading through advanced manufacturing adoption, the 2 business branches of HKPC would delve into the realm of smart living and digital transformation respectively to develop technologies and services which were requested by industry;
- (b) to reach out to more industry players and capitalise on the increasing industry awareness of the need to exploit technologies to increase competitiveness, as witnessed in the order growth in HKPC's Industry 4.0 and Enterprise 4.0 services in 2018/19 (by 36% and 21% respectively), HKPC would enhance marketing, arrange more best practice sharing and apply government funding to carry out more industry support projects;
- (c) technology trends would be closely monitored to assess if the 2 pillars of smart living and digital transformation would continue to be relevant for the next 2 years of the 3-year plan beyond 2020/21;
- (d) based on review of HKPC's internal expertise and market demand situation, the regulatory-related services on medical devices would be exited to focus on Gerontech and wearable device-related support; and

(e) support to SMEs would be further strengthened in light of the challenges posed by the economic headwinds. Cooperation with various industry support institutions would be stepped up for synergy. In this connection, 8 support measures were in place:

- i. implementation of the BUD Fund to help SMEs tap into ASEAN and Mainland markets to diversify risks and develop new opportunities;
- ii. promotion of the TURN programmes by Mainland municipal governments for business upgrade and transformation;
- iii. participation in the Reindustrialisation and Technology Training Programme (RTTP) by the Government to support training needs of enterprises on Industry 4.0, Enterprise 4.0 and smart production;
- iv. ASEAN seminar series to help enterprises expand sales and production overseas. 8 seminars had been held and a handbook was under preparation to introduce the regional countries to SMEs;
- v. INC Invention Centre (THE HATCH) as incubator to facilitate SMEs to transform from Original Equipment Manufacturers (OEMs) to Original Brand Manufacturers (OBMs);
- vi. one-stop information support via SME One;
- vii. organisation of a first-in-Hong Kong Fund Fair in September 2019 to help SMEs access government funding sources for which they were eligible to apply under one roof. The event had received favourable response from government departments and would provide an opportunity for HKPC to explore the latest service needs of SMEs; and
- viii. buy-3-get-1-free summer offer for corporate training programmes held under the HKPC Academy to enhance SME's staff competence.

7. In response to [redacted] about the progress of collaboration with the Fraunhofer Institute for Production Technology (IPT), [redacted] said that the two parties had worked together on many Industry 4.0 (i.4.0) projects for industry clients, of which 3 had attained the "Ii" maturity level. Under the INC Invention Centre (The HATCH), projects had been taken to help companies identify pain points and develop smart solutions. Industry 4.0 and Enterprise 4.0 training programmes were being rolled out to introduce the integrated German model which included executive training. [redacted] said that to maintain the momentum and for next stage development, HKPC would start to localise the German model by developing a system that catered for the specific needs of companies in Hong Kong and the Mainland based on the knowledge obtained from the joint programmes with Fraunhofer IPT.

8. [redacted] said that in taking the lead in promoting Industry 4.0 in Hong Kong, it was advisable for HKPC to consider setting up a grand plan on enhancing promotion,

building up leverage and determining target outcomes to assess efforts. In response, [redacted] said that HKPC had been working on multiple fronts to champion the cause to lead Hong Kong companies make the leap to Industry 4.0. These included promoting sector-specific application for the printing and logistics industries as part of the effort to localise the German model in Hong Kong and launching an Enterprise 4.0 service to extend the transformation model to non-manufacturing companies. To reinforce its leading role in Industry 4.0, HKPC had extended the Industry 4.0 consultancy service to Greater Bay Area (GBA) with the support of local governments and was using the GBA training series to prompt enterprises to start planning for migration to Industry 4.0. [redacted] said that with a positive outlook on industry response to Industry 4.0 support, HKPC would explore tapping the demand for advanced manufacturing technologies among Hong Kong companies seeking to expand into ASEAN markets, actively participate in the reindustrialisation funding programme to be launched by the Government and work hand-in-hand with companies to apply the Industry 4.0 concept to set up highly customised production lines in Hong Kong.

9. In reply to [redacted] about the relative importance of the 12 focus areas for resource allocation, [redacted] said they had been identified after consultation with industry and each had significance over different aspects of smart city development and digital transformation of enterprises. However, based on the core competence of HKPC, it could be said that IoT & 5G, mobility, AI and Robotics would receive more attention as they were enabling technologies which had potential for application across industries and could help enterprises progress towards Industry 4.0 and Enterprise 4.0.

10. After discussion, Members agreed to recommend for the Council's approval the Three-year Strategic Plan of HKPC for 2020/21-2022/23 as outlined at Appendix 2 of the paper. Members also noted the proposed exit of one service in 2020/21, namely regulatory-related services on medical devices.

IV. Report on HKPC's Mainland Subsidiaries (BDC 13/2019)

11. Invited by the Chairman, [redacted] introduced the paper. In respect of the latest development of the 2 HKPC joint ventures (JVs) in the Mainland, he said that the partner of Shenzhen-Hong Kong Productivity Foundation Co. Ltd. (SZJV), i.e. Shenzhen SME Service Bureau, informed in July 2019 of the wish to transfer its shares [redacted] to China Science and Technology Development Institute Co., Ltd. (中國科技開發院有限公司), a state-owned enterprise directly under the Shenzhen Municipal Government, instead of making the transfer to SZWFOE as originally

proposed. Considering that the company's management had some prior understanding of HKPC's work and that its business scope was in sync with the service direction of the WFOEs, it was believed that the partnership would be beneficial to the WFOEs in opening new horizons for business development. Compared to the original proposal of share transfer to SZWFOE, the current proposal would remove the need for SZWFOE to acquire the shares of Shenzhen SME Service Bureau, which was an added advantage.

13. After discussion, Members supported a proposal by the SZJV partner, Shenzhen SME Service Bureau, to transfer its shares to China Science and Technology Development Institute Co., Ltd.

14. In respect of the other JV of HKPC in the Mainland i.e. Chongqing-Hong Kong Productivity Promotion Centre Co. Ltd. (CQJV), said that closure of the company was in good progress with the liquidation audit report completed and all outstanding amount due to/from the JV partner cleared as of June 2019. The whole process was expected to finish by end-July 2019. In response to about whether any money due to SZWFOE from the liquidation had been received, replied in the positive and said that the amount of RMB0.35M had been deposited with SZWFOE.

15. referred to the future planning for the WFOEs and said that despite a steady improvement in their financial performance, with an over \$5M income growth in 2018/19 over 2017/18, there still remained some room to catch up with the budget target for 2018/19. Considering that the current operating environment of the WFOEs was different from their inception in early 2000, HKPC would review for a sustainable business model for the WFOEs, riding on the capabilities possessed and taking advantage of new opportunities like GBA development.

16. In response to 's comment about the need for WFOEs to build up sustainable business to improve income performance against budget, said that the number of Hong Kong-owned enterprises in the PRD had a downward trend. Coupled with their reducing scale of operation, there exposed a possible need for adjusting the business model of WFOEs. HKPC would look into this as well as other room for development, like the role that WFOEs could play in GBA. With WFOEs offering practical productivity improvement support, which made them stand out from other productivity centres in the Mainland which predominately provided training, there was confidence that WFOEs could do more to bring greater benefits to the industrial community in the region.

17. In response to about WFOEs' target clients, said that Hong Kong-owned companies operating in the Mainland would continue to be WFOEs' number

one focus. However, if approached by Mainland enterprises, WFOEs would entertain their service requests if resources permitted. said that GBA presented WFOEs with many potential opportunities for development and it was worthwhile to explore how to expand WFOEs' support to benefit more parties.

18. Members noted the business progress of the Mainland subsidiaries as contained in the paper.

V. Renaming Automotive Parts and Accessory Systems R&D Centre (APAS) and Usage of Reserve Fund (BDC 14/2019)

19. Invited by the Chairman, briefed Members on the proposals for APAS to:

- (a) be renamed as “Automotive Platforms and Application Systems R&D Centre (汽車科技研發中心)” to reflect APAS’s shift of focus from accessory to application system development to meet industry expectations arising from technology trends. With the evolvement, APAS’s future service focus would be placed on autonomous driving, 5G application and electric vehicles. The new name had been reviewed by the ITC and was endorsed by the Vetting Panel of APAS on 20 May 2019; and
- (b) use the reserve fund of \$0.515M built up from commercialisation income in 2017/18 to develop an autonomous vehicle evaluation platform (including 5G) in 2019/20.

20. In response to about the proposed use of reserve to acquire a vehicle hardware system for further development, said that the plan was to purchase a system which conformed to the standard in the Mainland to complement the system acquired from the United Kingdom earlier as part of the initiative to build an evaluation platform for Vehicle to Vehicle and Vehicle to Everything technology studies. By accumulating knowledge in the operation of different standards, APAS’s technical competence in autonomous vehicle development could be enhanced to give more effective support to the local industry.

21. Members supported the proposed renaming of APAS and the usage of the reserve fund. With the BDC’s endorsement, APAS would proceed to seek the formal approval of the Commissioner for Innovation and Technology on the use of reserve.

VI. Report on Commercial Research and Development (CRD) (BDC 15/2019)

22. Members noted the progress of CRD projects as of 31 May 2019 as presented by _____, including:

- (a) the promotion and prospection of the deliverables of 25 completed CRD projects via media interviews, seminars, visits and training workshops to explore commercialisation opportunities;
- (b) the on-going implementation of another 17 CRD projects; and
- (c) the generation of 22 client and ITF projects by 12 of the completed CRD projects.

23. Members also noted that HKPC was in the process of shortlisting home-grown technologies which had high potential for commercialisation, such as the high-pressure processing technology which was a safe and effective method to extend the shelf life of packaged food. The technologies identified would be given focused promotion to source new partners to maximise their business potential.

VII. Report on Projects for Government Funding Schemes (February – May 2019) (BDC 16/2019)

24. Members noted that between February and May 2019, 13 projects with HKPC's involvement were approved for \$47.4M under government funding schemes as follows:

- (a) Innovation and Technology Fund (ITF): 7 projects were approved for \$27.8M;
- (b) Trade and Industrial Organisation Support Fund (TSF): 4 projects were approved for \$11.8M;
- (c) Environment and Conservation Fund (ECF): 1 project was approved for \$2.8M; and
- (d) Sustainable Agricultural Development Fund (SADF): 1 project was approved for \$5M.

25. Members also noted HKPC's secretariat support to several government funding schemes, including:

- (a) The BUD Fund;
- (b) Cleaner Production Partnership Programme;
- (c) Retail Technology Adoption Assistance Scheme for Manpower Demand Management;

- (d) Recycling Fund; and
- (e) Chinese Medicine Development Fund. This was a new funding scheme launched by the Government in June 2019 to promote the development of the Chinese medicine trade, nurture talents and encourage related research.

VIII. Final Performance Review of Completed ITF Projects (BDC 17/2019)

26. Members noted the final performance review of 6 completed ITF projects, as follows:

- (a) Development of Innovative Metal 3D Metal Printing Technology - Hybrid Laser Energy Deposition and Milling (HLEDMM);
- (b) Development of Holistic Analytical Model to Facilitate Effective Troubleshooting, Plant Optimisation and Upgrading for Existing Municipal and Industrial Wastewater Treatment Facilities;
- (c) Development of Laser Polishing Technology for Eco-friendly, Cost-effective and Rapid Metal Surface Finishing;
- (d) Smart EV Charging Station Based on Dynamic Power Management System;
- (e) Development of an Intelligent Fur Processing System Based on Advanced Optical and Automation Technologies; and
- (f) To Develop a Two-stage Vacuum High Pressure Die Casting Technology for Production of High Strength Automotive Components with Thin Wall Ribs.

IX. Any Other Business

(A) MOU with Tsinghua University

27. informed Members that further to HKPC's signing an MOU with the Department of Automation of Tsinghua University in June 2019, the two parties were in discussion to explore setting up a joint national level research laboratory on automation and collaboration in R&D, joint application for government funding schemes and training etc. The laboratory would contribute to accelerating the applications of smart automation in the business sectors to increase the competitiveness of Hong Kong enterprises. With the 11 industry associations moving out following expiry/early conclusion of licence agreement, the space recovered could be used to house the laboratory. The further development of the initiative would be reported to the Council in due course.

(B) MIT Hong Kong Innovation Node

28. Members noted that HKPC's lease agreement with MIT Hong Kong Innovation Node (the Node) would expire in March 2020. HKPC was in discussion with the Node to extend the lease for another 3 years. Upon finalising the terms of the new lease agreement, the approval of the Commissioner for Innovation and Technology would be sought in accordance with the Special Conditions of the Land Grant of the HKPC Building.

(C) Attendance Record

29. Members noted their attendance record in 2019 as shown on iPads provided at the meeting.

X. Date of Next Meeting

30. It was agreed that the next meeting would be held on 15 November 2019 at 3 p.m. tentatively.

31. There being no other business, the meeting was closed at 3:35 p.m.