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P.C. 23/2018 (Revised)

**Revised Minutes of the 138th Meeting of the Hong Kong Productivity Council
held at 2:30 p.m. on Wednesday, 25 July 2018 in the Board Room
2nd floor, HKPC Building, 78 Tat Chee Avenue, Yau Yat Chuen, Kowloon**

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

Members – Prof. John Chai Yat-chiu, JP
Mr. Cheuk Wing-hing, JP (Permanent Secretary for Innovation and Technology)
Mr. Alan Cheung
Ms. Joyce Cheung Chung-sze (Principal Economist (Acting), representing Mr. Andrew Au Sik-hung, JP, Government Economist)
Mr. Felix Chow Bok-hin
Mr. Wilson Fung Ying-wai
Mr. Bryan Ha Kwok-fung (Assistant Commissioner for Innovation and Technology (Funding Schemes), representing Ms. Annie Choi Suk-han, JP, Commissioner for Innovation and Technology)
Ms. Mandy Kwok Man-yee
Ms. Amy Lee Sau-king
Ms. Juan Leung Chung-yan
Mr. Leung Kwong-chuen
Miss Mabel Li Po-yi, JP (Deputy Commissioner for Labour)
Mr. Paul Poon Wai-yin
Dr. Allen Shi Lop-tak, BBS, MH, JP
Prof. Tam Kar-yan, MH
Mr. Sunny Tan
Mr. Patrick Wong Chi-kwong
Ms. Salina Yan Mei-mei, JP (Director-General of Trade and Industry)
Mrs. Carrie Yau Tsang Ka-lai, GBS, JP

Absent with Apologies: Mr. Li-hoi
Ms. Karmen Yeung Ka-yin
Mr. Emil Yu Chen-on, JP

In Attendance from HKPC:

Mr. Mohamed Din Butt	Executive Director
Dr. Lawrence Cheung	Director, Technology Development
Mr. Edmond Lai	Director, Business Development
Mr. Gordon Lo	Director, Business Management
Mr. Stanley Chu	Head of Internal Audit and Risk Management Office (Agenda Item VI only)
Ms. Flora Li	General Manager, Human Resources and Facility Management
Ms. Vivian Lin	General Manager, Finance and Procurement
Ms. Gillian Luk	Senior Manager, Council Secretariat
Ms. Olivia Poon	Manager, Council Secretariat

Welcome

The Chairman welcomed Dr. Allen Shi Lop-tak; Ms. Joyce Cheung Chung-sze, Principal Economist (Acting); and Mr. Edmond Lai, Director, Business Development, HKPC, who attended the meeting for the first time. The Chairman also welcomed Ms. Gillian Luk, Senior Manager of Council Secretariat, HKPC.

I. Confirmation of Minutes (P.C. 9/2018 Revised)

1. The Revised Minutes of the 137th Council Meeting held on 28 March 2018 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. Matters Arising

(A) Industry-specific Pay Trend Data

2. Invited by the Chairman, said that further to the Council's advice at its 137th meeting held on 28 March 2018, HKPC reviewed pay trend surveys in the market for industry-specific data that was suitable for HKPC to benchmark with for annual salary adjustment. In the event, only one HR consulting company was found to offer industry-based data but the coverage was not comprehensive enough. Coupled with HKPC's needs for talents from different sectors and the nature of HKPC, it was considered that industry-specific pay trend data was not appropriate for adoption.

(B) Appointment of Director, Business Development

3. also reported that Members approved by circulation on 31 May 2018 the appointment of Mr. Edmond Lai as Director, Business Development.

III. Three-year Strategic Plan of HKPC for 2019/20 – 2021/22 (P.C. 11/2018)

4. Invited by the Chairman, briefed Members on the Three-year Strategic Plan for 2019/20-2021/22 (Strategic Plan). The Strategic Plan was anchored on the Smart City and Smart Manufacturing concept in the continual pursuit of the 10 strategic themes approved by the Council in April 2016 to complement government policy and support the local industry to seize opportunities in re-industrialization and Greater Bay Area development. To this end, HKPC would focus on Industry 4.0 (i4.0) as the enabler to drive re-industrialization, digital manufacturing and innovation as HKPC's signature support to industry. Further to the advice of the Business Development Committee at its 66th meeting held on 10 July 2018, HKPC would seek to develop localized and industry-specific i4.0 solutions which were suitable for local adoption and addressed the needs of Hong Kong enterprises varying from sector to sector. The Invention Centre to be inaugurated in October 2018 would spearhead HKPC's i4.0 initiatives to accelerate industry adoption of innovative technologies through key support in smart products and service invention, time-to-market development and prototyping. To better prepare the organization to implement the strategic directions in the next 3 years, HKPC undertook a Goal and Objective setting exercise in early 2018 to ensure corporate-wide awareness of the common goals set and to align team efforts towards building the necessary foundation to take forward the Strategic Plan.

5. referred to the partnership with Fraunhofer IPT to promote i4.0 and enquired whether HKPC had plans to team up with more research institutions to explore other technology areas for consultancy support. replied in the positive and said that HKPC had identified i4.0 for developing signature support based on industry consultation and government's policy on re-industrialization and innovation. At the same time, HKPC would exercise care not to miss out on other areas of support, like environmental protection which received consistent service requests generated by increasingly stringent local government regulations.

6. thanked HKPC for continuing to be the implementation partner of the Trade and Industry Department in the BUD Fund and taking expedient actions to advance the launch of the ASEAN Programme and various enhanced measures under the BUD Fund to provide timely support to SMEs amidst trade tensions. The Chairman thanked for support and said that HKPC had kicked off

promotion activities to industry associations in the hope of encouraging more companies to capitalize on the enhanced funding measures to develop new markets and diversify risks.

7. After discussion, Members approved the Three-Year Strategic Plan of HKPC for 2019/20-2021/22, as supported and recommended by the Business Development Committee at its 66th meeting held on 10 July 2018. Members also noted that the Strategic Plan would be reflected, as appropriate, in the Three-year Forecast for 2019/20-2021/22 to be submitted to the Council in November 2018.

IV. Annual Accounts for the Year 2017/18 (P.C. 12/2018)

8. Invited by the Chairman, briefed Members on the 2017/18 financial result of HKPC, excluding Automotive Parts and Accessory Systems R&D Centre (APAS) which was separately and fully funded by the Government. said that the external income for the year was \$471.7M which was higher than the budget by \$21.9M or 4.9%. Value added hit target for the first time to reach \$256.7M, exceeding the budget by \$0.7M. On the expenditure side, total expenditure came to \$402.1M which was \$50.5M or 11.2% less than the budget. Total surplus for the year amounted to \$61.9M after setting aside a provision of \$11.8M for Variable Pay (VP).

9. After discussion, Members approved the Annual Accounts for the year 2017/18 which had also been considered by the Audit Committee at its 46th meeting held on 21 June 2018 with no adverse comment, and endorsed by the Finance Committee at its 63rd meeting held on 17 July 2018.

V. Annual Review of HKPC Activities in 2017/18 (P.C. 13/2018)

10. Invited by the Chairman, briefed Members on HKPC's performance in 2017/18 along the Key Performance Indicators (KPIs). said that the targets for 20 of the 23 KPIs were exceeded in 2017/18, surpassing the result in 2016/17 (18 KPIs meeting targets). In addition, all the core KPIs exceeded targets, accompanied by good result in various financial indicators. For the 3 KPIs which fell short of targets (i.e. number of consultancy projects accepted", "income from training courses" and "income from manufacturing support projects"), 3 taskforces had been set up to look into measures to improve the performance in 2018/19.

11. Invited by to comment on the KPI result in 2017/18, said that:

(a) the shortfall in the "number of consultancy projects accepted" against target

was accompanied by larger average project value, which reflected client demand for integrated solutions and wider project scope. HKPC's engagement in larger scale consultancy projects was beneficial to SMEs as a whole as the experience and knowhow gained would eventually be cascaded to SMEs through enhanced support. In fact, with over 60% of external projects conducted for SMEs and over 60% of solution providers and suppliers commissioned being SMEs during the year, HKPC's support to SMEs remained robust and unhindered by the fall in new consultancy project number;

- (b) income from training courses missed target as HKPC was engaged in more in-company training courses in response to client request for customized corporate training services under designated themes. For 2018/19, to boost in-class training income, HKPC would roll out more public courses under hot topics such as i4.0. HKPC would also ride on new government funding support in new technology training to promote public courses in re-industrialization;
- (c) income from manufacturing support projects failed to meet target in 2017/18. Relevant divisions were pushing this business line with increased momentum in the hope of meeting the target set for 2018/19; and
- (d) the overall performance in 2017/18, with 20 KPI targets met out of 23, surpassed that of 2016/17. The better performance could be attributed to a more focused approach to review and monitor performance, as well as heightened attention among staff members who were keen on delivering objectives set.

12. Members noted and approved the Annual Review of HKPC for 2017/18 as contained in the paper.

VI. Reappointment of Auditor (P.C. 17/2018)

13. Invited by the Chairman, introduced the paper which sought Members' approval for the reappointment of Ernst & Young as the group auditor of HKPC and its subsidiaries for the financial year 2018/19 which was the last year of service under the contract with Ernst & Young. The reappointment, recommended based on the company's satisfactory performance in 2017/18, was endorsed by the Audit Committee at its 47th meeting held on 12 July 2018.

14. Members approved the reappointment of Ernst & Young as the group auditor for HKPC and its subsidiaries for the financial year 2018/19 subject to a maximum audit and tax services fee of as previously approved by the Council at its 132nd meeting held on 27 July 2016.

VII. Authorized Signatories for HKPC's Bank Accounts (P.C. 18/2018)

15. Invited by the Chairman, introduced the paper and briefed Members on a proposal to update the overall authorized signatories for HKPC's bank accounts following the recruitment of Director of Business Development, Mr. Edmond Lai, who reported for duty on 3 July 2018 and the retirement of Secretary to Council in May 2018.

16. Members approved the proposal outlined in paragraph 4 of the paper which was endorsed by the Finance Committee at its 63rd meeting held on 17 July 2018.

VIII. Report from the Audit Committee (P.C. 19/2018)

17. Members noted the report from the Audit Committee on matters considered at its 46th and 47th meetings held on 21 June 2018 and 12 July 2018 respectively.

XI. Report from the Business Development Committee (P.C. 20/2018)

18. Members noted the report from the Business Development Committee on matters considered at its 66th meeting held on 10 July 2018.

X. Report from the Finance Committee (P.C. 21/2018)

19. Members noted the report from the Finance Committee on matters considered at its 63rd meeting held on 17 July 2018.

XI. Report from the Staffing Committee (P.C. 22/2018)

20. Members noted the report from the Staffing Committee on matters considered at its 60th meeting held on 13 July 2018.

XII. Any Other Business

(A) HKPC's 5 Support Initiatives amidst Trade Tensions

21. Invited by the Chairman, briefed Members on 5 new initiatives to help local businesses deal with the impact of rising trade tensions:

- (a) Sales expansion in ASEAN countries and Mainland – As the secretariat of the BUD Fund, HKPC would promote the enhanced measures of the BUD Fund to support enterprises to explore new markets in ASEAN countries and Mainland and diversify risks;
- (b) Training in smart manufacturing – HKPC would launch i4.0 professional training courses for enterprises to upgrade their manufacturing operation towards high value add;
- (c) Business upgrade and transformation – HKPC would actively support enterprises in Dongguan, Zhongshan and Zhuhai to apply for TURN programme funding to upgrade and transform their business;
- (d) Expansion of overseas market and production base – HKPC would assist Hong Kong enterprises to expand overseas market by providing technical support on market development and setting up production facilities; and
- (e) One-stop information support – HKPC’s SME One would keep companies informed of the latest support measures provided by HKPC, the government and local organizations. Starting from 31 July 2018, SME One would organize a series of free seminars to disseminate support measures and share tips on coping with challenges posed by tariff measures.

(B) Attendance Record of Council Members

22. Members noted their attendance record in 2018 tabled at the meeting.

XIII. Date of Next Meeting

23. Members noted that the next meeting was tentatively scheduled on 28 November 2018 at 2:30 p.m.

28. There being no other business, the Chairman thanked Members for their attendance and the meeting was closed at 3:50 p.m.