

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

P.C. 31/2018 (Revised)

Minutes of the 139th Meeting of the Hong Kong Productivity Council held at 2:30p.m. on Wednesday, 28 November 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

Ms. Joyce Cheung Chung-sze (Principal Economist, representing Mr. Andrew Au, JP, Government Economist)

Mr. Cheuk Wing-hing, JP (Permanent Secretary for Innovation and Technology)

Mr. Alan Cheung

Mr. Wilson Fung Ying-wai

Ms. Mandy Kwok Man-yee

Ms. Juan Leung Chung-yan

Ms. Amy Lee Sau-king

Mr. Li Hoi

Mr. Paul Poon Wai-yin

Mr. Ivan Lee Kwok-bun, JP (representing Ms. Annie Choi Suk-han, JP, Commissioner for Innovation and Technology)

Mr. Leung Kwong-chuen

Miss Mabel Li Po-yi, JP (Deputy Commissioner for Labour)

Ms. Christine Wai Yee-yan (Assistant Director-General of Trade and Industry (Industries Support), representing Ms. Salina Yan Mei-mei, JP, Director-General of Trade and Industry)

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

Mr. Emil Yu Chen-on, JP

Absent with Apologies: Mr. Felix Chow Bok-hin
Dr. Allen Shi Lop-tak, BBS, MH, JP

In Attendance from the Innovation and Technology Commission:

Mr. Bryan Ha Kwok-fung

In Attendance from HKPC:

Mr. Mohamed D. Butt	Executive Director
Dr. Lawrence Cheung	Director, Technology Development
Mr. Edmond Lai	Director, Business Development
Mr. Gordon Lo	Director, Business Management
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 Ms. Christine Wai Yee-yan, Assistant Director-General of Trade and Industry (Industries Support), who attended the meeting for the first time.

Mourning for Former Council Chairman Dr. the Honourable Chung Sze-yuen

The Chairman expressed deep sorrow over the passing away of Dr. the Honourable Chung Sze-yuen, former Chairman of HKPC from 1974 to 1976. On behalf of the Council, he paid respect to the significant contribution of Dr. Chung to Hong Kong and said that HKPC would continue to follow Dr. Chung's industrialist spirit and passion on public services to partner with the Hong Kong industries to promote their further development.

I. Confirmation of Minutes (P.C. 23/2018 Revised)

1. The Revised Draft Minutes of the 138th Council Meeting held on 25 July 2018 had been circulated to Members and there were no further requests for amendments. The Minutes of the meeting were taken as read, confirmed and signed by the Chairman.

II. Matters Arising

(A) Paper Circulations since Last Meeting

2. Invited by the Chairman, said that Members approved by circulation

on 3 September 2018 and 8 November 2018 respectively the 2017/18 Annual Report of HKPC and the extension of maternity and paternity leave in HKPC.

thanked Members for their support of the leave extension and said that HKPC would continue to review and implement more family-friendly policies to better meet the needs of its staff members.

(B) Opening Ceremony of INC Invention Centre

3. briefed Members with a video on the inauguration ceremony of the INC Invention Centre, under the brand name of The Hatch, held on 11 October 2018.

said that as part of the programme under the ceremony, HKPC signed a Memorandum of Understanding with RWTH Aachen Campus (RWTH) of Germany to explore the setting up of an Artificial Intelligence (AI) and Robotics Centre at the research cluster, AIR@InnoHK, at the Hong Kong Science Park (Science Park). The occasion also saw HKPC and 13 leading industry chambers and quangoes pledging to foster reindustrialisation and transformation to Industry 4.0 among local enterprises by signing a “Reindustrialisation and Industry 4.0” charter.

III. Programme and Estimates of HKPC for 2019/20 and Three-Year Forecast 2019/20 – 2021/22 of HKPC Income and Expenditure (P.C. 25/2018 Revised Tabled)

4. Invited by the Chairman, introduced the paper and briefed Members as follows:

Half-yearly Financial Performance in 2018/19

- (a) For the 6 months ending September 2018, external income and value add exceeded budget by 6% and 7% respectively.
- (b) The impact of trade tensions had started to emerge in the second quarter of 2018/19 with slower growth in order intake. However, thanks to robust business being secured since year beginning, the performance in the first half of 2018/19 was on track.
- (c) The latest result up to end-October 2018 showed that there was organic income growth of 1.9% over the same period in 2017, after taking away the impact of the new accounting standard HKFRS15 which came into effect in April 2018.

Financial Estimates for 2019/20-2021/22

- (d) Despite the uncertain economic outlook arising from trade tensions and the

pricing policy to keep the list price unchanged in 2019/20 as a support measure to industry, the Management proposed an aggressive target of 2% income growth in 2019/20 which HKPC would try its best to achieve.

- (e) For the latter years of 2020/21 and 2021/22 during the 3-year forecast period, the estimate income growth was 3% each, assuming some improvement in economic conditions by the time.

Activity Plan for 2019/20-2021/22

- (f) In line with the Three-Year Strategic Plan for 2019/20 – 2021/22 approved by the Council in July 2018, HKPC would pursue the Smart City and Smart Manufacturing agendas along 10 strategic themes for the years 2019/20 to 2021/22. The focus would be on activities that support Hong Kong industries to build up competence in Industry 4.0, drive re-industrialization, and gear up local enterprises to tap opportunities brought by the Greater Bay Area development.

Key Performance Indicators (KPIs) Targets for 2019/20

- (g) The proposed targets for the KPIs for 2019/20 (Appendix 13 of the paper) were considered by the Finance Committee (FC) at its 64th meeting held on 19 November 2018 and subsequently revised after consultation with the Government (with the KPI target for “income from training courses” raised from \$8.5M to \$11.3M).
- (h) In considering the KPI targets, the FC commented that most of the KPIs were business-related and their targets should more appropriately be recommended by the Business Development Committee (BDC) to the Council. In this connection, the FC proposed to consult the Council on whether starting from the next year’s budgeting exercise for 2020/21, the KPI targets should be submitted to the BDC, rather than the FC, for endorsement.

5. agreed with that HKPC should continue to make dedicated effort and perform the leading role in promoting Industry 4.0 among local enterprises to contribute to the reindustrialisation and innovation and technology initiatives of the Government.

6. After discussion, Members approved:

- (a) HKPC’s Three-Year Forecast for 2019/20-2021/22 endorsed by the Finance Committee at its 64th meeting held on 19 November 2018;
- (b) the detailed Programme and Estimates of HKPC for 2019/20 endorsed by the Finance Committee at its 64th meeting held on 19 November 2018, which

included the staff establishment of 662 for HKPC endorsed by the Staffing Committee at its 61st meeting held on 6 November 2018;

- (c) the proposed targets for KPIs for 2019/20; and
- (d) the proposal for the annual KPI targets in 2020/21 onwards to be reviewed and recommended to the Council by the BDC instead of the FC.

7. Members also noted the Three-year Forecast of Mainland subsidiaries for 2019/20-2021/22 (paragraph 20 of the paper) and the indicative funding from the Innovation and Technology Fund to support the operation of Automotive Parts and Accessory Systems R&D Centre during the 2-year period from 2019/20 to 2021/22 (paragraph 24 of paper) which did not form part of HKPC's income and expenditure forecast for the purpose of subvention requirement.

8. then briefed Members on the key achievement made in the first half of 2018/19, ranging from global partnerships, international awards, technology and service development, Mainland business turnaround to new initiatives to simplify support functions and strengthen compliance.

IV. Collaboration with RWTH Aachen Campus to Set up an Artificial Intelligence and Robotics Research Centre (P.C. 26/2018)

9. Invited by the Chairman, briefed Members on a proposal to set up an AI and Robotics Centre (Research Centre) jointly with RWTH of Germany at the research cluster at the Science Park, namely AIR@InnoHK, as detailed in the paper. said that the proposal was in-principle supported by the BDC at its 67th meeting held on 13 November 2018. Subject to the Council's agreement, HKPC would continue discussion with RWTH to develop a full proposal to seek the Council's endorsement prior to submission of a formal application to the Government.

10. supplemented that in discussing the cooperation with RWTH, HKPC's stance was that the IPs generated by the Research Centre should be jointly owned with RWTH. This would ensure that the R&D outcomes of the Research Centre could be retained in Hong Kong for the benefit of the local community. Another contribution of the Research Centre would be in local talent development. With RWTH's vast network of university institutes and strong connection with Fraunhofer Institute for Production Technology which was a prestigious applied research institute, the Research Centre would have access to a wide range of world class technologies. HKPC would seek to second research personnel to the Research Centre to build up HKPC's internal capability, which would in turn

contribute to expanding the local talent pool.

11. In response to questions from Members, , and supplemented information about the Research Centre as summarized below:

- (a) Admission - applications for admission to the two research clusters at InnoHK would be subject to the final decision of the Governing Committee to be appointed by the Government;
- (b) Location of R&D activities – the Research Centre would operate along the Government’s guideline that outsourcing of research work to third party collaborators should be not more than 50% of the budget of the research work concerned. While HKPC would try its best to bring the R&D activities under the Research Centre to be conducted in Hong Kong, there might be a need to outsource some research work to partners in Germany or even other countries depending on the expertise required;
- (c) Registration – registration of the Research Centre as a local non-profit making company limited by guarantee was in line with the admission requirement on research laboratories seeking to join the research clusters at InnoHK. According to the Government’s guideline, Government funding support would be available to non-profit-making research laboratories set up by non-profit-making institutions at the research clusters;
- (d) Leveraging local universities’ expertise – In support of the spirit of the research clusters to converge researchers to facilitate sharing of expertise and collaboration, the Research Centre would embrace opportunities to cast a wide net in the search for collaborators. It would seek to tap the expertise of local universities for synergy to optimize the use of local resources. This could be in the form of cooperation with university teams on project basis to work on the designated lighthouse projects, or local PhD graduates or interns being brought in by HKPC to team up with overseas researchers introduced by RWTH to conduct research together; and
- (e) Commercialization objective – the Research Centre aimed not only at undertaking research programmes, but also promoting technological entrepreneurship with a view to spinning off startups from its R&D programmes. In this connection, the partnership with RWTH would provide an opportunity for the local research community to learn from the German model in commercialization and spinoffs which was proven with a high success rate.

12. After discussion, Members supported in-principle the proposal to set up an AI and Robotics Research Centre at AIR@InnoHK at the Science Park with

RWTH. HKPC would proceed to work out details of the collaboration which would be set out in a separate paper for the Council’s endorsement.

V. Report from the Audit Committee (P.C. 27/2018)

13. Members noted the report from the Audit Committee on matters considered at its 48th meeting held on 15 November 2018.

VI. Report from the Business Development Committee (P.C. 28/2018)

14. Members noted the report from the Business Development Committee on matters considered at its 67th meeting held on 13 November 2018.

VII. Report from the Finance Committee (P.C. 29/2018)

15. Members noted the report from the Finance Committee on matters considered at its 64th meeting held on 19 November 2018.

VIII. Report from the Staffing Committee (P.C. 30/2018)

16. Members noted the report from the Staffing Committee on matters considered at its 61st meeting held on 6 November 2018.

IX. Any Other Business

(A) Attendance Record of Council Members

17. Members noted their attendance record in 2018 uploaded to iPads provided at the meeting.

(B) 2019 Meeting Schedule

18. Members noted the proposed 2019 Council meeting schedule uploaded to iPads provided at the meeting, as follows:

Meeting	Date and Time
140 th meeting	27 March 2019 (Wednesday) 3 p.m.
141 st meeting	31 July 2019 (Wednesday) 3 p.m.
142 nd meeting	27 November 2019 (Wednesday) 3 p.m.

19. Members also noted that further to a Member's suggestion about scheduling Standing Committee meetings for them to be convened on the same day, the Council Secretariat would contact Members sitting on more than one Standing Committees for their views on whether the suggested arrangement would facilitate their attendance at the meetings.

(D) 2019 Annual Dinner

21. Members were invited by the Chairman to join the 2019 annual dinner which would be held on 15 March 2019 at 名門壹號 in Lai Chi Kok.

(E) Vote of Thanks

22. The Chairman proposed, and Members agreed, to record a vote of thanks to Mr. Leung Kwong-chuen who would retire from the Council after 31 December 2018 for his contributions to HKPC during his tenure as Council Member.

23. Members also agreed to record a vote of appreciation to Mr. Gordon Lo, Director, Business Management, for his dedicated service in the past 21 years.

24. Members noted that a dinner to bid farewell to the outgoing Council Member and welcome the new Member would be held in early 2019. Members would be informed of the date and venue in due course.

X. Date of Next Meeting

25. The next meeting was tentatively scheduled on 27 March 2019 at 3 p.m.