

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

P.C. 12/2019 (Revised)

**Revised Minutes of the 140th Meeting of the Hong Kong Productivity Council
held at 3:00p.m. on Wednesday, 27 March 2019 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 – Mr. Andrew Au, JP
Mr. Prof. John Chai Yat-chiu, JP
Ms. Clara Chan Yuen-shan, MH
Mr. Alan Cheung
Ms. Annie Choi Suk-han, JP
Mr. Wilson Fung Ying-wai
Ms. Mandy Kwok Man-yee
Ms. Juan Leung Chung-yan
Ms. Amy Lee Sau-king
Dr. Allen Shi Lop-tak, BBS, MH, JP
Mr. Li Hoi
Mrs. Millie Ng Kiang Mei-nei, JP (representing Mr. Cheuk
Wing-hing, JP)
Miss Mabel Li Po-yi, JP
Mr. Sunny Tan
Mr. Patrick Wong Chi-kwong (attendance via tele-
conferencing)
Ms. Salina Yan Mei-mei, JP
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
Mr. Paul Poon Wai-yin
Prof. Tam Kar-yan, MH

In Attendance from the Innovation and Technology Commission:

Mr. Ivan Lee Kwok-bun, JP
Miss Kathy Chan Nap-sze

In Attendance from HKPC:

Mr. Mohamed D. Butt Executive Director
Dr. Lawrence Cheung Director, Technology Development

Mr. Edmond Lai	Director, Digital
Mr. Stanley Chu	Head, Internal Audit and Risk Management Office (Agenda Item V only)
Ms. Vivian Lin	General Manager, Finance and Procurement
Ms. Flora Li	General Manager, Human Resources and Facility Management
Ms. Gillian Luk	Senior Manager, Council Secretariat
Ms. Katty Yeung	Senior Manager, Corporate Communications (Agenda Item IX only)
Ms. Olivia Poon	Manager, Council Secretariat

Welcome

The Chairman welcomed Mr. Andrew Au, Ms. Clara Chan Yuen-shan and Miss Kathy Chan Nap-sze, Assistant Commissioner for Innovation & Technology (Funding Schemes), Innovation and Technology Commission, who attended the meeting for the first time.

Vote of Appreciation

The Chairman suggested, and Members agreed, to record a vote of appreciation to Mr. Leung Kwong-chuen and Mr. Bryan Ha Kwok-fung for their contribution during their tenure as Members.

I. Confirmation of Minutes (P.C. 31/2018 Revised)

1. The Revised Draft Minutes of the 139th Council Meeting held on 28 November 2018 had been circulated to Members and there were no further requests for amendments. The Minutes were taken as read, confirmed and signed by the Chairman.

II. Matter Arising

2. Invited by the Chairman, said that Members approved by circulation on 18 January 2019:

(a) the membership changes for the Audit Committee (AC), Business Development Committee (BDC) and Staffing Committee (SC) effective from 1 January 2019; and

- (b) reappointment of the Board members of HKPC Technology (Holdings) Co. Ltd. and Productivity (Holdings) Ltd. for another term of office. The proposed Board compositions of the two entities were approved by the Permanent Secretary for Innovation and Technology on 24 January 2019.

III. Establishment of Hong Kong Artificial Intelligence and Robotics Technology Research and Applications Development Centre (P.C. 2/2019)

3. Invited by the Chairman to introduce the paper, briefed Members on the detailed proposal for setting up the Hong Kong Artificial Intelligence and Robotics Technology Research and Applications Development Centre (the Research Centre) together with RWTH Aachen Campus (RWTH) at the AIR@InnoHK cluster at the Hong Kong Science Park (Science Park) under the InnoHK initiative of the Government.

4. said that the proposal was submitted to the Innovation and Technology Commission (ITC) on 26 February 2019 as a preliminary plan to meet the deadline set by ITC. Subject to any comment from the Council, the proposal would be revised for formal submission. The final arrangements for setting up the Research Centre would be subject to future guidance and feedback by the Government and the InnoHK Steering Committee which oversaw the establishment of the research clusters at the Science Park.

5. explained the background leading to the InnoHK initiative, the requirements on entities setting up laboratories at the 2 clusters at Science Park, the principle for IP and benefit sharing arrangement, and the mode of operation of laboratories in the first 5 years of operation. said that ITC had given initial feedback on HKPC's proposal, i.e. to focus on research and development in the manufacturing arena to leverage the strengths of HKPC and RWTH.

6. After discussion, Members approved the proposal as laid out in the paper to set up the Hong Kong Artificial Intelligence and Robotics Technology Research and Applications Development Centre with RWTH at the AIR@InnoHK cluster at the Science Park.

V. Review of Tendering Guidelines for External Audit Service (P.C. 4/2019)

12. Invited by the Chairman, said that at the 134th Council meeting held in March 2017, Members advised HKPC to conduct a review, in the next tendering exercise for external audit service, on the engagement tenure for auditors and the weighting factors for technical and fee assessment.

13. briefed Members on the proposal to:

- (a) change the engagement tenure for auditors from three years fixed-term to five years, with the first three years being a fixed term and the last two years being an extendable term subject to performance assessment;
- (b) fix the annual service fees for the first three years, while the annual fees for the extendable period would be subject to negotiation at the request of HKPC;
- (c) replace the annual assessment on auditor performance by an interim assessment to be conducted after the second year of service and an assessment at the end of the third year of service to determine whether to extend the engagement for two more years; and
- (d) maintain the existing weighting of 45% and 55% assigned to the technical specification score and fee score.

14. Members approved the proposal in paragraph 13 above.

15. Members also agreed with 's suggestion to include an additional factor in the technical specification for tenderers about no disciplinary order having been made against them by the Disciplinary Committee of the Hong Kong Institute of Certified Public Accountants in the past 5 years.

VI. Authorized Signatories for HKPC's Bank Accounts (P.C. 5/2019)

16. 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 new organization structure effective on 1 February 2019 and the retirement of Director, Business Management.

17. Members approved the proposal outlined in paragraph 4 of the paper.

VII. 2019/20 Goals and Objectives

18. Members noted a presentation by on the Goals and Objectives of HKPC for 2019/20 (Appendix 1).

19. Members noted that the goal and objective setting exercise, first started in 2018/19, was set in motion by the Executive Director and cascaded down to Senior Manager-grade staff to align staff members' performance targets with that of the corporate. The exercise, taking place at the beginning of year, had proven to be effective in ensuring staff awareness to drive effort towards contributing to corporate initiatives.

VIII. Greater Bay Area Strategy

20. Members noted a presentation by on the strategic initiatives of HKPC to help Hong Kong enterprises capitalize on the opportunities brought by the Greater Bay Area Outline Development Plan of the Mainland government (Appendix 2).

21. said that the strategy was aimed at helping Hong Kong companies expand their brands to the Mainland market and upgrade operation from OEM and ODM, as well as explore what could be introduced to Hong Kong to benefit local SMEs. The various initiatives under the strategy would also help HKPC forge new alliance and strengthen relationship with Mainland partners, which would be conducive to promoting the strengths of Hong Kong and creating development opportunities for SMEs in Hong Kong.

IX. HKPC Corporate Brand Revitalisation Exercise (P.C. 6/2019)

22. Members noted a presentation by on a corporate brand revitalisation exercise taken by HKPC in 2019.

X. Report from the Audit Committee (P.C. 7/2019)

23. Members noted the report from the AC on matters considered at its 49th meeting held on 12 March 2019.

XI. Report from the Business Development Committee (P.C. 8/2019)

24. Invited by the Chairman, briefed Members on the following two issues considered by the BDC:

Ownership Change in Mainland Joint Ventures

- (a) The BDC supported the proposals for HKPC to:
- close a joint venture in Chongqing, namely Chongqing-Hong Kong Productivity Promotion Centre Co. Ltd. (CQJV); and
 - enter into discussion with the partner of another joint venture in Shenzhen, namely Shenzhen SZ-HK Productivity Foundation Co. Ltd. (SZJV), for Shenzhen WFOE to acquire the partner's shareholding in SZJV.
- (b) The financial implications of the two proposals were reviewed by the Finance Committee (FC) at its 65th meeting held on 19 March 2019.
- (c) Further to the BDC's support, the proposed closure of CQJV was approved by the Board of Productivity (Holdings) Limited by paper circulation on 26 March 2019.

Cooperation with Futian District People's Government to Establish HKPC Shenzhen Innovation and Technology Center (Futian)

- (d) Under the latest development, the HKPC Shenzhen Innovation and Technology Centre (Futian) (the Centre) would be set up as a 事業單位, or a public institution led by the Mainland government with state-owned assets according to the charter for the Centre (Appendix of paper). HKPC would be one of the two organizing units of the Centre responsible for its management and operation.
- (e) Having regard to the Hong Kong accounting standard on consolidation accounting and considering the control and ownership criteria therein, the accounts of the Centre would not be consolidated into HKPC's group accounts for reporting. Arising from the no consolidation arrangement, there was a need to revise the Three-year Forecast for 2019/20-2021/22 of HKPC's Mainland entities by taking out the estimates made for the Centre (Appendix 3).
- (f) With the Centre's set up, coupled with the existing service platform made up by Shenzhen WFOE, SZJV and SZTI, HKPC had built a strategic base in

Shenzhen. HKPC may leverage the foundation built to seek opportunities in the 深港科技創新合作區 which would be developed as an important co-operation platform under the Outline Development Plan of the Greater Bay Area.

30. Members noted the report from the BDC on matters considered at its 68th meeting held on 19 March 2019.

XII. Report from the Finance Committee (P.C. 9/2019)

31. Members noted the report from the FC on matters considered at its 65th meeting held on 19 March 2019.

XIII. Report from the Staffing Committee (P.C. 10/2019)

37. Members also noted the report from the SC on matters considered at its 62nd meeting held on 12 March 2019.

XIV. Any Other Business

(A) Vote of Thanks to Council Member

38. said that Mr. Cheuk Wing-hing, Permanent Secretary for Innovation and Technology, would soon proceed on pre-retirement leave. conveyed Mr. Cheuk's appreciation to the Chairman and Members as well as the HKPC Management for their support during the period of his service on the Council.

39. On behalf of the Council, the Chairman thanked Mr. Cheuk Wing-hing for his contribution to HKPC and wished him all the best in his future endeavours and a happy retirement.

(B) Attendance Record of Council Members

40. Members noted their attendance record in 2018 as shown on iPads provided

at the meeting.

41. Members noted that the Council Secretariat would contact Members for their comment about the arrangement to convene 2 Standing Committee meetings on the same day, as trialled in this round of meetings. Subject to Members' feedback, the next round meetings in July 2019 and November 2019 would be scheduled and confirmed to Members.

XV. Date of Next Meeting

42. Members noted that the next meeting would tentatively be held on 31 July 2019 at 3:00 p.m.

43. There being no other business, the Chairman thanked Members for their attendance and the meeting was closed at 5:40pm.