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F.C. 8/2018 (Revised)

**Revised Minutes of the 63rd Meeting of the Finance Committee
held at 2:30p.m. on Tuesday, 17 July 2018
in the Board Room, 2nd Floor, HKPC Building
78 Tat Chee Avenue, Yau Yat Chuen, Kowloon**

Present : Chairman - Mr. Wilson Fung Ying-wai

Members - Mr. Mohamed Din Butt
Prof. John Chai Yat-chiu, JP
Ms. Joyce Cheung
(representing Mr. Andrew Au, JP)
Mr. Felix Chow Bok-hin
Mr. Bryan Ha Kwok-fung
Dr. Allen Shi Lop-tak, BBS, MH, JP
Ms. Karmen Yeung Ka-yin

In Attendance from HKPC :

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

Vote of Thanks

The Chairman suggested, and Members agreed, to record a vote of

thanks to Mr. Alfonso Tam for his dedicated service as Secretary to the Finance Committee.

I. Confirmation of Minutes (F.C. 3/2018 Revised)

1. The revised draft Minutes of the 62nd Meeting of the Finance Committee (FC) held on 20 March 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.

III. Annual Accounts for the Year 2017/18 (F.C. 4/2018)

2. 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).

3. referred to the underspending in staff emoluments in the past few years and said that while the vacancy situation was understood to be a contributing factor, the coming budget exercise for 2019/20 should aim at making more realistic projections to narrow the gap between the budgeted and actual figures for this expenditure item. In response, said that the matter would be given attention in preparing the next year's budget for submission to the Council in November 2018, having regard to staff turnover and business needs of the organization.

4. Members endorsed for the Council's approval the Annual Accounts of HKPC for the year ended 31 March 2018 which had also been considered by the Audit Committee at its 46th meeting held on 21 June 2018 with no adverse comments. Members also noted the 2017/18 financial results of the Mainland subsidiaries (in paragraphs 7-8 of the paper) and that of APAS (in paragraph 9 of the paper).

IV. Authorized Signatories for HKPC's Bank Accounts (F.C. 5/2018 Revised)

5. 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.

6. After discussion, Members endorsed for the Council's approval the proposal outlined in paragraph 4 of the paper.

V. Financial Performance of HKPC for the First Quarter of 2018/19 (April - June 2018) (F.C. 6/2018)

7. Invited by the Chairman, introduced the paper which set out the financial performance of HKPC for the period from April to June 2018. During the period, HKPC's total fee income was \$104.4M, meeting 96% of the budget. Value added was \$66.6M or \$1.8M (2.8%) more than the budget. Total expenditure was \$100.7M, or 13.7% less than the budget. Overall, there was a surplus of \$19.7M, which was more than the budgeted surplus by \$17.9M. As at June 2018, the balance of the provision for staff annual leave was \$5.9M, with a 30.1% reduction from the level in June 2017. The balance of the number of staff annual leave days with financial implication was also reduced from 4,835 in June 2017 to 3,315 in June 2018, or by 31.4%.

8. Continuing, said that the 2018/19 first quarter financial result was prepared based on the Hong Kong Financial Reporting Standard 15 (HKFRS 15) adopted in April 2018. Bridging of the 2018/19 first quarter financial result by using the 2017/18 income recognition principle showed that better performance was achieved, with external income and value added in the first quarter in 2018/19 increased by \$0.8M (or 0.7%) and \$2.2M (or 3.9%) respectively over that of the same period in 2017/18.

9. said that the Management had adopted a new approach to monitor business performance, based on monthly targets derived from a straight-line allocation of the annual budget. The objective was to minimize the impact of seasonal factors and hockey stick effect at year-end. With divisions taking a closer control of project delivery progress, this approach had yielded positive result as seen in the value added percentage which hit the milestone of surpassing target in the first quarter of 2018/19. In the

second quarter of the year, the team would focus attention on the external income aspect to catch up and boost the overall financial performance.

10. cautioned that escalating trade tensions in the market would weigh on SMEs which were more susceptible than their more established counterparts to the fallout from tariffs levied on Mainland goods. In response to 's enquiry about HKPC's business outlook, said that the impact of tariff concerns had not been noticeable yet but HKPC would closely monitor Mainland's trade relations with other countries and the impact on HKPC's business performance. At the same time, HKPC would be prepared to provide the needed support to help industries, especially SMEs, in difficult times.

11. Members noted the financial performance of HKPC for the period April to June 2018.

VI. Quarterly Report on HKPC's Funds (F.C. 7/2018)

12. Invited by the Chairman, briefed Members on the quarterly report on HKPC's funds. said that as at 30 June 2018, HKPC's cash balance was \$304M. The actual bank interest income earned by HKPC from time deposits during the period was \$1M, representing an average return rate of 1.2%, which was higher than the 0.01% average interest rate for savings accounts offered by major banks in Hong Kong.

13. Members noted that 8 savings accounts had been set up with for newly accepted Government funded projects to diversify deposits for these projects.

14. Members noted the quarterly report on HKPC's funds.

VII. Any Other Business

(A) Attendance Record of FC Members

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

VIII. Date of Next Meeting

16. It was noted that the next meeting was scheduled for 20 November 2018 at 2:30pm.

17. There being no other business, the Chairman thanked Members for their attendance and the meeting was closed at 3:00pm.