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confidential information and Members' names removed)**

**F.C. 13/2018 (Revised)**

**Revised Minutes of the 64<sup>th</sup> Meeting of the Finance Committee  
held at 3:30p.m. on Monday, 19 November 2018  
in the Board Room, 2<sup>nd</sup> Floor, HKPC Building  
78 Tat Chee Avenue, Yau Yat Chuen, Kowloon**

**Present** : Chairman - Mr. Wilson Fung Ying-wai

Members - Mr. Mohamed D. Butt  
Prof. John Chai Yat-chiu, JP  
Ms. Joyce Cheung  
(Principal Economist, representing Mr.  
Andrew Au, JP, Government  
Economist)  
Mr. Felix Chow Bok-hin  
Mr. Bryan Ha Kwok-fung  
(Assistant Commissioner for Innovation  
and Technology (Funding Schemes),  
representing Ms. Annie Choi, JP,  
Commissioner for Innovation and  
Technology)  
Ms. Karmen Yeung Ka-yin

**Absent with Apologies:** Dr. Allen Shi Lop-tak, BBS, MH, JP

**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

## **I. Confirmation of Minutes (F.C. 8/2018 Revised)**

1. The Revised Draft Minutes of the 63<sup>rd</sup> Meeting of the Finance Committee (FC) held on 17 July 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. Programme and Estimates of HKPC for 2019/20 and Three-Year Forecast 2019/20 – 2021/22 of HKPC Income and Expenditure (F.C. 9/2018 Revised)**

2. Invited by the Chairman, introduced the paper and said that in line with the Three-Year Strategic Plan for 2019/20-2021/22 approved by the Council in July 2018, HKPC would pursue 10 strategic themes under the Smart City and Smart Manufacturing agendas for the years 2019/20 to 2021/22. In terms of activity plans, HKPC would focus on activities that support Hong Kong industries to build up competence in Industry 4.0, drive re-industrialization, and gear up Hong Kong industries to tap opportunities brought by the Greater Bay Area development.

3. On the financial estimates, said that external income was estimated to increase to \$443M in 2019/20, or by 2% from the 2018/19 budget. Considering the tough economic environment and a proposal to keep the staff rate unchanged in 2019 to help SMEs tie over the difficult times (for which the FC's approval would be sought under the next agenda item), the 2% income growth was an aggressive target which HKPC would try its best to achieve. In this connection, HKPC would critically review its service portfolio to ensure a focus on industrial implementation and impact in its activities and programmes to deliver real benefit to industry and community. For example, in light of the good market response to services in smart manufacturing and Industry 4.0, the support in this area would be beefed up. In respect of the financial forecast for 2020/21 and 2021/22, the income growth rate was projected to be 3% for each of the years, assuming some improvement in market conditions by then.

4. Members then considered the staff establishment of 695 for 2019/20 proposed in paragraph 26 of the paper which included 662 manning posts under HKPC and 33 under Automotive Parts and Accessory Systems R&D Centre (APAS). Members commented that as APAS was separately funded by the Innovation and Technology Fund (ITF) and APAS's budget did not form part of

HKPC's income and expenditure forecast, the manning posts of APAS should not be included in the staff establishment of HKPC for the purpose of seeking the endorsement of the FC.

5. For the 13 targets for 2019/20 proposed for the Key Performance Indicators (KPIs)(Appendix 13 of the paper), Members 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. It was agreed that the Council should be consulted at its next meeting on whether starting from the next year budget exercise for 2020/21, the KPI targets should be submitted to the BDC, rather than the FC, for endorsement.

6. After discussion, Members endorsed for the Council's approval:

- (a) HKPC's Three-Year Forecast for 2019/20-2021/22;
- (b) the detailed Programme and Estimates of HKPC for 2019/20 which included the overall staff establishment of 662 for HKPC endorsed by the Staffing Committee at its 61<sup>st</sup> meeting held on 6 November 2018; and
- (c) the proposed targets for KPIs for 2019/20 at Appendix 13 of the paper.

7. Members also noted the Three-year Forecast of the Mainland subsidiaries, as well as the indicative funding from the ITF to support the operation of APAS for the 2-year period from 2019/20 to 2020/21 which did not form part of HKPC's income and expenditure forecast for the purpose of subvention requirement.

### **III. Financial Performance of HKPC for the First Two Quarters of 2018/19 (April - September 2018) (F.C. 11/2018)**

8. Members noted the financial performance of HKPC for the period from April to September 2018 as presented by \_\_\_\_\_ and detailed in the paper. For the first two quarters of 2018/19, HKPC's total external income was \$230.9M, which exceeded budget by 6.5%. Performance in value added (VA) continued to improve over 2017/18, with the actual VA exceeding budget by 7% during the report period. Taking away the impact of the new accounting standard HKFRS 15 which came into effect in April 2018 for on-par comparison with 2017, there was "organic" income growth of 1.9% during April – October 2018 when comparing with the same period in 2017.

9. Commenting on the 2018/19 performance, \_\_\_\_\_ said that order intake had slowed down in the second quarter of 2018/19 amidst trade disputes and

market adjustment. Yet with a healthy order pipeline built since beginning of the year, the whole year financial result should be on track to meet the budget target.

**IV. Quarterly Report on HKPC’s Funds (F.C. 12/2018)**

10. Members noted a presentation by \_\_\_\_\_ on the cash balance and treasury activities of HKPC as at 30 September 2018 as detailed in the paper, including the opening of 15 accounts under \_\_\_\_\_ for newly accepted Government funded projects to diversify deposit for the projects.

**V. Any Other Business**

**(A) Central Tender Board**

11. Invited by the Chairman, \_\_\_\_\_ said that an upcoming internal procurement exercise would involve the purchase of 2-year insurance cover for HKPC at an estimated cost of over \$10M. In line with the Central Tender Board system approved by the Council in November 2017, the tender report for the exercise should be submitted to the Central Tender Board for approval before the award of tender by HKPC.

12. Members noted that 3 Council Members would be invited to join the Central Tender Board to consider the tender report for the said procurement exercise. Under the composition approved by the Council, the Central Tender Board would be chaired by the FC Chairman with 3 Council Members, the Executive Director and Legal Counsel of HKPC as members.

**(B) Attendance Record of FC Members**

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

**(C) 2019 Meeting Schedule**

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

Meeting	Date and Time
65 <sup>th</sup> FC meeting	19 March 2019 (Tuesday) 3 p.m.
66 <sup>th</sup> FC meeting	23 July 2019 (Tuesday) 3 p.m.
67 <sup>th</sup> FC meeting	19 November 2019 (Tuesday) 3 p.m.

## **VI. Date of Next Meeting**

15. It was agreed that the date of the next meeting was scheduled for 19 March 2019 at 3 p.m.

16. There being no other business, the Chairman thanked Members for their attendance and the meeting was closed at 4:15 p.m.