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and Members' names removed)**

F.C. 6/2019

**Minutes of the 65th Meeting of the Finance Committee
held at 11:30 a.m. on Tuesday, 19 March 2019
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
Miss Kathy Chan Nap-sze (Assistant
Commissioner for Innovation and
Technology (Funding Schemes),
representing Ms. Annie Choi, JP,
Commissioner for Innovation and
Technology
Ms. Joyce Cheung Chung-sze
(representing Mr. Andrew Au, JP)
Ms. Karmen Yeung Ka-yin

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

In Attendance from HKPC :

Dr. Lawrence Cheung	Director, Technology Development
Mr. Edmond Lai	Director, Digital
Mr. 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 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. Bryan Ha Kwok-fung for his contribution during his tenure as Member.

I. Confirmation of Minutes (F.C. 13/2018 Revised)

1. The Revised Draft Minutes of the 64th Meeting of the Finance Committee held on 19 November 2018 had been circulated to Members and there were no further requests for amendments. The Revised Minutes were taken as read, confirmed and signed by the Chairman.

II. Authorized Signatories for HKPC's Bank Accounts (F.C. 1/2019)

2. 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.

3. Members endorsed for the Council's approval the proposal outlined in paragraph 4 of the paper.

III. Financial Performance of HKPC for the Year of 2018/19 (April 2018 - January 2019) (F.C. 2/2019)

4. Invited by the Chairman, introduced the paper which set out the financial performance of HKPC, excluding Automotive Parts and Accessory Systems (APAS) R&D Centre, for the period from April 2018 to January 2019. During the period, HKPC's total fee income was \$378.4M, which was more than the budget by \$16.8M (or 4.6%). Value added was \$231.5M, or \$15.4M (7.1%) more than the budget. Value added percentage also exceeded budget by 1.4%. Total expenditure was \$342.8M, or \$46.3M (11.9%) less than the budget. The surplus for the period was more than the budgeted surplus by \$62M.

5. Members also noted from and that:

(a) up to end-January 2019, the year-to-date targets for 21 Key Performance Indicators (KPIs) had been met and full attention was

being paid to catch up on the remaining 2 KPIs of “income from training” and “income from exhibitions, study missions and conferences”;

- (b) in terms of order intake, there was organic growth of more than 1% over the same period in 2017/18, amidst some slow-down in business in the second half of 2018/19 as forecasted. With several large-scale projects to be signed up before end-March 2019, the overall organic growth rate was estimated to be 3% to 4% for 2018/19;
- (c) while the surplus recorded during the report period was partly contributed by underspending in staff emolument, the Management was wary of the challenge posed by staff turnover to new project delivery. Retention measures for grades 1 to 6 staff were in the pipeline to improve the situation; and
- (d) the financial performance of WFOEs was improving, with actual income and value added going up by 36% and 25% respectively over the same period in 2017/18.

6. Members noted the financial performance of HKPC for the period April 2018 to January 2019.

IV. Quarterly Report on HKPC’s Funds (F.C. 3/2019)

7. Members noted the quarterly report on HKPC’s funds as presented by , covering the cash balance position as at 31 January 2019, deposit of funds in savings and time deposit accounts of various banks and interest earned.

V. Procurement Update (F.C. 4/2019)

8. Invited by the Chairman, introduced the paper and briefed Members that in line with the Central Tender Board system approved by the Council at its 61st meeting held on 21 November 2017, the reports for 2 internal procurement tenders above \$5M had been submitted to the Central Tender Board Chairman and Central Tender Board respectively for approval before tender award. The 2 internal tenders were:

- (a) 2-year cleaning and pest control services. The tender report on this was reviewed and approved by the Central Tender Board

Chairman in November 2018; and

(b) 2-year corporate insurance services. The tender report on this was reviewed and approved by the Central Tender Board at its meeting held on 26 February 2019.

9. also briefed Members on the strategic sourcing strategy adopted by the procurement team and sourcing deflation achieved during April 2018 and February 2019.

10. Members noted the report on procurement update.

VI. Ownership Change in Mainland Joint Ventures (F.C. 5/2019)

11. briefed Members on the proposals for HKPC to:

(a) close a joint venture in Chongqing, namely Chongqing-Hong Kong Productivity Promotion Centre Co. Ltd. (CQJV); and

(b) 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 its 35.06% shareholding in SZJV.

12. then briefed Members on the financial implications of the proposals based on the financial position as of December 2018. On CQJV, Shenzhen WFOE, which held 40% share of the JV, would receive from the company closure an estimated net cash of RMB 0.347M. On SZJV, HKPC's plan was for Shenzhen WFOE to acquire the 35.06% shareholding of the JV partner with the dividend from SZJV. There would be no need for payment from HKPC to the holding company of Shenzhen WFOE i.e. Productivity (Holdings) Limited.

13. advised the Management to ascertain if there were any subsidies from local governments which should be returned or outstanding matters in the financial accounts which should be cleared before kicking off the proposed arrangements.

14. Members noted the financial implications of the proposals. Members also noted that the proposals were supported by the Business Development Committee at its 68th meeting held on 19 March 2019. HKPC would proceed to seek the approval of the Board of Productivity

(Holdings) Limited to close CQJV and enter into discussion with the Shenzhen partner of SZJV on the share acquisition proposal.

[Post meeting note: The proposed closure of CQJV was approved by the Board of Productivity (Holdings) Limited by paper circulation on 26 March 2019.]

VII. Any Other Business

(A) Revised Three-year Forecast of Mainland Entities for 2019/20-2021/22

15. Invited by the Chairman, briefed Member that under the latest development in setting up HKPC Shenzhen Innovation and Technology Center (Futian) (the Centre) in collaboration with the Futian District People's Government, the Centre would be set up as a public institution with state-owned assets. Centre ownership would rest with the Mainland government and HKPC would be one of the two organizing units of the Centre. 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. As such, there was a need to revise the Programme and Estimates for 2019/20 and Three-year Forecast for 2019/20-2021/22 of HKPC's Mainland entities by taking out the budget estimates made for the Centre. then took Members through the revised forecast with a powerpoint presentation (Appendix).

16. In response to on the benefits to HKPC in supporting the setup and operation of the Centre, said that HKPC was in discussion with the Futian partner over potential support programmes to be executed by HKPC for the Centre upon its formal registration to assist enterprises in the region to move towards high-end operation, similar to the TURN programmes implemented by HKPC in Dongguan, Zhuhai etc.

17. After discussion, Members noted the revised Three-year Forecast of HKPC's Mainland entities for 2019/20-2021/22.

(B) Attendance Record of FC Members

18. Members noted their attendance record in 2018 as shown on iPads provided at the meeting.

VIII.Date of Next Meeting

19. Members noted that the next meeting would tentatively be held on 23 July 2019 at 3:00 p.m.

20. There being no other business, the Chairman thanked Members for their attendance and the meeting was closed at 12:25p.m.