

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

F.C. 10/2019

**Minutes of the 66th Meeting of the Finance Committee
held at 4:30 p.m. on Tuesday, 23 July 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 D. 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
(Principal Economist, representing Mr.
Andrew Au, JP, Government Economist)
Mr. Felix Chow Bok-hin (attendance via tele-
conferencing)

Absent with Apologies : Dr. Allen Shi Lop-tak, BBS, MH, JP
Ms. Karmen Yeung Ka-yin

In Attendance from HKPC :

Dr. Lawrence Cheung	Chief Innovation Officer
Mr. Edmond Lai	Chief Digital Officer
Ms. Flora Li	Chief People and Culture Officer
Ms. Vivian Lin	Chief Financial Officer
Ms. Gillian Luk	Senior Manager, Council Secretariat
Ms. Olivia Poon	Manager, Council Secretariat

Safety Video

A safety video was shown to Members about the safety measures in the HKPC Building.

Declaration of Interest

The Chairman reminded Members to declare interest should they observe any direct/pecuniary interest in any matter to be discussed at the meeting. Members noted that the reminder arrangement was a friendly measure being applied from this round of Council and Standing Committee meetings and not stemming from the secretariat observing any potential conflict of interest situation in the meeting agenda or papers. The reminder arrangement was practised by many quangoes.

I. Confirmation of Minutes (F.C. 6/2019)

1. The Draft Minutes of the 65th Meeting of the Finance Committee held on 19 March 2019 had been circulated to Members and there were no requests for amendments. The Minutes were taken as read, confirmed and signed by the Chairman.

II. Annual Accounts for the Year 2018/19 (F.C. 7/2019)

2. Invited by the Chairman, introduced the paper and briefed Members on the financial performance of HKPC, excluding Automotive Parts and Accessory Systems R&D Centre (APAS), in 2018/19. said that external income reached \$464.5M, exceeding budget by 7% and rising 3% from a year ago. The strong growth was fueled by business in Industry 4.0 and Enterprise 4.0. Value add in 2018/19 was \$280.3M, which was 8% over budget and 3% over 2017/18 thanks to strong order growth. On the expenditure side, staff emoluments were below budget by 11% due to staff turnover. Other expenses recorded the same level of variance from budget, contributed by lower depreciation and building running cost etc. Overall, a surplus of \$80.3M was achieved, compared to the budgeted surplus of \$7.1M, which marked a 2% growth year-on-year.

3. The Chairman invited Members to comment on the financial statements which had incorporated his suggestions. noted the strong financial performance in 2018/19 which surpassed the budget set and the 2017/18 level achieved. In response, said that the move to keep the list price unchanged in 2019/20 might exert some pressure on the year's financial turnout. In this connection, the Management had been closely monitoring the order intake trend. According to the latest data, incoming orders were stable and the outlook was positive. To support service delivery, more effort would be made in staff recruitment in 2019/20 .

4. After discussion, Members agreed to endorse the annual accounts for 2018/19 which was reviewed by the Audit Committee at its 50th meeting held on 16 July 2019 with no major adverse comment.

III. Financial Performance of HKPC for the First Quarter of 2019/20 (April – June 2019) (F.C. 8/2019)

5. Invited by the Chairman, introduced the paper which set out the financial performance of HKPC, excluding APAS, for the period from April to June 2019. said that external income was \$116.5M, which was 5% over budget and surpassed the 2018/19 figure for the same period by 12%. The strong growth was spurred by business in Industry 4.0 and smart living. A healthy order intake trend, with steady order growth for services in Industry 4.0, Enterprise 4.0 and smart living, brought total order value to \$200.8M, meeting 76% of the target set for the whole year of 2019/20. Value add was \$67.9M, which was 5% over budget and up 2% from 2018/19.

6. said that on the expenditure side, staff emoluments were \$82.8M or 9% below budget. This expense item would pick up in the ensuing months. As for the other expenses, promotion expense incurred \$1M during the first quarter of 2019/20, against the annual budget of \$6M. With a series of promotion activities in the pipeline for HKPC to reach out to more SMEs, the actual expense for the whole year was expected to exceed the annual budget by \$2M.

7. Supplementing, said that HKPC had attended with greater speed to the challenges faced by SMEs in the previous two months by strengthening support and doing more promotion to enhance SMEs' awareness of avenues for support. For example, a promotion video on HKPC services was produced for streaming in factory buildings and a new service flyer was compiled for distribution. A Fund Fair would be organised in September 2019 to put funding schemes in Hong Kong and Greater Bay Area all under one roof for SMEs to get the full picture and identify application opportunities. The event had received good response with over 40 funding schemes set to be showcased. These initiatives were designed in the midst of year to respond to the acute needs of SMEs under the worsening macro conditions. While there might be overspending against budget, the Management would keep a close watch to ensure modesty in spending and evaluate return on investment.

8. Continuing with report on financial result, said that the surplus in the first quarter of 2019/20 was \$19.2M, compared to the budgeted surplus of \$1.5M. This was slightly below the 2018/19 level by 3%.

9. Members noted the financial performance of HKPC and its branches for the period April to June 2019.

IV. Quarterly Report on HKPC's Funds (F.C. 9/2019)

10. Members noted the quarterly report on HKPC's funds as presented by _____, covering the cash balance position as at 30 June 2019, deposit of funds in savings and time deposit accounts of various banks and interest earned.

V. Any Other Business

(A) Attendance Record of FC Members

11. Members noted their attendance record in 2019 as shown on iPads provided at the meeting.

VI. Date of Next Meeting

12. Members noted that the next meeting would tentatively be held on 15 November 2019 at 4:30 p.m.

13. There being no other business, the Chairman thanked Members for their attendance and the meeting was closed at 4:50p.m.