

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

BDC 21/2011 (Revised)

**Revised Minutes of the 46th Meeting of the
Business Development Committee held at 5:00p.m.
on Tuesday, 1 November 2011 in Meeting Room LGA,
LG1 floor, HKPC Building, 78 Tat Chee Avenue, Yau Yat Chuen, Kowloon**

Present : Chairman - Mr. Clement Chen Cheng-jen, BBS, JP

Members - Dr. Cliff Chan Chok-ki
Ir Daniel Cheng Man-chung, MH, JP
Mr. Davey Chung
Mr. Jimmy Kwok Chun-wah, MH, JP
Mr. Lo Foo-cheung, JP
Mrs. Agnes Mak, MH, JP
Mrs. Katherine Ngan Ng Yu-ying, JP
Mr. Jack Yeung Chung-kit

In attendance from HKPC :

Mr. Tony Lam	Director, Corporate Services
Mr. Edmund Sung	Director, Business Innovation
Mr. Joseph Poon	Director, Technology Development
Dr. Samuel Leung	General Manager, Finance & Procurement
Mr. Alfonso Tam	Chief Manager, Council Secretariat
Ms. Miranda Yeap	Senior Manager, Council Secretariat

Confirmation of Minutes (BDC 15/2011)

The Minutes of the 45th Meeting held on 28 June 2011 had been circulated to Members and there were no requests for amendments. The Minutes were taken as read, confirmed and signed by the Chairman.

I. Matters Arising (BDC 20/2011)

1. reported on Matters Arising as reported in the paper tabled (BDC 20/2011). The meeting noted that follow-up action had been taken with regard to Members' comments on the presentation of the Programme and Estimates in relation to the Three-year Strategic Plan, i.e. resource estimates in terms of both the 4 core competence and the 5 strategic themes would be presented in the paper on Programme and Estimates for 2012/13 and Three-year forecast for 2012/13 - 2014/15 to be submitted to the Finance Committee and the Council respectively on 15 November 2011 and 22 November 2011. In a related context, the relevant figures indicating the size of the TURN and Cleaner Production Partnership Programme (CP3) were also shown in the paper endorsed by the Finance Committee on 19 July 2011 and the Council on 26 July 2011. Information was being collected and studied for the establishment of a database on the eligibility and requirements for the Mainland government award schemes and subsidy programmes to provide information for the industry, in particular the SMEs. The database would be uploaded onto HKPC's website for public information when ready.

2. The meeting noted that as collaboration in several technology areas was anticipated to increase after meeting with the Director of Chongqing Academy of Science and Technology in August 2011, the proposed reduction of the paid-in capital of Chongqing-Hong Kong Productivity Promotion Centre Co. Ltd. (CQJV) would be put on hold for the time being.

3. also took the opportunity to inform Members that HKPC, subject to the application for the SME Fund being successful, was planning to set up a One-stop SME Advisory Centre to assist SMEs to obtain relevant funding from the HKSAR and the Mainland Government.

II. Report on HKPC's Mainland Subsidiaries (WFOEs and JVs) (BDC 16/2011)

4. Invited by the Chairman to report, briefed the meeting on the strategic development and operating results for the period from 1 January 2011 to 30 September 2011 of the three Wholly Foreign Owned Enterprises (WFOEs), Shenzhen SZ-HK Productivity Foundation Co., Ltd. (SZJV) and CQJV as well as their way forward.

5. said that taking into account the brainstorming session held in

early 2011 and the relevant focus areas of the 12.5 National Plan, WFOEs would focus on the following three business strategies:

- (a) Integrated Transformation and Innovation;
- (b) Low Carbon and Environmental Protection; and
- (c) Achieving International and National Benchmark.

To provide implementation support, a Management Unit was formed in May 2011 under the Chairmanship of ED and with the Directors and several General Managers as Members to expedite the decision process with regard to Mainland affairs. Also, an integrated service team would be set up in WFOEs to perform the role of business integrator by bundling HKPC's services to better serve Mainland clients and develop new consulting services for WFOEs which would include but not limited to industry cluster upgrade and cooperation, Government services platform enhancement and modern service industry upgrade and transformation. The various initiatives carried out under the three Mainland strategies were stated in paragraphs 10-21 of the paper and the human resources and office enhancement initiatives in support of the Mainland strategies were stated in paragraphs 22-27 of the paper.

6. On the financial side, Members noted that all of the WFOEs' accumulated loss generated in the past 8 years had now been covered. Riding on their relatively healthy financial position, three-year financial objectives for the WFOEs were set with an aim to achieve better business results in the coming three years.

7. On the way forward for the WFOEs, whilst the TURN program would continue to be the main focus of WFOEs' support to SMEs, industry-specific TURN program, particularly on Metal & Plastic and Textile & Apparel industries, would be developed to assist related Hong Kong owned companies. We would also enrich our CP3 team competence through training and recruitment of new staff in response to the industry need to provide service covering effluent discharge. The total staff force of the CP3 team in Shenzhen, Dongguan and Guangzhou had been increased to 19. The WFOEs would continue to enhance their project delivery capability in the delivery of TURN and CP3 projects, industry cluster upgrade and collaboration.

8. With regard to the Shenzhen SZ-HK Productivity Foundation Co., Ltd. (SZJV), said that its 6th board meeting held on 14 July 2011 had approved 5 projects respectively in the areas of Electronics and Automotive, Software and Anicom, New Technology and Technology Transfer and Intellectual Property and Brand Establishment, which would have positive impact on the relevant Service Industry Centres under SZJV. In the first three quarters of 2011, SZTI had organized seven training courses and 11 seminars, bringing in income of RMB180,638. SZJV has also acquired funding of RMB402,000 for 5 training programs under Shenzhen Government 2011-12

Training for SMEs personnel. A series of marketing activities would be launched to position SZJV as a platform for HKPC's subject divisions to extend their service to the Mainland and with a view to improving SZJV's financial performance. SZJV would continue to provide service platform on technological development and productivity enhancement, and would establish an i-mould manufacturing centre and an i-auto centre respectively to showcase the advanced computer-aided manufacturing technology and to support automobile industry in Shenzhen. Moreover, SZJV was negotiating with the Shenzhen Technology Park to extend its existing tenancy at the current privileged rental rate.

9. went on to report that after meeting with the Director of Chongqing Science and Technology Commission (CQSTC) and the Director of Chongqing Academy of Science and Technology (CQAST) in August 2011, the previous proposal of reducing the paid-in capital of the Chongqing-Hong Kong Productivity Promotion Centre Co. Ltd. (CQJV) would be put on hold in view of increasing collaboration in the areas of automotive safety system, electrical vehicles technology, new material technology and anhydrous dyeing. would report progress after the next Board meeting of the CQJV. In this connection, Members also noted that HKPC had also taken the lead to invite representatives from R&D centres, universities and technology companies in HK to participate in the 2nd International R&D Institution Mission to Chongqing in October 2011. A total of 88 research and technology results were showcased and nine MOUs had so far been signed. The Chongqing Science Technology Research Bureau had invited ED to be the senior advisor of their technology research centre.

10. said that the effective provision of HKPC's services in the Mainland would to a large extent hinge on the issues of cost-effectiveness and practicality on account of geographical distance. said that the Management should explore the feasibility of having full-time technical staff who could station in the WFOEs to provide on the spot service. responded that the deployment of HKPC staff in the WFOEs would involve intricate tax and permanent establishment issues. As such, the Management would continue to focus on building integrated service teams of suitably qualified local staff to build up the project delivery capability of the WFOEs over time under the guidance of the expert consulting staff from HKPC. The integrated service teams for the CP3 and TURN projects were examples.

11. said that whilst fully supported the further business expansion of the WFOEs, he cautioned that HKPC and the WFOEs, bearing in mind the cultural differences, must adhere to the financial rules as well as guidelines of corporate governance. In agreement, said that it was important to strengthen the soft capabilities of the WFOEs, especially

professional management and corporate governance. In this connection, we had recently successfully employed Hong Kong professionals of management caliber and financial expertise to station in the Mainland.

12. suggested that the additional information on the sales of WFOEs should also be presented in future reports to provide an indication on the level of business activities of the WFOEs. Whilst agreed with that there would be a lot of business opportunities for HKPC in the Mainland, however pointed out that the future of many enterprises in the Mainland remained uncertain in view of the economic downturn and this might have an adverse effect on the demand for HKPC's services.

13. shared with the meeting his recent exchanges with the Chongqing authorities during his presence at the 2nd International R&D Institution Mission to Chongqing in October 2011. said that Chongqing welcomed collaboration with HKPC on technology areas, e.g. New Materials, Cleaner Production etc. In a related context, invited Members to consider participating in the Hong Kong Week in Chongqing in early January 2012 where the trade and industry associations of Hong Kong and Chongqing would gather. added that, given the previous collaboration experience with the University of Chongqing, HKPC was working positively towards the setting up of a Magnesium Technology Centre in Chongqing.

14. Members noted the progress update, the improved financial status, the strategic roadmap and the way forward for WFOEs, SZJV and CQJV.

III. Report on Projects for Government Funding Schemes (April – September 2011) (BDC 17/2011)

15. Invited by the Chairman to report, reported that during the period of April to September 2011, HKPC was involved in 18 government funded projects, including projects funded by Innovation and Technology Fund (ITF), SME Development Fund, Professional Services Development Assistance Scheme (PSDAS), CreateSmart Initiative (CSI), the Beat Drugs Fund and the Hong Kong Council for Testing and Certification. The total funding approved amounted to \$23.6M.

16. In response to observation that both the application rate and the funding obtained seemed to have dropped for the government funded projects, said that there were still a number of projects in the

pipeline waiting for approval and would continue to monitor progress. supplemented that with the adoption of a new assessment framework for ITF in March 2011, the Assessment Panel would accord higher marks for projects with stronger commercialization potential. hoped that HKPC, being closely involved with the industry, would play a more active role in promoting commercialization stronger.

17. Members noted the report.

IV. Interim Performance Review of Completed ITF Projects (BDC 18/2011)

18. Members noted the interim performance review of four ITF projects which were completed within budget, namely:

- (a) Development of Advanced Composite Pellets and a Novel Supercritical Fluid Extraction Process for Micro-Powder Injection Moulding Technology;
- (b) Development of Reactive Hybridization SOL-GEL Technology on Extra Hard and Non-stick Silicon Coating as an Alternative to Teflon Coating for Cookware;
- (c) Development of a Novel Electrolytic Ozone Spray Process to Achieve Aged-look Effect for Denim Wear; and
- (d) Design and Development of Implantable Artificial Finger Joints for Biological Repair.

19. Members noted that declared interest in relation to the SOL-GEL project in (b) above as company was pursuing a similar project. would follow up with with a briefing on HKPC's project.

V. Final Performance Review of Completed ITF Projects (BDC 19/2011)

20. Members noted the final performance review of two ITF projects, namely:

- (a) Core Technology Platform of Image Processing and Recognition for Driver Assistance Systems; and
- (b) Interoperability Technology and Applications for Container RFID and E-seal.

21. In a related context on HKPC's role to facilitate commercialization, [redacted] said that HKPC, as a technology institution, should lead the market by making more proactive and forward looking attempts in technology research to take the lead to bring in new technologies for dissemination and transfer to industry. Also, time would be of the essence in technology transfer and HKPC must expedite its research and introduce a new technology to help industry capitalize on the market before it matured. HKPC should position itself to be the leader in technology transfer such that the industry should look to HKPC for new inventions. [redacted] agreed but however acknowledged that this would be easier said than done in such a fast-moving world of technology cycles and communication.

22. In response to [redacted] enquiry of whether HKPC was up to date on market development, [redacted] said that our network with the industry associations would help ensure this. However, there was a limit to what HKPC could achieve via this indirect channel only. Therefore, the Management was giving serious thoughts to reviving HKPC's previous market and technology research functions. Also, HKPC would venture out to learn more about how to expedite the commercialization process with regard to the European model.

23. Separately, [redacted] proposed that, in view of the business opportunities generated by CP3, HKPC should consider taking the lead in forming some sort of consortium of environment service providers where HKPC could consider to be the main contractor and would distribute business to the various Hong Kong service providers.

24. Members noted the paper.

VI. Any Other Business

(A) Attendance Record of BDC Members

25. Members noted the attendance record in 2011 tabled at the meeting. The Chairman encouraged Members to attend future meetings.

(B) 2012 Meeting Schedule

26. Members noted the proposed 2012 BDC Meeting Schedule which was

tabled at the meeting, as follows:

Meeting	Date and Time
47 th BDC meeting	13 March 2012 (Tuesday) 2:30pm
48 th BDC meeting	3 July 2012 (Tuesday) 2:30pm
49 th BDC meeting	13 November 2012 (Tuesday) 2:30pm

27. Members noted that the Secretariat would stick to the schedule unless circumstances warranted otherwise. In that event, the meetings would be scheduled within a period of one week before or after the original targeted dates to fit Members' schedules.

VII. Date of Next Meeting

28. It was agreed that the date of the next meeting was scheduled for 13 March 2012 at 2:30pm.

29. There being no other business, the Chairman thanked Members for their attendance and the meeting was adjourned at 6:20p.m.