

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

BDC 7/2011 (Revised)

**Revised Minutes of the 44th Meeting of the
Business Development Committee held at 2:30p.m.
on Tuesday, 15 March 2011 in Conference Room 1,
2nd 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
Mr. Davey Chung
Mr. Jimmy Kwok Chun-wah, MH, JP
Mr. Lo Foo-cheung, JP
Mrs. Agnes Mak Tang Pik-yee, MH, JP
Mrs. Katherine Ngan Ng Yu-ying, JP
Mr. Jack Yeung Chung-kit

In attendance from HKPC :

Mr. Edmund Sung	Director, Business Consulting
Mr. Tony Lam	Director, Corporate Services
Mr. Joseph Poon	Director, Technology Development
Mr. Jonathan Ho	General Manager, Corporate Communications
Mr. Alfonso Tam	Principal Consultant, Council Secretariat
Ms. Miranda Yeap	Senior Consultant, Council Secretariat

Welcome

The Chairman welcomed Mrs. Katherine Ngan and Mr. Jack Yeung who attended the meeting for the first time.

Vote of Appreciation

The Chairman suggested and Members agreed, to record a vote of appreciation to the Hon. Dr. Samson Tam Wai-ho and Dr. Raymond Chan for their contributions during their tenure as Chairman and Member.

Confirmation of Minutes (BDC 25/2010 Revised)

The Revised Minutes of the 43rd Meeting held on 2 November 2010 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. Review of HKPC Services Audit Statement (BDC 2/2011)

4. Invited by the Chairman to report, _____ said that HKPC has adopted its first Services Audit Statement, in replacement of the “Do and Don’t List”, in March 2010. The statement set out the mission of HKPC, the focus of HKPC’s work in accomplishing its mission, the parameters guiding service delivery and an exit programme for the next three years. The Council had also agreed that the statement should be reviewed by the BDC annually for updating to reflect the prevailing market circumstances and to provide a continuous process of review and implementation of HKPC’s services. _____ said that the Management has accordingly recently reviewed the Statement.

5. Whilst finding the Statement generally in order, the Management, for the purpose of reflecting the four-pronged strategy approved by the Council in August 2010, recommended including the following as additional guiding parameters for HKPC’s delivery of services:

- (a) services which fit well with the Council’s three year strategic plan with focus on
 - (i) the strategic directions of scaling up platforms to benefit industries on a sector-specific basis;
 - (ii) creating value for SMEs especially those showing potential to develop capabilities for new and emerging technology and business areas;

- (iii) sharpening core competencies through investment in technology transfer and application; and
 - (iv) developing strategic partnership;
 - (b) services that fulfil implementation of public policy or our public mission; and
 - (c) services that foster multi-disciplinary one stop total solutions.
6. Members noted that the above have been set taking into account the need “not to unfairly compete with the private sector” and HKPC’s mission as a multi-disciplinary organization providing solutions to the industry. also confirmed that the Management would review the Statement on a regular basis.
7. further said that on the exit of services, the Statement on Exit Programme has been reviewed and updated to take account of the following:
- (a) completion of the exit of two services in 2010/11 as planned;
 - (b) planned exit for two services in 2011/12; and
 - (c) planned exit for another three services in 2012/13.
8. Members endorsed the updated Services Audit Statement for the Council’s approval.

III. Progress of Business Initiatives (BDC 3/2011)

9. Invited by the Chairman to report, briefed the meeting on the latest modus operandi of the following business initiatives:
- (a) Intelligent Manufacturing System;
 - (b) Mechanical Watch Testing Laboratory;
 - (c) New Materials Processing and Application (Carbon Composite and Al-Li Alloy);
 - (d) Chemical Extraction and Processing Laboratory; and
 - (e) Expanded ElectroMagnetic Compatibility (EMC) Testing Services

taking into account update technological developments and feedback from the industry.

10. On the Intelligent Manufacturing System, said that the objective of this initiative was to build HKPC’s capability to assist tooling/product manufacturers to further enhance their competitiveness. The Mould and Die

Council of FHKI supported the development of technologies of i-manufacturing by adopting integrated automation to solve the cost and manpower issues and would be further consulted to tap the industry reaction.

11. The meeting noted that an Intelligent Mould shop would first be set up at HKPC to demonstrate the concept and benefits of an automatic system, to be followed by extending the i-Mould Shop concept to i-Manufacturing. This initiative would be supported by HKPC's own resources (\$3.3M) by deferring some of the planned capital expenditure items for 2010/11. With its core competence in manufacturing technology, HKPC was well-positioned to develop, disseminate and transfer the Intelligent Manufacturing system technology to industry.

12. In response to [redacted] enquiry as to whether there would be possible duplication with a similar system by the Vocational Training Council,

[redacted] explained that HKPC's self-developed system differed from VTC's purchased one in that it had an additional measuring mechanism. Also, whilst VTC's system was for educational purpose, HKPC would aim to provide one stop services via its system to develop, disseminate and transfer the i-manufacturing technology to the industry. In response to [redacted] remark that the return on investment (ROI) for this system might be relatively long, say five years, [redacted] said that HKPC's consultants would advise clients of optimal integration for their own deployment to meet their business objectives. In response to [redacted] enquiry on the number of potential clients, [redacted] said that this would be explored further with the Mould and Die Council whilst the system would need to be developed in the meantime to both educate and provide technical consultancy support to cater to the different needs of clients.

[redacted] said that HKPC had a unique public mission role to acquire the technology and transfer the knowledge to the industry to help them stay competitive in the market and it might not be necessary to be overly concerned with ROI at this initial stage.

13. [redacted] went on to introduce the initiative of the Mechanical Watch Testing Laboratory. Members noted that the original initiative of a Mechanical Watch Development Centre for the development of critical mechanical watch components was endorsed by the BDC at its 41st meeting and the Management has submitted a bid under the Government's 2011/12 Resources Allocation Exercise (RAE) for \$12M to support the necessary investment in equipment. However, the RAE bid for Government funding was not successful. Industry leaders have recently revisited if there was adequate local capability in the development of these components with highly specialized materials and process knowhow and had reached the understanding that Hong Kong companies would need to migrate to producing high end products to ensure sustainability. To

counter the competition in Japan and Europe and to ride on the HKSAR Government's promotion of testing and certification as a major industry in Hong Kong, there was a clear public role for HKPC to upgrade its present testing facilities to acquire the required standard to enable testing to be conducted in Hong Kong for critical components, sub-assembly and high-end finished products such as chronometers. As time was of the essence and to benefit from the better intellectual property protection in Hong Kong, the upgrading of HKPC's testing laboratory would in a direct way provide reliable support to the watch industry in Hong Kong in its move towards high-end products. The present proposal for a Mechanical Watch Testing Laboratory was supported by the Hong Kong Watch Manufacturers Association and the Federation of Hong Kong Watch and Trade Industry. The estimated cost was HK\$8.5M and it was intended to apply for funding from the Innovation and Technology Fund (ITF).

15. On New Material Processing and Application (Carbon Composite and Al-Li Alloy) as supported by the BDC at its 43rd meeting, [redacted] said that HKPC would allocate priority to carbon composite, riding on the wave of increasing applications in the aviation industry, automotive industry and high-end sports goods industry. Based on the results of internal Commercial R&D study on related knowhow and processing methods of carbon composite and the feedback from industry, HKPC would develop the relevant technology by applying for the \$6.5M funding from the ITF/APAS R&D Centre. The objective would be to provide one-stop solution and services from product design, production method, process knowhow and quality inspection methodologies. In response to [redacted], [redacted] said that [redacted] would consider the feasibility of applying the new material for surface finishing for the end products.

16. On the Chemical Extraction and Processing Laboratory, [redacted] briefed the meeting that this initiative was endorsed by the BDC at its 41st meeting and HKPC has submitted a bid under the Government's 2011/12 Resources Allocation Exercise (RAE) for \$18.3M to support the necessary investment in

equipment. The RAE bid was however not successful. As such, HKPC had modified the initiative to a smaller scale laboratory to develop extraction technologies to help target user groups of traditional Chinese medicine to extract the vital elements out of Chinese herbs to enable and ensure consistency and accuracy in the processing of Chinese medicine. The plan was to apply the project cost of \$9.7M from the ITF. [redacted] affirmed [redacted] explanation and said that whilst this would help in reducing the inconsistencies of Chinese medicine from different manufacturing companies, Hong Kong would take the lead to help the Chinese medicine manufacturing sector create a wider market confidence based on a scientific manufacturing process and quality assurance.

17. Separately, Members noted HKPC's latest development of the expanded ElectroMagnetic Compatibility (EMC) Testing Services which was supported by \$9.9M funding from the Government's RAE. HKPC was currently building a new Radio Frequency (RF) test chamber capable of meeting the new testing standards up to 16GHz to support the local industries. Long term partnership with local testing and certification bodies would also be developed. The expanded EMC Centre would offer services in June 2011. The Management would invite Members to visit the newly renovated Chamber when ready.

18. Members noted the progress update of the five business initiatives aforementioned.

IV. Report on Projects for Government Funding Schemes (April 2010-February 2011) (BDC 4/2011)

19. [redacted] reported that during the period of April 2010 to February 2011, HKPC was involved in 24 government funded projects, including projects funded by Innovation and Technology Fund (ITF), SME Development Fund, Professional Services Development Assistance Scheme (PSDAS), General Support Scheme of the DesignSmart Initiative, CreateSmart Initiative, Environment and Conservation Fund, Sustainable Development Fund and the Beat Drugs Fund. In response to [redacted] on the reason for the reduced number of ITF projects, [redacted] said that ITF projects would generally span over two years or more. With our limited resources, HKPC would need to ensure smooth implementation of existing projects prior to initiating new ones.

20. [redacted] explained that the drop in the success rate of SME Development Fund projects was largely attributable to the pending assessment

of 10 cases in the pipeline. As regards ITF project proposals, said that to ensure the feasibility of a technology, HKPC would utilize its internal Commercial Research and Development (CRD) fund for proof-of-concept investigation before applying for ITF funding. Hence, year-on fluctuation in the number of proposals submitted reflected both the need for capacity planning and progress of internal research. said that existing ITF funding rules allowed HKPC to charge its existing staff salaries (up to Senior Consultant level) to ITF project funding as well as outsourcing part of the project work.

21. clarified that was more concerned about the success rate of HKPC's ITF applications rather than the absolute number of applications as a high success rate would enhance HKPC's reputation and impress upon the industry HKPC's contribution as a preferred partner in technological development.

22. Members noted the report.

V. Interim Performance Review of Completed ITF Projects (BDC 5/2011)

23. Members noted the interim performance review of two ITF projects, namely "Core Technology Platform of Image Processing and Recognition for Driver Assistance Systems" and "Interoperability Technology and Applications for Container RFID and E-seal" which were completed within budget.

VI. Final Performance Review of Completed ITF Projects (BDC 6/2011)

24. Members noted the final performance review of the following three ITF projects which were completed within budget:

- (a) Development of Advanced Tube Hydroforming Technology for Making Complicate-Shaped Metallic Tubular Automotive Parts;
- (b) Development of an Integrated Solution for Minimizing Pilling Problem of Cashmere Knitwear; and
- (c) A Market Intelligence Study on Enabling Technologies for Industries Related to Logistics and Supply Chain Management.

VII. Any Other Business

(A) Appointment of Mentor for ITF Projects

25. Members agreed to the appointment of Mr. Jack Yeung, in replacement of Dr. Raymond Chan, as mentor of the ITF project “Innovative Development of Local Technology and Capability in Design and Manufacture of Aircraft Cabin Seat Assembly”.

(B) Attendance Record of BDC Members

26. Members noted the attendance record in 2010 tabled at the meeting. The Chairman encouraged Members to attend future meetings.

VIII. Date of Next Meeting

27. It was agreed that the date of the next meeting was scheduled for 28 June 2011 at 2:30pm.

28. There being no other business, the Chairman thanked Members for their attendance and the meeting was adjourned at 4:30pm.