

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

**BDC 9/2010 (Revised)**

**Revised Minutes of the 41<sup>st</sup> Meeting of the  
Business Development Committee held at 4:00p.m.  
on Tuesday, 16 March 2010 in Conference Room 1,  
2<sup>nd</sup> Floor, HKPC Building, 78 Tat Chee Avenue, Yau Yat Chuen, Kowloon**

**Present** : Chairman - Dr. The Hon. Samson Tam Wai-ho, JP

Members - Prof. Cliff Chan Chok-ki  
Ir Daniel Cheng Man-chung, MH  
Mr. Davey Chung  
Mr. Wilson Fung  
Mr. Jimmy Kwok Chun-wah, MH, JP  
Mr. Lo Foo-cheung, JP

**Absent with Apologies** : Dr. Raymond Chan, JP

**In attendance** : HKPC Chairman - Mr. Clement Chen, BBS, JP

**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, Corporate Services
Mr. Steve Kong	Senior Consultant, Corporate Services

**Welcome**

The Chairman welcomed Ir Daniel Cheng who attended the meeting for the first time and also welcomed Mr. Clement Chen who would be in attendance at today's meeting.

## **Vote of Thanks to Ex-Members**

The Chairman suggested recording a vote of appreciation to Ms. Cheung La-ha, Mr. Cliff Sun and Dr. Daniel Yip for their contributions during their tenure as members.

## **Confirmation of Minutes (BDC 21/2009 Revised)**

The Revised Minutes of the 40<sup>th</sup> Meeting held on 9 November 2009 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.

### **I. Matters Arising**

#### **(A) Quality Automotive Services Scheme (QASS)**

1. Invited by the Chairman to report,  
updated Members on the progress of the Quality Automotive Services Scheme (QASS). reported that the revised proposal on the QASS had been submitted to SME Development Fund (SDF) Vetting Committee by the applicant Right Hand Drive Motors Association (HK) (RHDMA) with HKPC as the implementation agent and was subsequently approved in January 2010 with a funding of HK\$0.598M. The revised initiative would focus on enhancing the service quality of the automobile retailing sector through development of a quality service model, compilation of best practices and training and development programmes. also reported that HKPC was exploring with the RHDMA to pursue the QASS on a self-financing basis with HKPC as the implementation agent to launch the scheme in mid-2010.
2. Members noted the latest progress of the QASS initiative.

## II. Review of Do and Don't List (BDC 1/2010)

3. introduced the paper and said that the Management considered that the nomenclature of the “Do and Don't List” conveyed an erroneous impression that HKPC had engaged on an on-going basis in areas that were beyond its remit. In addition, it had been an established practice for HKPC to prepare an exit programme in the context of the annual Programme and Estimates exercise since 2006/07 (except for 2009/10). In this connection, the Management proposed to replace the “Do and Don't List” by a new “HKPC Services Audit Statement”. explained that the new “HKPC Services Audit Statement” would retain the important principles provided for in the “Do and Don't List” but it would do away with the listing of specific “Don't” activities as the exit programme would be incorporated.

4. added that the proposed Statement, which would be reviewed annually, would provide a basis for us to revisit the focus of our work, the underlying principles of our operations and the exit programme on a regular basis.

5. said that with the incorporation of the exit programme, the new Statement should help provide a clearer picture on HKPC's role.

6. agreed that the new Statement would serve as a good planning tool for HKPC's support services and the Statement would be at a more strategic level.

7. In response to enquiry, explained that at some point of time in future, it could be expected that the items to be listed under the exit programme would become minimal as more and more activities had been exited over time.

8. Responding to enquiry, explained that HKPC's market exit list basically covered two main areas, namely that HKPC's services had become obsolete or that the market had become mature with sufficient service providers. continued that for the activities from which we had planned to exit, they mostly belonged to the former category. and suggested information be given to Members on whether the planned withdrawal of activities might pose significant financial implications for HKPC.

9. After discussion, [redacted] endorsed the replacement of the “Do and Don’t List” by the proposed new “HKPC Services Audit Statement” for Council’s approval.

(Post-meeting notes: In response to Members’ request for information, the Management circulated a paper (ref.: BDC 8/2010) on 23 March 2010 explaining that the planned exit for the services in 2010/11 and 2011/12 would have minimal financial impact on HKPC.)

### **III. New Business Initiatives (BDC 2/2010)**

10. Invited by the Chairman to report, [redacted] said that HKPC identified and pursued new service opportunities on a continued basis to meet changing industry needs. [redacted] informed Members of three new business initiatives, namely Chemical Extraction and Processing Support Services, a Mechanical Watch Movement Development Centre, and a Hong Kong Voluntary Carbon Offset System (HKVCOS) being developed by HKPC, and HKPC’s involvement in a new scheme by the Employees Retraining Board.

11. Continuing, [redacted] reported that in order to meet the stringent regulatory requirements of high-end markets, HKPC proposed to set up a Chemical Extraction and Processing Laboratory to develop scientific-based natural product extraction processes to modernize the industries in (i) new product development and (ii) improvement in process technology. [redacted] said that the proposed initiative, which would require an investment of around HK\$20M, had already secured support by four companies and positive feedback from four trade associations.

12. [redacted] continued to report that, starting from 2010, the biggest mechanical movement manufacturer in the world, ETA, would stop supplying mechanical movements to other Non-Swiss watch manufacturers, and this would create a critical gap in the supply chain to local watch manufacturers. To help the local industry overcome the supply chain issue, HKPC proposed to set up a Mechanical Watch Movement Development Centre to develop local capability in designing and manufacturing quality watch mechanical movements. [redacted] told Members that the Federation of Hong Kong Watch Trades and Industries had

verbally supported the establishment of the proposed Centre. Support from the Hong Kong Watch Manufacturers Association (HKWMA) and other users was being sought. It was estimated that a fully fledged Centre would involve an investment of about HK\$20M. said that for optimum use of resources, HKPC was working with the Innovation and Technology Commission (ITC) on whether suitable equipment procured under an ITF-funded mega project by the Chinese University of Hong Kong (CUHK) could be transferred to HKPC to set up the proposed Centre.

13. Separately, reported that carbon offsetting was a market driven measure to incentivize the reduction of greenhouse gases (GHG) by active reduction programmes. The specific commodity being traded in a carbon market was the quantity of GHG emission avoided or removed in the form of carbon credit in a reduction programme. Carbon offset transactions had been growing fast both in volume and value in the past two years. added that most of the carbon reduction projects undertaken by Hong Kong companies were of smaller scale which was not suitable for transaction in the compliance carbon market (under which the carbon offset standard was based on the assessment criteria developed under the Kyoto Protocol). In this connection, HKPC proposed to develop a Hong Kong Voluntary Carbon Offset System (HKVCOS) to provide recognition and financial incentive to Hong Kong and PRC organizations/companies to actively implement measures to reduce GHG emission through a carbon credit registry system and the subsequent transaction platform. The development of the HKVCOS would also be complementary to the government schemes of Carbon Audit and Carbonless Label. HKPC would seek the support of the Environment Bureau for this initiative.

14. Invited by the Chairman to report, briefed Members on a programme recently commissioned by the Employees Retraining Board (ERB) to develop and implement a 2-year ERB Manpower Developer Scheme to recognize organizations' outstanding accomplishments in manpower development (training & development). The Scheme was open to both private sector (including SMEs) and public organizations. An organization that fulfilled the criteria would be accredited as a "Manpower Developer" (MD). Applications would be invited on a yearly basis. continued to report that the first round of application was closed in January 2010 and over 100 applications were received. On-site assessment would be conducted from February to March 2010. A ceremony would be organized in around mid-April 2010 to award the first batch of successful organizations who would be

designated “MD-1<sup>st</sup>”. The recognition would last for 2 years and thereafter re-application was needed. said that through participation in the scheme, HKPC could enrich its portfolio of quality service schemes, enhance its professional image and network in human resources management and people development, and strengthen the partnership with ERB. added that it was understood that ERB had so far not yet decided on the long-term continuation of this initiative. However, based on the experience in this Scheme, HKPC would be able to take up this initiative on our own subject to the consent of ERB.

15. In response to enquiry on location for the proposed Chemical Extraction and Processing Laboratory, said that an approximately 3,000ft<sup>2</sup> office space had been reserved for such purpose.

16. In response to enquiry on how the Chemical Extraction and Processing Laboratory could help improve the industry’s processing capability, explained that advanced chemical extraction and processing technologies and equipment would be introduced by HKPC to the industry. supplemented that both new technology/equipment demonstration and related consultancy services would be provided by HKPC to the industry.

17. added that this paper only intended to set the general direction on the issue. More details were expected to be available by HKPC to Members in future as the plan became more mature.

18. On the proposed Mechanical Watch Movement Development Centre initiative, responded to enquiry, and said that the CUHK ITF project had been completed and in order to optimize the use of public resources, HKPC suggested to ITC that as the first step, the equipment used in the project be transferred to HKPC. added that some critical components of the mechanical watch movement, such as the hairspring had already been developed under the CUHK ITF project, and the market needs for mechanical watch movement had also been firmly established with support from the relevant trade organizations.

19. supplemented that with the new equipment in place, the proposed centre would, as a first step, focus on the development of eight to ten critical components.

20. In response to \_\_\_\_\_ enquiry, \_\_\_\_\_ explained that the Centre would benchmark the product quality of the Japanese manufacturers which would translate into +/- 3 seconds/day error rate in the end products.

21. \_\_\_\_\_ confirmed that the CUHK project was completed and Government would retain the ownership of all equipment with book value more than \$0.5M for two years and the Government had the flexibility on how they could be used. Those with book value less than \$0.5M belonged to the CUHK and HKPC would need to work out a proposal on taking over such equipment from CUHK before discussion with the university.

22. \_\_\_\_\_ commented that the most critical issue at this stage was transferring the needed equipment from the CUHK to HKPC as soon as possible and this would require Government's support.

23. On the development of a Hong Kong Voluntary Carbon Offset System (HKVCOS), \_\_\_\_\_ commented that since Hong Kong was a small territory, the success of the programme would hinge very much on the strong support of the Hong Kong Government and acceptance by the enterprises.

24. In response, \_\_\_\_\_ said that only countries which had signed the Kyoto Protocol were committed to Certified Emission Reduction (CER). All others would trade in the Voluntary Emission Reduction (VER) market. In Hong Kong, only Cathay Pacific Airlines and HSBC had claimed to be carbon neutral and they did so through buying VER. In the light of the increasing awareness of Corporate Social Responsibility (CSR) by the local business and financial benefits gained from carbon offsetting, VER trading should have good development potential in Hong Kong. \_\_\_\_\_ added that the HKVCOS initiative would be complementary to the Government's Carbon Audit and Carbonless Scheme and would likely receive strong support from the Environment Bureau.

25. After discussion, Members endorsed the three new business initiatives for Council's approval and noted the implementation of the ERB Manpower Developer Award Scheme.

#### **IV. Strategic Review of the Sustainability of the Wholly Foreign Owned Enterprises (WFOEs) (BDC 3/2010)**

26. Invited by the Chairman to brief Members, \_\_\_\_\_ reported that the Management of HKPC had just completed a strategic review of the long-term sustainability and operation of WFOEs. It was considered that there were tremendous needs for HKPC's services in the PRD and WFOEs should continue to be an industrial marketer and integrator for implementing the services of HKPC by acting as a service platform to support Hong Kong industries in the Mainland. \_\_\_\_\_ added that at the same time, the longer-term sustainability of WFOEs could be strengthened through a new business strategy to capitalize on their complementary roles, so that HKPC could effectively springboard its services to companies in the PRD.

27. Continuing, \_\_\_\_\_ said that the Dongguan WFOE had played an important role in the 2-year DG TURN scheme to assist Hong Kong manufacturers in Dongguan to upgrade their business practices and was now promoting this scheme to replicate it in all of the 32 town governments in Dongguan. It was anticipated that Dongguan WFOE could maintain a strong financial status in the coming years. As for Guangzhou WFOE, it had established a close work relationship with provincial government authorities. \_\_\_\_\_ noted that in 2009, Guangzhou WFOE successfully secured several strategic government projects on industry upgrading platform for the entire traditional industrial town. Separately, under a five-year operating fund from the Shenzhen government, Shenzhen WFOE was working closely with SZJV, a joint venture of HKPC with the Shenzhen government, to develop competence and introduce HKPC services to support the development of Hong Kong manufacturers in Shenzhen and the PRD.

28. Separately, \_\_\_\_\_ said that based on these strategies and developments, it was envisaged that WFOEs could continue to enhance their sustainability in the long term through: (a) Building up extensive marketing network and clientele base through platform programmes - the opportunities to serve thousands of companies in the PRD through service platforms such as CP3, TURN, and Xiaolan Industrial Town Renewal Model in the coming 3 years would build up WFOEs' reputation and credibility in supporting the Hong Kong industries in the PRD. It would also help WFOEs, and HKPC in turn, develop new service platforms and an extensive clientele base (about 50,000 Hong Kong manufacturers in the PRD) even down to the district and town level; (b)



Building up competencies in selected areas through platform programmes - apart from building up marketing capability, the different service platforms would provide WFOEs with ample opportunities to develop and build up its own competencies in selected areas in support of HKPC to provide the needed services to Hong Kong industries in the PRD, thereby sustaining the long-term development of WFOEs; and (c) Teaming up with Hong Kong strategic partners through the platform programmes to provide more value-added services - in the course of developing and implementing the service platforms, HKPC would form strategic partnership with environmental technology companies, IT service providers, financial organizations and testing and certification bodies, etc. WFOEs would be able to play an important role to serve as a marketing agent and a service integrator to help both HKPC and our strategic partners develop more business opportunities in the PRD.

29. continued to point out that the financial performance of WFOEs had greatly improved. briefed Members that as of December 2009, WFOEs had achieved an accumulated profit of HK\$134,759. With the measures to strengthen sustainability, HKPC anticipated that WFOEs could each achieve a small surplus in the coming 3 years.

30. said that WFOEs' development appeared to rely mainly on Mainland governments' project funding and queried whether WFOEs could be supported by other sources of income including enterprises in the long run.

31. In response, said that the Management considered that while the platform programmes supported by various local governments of the Mainland were important to the development of WFOEs' business at this stage, the long-term sustainability of WFOEs did not rely solely on this source of government funding from the Mainland. Indeed, WFOEs did not solely depend on the Mainland financial support. said that the direct income sponsorship from the local Mainland governments for the WFOEs' service platforms in the PRD could only be secured if private sector companies were willing to participate in the programme. As a matter of fact, income contributions from these enterprises were more significant than from the Mainland government because they usually had to pay at least 50% matching fee for government sponsorship or up to 100% for private projects. Hence, WFOEs' business model depended critically on providing services (through leveraging HKPC's capabilities) that could satisfy the needs of their clients in the PRD.

32. commented that the utilization rate of HKPC's services by enterprises depended very much on fees charged and said that it would be important for HKPC to be able to help industry on business development by creating opportunities for them.

33. In response, explained that the platform programmes would provide support to Hong Kong enterprises in the PRD on the one hand and help bring in Hong Kong service providers to the Mainland market on the other because HKPC would have to partner with service providers to provide total solutions.

34. said that in this connection, HKPC should pass a clear message to relevant Hong Kong service providers to create a win-win situation.

35. queried whether the platform programmes funded by the Mainland authorities could sustain long-term viability for the WFOEs.

requested more detailed breakdown of the income projection provided in the paper.

36. responded that good awareness of HKPC's services had been built up through the public platforms in the Mainland which in turn would attract more requests for support by the Hong Kong enterprises in the PRD. Separately, pointed out that by replicating the TURN and "Xiaolan Industrial Town Renewal Model" in the PRD, more business opportunities for HKPC could be expected. So, the platform programmes were not an end in itself.

37. commented that while the future development of WFOEs looked encouraging, the healthy long-term growth of WFOEs would require more substantial support from the Hong Kong Government.

38. concurred that Government's support was very important for WFOEs' sustainable development and added that the Government should at least seriously consider relaxing the "full cost recovery" policy currently imposed on the WFOEs.

39. In sum, Members agreed that WFOEs were important and necessary vehicles to accomplish HKPC's mission and endorsed the Management's recommendations of a strategic review of the long-term sustainability and

operation of the 3 WFOEs in the PRD.

(Post-meeting notes: The Management circulated a paper (ref.: BDC 7/2010) on 23 March 2010 showing the sources of income of WFOEs in the coming three years and that the long term sustainability of WFOEs would not rely solely on funding support from local governments of Mainland which accounted for less than 25% of WFOEs' total income.)

**V. Report on Projects for Government Funding Schemes (November 2009 – February 2010) (BDC 4/2010)**

40.            reported that during the period of November 2009 to February 2010, HKPC was involved in 18 newly approved projects, including projects funded by ITF, SDF, CreateSmart and Film Development Fund schemes with total funding of \$30M. Continuing,        said that for the ITF scheme, 6 projects for \$19M had been approved.

41. In response to            enquiry,            explained that the success rate had been diluted by the larger number of proposals submitted. That said, comparing with the figure last year, the actual number of projects and the total project value had both increased.

42.            supplemented that the ITC would welcome closer liaison with HKPC on ITF project proposals with a view to enhancing success rate.

**VI. Interim Performance Review of Completed ITF Projects (BDC 5/2010)**

43.            introduced the paper which contained the interim performance review of three ITF projects which were completed within budget which was noted by Members.

**VII. Final Performance Review of Completed ITF Projects (BDC 6/2010)**

44.            introduced the paper which contained the final performance review of

five 1TF projects which were completed within budget which was noted by Members.

### **IX. Date and Venue of Next Meeting**

51. It was agreed that the date of the next meeting was scheduled for 20 July 2010 at 2:30pm and the venue of the next meeting be left open.

52. There being no other business, the Chairman thanked Members for their attendance and the meeting was adjourned at 6:00pm.