

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

BDC 14/2013 (Revised)

**Revised Minutes of the 51st Meeting of the
Business Development Committee held at 2:30p.m.
on Tuesday, 16 July 2013 in the Boardroom,
2nd Floor, HKPC Building, 78 Tat Chee Avenue, Yau Yat Chuen, Kowloon**

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

Members - Ir Daniel Cheng Man-chung, MH, JP
Mr. Jimmy Kwok Chun-wah, BBS, MH, JP
Dr. Delman Lee
Mr. Leung Kwong-chuen
Mrs. Agnes Mak Tang Pik-yee,, MH, JP
Mrs. Katherine Ngan Ng Yu-ying, JP
Mr. Frank Tsang
Dr. Jack Yeung Chung-kit

In attendance from HKPC :

Mr. Leo Lam	Director, Business Innovation
Mr. Tony Lam	Director, Corporate Services
Mr. Joseph Poon	Director, Technology Development
Mr. Alfonso Tam	Chief Manager, Council Secretariat
Ms. Gillian Luk	Senior Manager, Council Secretariat

Confirmation of Minutes (BDC 6/2013 Revised)

The Revised Minutes of the 50th Meeting held on 5 March 2013 had been circulated to Members and there were no further requests for amendments. The Minutes were taken as read, confirmed and signed by the Chairman.

II. Three-year Strategic Plan of HKPC for 2014/15 - 2016/17 (BDC 9/2013)

2. introduced the paper and said that the existing strategic plan of HKPC was anchored on a four-pronged strategy focusing on scaling up platforms, creating value for SMEs, sharpening core competencies and developing strategic partners. The Management had revisited the existing strategic plan and considered that the four-pronged strategy was still valid and that the staff of HKPC would continue to be guided by the vision, mission and values approved by the Council to deliver our services and public mission. then went on to brief Members on the major existing initiatives being implemented and the new initiatives proposed for the 2014/15 -2016/17 strategic plan (paragraph 5 of the paper) which would be taken forward subject to the availability of resources. As regards exit plan, no services were planned at this point for exit in the next three years. said that the Management would consider the necessity of revisiting the strategic plan during the year if there were any fundamental changes in the relevant macro environment to ensure that the plan was in line with Government policy.

3. In response to enquiry on the MAKE Award for SMEs, said that a proposal was being developed with the Hong Kong Polytechnic University (PolyU) for funding support from the SME Development Fund. This was essentially an initiative of the Knowledge Management and Innovation Resources Centre of the PolyU. HKPC had been invited as the implementation agent to launch the MAKE Award for SMEs, and we would also provide training support to SMEs in knowledge management. supported HKPC's involvement in this initiative. said that effective knowledge and capital management would increasingly become one of the important tools to help SMEs upgrade their operations. The Award aside, it was more important that targeted training was provided to SMEs to create awareness and build competence to enhance the sustainability of their operations. In this connection, a holistic programme should be carved out, rather than just an exclusive focus on the Award, for resource support from relevant government departments. and supported view.

4. On the feasibility of creating a commercialization corner as part of the initiative on SME One extension, said that there was both need and merit to think big on the issue and that "the corner" should be aimed to eventually develop into a technology and commercialization hub for SMEs. agreed and said that government resource support would be vital to

ensuring a low threshold to encourage more SME participation in the commercialization of R&D deliverables, not just from HKPC but also other R&D institutes such as the universities. Summarizing Members' views,

said that HKPC should consult the ITC on the merits of creating a one-stop commercialization hub at the future expanded SME One as government endorsement would position HKPC to take up the initiative on a bigger scale to create impact.

5. In response, said that HKPC was already in conversation with the ITC on this initiative. In a related context, the ITC had asked HKPC to assist in reviewing and identifying R&D deliverables of ITF funded projects that were close to the market and suitable for further commercialization. Supplementing, said that the ITC would separately discuss with HKPC on the details. HKPC was an appropriate agent in this exercise given its network and experience in commercialization and technology transfer. In addition, ITC would also discuss with HKPC on other initial ideas to facilitate technology start-ups by university graduates and/or IP trading.

6. While noting HKPC's expertise in the rapid prototyping technology now fashionably termed 3-D printing, advised that HKPC should look out for business opportunities in this area and extend the necessary support to SMEs as the commercial production of consumer 3-D printing machines was being actively pursued by different parties, including companies in the Mainland. said that the trend for individual designers and business operators to put 3-D printed products for sale on the internet would gather momentum and in time, it would be advisable for HKPC to assess whether this trend had any impact on SME manufacturers and what ensuing support should be provided to meet any new needs for them.

7. In reply to , said that the APAS division was fully subvented, as different from HKPC. The meeting considered that while the APAS division was separately funded by the Government, it was still a division of HKPC and the opportunity for synergy and collaboration should be optimized. In this connection, Members advised that the Management should suitably incorporate the business plans and strategies of APAS into HKPC's strategic plan. supplemented that, at the March 2013 meeting of the BDC, BDC also considered the business plan of APAS for 2013/14.

8. In reply to , said that, to avoid duplicating the work of the OGCIO, HKPC would not pursue the initiative on setting up a

quality data centre scheme as proposed last year for the 2013/14 - 2015/16 strategic plan.

9. Members supported the new strategic initiatives under the Three-year Strategic Plan for HKPC for 2014/15 - 2016/17.

III. Report on HKPC's Mainland Subsidiaries (BDC 10/2013)

10. Invited by the Chairman to report, introduced the paper and briefed Members on the progress update of the WFOEs and SZJV, as the strategic partners of HKPC, to create business in the Mainland along five strategies, namely: strengthening subject division support, pursuing centre of excellence, boosting training business, developing integrated services platform, and focusing on key account management. Details of the key business result achieved and the strategic focus of each of the WFOEs and SZJV were summarized in paragraphs 6 - 17 of the paper.

11. Members had a detailed discussion on the opportunities and challenges for the WFOEs. A summary of Members' advice is given below:

- (a) the WFOEs had to develop local project delivery capability and progressively reduce the need to rely on HKPC staff for project implementation and delivery. The delivery of HKPC's environmental services in the Mainland by local staff guided by HKPC experts was a good reference example for other services;
- (b) in support of (a) above, a structured talent recruitment and retention programme should be considered targeting both graduate trainees as well as experienced local technical consultants to progressively build up a backbone team for project delivery at the WFOEs, apart from being HKPC's marketing arm;
- (c) the salary of WFOE staff, especially for the professional consultants with technical backgrounds, should be reviewed regularly to ensure competitiveness and help enhance the sense of belonging; and
- (d) given the wide range of HKPC expertise and services, it was not a sustainable approach for the WFOEs to replicate the full spectrum of HKPC services in the Mainland and it was more realistic to consider focusing HKPC's Mainland operation on three major business areas, namely, (i)

local government relations to develop industry support platforms for specific industry sectors that would generate consultancy businesses, (ii) environmental protection and management services for which the HKPC brand was well recognized with a good degree of local delivery capability, and (iii) professional training for which there were huge opportunities to be explored riding on HKPC's reputation and track record in what was HKPC's traditional expertise.

12. In response to [redacted] enquiry on corporate governance, [redacted] said that measures were being taken to enhance the procedures and practices in the daily operation of the WFOEs to ensure that they were commensurate with HKPC's standard practices whenever appropriate. To further ensure that a healthy check and balance system was practised, the major corporate functions of finance, administration and HR were now segregated and put under the responsibility of different staff. But in the long term, it was vital to educate the WFOE staff and foster a changed mindset towards governance compliance as a natural responsibility rather than a cat and mouse game. In this connection, the Mainland management trainees, when recruited, were required to undergo training and orientation at HKPC for an extended period, say six months, to ensure their full exposure to, and acquiescence of, HKPC's philosophy, practices and control rationale in all areas of governance compliance.

13. [redacted] drew Members' attention to the financial forecast for 2013/14 - 2015/16 and said that, given the frequent personnel changes at senior levels of the WFOEs in the past year, the estimated surplus might not be attainable though the Management was cautiously optimistic that the external income target could be achieved. In the light of this, the Management would review on a rolling basis the forecast for 2014/15 and beyond in the context of the preparation of the coming three-year forecast for HKPC. To ensure collaboration between HKPC divisions with the WFOEs, a totality approach would be taken to measure divisions' financial performance under which divisions' activities and associated income performance in the Mainland would be fully accounted for in their appraisal.

16. Members noted the progress of HKPC's Mainland subsidiaries for 2012/13.

[Post-meeting Note: a clear version of Appendix 2 of the paper was sent to Members by e-mail on 16 July 2013.]

IV. Report on Commercial Research and Development (CRD) (BDC 11/2013)

17. Members noted the position of CRD projects as at 22 May 2013, including 22 completed projects and 6 on-going projects in different stages of completion. Members also noted the progress in commercialization of completed projects, including:

- (a) the additional royalty income generated from an exclusive licensing arrangement for the Food Waste Conversion System as the licensee had successfully sold/rented the system to 3 other companies;
- (b) a non-exclusive licensing arrangement being finalized with 2 companies for the office lighting and retail lighting applications of the invisibLED at HK\$60,000 per application for 3 years;
- (c) promotion of the Automatic Engine Idlestop and Supplementary Air Conditioning System for licensing; and
- (d) promotion, marketing and prospection of the deliverables of 17 CRD projects via media interviews, seminars, visits and training workshops.

19. Members noted the progress of HKPC's CRD projects up to 22 May 2013.

V. Report on Projects for Government Funding Schemes (February-June 2013) (BDC 12/2013)

20. Members noted that between February and June 2013, HKPC was involved in 9 approved projects in the following government funding schemes:

- (a) Innovation and Technology Fund (ITF): 3 approved projects;
- (b) SME Development Fund (SDF): 2 approved projects;
- (c) CreateSmart Initiative (CSI): 2 approved projects; and
- (d) The BUD Fund – Organization Support Programme: 2 approved projects.

21. Members also agreed that, on the basis of confidentiality and possible conflict of interest, the mentor system would not apply to collaborative projects under the ITF because collaborative projects involved industry sponsors which were mostly commercial organizations targeting to put the project deliverables to

commercial use.

VI. Interim Performance Review of Completed ITF Projects (BDC 13/2013)

22. Members noted the interim performance review of one completed ITF project, namely “Establishment of Watch Movement, Components and Subassemblies Testing Laboratory” which had been completed on schedule and within budget.

VII. Any Other Business

(A) Terms of Reference of BDC

23. Members agreed to recommend for the Council’s approval the proposal to amend BDC’s Terms of Reference further to the Council’s decision to revise the review mechanism for the Services Audit Statement whereby the BDC would be consulted only when substantive amendments to the Statement were recommended, instead of annually.

(B) Attendance Records of BDC Members

24. Members noted their attendance record in 2013 tabled at the meeting.

VIII. Date of Next Meeting

25. It was agreed that the next meeting would be held on 5 November 2013 at 2:30pm.

26. There being no other business, the Chairman thanked Members for their attendance and the meeting was adjourned at 5:05pm.