

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

BDC 15/2011

**Minutes of the 45th Meeting of the
Business Development Committee held at 2:30p.m.
on Tuesday, 28 June 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
Mr. Tony Lam (representing Mrs. Agnes Mak)
Mrs. Katherine Ngan Ng Yu-ying, JP
Mr. Jack Yeung Chung-kit

In attendance from HKPC :

Mr. Edmund Sung	Director, Business Consulting
Mr. Joseph Poon	Director, Technology Development
Mr. Alfonso Tam	Principal Consultant, Council Secretariat
Ms. Miranda Yeap	Senior Consultant, Council Secretariat

Confirmation of Minutes (BDC 7/2011 Revised)

The Revised Minutes of the 44th Meeting held on 15 March 2011 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. Three-year Strategic Plan of HKPC for 2012/13 - 2014/15 (BDC 9/2011)

1. Invited by the Chairman to report, said that at the 113th Council meeting held on 30 March 2010, the Council had agreed that HKPC should submit a three-year strategic plan annually to Council before it considered the three-year Forecast for the same period. A three-year strategic plan outlining the broad strategies of HKPC for 2011/12-2013-14 was considered by the Council at its 114th meeting held on 3 August 2010, the initiatives of which had been translated into concrete initiatives in the subsequent Programme and Estimates exercise subject to availability of resources.

2. informed the meeting that the existing strategic plan of HKPC was anchored on the following four-pronged strategy to support the development of:

- (a) Scaling up platforms;
- (b) Creating value for SMEs;
- (c) Sharpening core competencies; and
- (d) Developing strategic partnership.

The HKPC Management had revisited the existing strategic plan and considered that the above four-pronged strategy was still valid. further said that the Management had undertaken relevant consultation with industry, NGOs and relevant government departments and conducted a brainstorming discussion on 4 May 2011 with Council Members. Taking into account the views received, the Management had come up with the following renewed Vision, Mission and Values:

Vision: Be your Most Preferred Productivity Partner

Mission: Promote productivity excellence for industry to enhance competitiveness and sustainability

Values: 4Is - Integrity, Integration, Innovation, Impartiality and
4Ps - People, Passion, Professionalism, Partnership

To follow the market trend closely and to strengthen the existing four-pronged strategy, the Management had, having taken account of the economic situation and the policies of the Central Government and the HKSAR Government, proposed the inclusion of themes and strategic initiatives as outlined in the Annex to the paper BDC 9/2011 to provide additional guidelines for the provision of services.

3. The meeting agreed that whilst there was no objection to the directions and framework of the three-year strategic plan, Members advised that, in implementing its Strategic Plan, the Management should formulate appropriate business plans for the respective strategic initiatives to ensure their successful delivery. also suggested that the strategic plan should be consolidated into the Programme and Estimates to reflect the level of resources required for each theme such that the processes of strategic planning, resources planning and evaluation could be integrated. For illustration, suggested that a clearer picture could be presented on the size of the TURN programme and Cleaner Production Partnership Programme (CP3) e.g. the target number of companies to be served, the amount contributed by the Mainland government authorities and the resources allocated to individual programmes. took the opportunity to brief Members on the modus operandi of the TURN programme. In response to observation on the extensive coverage of the TURN programme, informed the meeting that HKPC, with the combined efforts of divisions, would be capable of offering a wide range of expertise and support to the various TURN programmes. Also, collaboration with strategic partners, e.g. Hong Kong Design Centre, could further strengthen the pool of HKPC's resources.

4. said that it was useful for HKPC to consider the merit of building a database on the eligibility and requirements for the various Mainland government award schemes and subsidy programmes to provide information for the industry. This would provide valuable support to industry, especially SMEs, and at the same time strategically position HKPC as a trusted neutral partner to industry and clear the misunderstanding that HKPC was competing with the private sector. said that it would be useful to publicize the partnership of HKPC and other industry partners in collaborative projects. CP3, being a positive experience, could be mentioned to illustrate the participation of other technology providers to promote the scheme. said that from a macro perspective, HKPC's collaboration with industry and other market players in the Mainland would create a win-win situation with enhanced business opportunities for all. More importantly, it would also strengthen HKPC's position and affirm HKPC's credibility in the Mainland. replied that HKPC had indeed put in efforts in this regard. For instance, through seminars sharing best practices of awardees in environmental excellence, we deliberately created opportunities for users and service providers of environmental technology.

5. Members endorsed the updated Three-year Strategic Plan 2012/13 to 2014/15 for the Finance Committee's endorsement and the Council's approval.

II. Report on HKPC's Mainland Subsidiaries (WFOEs and JVs) (BDC 10/2011)

6. Invited by the Chairman to report, briefed the meeting on the latest development and operating results for the period from 1 October 2010 to 31 March 2011 of the three Wholly Foreign Owned Enterprises (WFOEs), Shenzhen SZ-HK Productivity Foundation Co., Ltd. (SZJV) and Chongqing-Hong Kong Productivity Promotion Centre Co. Ltd. (CQJV) as well as their way forward.

7. Whilst WFOEs would continue to be the marketing arm and business integrator for HKPC services in the Mainland and centre their business activities around government projects, industrial marketing and public training, 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.

8. The meeting noted that whilst WFOEs' total accumulated loss was HK\$2,677 since inception, they had achieved a continuous trend of making annual surplus for the reduction of accumulated loss from fiscal year 2008/2009 onwards. Riding on the success of the 3 TURN programmes, WFOEs were putting extra efforts in developing other TURNS.

9. Separately, said that the Management was extending the concept of HKPC's Trainee Consultant Scheme to the PRD, targeting initially the top graduates from the PRD and hoping that they would, upon being successfully trained in HKPC in Hong Kong, provide a pool of ready consulting talents for job placements at the WFOEs and SZJV. said that on the employment of trainee consultant from the Mainland, HKPC should oversee the project and assure quality of the candidates.

10. also reported that with effect from May 2011, a Management Unit under the chairmanship of the Executive Director had been formed to provide strategic guidance and to oversee the operation of WFOEs and Mainland business. This high level Management support would ensure a quicker decision process. Apart from the strengthened management structure, the Management had also taken on board the results of a recently completed consultancy study on tax review of HKPC's mainland business for ensuring tax efficiency and ways to minimize corporate tax exposures.

11. With regard to the Shenzhen SZ-HK Productivity Foundation Co., Ltd. (SZJV), said that it would continue to use the marketing platform of

Cleaner Production Partnership Programme (CP3), TURN Support Centre, the Environmental Laboratory and the Electronics Laboratory to facilitate its business. SZJV had recruited 10 local engineers to support HKPC's subject divisions in the above functions as of March 2011. The CP3 programme had been able to address the concern of Shenzhen government on environmental management. SZJV promoted the program through seminars and factory visits. During the period, SZJV performed 20 on site assessments and contributed project amount of HK\$712,500 to HKPC. SZJV had also joined forces with SZWFOE to organize seminars promoting the TURN programme.

12. went on to report on the business activities of the Chongqing-Hong Kong Productivity Promotion Centre Co. Ltd. (CQJV) set up in November 2004 with a 60:40 share of RMB 3M paid-up capital between Chongqing Productivity Centre and Guangzhou WFOE. Since its incorporation, the joint venture has been providing support to Chongqing automotive-parts manufacturing industry and to Chongqing Government agencies by organizing study missions. As at the local fiscal year ending 31 December 2010, CQJV recorded a cumulative profit of RMB626. As a follow up to the endorsement of the last Council meeting, GZWFOE concluded a shareholder's resolution with CQPC on 26 August 2010 to reduce the paid-up capital of CVQJV from RMB 3M to RMB 0.5M. In a related strategic context, the Management would dissolve the Guangzhou Representative Office as it has completed its mission in that the establishment of the WFOEs since 2003-2004 had well replaced its role and the Guangzhou Representative Office was no longer exempted from Enterprise Income Tax and Business tax in the Mainland.

13. Members welcomed the strengthened business function of WFOEs. In response to question on the applicability of HKPC's rules and regulations to WFOEs, replied that WFOEs, being subsidiaries of HKPC in the Mainland, had its own set of rules and regulations governing its operations to serve the industry. They did not come under the ambit of the HKPC Ordinance and they were essentially commercial vehicles established in the Mainland on their own footing.

14. The meeting noted the progress update and the way forward for WFOEs, SZJV and CQJV; and agreed to the dissolution of the Guangzhou Representative Office.

[Post-meeting note:

- (a) The value of contracts WFOEs signed with different governments at county or industrial zone level in the PRD quoted in para. 9 of the paper should read RMB 3,775,000; and
- (b) In response to Members' enquiry at the meeting, we confirmed that the

contract value of projects under Dongguan TURN in 2010/11 was RMB 15.3M while the subsidy from the Dongguan Government was RMB 8.31M.]

III. Report on Commercial Research and Development (CRD) (BDC 11/2011)

15. Invited by the Chairman to report, [redacted] briefly mentioned the background of the Corporate Commercial Research and Development (CRD) Fund. [redacted] reported that up to 2 June 2011, there were 30 completed CRD projects. Under the current standard practice of CRD, projects supported by the Corporate CRD fund were required to repay 10% of the net income of the client projects generated. Up to 2 June 2011, the total repayment amount to the Corporate CRD Fund from 14 of the 30 completed projects stood at HK\$637,592, equivalent to about 5.55 % of the total approved funding.

16. [redacted] reported that as at 2 June 2011, 10 projects were in progress and were expected to complete within the year of 2012. HKPC was in the process of promoting and marketing for the commercialization of the deliverables of 22 completed CRD projects via media interviews, seminars, visits and training workshops. Separately, the licensing of the Food Waste Conversion System was in progress and promotion and invitation for expression of interest were being conducted for the upcoming commercialization of three technologies developed by the Materials Technology Division, namely the Plasma Treatment Technology, Electrolytic Dyeing Technology and CO₂ Waterless Dyeing Technology.

17. Members noted the report.

IV. Report on Projects for Government Funding Schemes (March - May 2011) (BDC 12/2011)

18. Invited by the Chairman to report, [redacted] reported that during the period of March to May 2011, HKPC was involved in 12 government funded projects, including projects funded by Innovation and Technology Fund (ITF), SME Development Fund, Professional Services Development Assistance Scheme (PSDAS), CreateSmart Initiative (CSI) and the Hong Kong Council for Testing and Certification.

19. took the opportunity to introduce the different categories of projects under the Innovation and Technology Fund (ITF) and their level of industry contribution required. supplemented that HKPC was approached by the Trade and Industry Department to devise a one stop desk to teach the SMEs how to apply for Government funds.

20. In response to enquiry on whether there would be commercialization data indicating the cases of successful licensing arrangements to facilitate the measurement of cost-effectiveness, said that commercialization information was available in the Annex to the paper BDC 11/2011 and the Management would consider expanding the Annex to include more statistics, as appropriate.

21. Members noted the report.

V. Interim Performance Review of Completed ITF Projects (BDC 13/2011)

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

- (a) Development of a Low Cost High Precision Multi-axes CNC Machining System to Enhance the Production Quality of Watch and Eyewear Critical Components;
- (b) Development of Integrated Lane Assist System;
- (c) Infotainment System for Mass Transportation Vehicles;
- (d) Scalable AUTOSAR Integrated Automotive Body Electronics Controller;
- (e) Development of Advanced Collision Avoidance System;
- (f) Pedestrian Warning & Protection System; and
- (g) To Develop a Versatile Hydraulic Control Unit (HCU) for an Integrated Chassis Electronic Stability Control (ESC) System.

VI. Final Performance Review of Completed ITF Projects (BDC 14/2011)

23. Members noted the final performance review of the one ITF project, namely “Development of Software and Hardware Platform and Methodology for Integrated Configurable Dashboard Design”.

VII. Any Other Business

(A) Attendance Record of BDC Members

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

VIII. Date of Next Meeting

25. It was agreed that the date of the next meeting was scheduled for 1 November 2011 at 2:30pm.

26. There being no other business, the Chairman thanked Members for their attendance and the meeting was adjourned at 5:10pm.