

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

P.C. 23/2010 (Revised)

**Revised Minutes of the 114th Meeting of the Hong Kong Productivity Council
held at 2:30p.m. on Tuesday, 3 August 2010 in the Board Room
2nd floor, HKPC Building, 78 Tat Chee Avenue, Yau Yat Chuen, Kowloon**

Present: Chairman – Mr. Clement Chen, BBS, JP

Members – Mr. Albert Au Siu-cheung
Dr. Cliff Chan Chok-ki
Dr. Raymond Chan, JP
Ir Daniel Cheng Man-chung, MH
Mr. Choi Kam-wah, MH
Dr. Fan Cheuk-hung
Mr. Jimmy Kwok Chun-wah, MH, JP
Mr. Andrew Lai, JP
Prof. Lee Wing-bun
Mr. Lo Foo-cheung, JP
Mr. Jacky Lum (representing Ms. Maria Kwan, JP)
Mr. Andrew Mak Yip-shing
Ms. Elley Mao (representing Mrs. Helen Chan, JP)
Dr. David Ng Tai-chiu
Mr. Victor Ng
Mr. Poon Siu-ping, MH
Dr. The Hon. Samson Tam Wai-ho, JP
Ms. Marilyn Tang Yin-lee
Miss Elizabeth Tse, JP
Dr. Carrie Willis, SBS, JP
Mr. Alan Wong, JP

Absent with Apologies: Dr. Elizabeth Shing, BBS, JP

In Attendance from the Innovation and Technology Commission:

Mr. Davey Chung
Mr. L.W. Ting

In Attendance from HKPC:

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

Welcome to New Members

The Chairman welcomed Mr. Jacky Lum, Assistant Director-General of Trade and Industry, representing Ms. Maria Kwan, who attended the meeting for the first time.

Confirmation of Minutes (P.C. 12/2010 Revised, P.C. 15/2010 Revised)

The Revised Minutes of the 113th Council meeting held on 30 March 2010 and the Special Council meeting held on 18 June 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.

III. Report from the Audit Committee (P.C. 17/2010)

10. said that the Audit Committee (AC) held its 15th meeting on 6 July 2010 and agreed to:

- (a) the recommendations of 3 internal audit reports on Capital Expenditure Management, Customer Management and Government Funded Projects; and
- (b) the submission of HKPC's annual accounts for 2009/10 to the Finance Committee and Council for approval.

11. Continuing report, said that the AC also revisited its Terms of Reference and agreed that no change was necessary for the time being. Separately, the AC noted the following matters:

- (a) a standard practice on equal opportunities was issued and training was provided by the Equal Opportunities Commission for the management team;
- (b) completion of compliance checking on 7 topics to enhance corporate governance and transparency in HKPC's operation; and
- (c) completion of an audit programme on employment contract for the Automotive Parts and Accessory Systems R&D Centre Ltd.

12. Members noted the latest progress of the Audit Committee.

IV. Report from the Business Development Committee (P.C. 18/2010)

13. Invited by the Chairman to report on behalf of _____, _____ said that the Business Development Committee (BDC) held its 42nd meeting on 20 July 2010. During the meeting, the BDC received a report on Commercial Research and Development (CRD) and noted 2 new business initiatives of HKPC.

14. With regard to the report on CRD, _____ said that as at March 2010, 29 CRD projects had been completed and 7 projects were being implemented. 2 projects related to the high efficiency LED general lighting technology were commercialized in February 2010 through the formation of a JV company. Separately, discussion was being conducted with a local company in the lighting business to commercialize an invisibLED lighting technology via a non-exclusive licensing arrangement.

15. _____ reported that the BDC supported 2 new business initiatives of HKPC, namely:

- (a) an Information Communications Technology (ICT) Strategy to support Hong Kong's ICT vendors and SMEs to enhance their efficiency through the effective use of ICT. HKPC would pursue the strategy through promotion of the Cloud Computing technology; provision of intellectual capital management solutions based on Open Source Software (OSS) and the latest Web 2.0 social media technology; a VCreate industry support programme for the digital content industry; a Green ICT programme; and an "IT SummIT" platform to support SMEs in ICT applications, promote the increased adoption of OSS and expand the support services of HKCERT; and

- (b) an Intellectual Capital Management (ICM) Strategy under which HKPC would support the ICM Consultancy Services Programme by the Intellectual Property Department (IPD), by providing consultancy services to help organizations leverage on their human, structural and relationship capitals to develop innovative products and services.

16. said that, separately, the BDC had also considered its Terms of Reference (TOR) and supported the Management's recommendation to seek Council's approval to amend the BDC's TOR to incorporate a recent decision of the Council for the BDC to review the HKPC Services Audit Statement annually.

17. In reply to , said that HKPC would cooperate with the relevant associations to submit proposals for funding support from the CreateSmart Initiative to meet the development needs of SMEs in the digital content industry. With regard to the promotion of Cloud Computing to SMEs, said that HKPC would conduct seminars to create deeper awareness of this cost effective technology for SMEs, and provide the necessary support to help SMEs adopt Cloud Computing for cost effective and secured internet-based business applications. On the supply side of Cloud computing, HKPC would launch programmes to help independent software vendors to become Cloud-enabled and to develop and migrate their solutions to a Cloud platform.

18. Members noted the latest progress of the Business Development Committee and also noted HKPC's involvement in government funding schemes and the interim and final performance review of 3 completed ITF projects.

V. Report from the Staffing Committee (P.C. 19/2010)

19. said that the Staffing Committee (SC) held its 36th meeting on 13 July 2010.

26. Continuing report, said that the SC had endorsed for Council's approval the 2010/11 pay adjustment. For staff under the Civil Service pay trend, their pay adjustment would follow the same principle of the

Civil Service, being 1.6% increase for the top and senior level staff and 0.56% increase for the middle and general level staff. For staff under the Performance Pay System (PPS), they would be entitled to pay adjustment that reflected the market trend by reference to four pay trend surveys available in the market and the pay trend award of the Civil Service. The weighted average rates of salary increase for 2010 were 1.36%, 1.5%, 1.26% and 1.11% for the top, senior, and the middle and general level staff respectively.

27. said that based on the current salary outlay for all staff, the cost of effecting the proposed pay adjustment for staff under the PPS and the Civil Service pay trend for the remaining staff was estimated to be HK\$2.2M and HK\$0.48M per annum respectively. In recommending the pay review for the Council's approval, the SC agreed that to ensure representativeness of the market surveys, it would be advisable for the Management to review the mix of market surveys periodically, say every 5 years.

28. said that separately the SC agreed to the proposal for the adoption of open recruitment at the Branch Director level so that internal recruitment was not mandatory to precede any external recruitment; and that while there was no need for major amendment to its Terms of Reference (TOR) for the time being, they should be revised so that the recruitment of Branch Directors would require approval by the Council, instead of the SC alone, as these were very senior posts the filling of which would have impact on succession planning for the organization. In addition, the SC noted:

(a) the staffing position of HKPC as at 30 June 2010;

(c) the result of the 7th One-Minute Staff Morale Index which attracted a response rate of 84% by staff with the highest satisfaction level recorded for "Supervisor".

29. Members noted the current developments at the Staffing Committee and approved:

(b) the 2010/11 pay adjustment for staff under the Civil Service pay trend and PPS with retrospective effect from 1 April 2010.

VI. Report from the Finance Committee (P.C. 20/2010)

30. said that the Finance Committee (FC) held its 39th meeting on 27 July 2010. The FC also noted the financial performance of HKPC for April-June 2010 as well as the quarterly report on investment of HKPC's funds which generated a bank interest income of \$0.26M, representing an average return rate of 0.21%.

31. said that the FC also endorsed for the Council's approval the annual accounts of HKPC for 2009/10 and the Three-year Strategic Plan for 2011/12-2013/14.

32. With regard to the Three-year Strategic Plan of HKPC for 2011/12 – 2013/14, said that the Council agreed at its 113th meeting held on 30 March 2010 that HKPC should submit a three-year strategic plan annually before the Council considered the Three-year Forecast for the same period. The strategic plan should set out the broad strategies of HKPC for the coming three years, which would be translated into concrete initiatives in the P&E exercise subject to availability of resources. For the period 2011/12 – 2013/14, HKPC would adopt a four-pronged strategy aiming at:

- (a) scaling up service platforms;
- (b) creating value for SMEs;
- (c) sharpening core competencies; and
- (d) developing strategic partnership.

33. In reply to , said that the 4-pronged strategy, as laid out in paragraph 5 of the paper, would provide the generic broad strategic directions to guide the industry support programmes of HKPC. The strategic plan would not be static and should be reviewed on a continued basis so that it could evolve to meet the changing needs of industry. concurred that the Management should provide details on the major new initiatives under the strategic plan (such as the aim and focus of the plan, the role of HKPC, the priorities/continuity of various initiatives, etc.) together with ballpark estimates of the additional resources required for Council's deliberation as part of HKPC's annual budget and forecast exercise. This was also the view of the FC members who advised that in future the BDC should also be consulted on the draft strategic plan prior to its submission to the FC and Council. Invited by to supplement, said that while the four broad strategies were not mutually exclusive, some initiatives might require new resources and some might be able to be implemented through redeployment of existing resources within the cash limited annual block grant. In this connection, said that it would also be useful for HKPC to conduct macro analysis of the market as appropriate during the annual review of the strategic plan.

34. Agreeing with _____ and _____, _____ said that the strategic linkage of Hong Kong industry with the PRD had always been, and would continue to be, a key component of HKPC's strategies and industry support programmes given the increased integration of the economic activities of both sides.

35. _____ said that appropriate consultation with the various industry and trade associations would facilitate the successful implementation of the 4 strategies as this would enable HKPC to understand industry's pressing needs from the practitioners. Support programme for SMEs for the impending introduction of a new Corporate Social Responsibility (CSR) standard, ISO 26000, was an example.

36. _____ supported the four broad strategies and said that it was important for HKPC to continue to maintain a clear focus on the sourcing, adaptation and transfer of the latest technologies to SMEs to ensure relevance of its industry support programmes vis-à-vis the real needs of the various industry sectors.

37. Members noted the current developments at the Finance Committee. Members also approved the Three-Year Strategic Plan of HKPC for 2011/12 - 2013/14 and agreed that the Management would provide broad estimates of the various strategies to identify the necessary and appropriate resource support as part of the annual budget and 3-Year forecast exercise to be considered by the FC and the Council at their next meetings.

VII. Annual Accounts for the Year 2009/10 (P.C. 21/2010)

38. Members noted that total fees and services income for 2009/10 amounted to \$281.77M which was below the budget by \$22.22M (or 7.31%). Total expenditure amounted to \$442.19M which was \$41.98M (or 8.67%) less than the budget of \$484.17M.

39. Members approved the annual accounts of HKPC for 2009/10 and the transfer under section 16(4)(b) of the HKPC Ordinance which were reviewed by the Audit Committee at its 15th meeting held on 6 July 2010 and endorsed by the Finance Committee at its 39th meeting on 27 July 2010.

VIII. Terms of Reference of Standing Committees (P.C. 22/2010)

40. Invited by the Chairman to report, introduced the paper and said that the Management had consulted the Council's Standing Committees on their respective Terms of Reference (TOR), with the following recommendations:

- (a) Audit Committee (AC) – its TOR was based on “A Guide for Effective Audit Committees” issued by the Hong Kong Institute of Certified Public Accountants (HKICPA). As there had been no revision to this Guide, it was not proposed to amend the TOR of the AC.
- (b) Business Development Committee (BDC) – the current TOR sufficiently defined the function of the BDC. However, for clarity, it was proposed that the TOR of the BDC be amended to incorporate a recent decision of the Council, namely, to review the HKPC Services Audit Statement annually and to recommend major changes to the Statement for the Council's decision.
- (c) Finance Committee (FC) – the Council's agreement was sought in April 2010 to revise the TOR of the FC to include the role of recommending HKPC's Three-year Strategic Plan and Three-year Forecast for the Council's approval. There was no need to further revise the TOR of the FC.
- (d) Staffing Committee (SC) – the TOR of the SC was broadly in line with those of the staffing and HR related committees in other organizations. While there was no need for major amendment for the time being, the SC considered that the recruitment of HKPC's Branch Directors should require the approval of the Council instead of the SC given that these were very senior positions the filling of which would have impact on succession planning for HKPC.

41. After discussion, Members approved the proposal to amend:

- (a) the TOR of the BDC to incorporate the recent Council decision for the BDC to review the HKPC Services Audit Statement annually and to recommend for the Council's approval major changes to the Statement (Appendix 2 of the paper); and
- (b) the TOR of the SC so that the appointment/promotion of Branch Directors would require the Council's approval (Appendix 4 of the paper).

IX. Any Other Business

(A) Presentation on the Hong Kong Council for Testing and Certification (HKCTC)

42. The Chairman welcomed Mr. Terence Chan, Executive Administrator of the Hong Kong Accreditation Service Section of ITC, who joined the meeting at this juncture and briefed Members on the dual approach of the HKCTC to develop Hong Kong into a testing and certification hub in the region by reinforcing the branding of “Tested in Hong Kong, Certified in Hong Kong”.

43. said that the testing and certification industry was identified as one of Hong Kong’s six growth industries for promotion by the Government. There was definite room for collaboration between HKCTC and HKPC, for example, in the development of new testing methodologies, the promotion of HKPC’s related facilities for shared use, using HKPC’s industry network in Hong Kong and the PRC to strengthen connections with the manufacturers etc. In response, said that HKPC would provide the necessary support to HKCTC as appropriate.

44. welcomed government support to the development of Hong Kong’s testing and certification industry. However, pointed out that the success of HKCTC would, to a large extent, hinge on the existence of the necessary custom regulations on both sides to facilitate the unhindered movement of semi processed goods between Hong Kong and the Mainland as well as the extent of “local content” required of semi-processed goods for recognition of Hong Kong’s testing and certification.

(C) Attendance Record

46. Members noted their attendance record in 2010 tabled at the meeting.

X. Date of Next Meeting

47. The next meeting was tentatively scheduled on 16 November 2010 at 2:30pm.