

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

**P.C. 29/2016 (Revised)**

**Revised Minutes of the 132<sup>nd</sup> Meeting of the Hong Kong Productivity Council  
held at 2:30p.m. on Wednesday, 27 July 2016 in the Board Room  
2<sup>nd</sup> floor, HKPC Building, 78 Tat Chee Avenue, Yau Yat Chuen, Kowloon**

**Present:** Deputy Chairman – Mr. Victor Ng Chi-keung, MH

Members – Prof. John Chai Yat-chiu, JP  
Mr. Cheuk Wing-hing, JP (Permanent Secretary for  
Innovation and Technology)  
Mr. Alan Cheung  
Ms. Annie Choi Suk-han, JP (Commissioner for  
Innovation and Technology)  
Mrs. Hedy Chu, JP (Acting Director-General of Trade and  
Industry)  
Mr. Wilson Fung Ying-wai  
Miss Lam Kam-yi  
Ms. Amy Lee Sau-king  
Dr. Delman Lee  
Mr. Adolph Leung, JP (Principal Economist, representing  
Mrs. Helen Chan, JP, Government Economist)  
Mr. Leung Kwong-chuen  
Mr. Li Hoi  
Mr. Byron Ng, JP (Deputy Commissioner for Labour)  
Dr. Dennis Ng Wang-pun, BBS, MH  
Mr. Sunny Tan  
Mr. Patrick Wong Chi-kwong  
Dr. Jack Yeung Chung-kit

**Absent with Apologies:** Mr. Felix Chow Bok-hin  
Mr. Leung Yam-shing  
Prof. Helen Meng Mei-ling  
Mrs. Katherine Ngan Ng Yu-ying, MH, JP

**In Attendance from the Innovation and Technology Commission:**

Mr. Johann Wong, JP  
Mr. Bryan Ha

**In Attendance from HKPC:**

Mrs. Agnes Mak Tang Pik-ye, MH, JP Executive Director  
Dr. Lawrence Cheung Director, Technology Development

Mr. Tony Lam	Director, Corporate Services
Mr. Gordon Lo	Director, Business Management
Mr. Jonathan Ho	General Manager, Corporate Communication and Marketing
Ms. Lilian Ho	General Manager, Human Resources and Administration
Ms. Vivian Lin	General Manager, Finance and Procurement
Mr. Stanley Chu	Head, Internal Audit and Risk Management
Mr. Alfonso Tam	Chief Manager, Council Secretariat
Ms. Gillian Luk	Senior Manager, Council Secretariat

### **Deputy Chairman to Chair the Meeting**

said that according to Section 2 of the HKPC Ordinance, the Council Chairman should be:

- (a) the Chairman of the Hong Kong Productivity Council appointed under section 9(1)(a); or
- (b) during the absence from Hong Kong or incapacity of the Chairman so appointed, the person (if any) appointed under subsection (5) of that section to act as Chairman; or
- (c) if no person had been appointed to act as Chairman, the Deputy Chairman appointed under subsection (2) of section 9(1)(a).

said that as the Council Chairman, Mr. Stanley Lau Chin-ho passed away in June 2016 and no person had been appointed under subsection (5) of section 9 of the HKPC Ordinance, the 132<sup>nd</sup> meeting of the Council would be chaired by the Council Deputy Chairman, Mr. Victor Ng Chi-keung (the Deputy Chairman). The meeting noted.

### **HKPC Video - Review on 2015/16 Activities**

A video on HKPC's major activities and achievements in 2015/16, and a tribute in remembrance of the late Council Chairman was shown at the meeting.

#### **I. Confirmation of Minutes (P.C. 14/2016 Revised and P.C. 15/2016 Revised)**

The Revised Minutes of the 131<sup>st</sup> Council Meeting held on 27 April 2016 had been circulated to Members and there were no further requests for amendments. The Revised Minutes of the meeting were taken as read, confirmed and signed by the Deputy Chairman.

## **II. Three-year Strategic Plan of HKPC for 2017/18–2019/20 (P.C. 17/2016)**

1. introduced the paper and briefed Members on the 12 corporate goals (as set out in paragraph 5 of the paper) proposed for the Three-year Strategic Plan for 2017/18-2019/20. These 12 goals had been identified after consultation with industry through a wide array of activities and developed in accordance with the 10 strategic themes for HKPC as approved by the Council at its 131<sup>st</sup> meeting on 27 April 2016. They would be pursued under the overall guiding concept of Smart City and Smart Industry to meet the new and emerging needs of industry. said that the 12 proposed corporate goals would be translated into concrete initiatives in the Programme and Estimates exercise subject to availability of resources. In this connection, said that these 12 proposed corporate goals had been considered and supported by the Business Development Committee (BDC) at its 60<sup>th</sup> meeting held on 12 July 2016, and the Strategic Plan for 2017/18 – 2019/20 had also been endorsed by the Finance Committee at its 57<sup>th</sup> meeting held on 19 July 2016.

2. Members approved the Three-Year Strategic Plan of HKPC for 2017/18 – 2019/20, including the 12 proposed corporate goals and the exit of the autoclave testing service in 2017/18, as outlined in Appendix 1 of the paper. Members also noted that the corporate goals for 2014/15 and 2015/16 had been implemented with services now being offered as normal business lines of HKPC, while the corporate goals for 2016/17 were being pursued targeting service launch in 2017/18.

## **III. Annual Accounts for the Year 2015/16 (P.C. 18/2016)**

3. Invited by the Deputy Chairman, introduced the paper and said that external income for the year was \$413.2M which was higher than the budget by \$6.8M or 1.7%. On the expenditure side, total expenditure came to \$405M which was \$33.3M or 7.6% less than the budget. With expenditure carefully controlled, total surplus for the year amounted to \$26.8M including a provision of \$9.9M for variable pay, representing a growth rate of 3.6% for EBITDA as compared with last year.

4. On the issue of direct project expenses, said that business divisions would be required to budget such expenses not just according to estimated business needs but also with regard to the trend of actual direct project expenditure. This would help ensure more realistic estimates and a reasonable ratio with external income in the preparation for the 2017/18 Programme and Estimates and, where necessary, in the revised estimates for 2016/17. In this connection, said that the Finance Committee, in considering the annual accounts of HKPC, advised that direct project expenses must be realistically estimated and carefully controlled to minimize variance between the

estimates and actual outcome as this would have an important bearing on HKPC's performance in value added.

5. Members approved the Annual Accounts of HKPC for the year ended 31 March 2016 which were considered by the Audit Committee at its 38<sup>th</sup> meeting held on 23 June 2016 with no major adverse comments, and endorsed by the Finance Committee at its 57<sup>th</sup> meeting held on 19 July 2016. Members also agreed to authorize the Deputy Chairman and a Council member (Mr. Patrick Wong) to sign the HKPC's audited accounts for 2015/16 and the representation letter setting out the responsibilities of HKPC in the annual audit. Separately, Members also noted the 2015/16 financial results of the Automotive Parts and Accessory Systems R&D Centre (APAS Division) which was fully and separately funded by the Government.

**V. 2016/17 Pay Review for Executive Director, Principal Consultants and Below (P.C. 20/2016)**

8. Invited by the Deputy Chairman, introduced the paper and briefed Members on the proposed 2016/17 market pay trend adjustment for the Executive Director (Top level), and Principal Consultants and below (Senior, Middle and General level).

9. After discussion, Members approved the 2016/17 pay adjustment as follows which, subject to the Government's subsequent approval under section 6 of the HKPC Ordinance, would take retrospective effect from 1 April 2016 in line with established practice :

- (a) pay adjustment for staff under the non-PPS (non-Performance Pay System) would follow the same principle of the Civil service at the rates of 4.19% for the Top and Senior Level and 4.68% for the Middle and General Level; and
- (b) pay adjustment for staff under the PPS (Performance Pay System) would follow the weighted average rates of salary adjustment for different levels of staff in the market at 4.13%, 4.24%, 4.41% and 4.45% for the Top, Senior, Middle and General level respectively.

10. In response to remarks that the current formula to calculate the weighted average increments for PPS staff based on the respective total population of the surveys (as opposed to the survey population with respect to specific ranks), commented that this was methodologically difficult because the surveys did not generally provide breakdown of survey population. added that the Council had agreed previously that the Management should consider reviewing the mix of market surveys every 5 years to ensure the

representativeness of these market surveys as a basis for pay adjustment for staff under the PPS. The next review was due in 2017 (after the current mix of surveys being used for the 5<sup>th</sup> time in summer 2017) and the Management would review the compatibility of the existing 5 market surveys and plan to consult the Council probably at its meeting in November 2017 on whether any change to the mix of these market surveys would be advisable.

## **VI. Annual Review of HKPC Activities in 2015/16 (P.C. 22/2016)**

11. Members were briefed by \_\_\_\_\_ on the annual review of HKPC activities in 2015/16 which was summarized in the appendix of the paper along 22 KPIs, of which the targets for 17 KPIs had been met with achievement rates between 190% and 101% while the targets for the remaining 5 KPIs were not met. Members noted that the performance of the business divisions along the various KPIs approved by the Council and ITC were being monitored on a monthly basis as part of the Management's monthly financial performance review.

12. \_\_\_\_\_ said that KPIs should reflect HKPC's strategic objectives and this important relationship should be enhanced such that HKPC's performance would be meaningfully measured. In reply, \_\_\_\_\_ said that the present set of KPIs was the result of reviews and revisions in the past in consultation with the Council and the ITC. As some of the KPIs were also reported in the Controlling Officer's Report (COR) which was reviewed by the Legislative Council annually, changes would need to be carefully considered to ensure they were fully justified.

13. \_\_\_\_\_ agreed with \_\_\_\_\_ that KPIs should be reviewed from time to time to ensure their relevance with the operation of HKPC. However, it was important that any changes must be well justified lest HKPC should be accused of moving the targets to suit its purpose. The ITC would be ready to consider reasonable and justified changes to the KPIs proposed by the Council, including those reported in the CORs.

14. Members approved the 2015/16 Annual Review as outlined in the paper.

## **VII. Appointment of Auditor (P.C. 23/2016)**

15. Members were briefed by \_\_\_\_\_ on the appointment of a group auditor for HKPC and its subsidiaries by tender and approved the following:

- (a) the exclusion of the 2017/18 and 2018/19 audit and tax services of GZWFOE (which would be closed as a result of the re-alignment of the WFOEs) from the scope of this tender on group audit and tax services, and arranging separate quotations for the service if necessary; and

- (b) the appointment of Ernst & Young as the group auditor for HKPC and its subsidiaries (with exclusion mentioned in (a) above) for the three financial years from 1 April 2016 to 31 March 2019.

16.                      and                      concurred in their advice that in future the Management should consider tendering for the appointment of HKPC's group auditor every 5 years instead of the present 3-year intervals to minimize the administrative burden on, and disruption to, the work of its Finance and Procurement Division. After discussion, Members agreed that the Management would review the issue, including the ratio of technical to pricing scores in assessing the tenders, and submit a proposal to the Audit Committee in due course for consideration and decision.

**VIII. Progress Report from the Audit Committee (P.C. 24/2016)**

17. Members noted the report from the Audit Committee on matters considered at its 38<sup>th</sup> and 39<sup>th</sup> meetings held on 23 June 2016 and 14 July 2016 respectively.

**IX. Progress Report from the Business Development Committee (P.C. 25/2016)**

18. Members noted the report from the Business Development Committee on matters considered at its 60<sup>th</sup> meeting held on 12 July 2016.

**X. Progress Report from the Finance Committee (P.C. 26/2016)**

19. Members noted the report from the Finance Committee on matters considered at its 57<sup>th</sup> meeting held on 19 July 2016.

**XI. Progress Report from the Staffing Committee (P.C. 27/2016)**

20. Members noted the report from the Staffing Committee on matters considered at its 54<sup>th</sup> meeting held on 5 July 2016.

## **XII. Any Other Business**

### **(B) Attendance Record of Council Members**

23. Members noted their attendance record in 2016 tabled at the meeting.

## **XIII. Date of Next Meeting**

24. The next meeting was tentatively scheduled on 30 November 2016 at 2:30pm.

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