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P.C. 33/2011 (Revised)

**Revised Minutes of the 118<sup>th</sup> Meeting of the Hong Kong Productivity Council held at 2:30p.m. on Tuesday, 22 November 2011 in the Training Theatre 2<sup>nd</sup> floor, HKPC Building, 78 Tat Chee Avenue, Yau Yat Chuen, Kowloon**

**Present:** Chairman – Mr. Clement Chen, BBS, JP  
Members – Mr. Albert Au Siu-cheung  
Ir Daniel Cheng Man-chung, MH, JP  
Mr. Choi Kam-wah, MH  
Dr. Fan Cheuk-hung  
Mr. Jimmy Kwok Chun-wah, MH, JP  
Mr. Leung Yam-shing  
Mr. Lo Foo-cheung, JP  
Mr. Andrew Mak Yip-shing  
Ms. Elley Mao, JP (representing Mrs. Helen Chan, JP)  
Prof. Helen Meng Mei-ling  
Dr. David Ng Tai-chiu  
Mr. Victor Ng  
Mr. Poon Siu-ping, MH  
Dr. Elizabeth Shing, BBS, JP  
Ms. Linda So (representing Ms. Maria Kwan, JP)  
Ms. Marilyn Tang Yin-lee  
Miss Elizabeth Tse, JP  
Miss Janet Wong, JP  
Mr. Alan Wong, JP  
Mr. Jack Yeung Chung-kit

**Absent with Apologies:** Dr. Cliff Chan Chok-ki  
Mrs. Katherine Ngan, JP

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

Mr. Andrew Lai, JP  
Mr. Davey Chung

**In Attendance from HKPC:**

Mrs. Agnes Mak Tang Pik-ye, MH, JP	Executive Director
Mr. Edmund Sung	Director, Business Innovation
Mr. Tony Lam	Director, Corporate Services
Mr. Joseph Poon	Director, Technology Development
Mr. Jonathan Ho	General Manager, Corporate Communications
Mr. Dennis Wu	General Manager, Corporate Human Resources & Administration

Dr. Samuel Leung  
Mr. Alfonso Tam  
Ms. Miranda Yeap

General Manager, Finance and Procurement  
Chief Manager, Council Secretariat  
Senior Manager, Council Secretariat

## **Welcome**

The Chairman welcomed Ms. Linda So, Assistant Director-General of Trade and Industry who represented Ms. Maria Kwan to attend today's meeting.

## **Confirmation of Minutes (P.C. 22/2011 Revised)**

The Revised Minutes of the 117<sup>th</sup> Council meeting held on 26 July 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. Programme and Estimates of HKPC for 2012/13 and Three-year Forecast for 2012/13 - 2014/15 of HKPC Income and Expenditure (P.C. 24/2011)**

1. Invited by the Chairman, introduced the paper and said that the Programme and Estimates had been prepared with close regard to the macro external factors, i.e. the threats as well as opportunities for the business of HKPC in the midst of an anticipated economic downturn and the ensuing uncertainties for the coming three years. At the same time, the Management considered it appropriate for prudence in both financial and strategic planning to maintain an income target that would continue to drive staff performance given that HKPC's subvention had been maintained at a constant level. With these in view, it was planned to increase total operation income for 2012/13 by 1.5% to \$350.7M while expenditure after subvention was expected to increase marginally by 0.9% to \$519.7M, resulting in an estimated surplus of \$9M. said that the 2012/13 income target should not be too aggressive as it was cushioned by existing projects on hand valued at around \$380M as at October 2011. As about \$170M worth of these projects would need to be fulfilled within 2011/12 in order to meet the year's revised income, this meant that we already had about \$210M of projects secured on hand for 2012/13.

also said that the possible economic downturn on HKPC's business might affect HKPC receiving projects next year, hence its full effect could not be seen until 2013/14 and beyond. Hence, the income forecasts for 2013/14 to 2014/15 were basically maintained at about the same level to be reviewed on a rolling basis.

2. shared the view that the focus of the exercise was the estimates for 2012/13 and forecast beyond this were primarily for reference purpose only especially given the looming economic slowdown the full effects of which were yet to be seen and analyzed to provide a basis for meaningful forecast beyond 2012/13.

3. explained that subvention to HKPC was to support its baseline activities and was thus maintained at a constant level. HKPC should continue to make gainful use of the various government funding schemes, for example ITF, for resources to conduct research and development and new initiatives. In this connection, advised that, ahead of the difficult economic times, HKPC should make good use of the newly announced \$1 billion fund by the Government and provide support services to assist enterprises in upgrading, brand development and capitalizing on the huge sale potential of the Mainland domestic market.

4. In response, said that we had indeed been developing new initiatives to help enterprises and to enhance HKPC's income position. For example, we were developing a Programme for CEDB's consideration to provide an integrated service platform for SMEs. We were also in discussion with the Environment Bureau in pursuing a green audit programme. said that difficult economic times would create uncertainties. But they would also present new opportunities. In this connection, the estimates for 2012/13 had specifically been arrived at in consultation with the general managers individually, having regard to the business outlook for their divisions (i.e. the threats and opportunities) as well as the latest trends in technologies and management models that would need to be introduced to industry to enhance their competitiveness in the regional and international markets.

5. reminded the Management that, where the proposed utilization of from HKPC's reserve was approved by the Council later in the meeting, the impact of this would need to be reflected in the estimates for 2012/13 and beyond on the basis that IT related capital investment (an ERP system) would typically depreciate over 3 years.

6. After discussion, Members approved:

- (a) HKPC's Three-year Forecast for 2012/13 - 2014/15 as endorsed by the Finance Committee at its 43<sup>rd</sup> meeting held on 15 November 2011;
- (b) the detailed Programme and Estimates of HKPC for 2012/13, including the staff establishment of 698, as endorsed by the Finance Committee and the Staffing Committee respectively at their 43<sup>rd</sup> and 40<sup>th</sup> meeting held on 15 November 2011 and on 26 October 2011; and

(c) the proposed targets for the KPIs in 2012/13 at Appendix 3 of P.C. 24/2011.

7. Members also noted the three-year forecast of WFOEs for 2012/13 - 2014/15 which did not form part of HKPC's income and expenditure forecast for the purpose of subvention requirement.

(Post-meeting note: P.C. 24/2011 was amended to take account of the effect of the utilization of from the reserve and circulated to Members for their information on 24 November 2011)

## **II. Rationalization of Non-accountable Cash Allowance (P.C. 25/2011)**

8. Invited by the Chairman, took Members through P.C. 25/2011 on the background to HKPC's Non-accountable Cash Allowance (NCA) which was a housing related benefit for eligible staff whose employment was offered on or after 12 June 2000, as well as the rationale for the proposed rationalization which would allow NCA recipients to enjoy, as they move up the pay scale, a higher corresponding rate of NCA allowance in accordance with the scale of NCA for the year when he/she was first approved to receive the allowance.

9. In response to query on why eligible staff could not draw NCA allowance in accordance with the latest NCA scale approved by the Government except those who had just been newly approved to receive NCA, explained that NCA was essentially a housing benefit. Assuming that the benefit would be used for the purchase of property by the staff when it was first offered and hence would have locked the property price for the purpose of mortgage payments, subsequent changes in property prices and hence changes in the NCA scale would have no relevance to these staff who were already drawing NCA allowance.

10. After discussion, Members approved the proposed rationalization outlined in paragraph 7 of P.C. 25/2011 which would be applicable to the existing and new recipients of NCA and for which no retrospective arrangement would be allowed. Members also agreed for the Management to seek the formal approval of the Government for the proposed rationalization which would take effect from 1 January 2012 or on a later date subsequent to the Government approval.

## **III. Utilization of Reserve (P.C. 26/2011)**

11. Invited by the Chairman, introduced the paper and said that HKPC, under the Memorandum of Administrative Arrangements signed between HKPC and the Innovation and Technology Commission (ITC), might

freely use its reserves for any activities lawfully permitted under the HKPC Ordinance and in furtherance of HKPC's objectives within its service focus. As at March 2011, HKPC had an accumulated reserve of \$39.7M. At its 43<sup>rd</sup> meeting held on 15 November 2011, the Finance Committee endorsed a proposed framework, outlined in paragraph 5 of P.C. 26/2011, to ensure the best use of the reserve. In addition, the Management would submit to the Finance Committee for endorsement any proposal for the use of reserve before obtaining the Council's approval. Hence, the Management could not utilize reserve without consulting the Finance Committee and the Council.

12.                   said that the Management proposed to use no more than   of the reserve for implementing an Enterprise Resource Planning (ERP) system. The Management had consulted HKPC's auditor who advised that the profit-and-loss effect arising from the use of the reserve, if approved, would be reflected in HKPC's accounts as depreciation over three years.

13.                   said that the Finance Committee, in endorsing the proposed use of the reserve for an ERP system, had noted that HKPC's existing systems were inadequate to provide sufficiently integrated support for managing projects effectively and producing management reports efficiently, and therefore had agreed that there was an urgent need to establish a total integrated computer system and strengthen HKPC's management tools to further enhance corporate governance.                   considered that this was an important capital investment that should not be delayed and said that this should be an important continuous improvement measure for HKPC's project management.   thanked                   for                   support and said that the Management was indeed focused on enhancing our project management and in this regard was taking stock of HKPC's existing business processes and administration systems (such as procurement procedures) to provide a basis to complement the proposed ERP system. But the major challenge was to eventually translate the system enhancement into a changed mind set of the staff in terms of understanding and compliance. A phase-in approach would be taken with the aim to complete the enhanced ERP system in two years.

14.                   and                   supported the proposal and advised that it was important for HKPC, as a productivity consultant itself, to continually enhance its capabilities and adopt the best practices for its own operation to provide a solid basis to deliver related consultancy to industry. In agreement,                   said that it was also important that proper documentation and ownership should be maintained to ensure effective knowledge management and continuation of the enhanced ERP system.                   supported the proposed use of the reserve for this important system enhancement initiative.                   also said that HKPC should aim to produce budget surpluses to build up the reserve over time to provide the necessary resource backing for worthwhile business development and system enhancement initiatives.

15.                   said that the experience from enhancing HKPC's IT support for the effective and efficient conduct of business would provide a good opportunity for the Management to review HKPC's IT consultancy to help SMEs. In response,                   said that HKPC was committed to bringing the latest technologies and solutions to industry. Cloud computing was an example and we were now in discussion with software vendors to display their cloud computing solutions at the SME One-stop Advisory Service Centre which was being planned to be set up in 2012 at the HKPC Building.

16. After discussion, Members approved the proposed framework for utilizing the reserve as set out in paragraphs 4-6 of P.C. 26/2011. Members also approved the use of                   for implementing an in-house ERP system.

**V. Report from the Business Development Committee (P.C. 30/2011)**

27. Members noted the report from the Business Development Committee on the matters considered at its 46<sup>th</sup> meeting held on 1 November 2011.

**VI. Report from the Finance Committee (P.C. 31/2011)**

28. Members noted the report from the Finance Committee on the matters considered at its 43<sup>rd</sup> meeting held on 15 November 2011.

**VII. Report from the Staffing Committee (P.C. 32/2011)**

29. Members noted the report from the Staffing Committee on the matters considered at its 40<sup>th</sup> meeting held on 26 October 2011.

**VIII. Report from the Audit Committee (P.C. 29/2011)**

**IX. Date of Next Meeting**

35. The next meeting was tentatively scheduled on 27 March 2012 at 2:30pm.

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