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P.C. 10/2013 (Revised)

**Revised Minutes of the 122<sup>nd</sup> Meeting of the Hong Kong Productivity Council  
held at 2:30p.m. on Tuesday, 26 March 2013 in the Board Room  
2<sup>nd</sup> floor, HKPC Building, 78 Tat Chee Avenue, Yau Yat Chuen, Kowloon**

**Present:** Chairman – Mr. Clement Chen Cheng-jen, BBS, JP  
Members – Mr. Albert Au Siu-cheung  
Ir Daniel Cheng Man-chung, MH, JP  
Miss Susie Ho, JP  
Miss Lam Kam-yi  
Mr. Adolph Leung, JP (representing Mrs. Helen Chan, JP)  
Mr. Leung Kwong-chuen  
Mr. Leung Yam-shing  
Mr. Andrew Mak Yip-shing, JP  
Mr. Byron Ng, JP  
Dr. David Ng Tai-chiu  
Dr. Dennis Ng Wang-pun, MH  
Mr. Victor Ng, MH  
Mrs. Katherine Ngan Ng Yu-ying, JP  
Mr. Sin Kai-ming, MH  
Ms. Linda So (representing Mr. Kenneth Mak, JP)  
Miss Janet Wong, JP  
Mr. Jack Yeung Chung-kit

**Absent with Apologies:** Mr. Jimmy Kwok Chun-wah, MH, JP  
Dr. Delman Lee  
Prof. Helen Meng Mei-ling  
Dr. Elizabeth Shing Shiu-ching, BBS, JP  
Ms. Marilyn Tang Yin-lee

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

Mr. Johann Wong  
Mr. Frank Tsang

**In Attendance from HKPC:**

Mrs. Agnes Mak Tang Pik-ye, MH, JP	Executive Director
Mr. Leo Lam	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 HR & Administration

Mr. Edmond Che  
Mr. Alfonso Tam  
Ms. Miranda Yeap

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

### **Welcome to New Member**

The Chairman welcomed Mr. Leung Kwong-chuen and Mr. Edmond Che, General Manager, Finance and Procurement who attended the meeting for the first time.

### **Vote of Appreciation**

Members supported the Chairman's suggestion to record a vote of appreciation to Dr. Cliff Chan Chok-ki for his contribution to HKPC during his tenure as Council Member.

### **Confirmation of Minutes (P.C. 37/2012 Revised)**

The Revised Minutes of the 121<sup>st</sup> Council meeting held on 14 December 2012 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. Matters Arising**

### **(A) Membership of Standing Committees and Subsidiary Companies**

1. Invited by the Chairman, \_\_\_\_\_ said that, following changes in Council's membership effective from 1 January 2013, Members approved on 22 January 2013 by paper circulation (P.C. 1/2013) the proposed membership changes for the Staffing Committee and Business Development Committee. By the same circulation, Members also approved the Board composition of the HKPC Technology (Holdings) Co. Ltd. and Productivity (Holdings) Ltd.

## **II. Review of HKPC Services Audit Statement (P.C. 3/2013)**

5. Invited by the Chairman to report, \_\_\_\_\_ said that, on advice of the Audit Committee, HKPC adopted its first Services Audit Statement (the Statement) in March 2010, in replacement of the previous "Dos and Don'ts List" on HKPC's services. The Statement set out the mission of HKPC, the focus of HKPC's work in accomplishing its mission, the parameters guiding service

delivery and an exit programme for the next three years. The Council had also agreed that the Statement should be reviewed by the Business Development Committee (BDC) annually for updating to reflect the prevailing market circumstances and to provide a continuous process of review and implementation of HKPC's services.

6. said that the Statement, incorporating the Vision, Mission and Values of HKPC as guiding mottos, had been reviewed and found to be still applicable. As the aim of the Statement was to provide broad macro parameters to guide the delivery of HKPC's services on the basis of HKPC's mandate as defined by the HKPC Ordinance, the Management did not consider that there would be need for substantive changes to the Statement in the near future. Separately, HKPC's programme of activities were also further defined by the annual Programme and Estimates and the Three-year Forecast Exercise. In view of this, the Management considered that the Statement might not warrant annual review by the BDC and proposed that whilst the Management would continue to internally review the validity of the Services Audit Statement on an annual basis to ensure that it was up to date with market situation and overall circumstances, submission to the BDC would only be required should substantive amendments or updates to the Services Audit Statement be recommended. With regard to services planned for exit, it was proposed to include the section of the Statement on "Exit Programme" in the Three Year Strategic Plan which was considered by the BDC in the June/July round of meetings. This would ensure that the BDC would be consulted in advance on HKPC services planned for exit ahead of the annual Programme and Estimates and Forecast exercise.

7. Members approved the continued use of the HKPC Services Audit Statement at the Appendix of the paper P.C. 3/2013 which was considered to be still valid and update, as endorsed by the BDC at its 50<sup>th</sup> meeting held on 5 March 2013. Members also agreed to the proposals on the review mechanism for the HKPC Services Audit Statement in future as outlined in paragraphs 4, 7 and 8, as endorsed by the BDC at its 50<sup>th</sup> meeting held on 5 March 2013.

### **III. Progress of Winding up of Automotive Parts and Accessory Systems R&D Centre (P.C. 4/2013)**

8. Members noted the progress made (paragraphs 3 and 4 of P.C. 4/2013) for the winding up of the Automotive Parts and Accessory Systems R&D Centre (APAS) since the last progress report presented to the Council at its 121<sup>st</sup> meeting held on 14 December 2013, including a funding agreement signed with the Government on 15 March 2013 which set out the terms and conditions for HKPC to take over the operation of APAS.

#### **IV. Report from the Audit Committee (P.C. 5/2013)**

9. Members noted the report from the Audit Committee on the matters considered at its 25<sup>th</sup> meeting held on 14 March 2013.

#### **V. Report from the Business Development Committee (P.C. 6/2013)**

10. Members noted the report from the Business Development Committee on the matters considered at its 50<sup>th</sup> meeting held on 5 March 2013.

#### **VI. Report from the Finance Committee (P.C. 7/2013)**

11. Members noted the report from the Finance Committee on the matters considered at its 47<sup>th</sup> meeting held on 19 March 2013.

#### **VII. Report from the Staffing Committee (P.C. 8/2013)**

12. Members noted the report from the Staffing Committee on the matters considered at its 44<sup>th</sup> meeting held on 12 March 2013.

#### **VIII. Any Other Business**

##### **(A) Hong Kong Industrial Policy based on the Differentiating Advantage of Trustworthiness**

13. Invited by the Chairman, said that, based on the views collected from our network with industry, as well as consultation with related trade associations in nine sectors, HKPC had developed a strategy paper which identified trustworthiness and credibility pointing to better quality and reliability as a major differentiating advantage of Hong Kong industry that could be gainfully explored to complement relevant Government policies towards sustaining Hong Kong's traditional industry sectors and developing new and emerging sectors with high potential. stressed that the strategy paper only sought to identify an additional strategic direction in broad terms with potential to further the development of Hong Kong industry and provide some food for thought with a view to putting in place the necessary policy support and facilitation for industry to optimize opportunities of Hong Kong's existing advantages and new strengths. Execution of the recommendations would demand further in-depth study and consultation had to be made outside the scope of the strategy paper. then went on to

brief Members on the nine industry sectors chosen to illustrate Hong Kong's differentiating advantage and the ten strategic recommendations under the broad areas of industry development, human capital development and government support and incentives.

14. In reply to \_\_\_\_\_, \_\_\_\_\_ said that the Innovation and Technology Commission (ITC) welcomed HKPC's initiative.

\_\_\_\_\_ said that the paper had a wide coverage and some of the areas covered were outside the ambit of the Commerce and Economic Development Bureau and ITC. \_\_\_\_\_ noted that some of the recommendations in the report were in line with the work of the ITC in addressing industry needs, for example, the work of the Hong Kong Council for Testing and Certification to strengthen support for the testing and certification industry and supporting GMP training for the Chinese medicine manufacturing sector. ITC was also reviewing the scope of the ITF to better support the application of innovative technologies and more downstream technology research projects and actively promoting the trial of ITF research deliverables in government departments and the public sector to facilitate and promote the realization and commercialization of the relevant research deliverables. \_\_\_\_\_ said that ITC would examine HKPC's observations and recommendations within ITC's ambit and relay those outside of ITC's ambit to the relevant government bureaux and departments for reference.

15. \_\_\_\_\_ supported ITC's work to connect research results with the market for timely and effective commercial exploitation. \_\_\_\_\_ also supported \_\_\_\_\_ view on engendering a suitable environment for Hong Kong industrialists to use Hong Kong as a base for furthering development and growth. \_\_\_\_\_ stressed that failure in commercialization should be anticipated and they would provide lessons to learn for future success. The important issue was to start early and to provide the needed facilitation to attract the interest of potential commercialization partners.

16. On the issue of government incentives, in particular tax incentive, \_\_\_\_\_ said that there were few and they were little known without promotion. \_\_\_\_\_ said that tax incentive was arguably the most direct incentive with potent impact in encouraging industrial investment and development. The relevant bureaux and departments should think out of the box and get together to study this agenda in detail. \_\_\_\_\_ said that providing tax incentives for the industry was a complicated issue and the Financial Services and the Treasury Bureau and the Inland Revenue Department would need to address and balance all related issues such as the need to preserve Hong Kong's simple tax system to attract overseas investors, the read-across implications for other sectors, resource implication, etc. Nonetheless, ITC had launched the R&D Cash Rebate Scheme to provide 30% cash rebate to provide financial incentive to encourage companies to invest in R&D, which were

producing encouraging results as evidenced by the substantial increase in the number / dollar value of R&D projects conducted by private companies in collaboration with designated local public research institutions.

17.                   said that, the issue of tax incentive would take time to be fully addressed. Meanwhile, it was more important that update information was provided to help industrialists take full advantage of whatever incentives that were already available to them, financial or otherwise. In response,                   said that HKPC should explore to see if it was feasible to arrange a talk by tax experts and the relevant government departments on what incentives were available and how to make full use of them.

18.                   referred to the BUD Programme and said that government assistance in enterprise upgrading and branding should be extended to all SMEs irrespective of whether they were targeting the Mainland market. In agreement,                   said that where a good Hong Kong brand had been built up, the Mainland element would necessarily come into play either through the purchase of such products by Mainland tourists coming to Hong Kong or, riding on the popularity of the brand, through the eventual setting up of sales points by the brand owners in the Mainland to optimize the brand value so created. In response,                   said that in theory government support programmes should be open to all SMEs. However, as the current BUD Programme was set up specifically to help boost the development of Hong Kong SMEs targeting the Mainland market, there might be fundamental restrictions for the BUD Programme to accommodate the upgrading and branding needs of those SMEs which for the time being were not targeting the Mainland market. At                   request,                   explained the objective of the BUD Fund and its ambit as approved by the Finance Committee of the Legislative Council, and that other government assistance that could address the concerns raised by                   would need to be considered in a separate context.

19.                   said that the Council Secretariat would send Members copies of both the Chinese and English versions of the executive summaries of the strategy paper. The full strategy paper would be available to Members on request. If Members had any views on the subject matter, they should be sent to the Council Secretariat for coordination.

[Post-meeting note: The Chinese and English versions of the Executive Summary were sent to Members on 28 March 2013.]

**X. Date of Next Meeting**

22. The next meeting was tentatively scheduled on 30 July 2013 at 2:30pm.

23. There being no other business, the Chairman thanked Members for their attendance and the meeting was adjourned at 4:25pm.