

P.C. 22/2011 (Revised)

**Revised Minutes of the 117<sup>th</sup> Meeting of the Hong Kong Productivity Council  
held at 2:30p.m. on Tuesday, 26 July 2011 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  
Mr. Andrew Au, JP (representing Mrs. Helen Chan, JP)  
Dr. Cliff Chan Chok-ki  
Ir Daniel Cheng Man-chung, MH, JP  
Mr. Choi Kam-wah, MH  
Dr. Fan Cheuk-hung  
Mr. Jimmy Kwok Chun-wah, MH, JP  
Ms. Maria Kwan, JP  
Mr. Leung Yam-shing  
Mr. Lo Foo-cheung, JP  
Mr. Andrew Mak Yip-shing  
Prof. Helen Meng Mei-ling  
Dr. David Ng Tai-chiu  
Mr. Victor Ng  
Mrs. Katherine Ngan Ng Yu-ying, JP  
Mr. Poon Siu-ping, MH  
Dr. Elizabeth Shing Shiu-ching, BBS, JP  
Miss Elizabeth Tse, JP  
Miss Janet Wong, JP  
Mr. Alan Wong, JP

**Absent with Apologies:** Ms. Marilyn Tang Yin-lee  
Mr. Jack Yeung Chung-kit

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

Mr. Andrew Lai, JP  
Mr. L.W. Ting

**In Attendance from HKPC:**

Mrs. Agnes Mak Tang Pik-ye, MH, JP	Executive Director
Mr. Edmund Sung	Director, Business Consulting
Mr. Tony Lam	Director, Corporate Services
Mr. Jonathan Ho	General Manager, Corporate Communications
Dr. Samuel Leung	General Manager, Finance and Administration
Mr. Dennis Wu	General Manager, Corporate Human Resources
Mr. Alfonso Tam	Principal Consultant, Council Secretariat
Ms. Miranda Yeap	Senior Consultant, Council Secretariat

## **Welcome to New Members**

The Chairman welcomed Prof. Helen Meng Mei-ling, Mr. Andrew Au, JP, Acting Government Economist and Mr. Dennis Wu, General Manager, Corporate Human Resources, HKPC who attended the meeting for the first time.

## **Confirmation of Minutes (P.C. 8/2011 Revised and P.C. 11/2011)**

The Revised Minutes of the 116<sup>th</sup> Council meeting held on 29 March 2011 and the Summary of Views at the brainstorming meeting on HKPC's Three-year Strategic Plan (2012/13 - 2014/15) held on 4 May 2011 had been circulated to Members and there were no further requests for amendments. The Revised Minutes and the Summary of Views were taken as read, confirmed and signed by the Chairman.

### **I. Three-year Strategic Plan of HKPC for 2012/13 - 2014/15 (P.C. 13/2011)**

1. Invited by the Chairman to report, \_\_\_\_\_ said that at the 113<sup>th</sup> Council meeting held on 30 March 2010, Members agreed that HKPC should submit a three-year strategic plan annually before the Council considered the Three-year Forecast for the same period and that the strategic plan should be translated into concrete initiatives in the subsequent Programme and Estimates exercise subject to availability of resources. At its 114<sup>th</sup> meeting held on 3 August 2010, Members approved HKPC's Strategic Plan for 2011/12 - 2013/14 which was anchored on a four-pronged strategy to scale up platforms, create value for SMEs, sharpen HKPC's core competencies, and develop strategic partnership.

2. \_\_\_\_\_ said that the Management had revisited the existing strategic plan and considered that the four-pronged strategy was still valid. To tie in with market development and the newest technologies which would have an impact on HKPC's operation and performance, we had involved Members in a brainstorming session on 4 May 2011 to strengthen the strategy via highlighting current directional themes and strategic initiatives for implementation in the coming year. We had also undertaken consultation with industry associations, NGOs and relevant government departments to listen to their views.

3. Taking account of the views received, the market trend and the economic situation, as well as the policies of the Central Government and the HKSAR Government, we proposed to strengthen the existing four-pronged strategy by the inclusion of themes and strategic initiatives to provide additional guidelines for the provision of services. In this connection, we had identified the

following themes which would be pursued by different strategic initiatives, as follows:

- (a) Theme 1 on Low Carbon and Environmental Protection with strategic initiatives on carbon audit and green living; cleaner production programmes and low carbon technology;
- (b) Theme 2 on Technology Upgrade with strategic initiatives on high end / technology intensive products; new materials / technology and market research;
- (c) Theme 3 on Integrated Transformation and Innovation with strategic initiatives on automation; new ICT applications; NEW programme and IP management;
- (d) Theme 4 on International Benchmark and National Standards with strategic initiatives on testing / certification, management and international standards; and
- (e) Theme 5 on Mainland Opportunity with strategic initiatives on PRD TURN; domestic sales / branding and quality service management.

4.   said that in pursuing the updated Three-year Strategic Plan, HKPC would be guided by the following:

- Vision:           Be your Most preferred Productivity Partner
- Mission:       Promote productivity excellence for industry to enhance competitiveness and sustainability
- Values:         4Is + 4Ps – Integrity, Integration, Innovation, Impartiality, People, Passion, Professionalism, Partnership

Meanwhile, the Management would continue to strengthen our corporate governance, invest in human resources, reinforce the performance-based culture and uplift our team spirit.

5. After consideration, Members approved the updated three-year Strategic Plan for 2012/13 -2014/15 at Annex A of P.C. 13/2011 for HKPC’s business in Hong Kong and the Mainland which was endorsed by the Business Development Committee and the Finance committee at their meetings on 28 June 2011 and 19 July 2011 respectively.   said that the strategic plan was a living document which should be reviewed along the way to cater to the ever changing needs of industries. Meanwhile, the Management should aim to reflect, as appropriate, the updated strategic plan in the Programme and Estimates and Three-year Forecast for 2012/13 - 2014/15 to be submitted to Council in November 2011.

## **II. Revised Programme and Estimates of HKPC for 2011/12 (P.C. 14/2011)**

6. Invited by the Chairman to report, introduced the paper P.C. 14/2011 and said that Members, in approving the 2011/12 estimates in November 2010, had advised that the opportunity should be taken to conduct a mid year review of HKPC's income and expenditure for 2011/12 and prepare revised estimates for Council's approval as appropriate. Based on the actual income of 2010/11 which exceeded the budget by \$12.1M and taking account of the work orders on hand, the Management considered that there was room for increased income for 2011/12 which was estimated to rise by 13.6% to \$333.3M. Meanwhile, expenditure was estimated to increase by 7.7% to \$506.4M of which about half would be attributable to the salary increment in 2011/12. The revised estimates projected a surplus of \$10.1M (after a provision of \$7.3M for variable pay) when compared to the balanced budget approved by the Council in November 2010. said that in revising the estimates, our business activities and financial estimates had also been examined with specific reference to the five intertwining themes under the updated three-year strategic plan which would spawn increasing cross divisional as well as HKPC-WFOE collaboration. The revised 2011/02 estimates were laid out in paragraphs 5 and 6 of P.C. 14/2011 and they were endorsed by the Finance Committee on 19 July 2011.

7. said that the fast changing economic environment in the Mainland would continue to present new opportunities and challenges.

said that HKPC's industry support programmes, such as TURN, should also be kept in view along the way to complement these developments and emerging trends in the Mainland as appropriate.

8. In agreement with , said that HKPC was by no means bound by its existing service focus and the location of the WFOEs in extending services to the Mainland. We were now in discussion with the authorities of Nansha, identified to connect with Hong Kong and Macau to form an axis for business and technology innovation under the PRC's 12<sup>th</sup> Five-year Plan, on collaboration in the areas of low carbon environmental initiatives and support to the high end elderly care market. A study on the economic and business orientation for Nansha was also being actively pursued. It was planned to sign a memorandum of understanding (MOU) with Nansha in August 2011. Separately, HKPC's successful participation in the Technology and Projects Fair in Fuzhou in June 2011 via a Hong Kong Pavilion (showcasing the R&D results of HKPC, APAS, Science Park and ASTRI) had generated local interest in the application and commercialization of the R&D deliverables from Hong Kong and contracts had been exchanged with HKPC and ASTRI. We were confident of further business opportunities given the interest expressed by Fuzhou in automation, technology/business upgrade and clean production. We were also examining the opportunity and technical aspects for HKPC to

establish its brand on industrial support in the eastern part of Mainland (華東). Separately, a brainstorming meeting of the board of the SZJV had been scheduled to look into strategies to optimize the facilities at the SZJV to expand service support to enterprises, especially in modern business management, the application of IT for business enhancement and training.

9. Members approved the revised estimates for 2011/12 at paragraph 5 of P.C. 14/2011.

### **III. Annual Accounts for 2010/11 (P.C. 15/2011)**

10. Invited by the Chairman to report, \_\_\_\_\_ said that the annual accounts for 2010/11 were endorsed by the Finance Committee on 19 July 2011. The accounts had also been considered by the Audit Committee without adverse comments on 9 June 2011. Total fees and service charges for 2010/11 amounted to \$314.9M which exceeded the budget by \$12.1M. The income surplus primarily came from consultancy projects (\$21.2M) and venue rental (\$4.7M) which was offset by income shortfall from in-class training (\$10.5M) and study missions (\$2.7M). The income shortfall in in-class training resulted largely from phasing out training courses in areas where the market was declining or maturing. For study missions, some planned missions to Europe did not materialize and hence had a negative impact on income. Expenditure for the year came to \$490.2M which was \$6.9M less than the budget. A budget surplus of \$17.9M was achieved after a provision of \$5.8M for variable pay.

11. Members approved the annual accounts of HKPC for the year ended 31 March 2011 and noted the transfer by HKPC within the Head of Expenditure for Staff Emoluments and Recurrent Expenditure as permitted under S.16(4) (b) of the HKPC Ordinance and contained in Appendix 1 of P.C. 15/2011.

### **IV. Annual Review of HKPC Activities in 2010/11 (P.C. 16/2011)**

12. Invited by the Chairman to report, \_\_\_\_\_ took Members through P.C. 16/2011 on HKPC's performance in the areas of service delivery, operating efficiency, financial results and effectiveness in accordance with 29 performance indicators. The targets for 20 indicators had been met or exceeded with achievement rates between 100% and 210%. The targets of another 3 indicators had also been largely met with a variance of less than 10%, which was mostly within a reasonable margin of estimation. As regards the remaining 6 indicators for which HKPC had not been able to achieve less than 10% variance with the targets set, it was not envisaged that the below target performance in these 6 indicators (for example, in the number of patents obtained or the funding obtained for government projects) had any material impact on HKPC's services to its clients.

13. Continuing, said that it was proposed to delete two of the indicators, namely (a) income per consultancy project in progress and (b) number of ongoing R&D projects as these two indicators did not usefully shed much light on reflecting our performance. Meanwhile, to further enhance outcome-based measurement, it was proposed to adopt an additional indicator in the area of effectiveness to measure HKPC's performance in its training activities based on a course end evaluation by the training participants. Separately, said that the performance targets for 2011/12 had been revised in line with the revised estimates for the same year for Members' agreement prior to seeking ITC's approval.

14. Members exchanged views on the proposed deletion of two indicators and agreed that the Management should work with ITC after the meeting on the proposed deletion, addition and revised targets for 2011/12 having regard to the appropriateness and usefulness of the indicators.

16. Members approved the 2010/11 Annual Review of HKPC's activities. The Management would liaise with ITC to agree on the proposed amendments to the performance indicators (section IV) and the revised performance targets for 2011/12 (section V). Members also noted a typo error that the 2010/11 achievement rate for the KPI on "Number of industry consultation organized (other than HK-INC) should read 100% instead of 147% at paragraph 6 (4)(a)(ii) of P.C. 16/2011.

(The Chairman proposed, and Members agreed, to advance discussion of P.C. 20/2011 on Report from the Staffing Committee ahead of the remaining agenda items.)

#### **V. Report from the Staffing Committee (P.C. 20/2011)**

17. introduced P.C. 20/2011 and said that at its 39<sup>th</sup> meeting held on 11 July 2011, the Staffing Committee endorsed for Council's approval the Management's recommendations on the 2011/12 pay adjustment and the 2010/11 variable pay (VP). then briefed Members on the proposed pay adjustment for 2011/12 and said that as at 30 June 2011, 445 staff (74.7%) were under the Performance Pay System (PPS) and they would be entitled to pay adjustment reflecting the market trend by reference to four major

pay trend reports from the market as well as the pay adjustment of the Civil Service. Based on the actual pay adjustment data in these surveys, the Staffing Committee endorsed the proposed weighted average rates of salary adjustment for PPS staff with effect from 1 April 2011, comprising upward adjustment of 5.4% for top level staff, 5.34% for senior level staff, 4.86% for middle level staff and 4.67% for the general level staff. As regards the non-PPS staff, salary adjustment with effect from 1 April 2011 would follow the Civil Service Pay Adjustment as approved by the Legislative Council on 8 July 2011, comprising upward adjustment of 7.24% for top and senior level staff and 6.16% for middle and general level staff.

## **VI. Report from the Audit Committee (P.C. 17/2011)**

## **VII. Report from the Business Development Committee (P.C. 18/2011)**

21. introduced P.C. 18/2011 and took Members through the issues considered by the Business Development Committee (BDC) at its 45<sup>th</sup> meeting held on 28 June 2011, as follows :

- (a) the BDC endorsed for Council's approval the updated Three-year Strategic Plan of HKPC for 2012/13 - 2014/15;
- (b) the latest progress of the three WFOEs was reported, including their financial performance, their business activities (focus on industrial marketing, training, projects sponsored by the PRD local governments and flagship services under the TURN and CP3 platforms), the new business strategy focusing on the themes of integrated transformation and innovation, low carbon and environmental protection and achieving international and national benchmarks, enhanced management support to Mainland activities through a high level Mainland Management Unit headed by ED, and the extension of HKPC's Trainee Consultant Scheme to the WFOEs to create a pool of ready consulting talents to enhance the project delivery capability of the WFOEs;
- (c) with regard to the Shenzhen-Hong Kong Productivity Foundation Co., Ltd.

(SZJV), the BDC noted that it would focus on working with the Shenzhen government on projects for industries, revamp its existing marketing platforms and strengthen the seven service centres to facilitate the extension of HKPC's services to Shenzhen, and enhance its training institute to optimize opportunities in the training business;

- (d) with regard to the Chongqing-Hong Kong Productivity Promotion Centre Co. Ltd. (CQJV), the BDC noted that the procedures for the reduction of paid-in capital from RMB 3M to RMB 0.5M was being completed by the Chongqing JV partner and that for the time being CQJV would continue to serve as the marketing arm to facilitate collaboration amongst HKPC and the R&D institutes, enterprises and governments in both Hong Kong and Chongqing;
- (e) the BDC noted and supported the Management's decision to dissolve the Guangzhou Representative Office (GZO), established in November 1993, as the WFOEs had replaced its functions and that it was no longer exempt from the Mainland's enterprise income tax and business tax; and
- (f) the BDC noted the latest status of HKPC's commercial research and development initiatives, projects for the various government funding schemes and the interim and final performance review of eight ITF projects.

23.                   referred to the completed ITF project on the development of a low cost high precision multi-axes CNC machining system to enhance the production quality of watch and eyewear critical components and said that HKPC should take early action to commercialize the project deliverables and make them available to industry, especially the watch sector which was under immense pressure to remain competitive amidst increasing protective trade measures from Europe.

24. Members noted the latest development at the BDC and supported the decision of the Management to dissolve the Guangzhou Representative Office.

### **VIII. Report from the Finance Committee (P.C. 19/2011)**

25.                   said that the Finance Committee (FC) held its 42<sup>nd</sup> meeting on 19 July 2011. At the meeting, the FC endorsed for Council's approval the updated Three-year Strategic Plan for 2012/13 - 2014/15, the



revised estimates for 2011/12, and the Annual Accounts for the year ending 31<sup>st</sup> March 2011. These three items were approved by Members under agenda items I, II and III earlier in the meeting.

26. then briefed Members on the following matters noted by the FC at its 42<sup>nd</sup> meeting:

- (a) During April – June 2011, HKPC's total fee income was \$81.8M, which was higher than the budget by \$8.4M (or 11%), while total expenditure was \$116.7M, or 0.1% less than the budget. Total surplus amounted to \$8.6M coming mainly from consultancy projects (\$7.1M) and study missions (\$1.3M). During the same period, the provision for staff annual leave was reduced by 8% to \$22.5M in June 2011 compared to a year ago, and the number of staff annual leave days with financial implication was also reduced from 14,563 to 13,263, or by 9%;
- (b) HKPC conducted a full stock taking exercise in April 2011, covering 8 categories of 7,743 fixed asset items. The cost of these items amounted to HK\$197.7M and the net book value of these items was HK\$42.8M. All items were identified and checked. The Internal Auditor had conducted compliance check of the results of this full stock taking exercise and concluded that there were no findings of exception; and
- (c) as at 30 June 2011, HKPC's cash balance was \$154M.

The actual bank interest income earned in 2010/11 was \$0.62M, representing an average return rate of 0.51% while the actual bank interest income for the first quarter of 2011/12 was \$0.2M, representing an average return rate of 0.56%. Both return rates were higher than the 0.01% average interest rate for savings accounts offered by major banks in Hong Kong.

27. Members noted the latest development at the Finance Committee.

#### **IX. HKPC's 45<sup>th</sup> Anniversary Programme (P.C. 21/2011)**

28. Invited by the Chairman to report, said that in January 2011, an internal working group led by ED was set up to review the need to organize special activities to commemorate the 45<sup>th</sup> anniversary of HKPC in 2012. The working group recommended that HKPC should make use of this special occasion to achieve the following objectives:

- (a) to reinforce HKPC's public image as an experienced and professional industry supporting statutory body;
- (b) to strengthen the business community's understanding of HKPC's unique

support services with a view to fostering a stronger relationship with various stakeholders in the industry; and

- (c) to enhance public understanding of HKPC's statutory vision, mission and values through a well-planned public awareness programme.

Based on this, the working group had adopted “為香港創優勢建未來” as the main theme for the 45<sup>th</sup> anniversary.

29.                   said that a series of activities were being explored, including multi-media awareness programme, roving exhibition, advertorial and special booklet, community-reaching events and an open day at the HKPC Building. It was initially estimated that a budget of HK\$2.9M would be required and a provision would be made in the 2012/13 Programme and Estimates. It was expected that public reaction to the planned events and programmes would be positive as most of the resources will be focused on industry seminars and community programmes.

30. Members noted the plan for HKPC's 45<sup>th</sup> Anniversary Programme and the Chairman said that the 45<sup>th</sup> anniversary would be a good occasion to promote HKPC and enhance awareness of industry and the public on HKPC's mission, role and service offerings.

## **X. Any Other Business**

### **(A) 2012 Functional Constituency Election**

### **(B) Opening of the Electromagnetic Compatibility Centre (EMC) Chamber**

32.                   informed Members that the EMC Centre, updated with a government funding of \$10M, would be ready to become operational in late August 2011.                   said that an opening ceremony of the EMC Centre was scheduled on 25 August 2011 and invited Members to attend the ceremony which would also include a tour of the enhanced EMC facilities.

**(E) Attendance Record**

38. Members noted their attendance record in 2011 which was tabled at the meeting.

**XI. Date and Venue of Next Meeting**

39. The next meeting was tentatively scheduled on 22 November 2011 at 2:30pm and it was agreed that the venue of the next meeting be left open.

40. There being no other business, the Chairman thanked Members for their attendance and the meeting was adjourned at 6:15pm.