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P.C. 12/2012 (Revised)

**Revised Minutes of the 119th Meeting of the Hong Kong Productivity Council
held at 2:30p.m. on Tuesday, 27 March 2012 in the Board Room
2nd 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
Dr. Cliff Chan Chok-ki
Ir Daniel Cheng Man-chung, MH, JP
Mr. Steven Ho (representing Mrs. Helen Chan, JP)
Mr. Jimmy Kwok Chun-wah, MH, JP
Miss Lam Kam-yi
Mr. Leung Yam-shing
Mr. Jacky Lum (representing Ms. Maria Kwan, JP)
Mr. Byron Ng, JP
Dr. David Ng Tai-chiu
Dr. Dennis Ng Wang-pun, MH
Mr. Victor Ng
Mrs. Katherine Ngan Ng Yu-ying, JP
Dr. Elizabeth Shing Shiu-ching, BBS, JP
Mr. Sin Kai-ming, MH
Ms. Marilyn Tang Yin-lee
Miss Elizabeth Tse, JP
Miss Janet Wong, JP
Mr. Jack Yeung Chung-kit

Absent with Apologies: Dr. Delman Lee
Mr. Andrew Mak Yip-shing
Prof. Helen Meng Mei-ling

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. Tony Lam	Director, Corporate Services
Mr. Joseph Poon	Director, Technology Development
Mr. Jonathan Ho	General Manager, Corporate Communications
Dr. Samuel Leung	General Manager, Finance and Procurement
Mr. Dennis Wu	General Manager, Corporate HR & Administration
Mr. Alfonso Tam	Chief Manager, Council Secretariat
Ms. Miranda Yeap	Senior Manager, Council Secretariat

Welcome to New Members

The Chairman welcomed Miss Lam Kam-yi, Dr. Dennis Ng Wang-pun, Mr. Sin Kai-ming, Mr. Byron Ng, Deputy Commissioner for Labour and Mr. Steven Ho representing Mrs. Helen Chan who attended the meeting for the first time.

Vote of Appreciation

Members supported the Chairman's suggestion to record a vote of appreciation to Mr. Choi Kam-wah, Dr. Fan Cheuk-hung, Mr. Lo Foo-cheung and Mr. Poon Siu-ping for their contributions to HKPC during their tenure as Council Members.

Confirmation of Minutes (P.C. 33/2011 Revised)

The Revised Minutes of the 118th Council meeting held on 22 November 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. Review of HKPC Services Audit Statement (P.C. 3/2012)

1. Invited by the Chairman, introduced the paper and briefed Members on the background of the HKPC Services Audit Statement (the Statement), first adopted by the Council in March 2010, which set out the mission, focus and parameters guiding the delivery of HKPC's services with an exit programme for the next three years. As agreed by Members, the Statement should be reviewed annually by the Business Development Committee for updating to reflect prevailing marketing circumstances and to provide a continuous process of review and implementation of HKPC's services. The Statement was reviewed in 2011 and new parameters had been incorporated. At its 47th meeting held on 13 March 2012, the Business Development Committee agreed that the Statement was still valid and in order and endorsed the Management's recommendation that the Statement should also incorporate the following Vision, Mission and Values in HKPC's Three-year Strategic Plan adopted by the Council in July 2011:

Vision: Be your Most preferred Productivity Partner

Mission: Promote productivity excellence for industry to enhance competitiveness and sustainability

Values: 4Is (Integrity, Integration, Innovation, Impartiality) and 4Ps (People, Passion, Professionalism, Partnership)

2. Members approved the updated HKPC Services Statement at the Appendix of P.C. 3/2012.

II. Reappointment of Auditor (P.C. 4/2012)

3. Invited by the Chairman, said that the Council approved via paper circulation on 28 April 2011 the appointment of KPMG as the group auditor initially for one financial year from 1 April 2010 to 31 March 2011 and that the reappointment of KPMG for the financial years from 1 April 2011 to 31 March 2013 was subject to satisfactory performance and fee negotiation annually. KPMG provided a quote for the group audit fee for 2011/12 in October 2011. After negotiation with KPMG, the proposed group audit fee for the financial year 2011/12 was comprising for HKPC and the Hong Kong subsidiaries (excluding APAS and BMM Ltd. which was undergoing de-registration) and for HKPC's Mainland subsidiaries. This represented an average increase of 7% which mainly reflected general inflation, increase of salaries cost and appreciation of RMB as advised by KPMG.

4. said that to better manage the year end audit process in future, the Management planned to advance the auditor appointment cycle by making recommendations in the round of July meetings on whether the auditor should be reappointed and then submit the result of fee negotiation (if the existing auditor was to be re-appointed) or the result of tender (if a tender exercise was to be carried out) in the round of November meeting.

5. said that the reappointment of KPMG and the proposed audit fee were reviewed and endorsed by the Audit Committee at its 21st meeting held on 14 March 2012. shared the view of that the proposed average increase of 7% in KPMG's audit fees was reasonable and reflected the market situation generally. In reply to , said that the Mainland's financial and audit practices and procedures were different from those of Hong Kong with a focus on risk and fault control. They were frequently more complicated, for example the complex PRC tax regime, and hence more demanding on the auditing process. Therefore, KPMG's audit fees for HKPC's Hong Kong operation and its Mainland subsidiaries would not lend themselves to meaningful comparison on the basis of their operation sizes. In agreement, said that tax compliance alone, with its elaborate requirements, would take up a major part of the mainland audit process. said that KPMG's audit fees were not unreasonable especially taking account of the appreciation of RMB.

6. After discussion, Members approved the reappointment of KPMG as the group auditor for HKPC and its Hong Kong and Mainland subsidiaries, except APAS, for the financial year 2011/12 at the group audit fee of .

said that in negotiating with KPMG for their continued appointment for 2012/13, the Management must impress upon KPMG that its audit fees should reflect both their improved productivity for the Mainland audit and the enhanced efficiency made possible by the centralization of accounting and audit functions of HKPC's Mainland subsidiaries in a single location which was currently being pursued.

III. New Business Initiatives (P.C. 5/2012)

7. Invited by the Chairman, briefed Members on three new business initiatives which were supported by the Business Development Committee at its 47th meeting held on 13 March 2012. The initiatives had been formulated to provide relevant and timely support to meet industries' new and emerging needs in the changing business landscape.

BUD Programme

8. said that, to help Hong Kong enterprises tap the Mainland market, the Government had announced in the Policy Address the setting up of a dedicated fund of HK\$1 billion to encourage them to move up the value chain and build brands. In response to the Government's funding initiative, we had submitted a five-year BUD programme proposal to the Commerce and Economic Development Bureau (CEDB) with the aim to support Hong Kong companies to capture the opportunities brought by the National 12th Five Year Plan through business development in the areas of branding, upgrading and restructuring as well as domestic sales. Part of the fund would be available for application by non-listed Hong Kong registered companies, on a matching basis, to undertake projects approved by a Programme Management Committee (PMC) to be chaired by a government official. The remaining part would be reserved for application by non-profit distributing associations for platform projects. CEDB would submit the BUD Programme proposal to the Commerce and Industry Panel and the Finance Committee of LegCo for discussion in April and May 2012 respectively. Pending this formal approval, it was planned to launch the programme by June 2012. As project applications would be submitted throughout the five year period, and taking into account the maximum duration for project implementation (2 years) and the subsequent administration work and funding disbursement, the whole programme would last for 7.5 years.

9. said that we would provide secretariat service to the Programme Management Committee for the matching fund programme which would support 1,000 companies assuming each company secured the maximum subsidy of HK\$500,000. We would also be one of the service providers for project proposal planning and implementation under the BUD programme. To avoid misunderstanding, we would focus on the secretariat role with the creation of a separate BUD team to deliver this function. Reporting ultimately to the

Director of Corporate Services, this team would not be engaged in any business activities of HKPC to ensure a clear separation of the secretariat role from the service provider role which would be fulfilled by our operating divisions. In this connection, HKPC's operating divisions would provide services to participating companies when requested but they would not actively approach these companies for service assignments.

10. said that it was important that HKPC's involvement in the programme was neutral and would not create any conflict of interest issues. In response, said that applications from companies would be initially assessed by HKPC and then submitted to an Inter-departmental Committee (IDC) for review prior to their consideration and approval by the PMC. As the programme secretariat, HKPC would undertake initial assessment of the applications received and coordinate the further vetting of the applications by the IDC and PMC. said that the CP3 Programme had been delivered successfully on a similar model and had not generated conflict of interest concerns on HKPC's role. HKPC should ensure that the experience in the CP3 Programme would provide a gainful reference for its involvement in the BUD Programme.

SME One-stop Advisory Service Centre

11. said that effective support to SMEs was a central focus of our Strategic Plan. The SME One-stop Advisory Service Centre (SME One) was a one-stop centre offering services in collaboration with other SME support organizations in Hong Kong and the PRC. Targeting SMEs' need for an overall picture of information on government funding support programmes, the latest technology development, business development support, and financial management including credit and loan, SME One would provide free initial advice, hand-holding referral services, cross industry collaboration facilitation and an SME ICT programme to promote and demonstrate new technologies. SME One would be housed on the G/F of the HKPC Building to ensure maximum exposure to and easy access by SMEs. The physical centre would provide five functional zones:

- (a) SME Government Support Showcase with information on support programmes in Hong Kong and the PRD;
- (b) SME Banking and Financing Showcase on the financing and service programmes of participating banks and financial institutions;
- (c) SME ICT Showcase on Cloud, smartphone apps, social media & business intelligence and SME IT solutions;
- (d) HKPC SME Showcase on current HKPC projects, services and programmes; and
- (e) Meeting, function and networking facilities.

The physical centre would be complemented by a virtual SME portal and four regular signature offerings to reach out to SMEs, namely, SME Fund Day, SME Business Leading Index, SME Cloud Experience Showcase and HKPC SME Project Showcase.

said that while SME One was funded by HKPC's own resources, we would need standing government support in terms of information update, briefing and contact points for the various existing and new funding and support programmes. An internal organizing committee had been set up to oversee the planning, launch, service offerings, promotion and sponsorship programme of SME One.

had already agreed to provide title sponsorship for the quarterly SME Business Leading Index and we were also seeking sponsorship from software vendors for display and promotional seminars for the SME Cloud Experience Showcase. Fitting out work was underway and official opening of the centre was planned for July 2012.

12. In reply to , said that investment for SME One was around HK\$2.1M and was provided from the capital expenditure budget for 2011/12. In terms of staff requirement, it was envisaged that 2 existing staff would be redeployed to man SME One on a full time basis and there was no need to recruit additional staff in the first year of the centre's operation. said that SME One was spot on as an integrated initiative to enhance support to SMEs which was central to HKPC's public mission role. In time, where SME One had proved to be successful in meeting the needs of SMEs, resource support from the government to enhance and expand the initiative should be given due consideration. In response, said that the Government was open-minded on this and was prepared to support worthwhile programmes for SMEs which could generate positive and distinctive results.

13. In reply to , said that the income potential of SME One was being fully explored, for example, leasing of wall space of the centre for promotional purposes by banks and software and IT solution vendors was being pursued.

CarbonSmart

14. said that this was a 2.5-year project supported by the Environment and Conservation Fund (ECF) with HK\$9,997,250 to launch a campaign from 2012 to mid-2014 that embraced 5 programmes covering awareness-raising, carbon audit and reduction, repository-building and empowering through experience sharing and networking forum for sectoral stakeholders, and capability enhancement for the environmental industries. With regard to the carbon audit programme, financial incentive on a matching basis (subject to a ceiling of HK\$30K for each case) would be provided to 200 companies in four sectors to conduct carbon-cum-energy audits. Overall, the programme would seek to raise the awareness of Hong Kong companies to the benefits of energy efficiency through seminars, technical workshops and an

on-line best practice guide to provide information and technical support to assist companies, especially SMEs, to benefit from carbon reduction through practicing carbon audit.

15. said that HKPC was the applicant organization with FHKI, HKGCC and BEC as co-organizers. A Project Management Committee comprising members of trade associations, Government and academic institutes would be established to provide advice on the direction and ensure implementation quality of the campaign. HKPC was the Project Secretariat and would not be represented on this Committee. Separately, all four organizations would deploy manpower resources to form a Project Implementation Team to implement the campaign.

16. welcomed HKPC's new business initiatives. said that traditionally, the major focus in assessment of ITF project was the scientific or technical component. To promote innovation and technology development in HK, there was a need for more R&D project proposals supported by the industry. In this connection, HKPC could play a useful role to create synergies and seek closer collaboration with trade associations to draw up industry-focused R&D proposals. An example was HKPC's latest study on rare earth elements (REE) to explore possible opportunities for local industry. This study was supported by the ITF's General Support Programme (GSP) which had a wider ambit to support projects for platform building and industry upgrading. HKPC was encouraged to engage trade associations/industry organizations for collaboration in such project proposals and GSP funding support.

17. said that R&D projects must be followed up by commercialization or risked being an academic exercise which was not the mission of HKPC and the trade associations. In agreement, said that it was important for government support for the further development of R&D project deliverables to fully explore their commercial potential and to drive industry adoption.

18. Members supported the three new business initiatives outlined in P.C. 5/2012. advised that HKPC staff should be encouraged to think out of the box for more innovative business initiatives and project proposals for government funding support. also said that contributions and ideas from Members in this regard were most welcomed.

VI. Report from the Business Development Committee (P.C. 8/2012)

27. Members noted the report from the Business Development Committee on the matters considered at its 47th meeting held on 13 March 2012.

VII. Report from the Finance Committee (P.C. 9/2012)

28. Members noted the report from the Finance Committee on the matters considered at its 44th meeting held on 20 March 2012.

VIII. Report from the Staffing Committee (P.C. 10/2012)

29. Members noted the report from the Staffing Committee on the matters considered at its 41st meeting held on 6 March 2012.

IX. Any Other Business

(A) Vote of Appreciation to Mr. Andrew Lai

30. said that Mr. Andrew Lai would be posted out of ITC in mid-April 2012 and thanked him for his contribution and guidance to the Council during his term of office with ITC.

(C) Policy Statement and New Initiatives for Promoting Innovation and Technology Development in Hong Kong (P.C. 11/2012 by ITC)

32. Invited by the Chairman, briefed Members on the policy statement for promoting innovation and technology (paragraph 4 of P.C. 11/2012) and the following five core strategies and related new initiatives underpinning the policy statement (paragraphs 6-24 of P.C. 11/2012):

- (a) providing world -class technological infrastructure;
- (b) offering financial support to research and development and technology transfer;
- (c) nurturing human resource development;
- (d) strengthening Mainland and international collaboration in science and technology; and
- (e) fostering a vibrant innovation culture in the community.

X. Date of Next Meeting

36. The next meeting was tentatively scheduled on 31 July 2012 at 2:30pm.

37. There being no other business, the Chairman thanked Members for their attendance and the meeting was adjourned at 5:20pm.