

**Revised Minutes of the 123rd Meeting of the Hong Kong Productivity Council
held at 2:30p.m. on Tuesday, 30 July 2013 in the Board Room
2nd floor, HKPC Building, 78 Tat Chee Avenue, Yau Yat Chuen, Kowloon**

Present: Chairman – Mr. Clement Chen Cheng-jen, SBS, JP
Members – Mr. Albert Au Siu-cheung
Ir Daniel Cheng Man-chung, MH, JP
Mr. Jimmy Kwok Chun-wah, BBS, MH, JP
Mr. Daniel Lai, BBS, JP (representing Miss Susie Ho, JP)
Miss Lam Kam-yi
Dr. Delman Lee
Mr. Adolph Leung, JP (representing Mrs. Helen Chan, JP)
Mr. Leung Kwong-chuen
Mr. Leung Yam-shing
Mr. Kenneth Mak, JP
Prof. Helen Meng Mei-ling
Mr. Byron Ng, JP
Dr. David Ng Tai-chiu
Dr. Dennis Ng Wang-pun, BBS, MH
Mr. Victor Ng, MH
Mrs. Katherine Ngan Ng Yu-ying, JP
Dr. Elizabeth Shing Shiu-ching, BBS, JP
Mr. Sin Kai-ming, MH
Ms. Marilyn Tang Yin-lee
Mr. Johann Wong, JP (representing Miss Janet Wong, JP)
Dr. Jack Yeung Chung-kit

Absent with Apologies: Mr. Andrew Mak Yip-shing, JP

In Attendance from the Innovation and Technology Commission:

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	General Manager, Finance and Procurement
Mr. Alfonso Tam	Chief Manager, Council Secretariat

Ms. Gillian Luk
Mr. Stanley Chu

Senior Manager, Council Secretariat
Head, Internal Audit & Risk Management

Welcome to New Member

The Chairman welcomed Mr. Daniel Lai, BBS, JP, Government Chief Information Officer who attended the meeting for the first time.

Confirmation of Minutes (P.C. 10/2013 Revised)

The Revised Minutes of the 122nd Council meeting held on 26 March 2013 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. Three-year Strategic Plan of HKPC for 2014/15 - 2016/17 (P.C. 11/2013)

1. Invited by the Chairman to report, introduced the paper and said that the existing strategic plan of HKPC was anchored on a four-pronged strategy focusing on scaling up platforms, creating value for SMEs, sharpening core competencies and developing strategic partners. The Management had revisited the existing strategic plan and considered that the four-pronged strategy was still valid and that the staff of HKPC would continue to be guided by the vision, mission and values approved by the Council to deliver HKPC's services and public mission. then went on to brief Members on the major existing initiatives being implemented and the new initiatives proposed for the 2014/15 - 2016/17 strategic plan (paragraph 5 of the paper) which would be taken forward subject to the availability of resources. The development initiatives of the APAS Division were also incorporated under HKPC's strategic plan. As regards exit plan, at this point, no services were planned for exit in the next three years. said that the Management would consider the necessity of revisiting the strategic plan during the year if there were any fundamental changes in the relevant macro environment to ensure that the plan was in line with Government policy. The various initiatives under the strategic plan had been considered and supported by the Business Development Committee (BDC) at its 51st meeting held on 16 July 2013, and endorsed by the Finance Committee at its 48th meeting held on 23 July 2013.

2. In reply to , said that the proposed new initiative by the APAS Division on developing the wireless charging technology for electric vehicles with the Chinese Academy of Sciences was only in the exploratory stage now. The health issues related to human exposure to electronic frequencies during the charging process, as well as other relevant

safety issues, would be studied during the development process. Supplementing, said that it was not anticipated that wireless charging for electric vehicles would require high frequency transmission.

3. said that, with more stringent standards on the safety of products, HKPC should provide relevant assistance to meet the needs of SMEs in this area. Separately, said that at the last BDC meeting, the feasibility of creating a commercialization corner as part of the initiative on SME One extension was discussed and it was considered that there was both need and merit for the proposed commercialization corner to eventually develop into a technology and commercialization hub for SMEs. Therefore, it was important for the future corner to showcase the R&D deliverables of all R&D institutes, instead of a singular focus on those by HKPC.

4. In response, said that HKPC was already discussing with the ITC on this initiative. In a related context, the Innovation and Technology Commission had asked HKPC to assist in reviewing and shortlisting R&D deliverables of projects funded by the Innovation and Technology Fund that were close to the market and suitable for further commercialization. On collaboration with the universities, HKPC was already in cooperation with the Chinese University of Hong Kong on assistance to technology start ups by fresh graduates.

5. Members approved the updated Three-year Strategic Plan (2014/15 - 2016/17) for HKPC's business in Hong Kong and the Mainland which also included the strategy and business initiatives of the APAS Division.

II. Annual Accounts for 2012/13 (P.C. 12/2013)

6. Invited by the Chairman to report, said that the total external income for the year amounted to \$362.5M which was higher than the budget by \$11.8M or 3.4%. The income surplus came mainly from consultancy projects (\$30.8M) but was offset by the shortfall in government funded projects (\$9.2M), in-class training (\$6M) and manufacturing support services (\$3.8M). The value added was short by \$13.1M or 5.6% against the budget. On the expense side, total expenditure came to \$362.3M which was \$25.3M or 6.5% less than the budget of \$387.6M. Separately, the APAS R&D Centre Ltd. had been merged into HKPC as the APAS Division since 1 November 2012 and was separately subvented by the Government. The financial result of the APAS Division for the period 1 November 2012 to 31 March 2013 had been incorporated under HKPC's Annual Accounts for 2012/13.

7. said that at the last Finance Committee meeting, it was noted that HKPC's income for the first quarter of 2013/14 was below target.

said that the Management should take appropriate measures to monitor revenue recognition by the divisions. In response, said that the business and financial positions of divisions were now being reviewed on a monthly basis. In addition, for performance appraisal purpose, divisions' financial performance had been assessed on a quarterly, instead of annual, basis so that divisions would be encouraged to take a closer control of project progress and smooth out income recognition over the year.

8. said that part of the surplus for 2012/13 was attributable to delay in building maintenance and office renovation work and the financial impact would be reflected in HKPC's accounts for 2013/14, thereby creating added pressure for revenue creation to balance the effect.

9. In response, said that progress of the renovation and maintenance work had been somewhat adversely affected by the departure of the key staff in charge of the works. said that as the HKPC Building was already more than 20 years old, more maintenance work would be required in time. As such, HKPC was going to engage a professional external consultant to take an overall look at the conditions of the building so that a prioritized schedule would be formulated to facilitate resource planning to undertake the necessary maintenance and renovation work by stages. said that, while the relevant resource requirement should be planned within HKPC's annual programme and estimates exercise with due regard to the impact of such work on HKPC's budget performance, the Management should also be prepared to consult the ITC on resource support outside HKPC's annual subvention where large scale or overhaul work were necessary based on professional advice.

10. said that the overall review and maintenance plan should give due consideration to the green building approach and standards. This was especially relevant given that HKPC was a noted environmental consultant in Hong Kong and the Mainland.

11. Members approved the Annual Accounts of HKPC for the year ended 31 March 2013 which had also been considered by the Audit Committee at its 26th meeting held on 28 June 2013 and the Finance Committee at its 48th meeting held on 23 July 2013 without any major adverse comment.

III. 2013/14 Pay Review (P.C. 13/2013)

12. Invited by the Chairman to report, introduced the paper and briefed Members on the proposed adjustments in the pay scales for staff under (a) the Performance Pay System (PPS) which made reference to the five pay trend surveys available in the market as agreed by the Council plus the 2013/14 Civil Service Pay Adjustment for which approval of the Legislative Council had been granted on 12 July 2013, and (b) the Non-Performance Pay System (Non-PPS)

which only followed the 2013/14 Civil Service Pay Adjustment. said that based on the current salary outlay for all staff, the cost arising from the proposed pay adjustment for staff under the PPS and Non-PPS was estimated to be \$7.7M and \$2M per annum respectively, while another \$4.8M was estimated to be required for merit increment.

13. In reply to , said that the current formula (the lumped approach) to calculate the weighted increments had been in use since the introduction of the PPS in 2008 because not all market reports provided separate population statistics for the top, senior, middle and general levels of employees.

said that while the Hay report and the civil service pay trend accounted for almost 60% of the population for the pay review, the proposed salary increases were below the market average at 5% announced in the media yesterday. The different reports also had a balancing out effect on one another and, in some instances, over different years due to the difference in the study periods covered. As shown by past increments under the PPS, they were in line with the market norm or average in the main. said that the Management would look into this issue in the next review to see if any enhancement to the current formula was feasible and required.

14. Members approved the proposed 2013/14 pay adjustment for staff under the PPS (with upward adjustment at 3.48%, 3.6%, 4.14% and 4.29% for the top, senior, middle and general level staff respectively) and the Non-PPS (with upward adjustment at 2.55% for the top and senior level staff and 3.92% for the middle and general level staff). Members also agreed that, in line with established practice, the proposed pay adjustments for the PPS and Non-PPS staff should take retrospective effect from 1 April 2013.

V. Annual Review of HKPC Activities in 2012/13 (P.C. 15/2013)

17. introduced the paper and said that in 2012/13, HKPC met 22 of the 30 agreed KPIs, of which the targets of 18 KPIs were exceeded. The targets of another four KPIs were largely met with less than 10% variance.

18. commended the work of staff in the past year and said that, with the new ERP system planned for launch in early 2014, staff would be provided with the necessary system support to help them enhance their performance and contribution to HKPC. Members approved the 2012/13 Annual Review and noted that the performance targets for 2014/15 would be compiled in line with the Three-year forecast for 2014/15 - 2016/17 and programme and estimates for 2014/15 to be submitted to Council for consideration in November 2013.

VI. Appointment of Auditor (P.C. 16/2013)

24. After discussion, Members approved the appointment of PwC as the group auditor for HKPC and its subsidiaries for the financial years from 1 April 2013 to 31 March 2016.

VII. Terms of Reference of Standing Committees (P.C. 17/2013)

25. Members considered P.C. 17/2013 and approved the revised Terms of Reference of the Audit Committee and the Business Development Committee at Appendices 1 and 2 of the paper with the following revisions:

- (a) for the Audit Committee, to amend bullet 3(c) of its Terms of Reference by replacing “Chief Internal Auditor” by “Head of Internal Audit and Risk Management Office”, and to amend the first sentence of bullet 6(c)i to read “To oversee the internal audit and risk management function;.....”; and
- (b) for the Business Development Committee, to amend bullet (vi) to read “To consider substantial changes or updates to the HKPC Services Audit Statement and to recommend changes to the Statement for Council’s decision.”.

VIII. Progress Report from the Audit Committee (P.C. 18/2013)

26. Members noted the report from the Audit Committee on the matters considered at its 26th and 27th meetings held on 28 June 2013 and 19 July 2013 respectively.

IX. Progress Report from the Business Development Committee (P.C. 19/2013)

27. Members noted the report from the Business Development Committee on the matters considered at its 51st meeting held on 16 July 2013.

X. Progress Report from the Finance Committee (P.C. 20/2013)

28. Members noted the report from the Finance Committee on matters considered at its 48th meeting held on 23 July 2013.

XI. Progress Report from the Staffing Committee (P.C. 21/2013)

29. Members noted the report from the Staffing Committee on matters considered at its 45th meeting held on 9 July 2013.

XII. Any Other Business

(A) Attendance Record of Members

30. Members noted their attendance record in 2013 tabled at the meeting.

XIV. Date of Next Meeting

32. The next meeting was tentatively scheduled on 26 November 2013 at 2:30pm.

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