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F.C. 15/2014 (Revised)

**Revised Minutes of the 52<sup>nd</sup> Meeting of the Finance Committee  
held at 2:30p.m. on Tuesday, 18 November 2014  
in the Board Room, 2<sup>nd</sup> Floor, HKPC Building  
78 Tat Chee Avenue, Yau Yat Chuen, Kowloon**

**Present** : Chairman - Mr. Victor Ng, MH  
  
Members - Mr. Adolph Leung, JP  
(representing Mrs. Helen Chan, JP)  
Mrs. Agnes Mak Tang Pik-yee, MH, JP  
Dr. David Ng Tai-chiu  
Dr. Dennis Ng Wang-pun , BBS, MH  
Mr. B.S. Yeung (representing Mr. Frank Tsang)

**In attendance from HKPC** :

Mr. Tony Lam	Director, Corporate Services
Mr. Gordon Lo	Director, Business Management
Mr. Joseph Poon	Director, Technology Development
Ms. Vivian Lin	Acting General Manager, Finance and Procurement
Mr. Alfonso Tam	Chief Manager, Council Secretariat

**Welcome**

The Chairman welcomed Mr. B.S. Yeung of Innovation and Technology Commission and Ms. Vivian Lin, Acting General Manager, Finance & Procurement, HKPC (GMFP(a)), who attended the meeting for the first time.

**Confirmation of Minutes (F.C. 11/2014 Revised)**

The Revised Minutes of the 51<sup>st</sup> Meeting of the Finance Committee held on 22 July 2014 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 2015/16 and Three-Year Forecast 2015/16-2017/18 of HKPC Income and Expenditure (F.C. 12/2014)**

1. introduced the paper and briefed Members on the strategic framework for the forecast for 2015/16 to 2017/18 which was anchored on a four pronged strategy, namely, scaling up platforms to support industries, creating values for SMEs, sharpening HKPC's core competencies and developing strategic partnership. Under this strategic framework, HKPC would continue to pursue 12 business development corporate goals which had commenced in 2014/15. In this connection,

briefed Members on the planned development for these corporate goals in 2015/16, as follows:

- (a) market demand study report on green product/green process and manufacturing automation for the textile and apparel sector (strategy 1: scaling up platforms) - a comprehensive report with a main focus on green product, green process and manufacturing automation would be compiled for dissemination by mid-2015. We would also set up a business model to capitalize on the new business opportunities in the production of advanced functional fibrous products. Separately, HKPC would also target to establish manufacturing capabilities for nano fibres and their applications, for example, for healthcare and medical products;
- (b) software testing certification scheme for the software testing sector (strategy 1: scaling up platform) - a documented certification scheme would be launched in mid-2015 and the software testing services would be extended from end users to independent software vendors (ISVs) and systems integrators (SIs) to help them improve the quality of their software products;
- (c) best practice model for the retail sector (strategy 2: creating value for SMEs) - HKPC would seek to apply the best practice model for our major strategic account clients and build up success cases for sharing and promotion both in Hong Kong and the PRD;
- (d) roadmap on technology development for the surface technology sector (strategy 2: creating value for SMEs) - to follow up on the launch of the roadmap, HKPC would explore the integration of micro sensor and micro-fabrication technology for high value-added products, for example, micro-needle integrated with image sensors for skincare applications, optical sensing platform for detection of bacteria, pathogens and toxins;
- (e) Conformal Cooling Technology Centre (strategy 2: creating value

for SMEs) - apart from promoting the newly open centre, HKPC would also develop another complementary technology, hybrid powder layer compaction manufacturing (LCM) for close-to-3D conformal cooling, to offer a wider range of services to meet new and changing market needs;

- (f) best practice model for food lifecycle management (strategy 3: sharpening core competencies) - following up on the best practice model, HKPC would conduct research with a view to developing a consultancy toolkit on food safety and hygiene management as well as a quick testing methodology for raw food material analysis which would be promoted with the newly developed disinfection technology for industry adoption;
- (g) clinical trial protocol compliance model for the biomedical and healthcare sector (strategy 3: sharpening core competencies) - a one-stop clinical trial support service model was being developed to help manufacturers evaluate the safety and effectiveness of their medical devices to maximize commercialization potential. HKPC would also develop new consultancy services on good clinical practices for medical and health devices;
- (h) toolkit of ISO 50001 for the construction sector (strategy 3: sharpening core competencies) - the toolkit would enhance the knowledge of the construction sector in the ISO 50001 standard and training materials on energy management would be promoted;
- (i) accreditation of PTI under Qualification Framework (strategy 3: sharpening core competencies) - it was planned to submit the application in 2015 and the target was to achieve accreditation for offering QF-recognized certificate programmes at Level 5;
- (j) Lab Test One (strategy 4: developing strategic partnership) - HKPC would continue to promote the link-up of testing facilities available in Hong Kong and to broaden partnership with R&D partners for joint promotion and provision of testing services;
- (k) TecONE (strategy 4: developing strategic partnership) - an on-line marketing campaign would be launched in 2015 to further promote TecONE as the one-stop service centre of technologies for SMEs; and
- (l) partnership with European R&D institutes (strategy 4: developing strategic partnership) - this would include demonstration of the industrial robot and the development of technical solutions in 3D processing for industries with the KUKA Group (Germany); the



and that internal redeployment was not feasible. The total number of staff manning had also been tightly controlled in the past two years virtually without growth. said that the next few years would be especially tough for HKPC given the capital equipment to be procured and the various building improvement and maintenance work to be completed as well as the cut in subvention under the “0-1-1” formula starting 2015/16. The Management had taken steps to help maintain a healthy income position for the operating divisions. In this connection, the various business development corporate goals, which were identified and pursued on a continuous basis, would be an important business generation mechanism for new revenue channels in the longer run. Major client account management was another initiative to strengthen existing channels for repeat business.

7. said that the difficulties faced by HKPC was well appreciated as it was neither fully subvented nor totally free to pursue income and profit on a truly commercial basis. said that the changes in financial and accounting management in the past few years had enabled the Management to distill a clearer and more accurate picture of the financial performance of the business divisions. This had provided a level playing field for all the business managers to pursue their business plans. The business managers should also be encouraged to pursue niche services capitalizing on their unique expertise, especially for the public utility sector, for higher cost recovery. But ultimately, it was most important that a reasonably healthy pipeline of potential projects be maintained at all times for each of the divisions. In agreement with , said that HKPC should also allocate enough resources to support the continuous development of services that would lead the market in meeting the new needs of industries without concern of invoking competition related criticisms. Essentially, HKPC should do more in this aspect as it had both a public mission role and business-based nature.

8. said that public organizations were generally faced with a big challenge in devising an incentive system to motivate staff. Very often, the rewards/sanctions were not flexible enough to cater for the sharp difference in performance of different employees. The task was particularly important for HKPC, given that in addition to Government subsidies, it also had to generate income to finance an increasing share of its expenditures. In response, said that HKPC was already pursuing a very performance driven appraisal system with six performance bandings and a clear and well promulgated award and improvement mechanism.

10. After discussion, Members endorsed for Council's approval:
  - (a) HKPC's Three-year Forecast for 2015/16 - 2017/18;
  - (b) the detailed Programme and Estimates of HKPC for 2015/16 which included the overall staff establishment of 695 (including the APAS Division of which the establishment size was 33) endorsed by the Staffing Committee at its 49<sup>th</sup> meeting held on 4 November 2014; and
  - (c) the revised KPIs and proposed targets for 2015/16 (tabled at the meeting) for approval by ITC.
11. Separately, Members also noted the Three-Year Forecast of WFOEs for 2015/16-2017/18 which did not form part of HKPC's income and expenditure forecast for the purpose of subvention requirement.

## **II. Financial Performance of HKPC for the First Two Quarters of 2014/15 (April – September 2014) (F.C. 13/2014)**

12. Members noted the financial performance of HKPC and its 3 branches for the period April to September 2014. For the first two quarters of 2014/15, HKPC's total fee income was \$174.5M, which was lower than the budget by \$17.5M (or 9.1%) and total expenditure was \$186.1M, or 10% less than the budget. Total surplus amounted to \$12.8M resulting from the cost savings from staff emoluments, other fixed expenses and depreciation on fixed assets. With regard to the total provision of staff annual leave, it was reduced by 12.2% to \$17.2M compared to a year ago, and the number of staff annual leave days with financial implication was also reduced by 12.4% to 9,321 days.

13. Members also noted the financial performance of the first two quarters of the Automotive Parts and Accessory Systems R&D Centre (APAS) which had become a new internal division of HKPC and was separately funded by ITF.

## **III. Quarterly Report on HKPC's Funds (F.C. 14/2014)**

14. Members noted that as at 30 September 2014, HKPC's cash balance was \$258M which was placed in time deposits or saving accounts according to the existing investment framework. The actual bank interest income earned by HKPC in the first two quarters of 2014/15 was \$0.43M, representing an average return rate of 0.76%, which was higher than the average interest rate of around 0.01% for

savings accounts offered by major banks in Hong Kong.

**V. Any Other Business**

**(A) Attendance Record of FC Members**

16. Members noted their attendance record in 2014 tabled at the meeting.

**(B) 2015 Meeting Schedule**

17. Members noted the proposed 2015 FC Meeting Schedule tabled at the meeting, as follows:

<b>Meeting</b>	<b>Date and Time</b>
53 <sup>rd</sup> FC meeting	17 March 2015 (Tuesday) 2:30pm
54 <sup>th</sup> FC meeting	21 July 2015 (Tuesday) 2:30pm
55 <sup>th</sup> FC meeting	17 November 2015 (Tuesday) 2:30pm

**VI. Date of Next Meeting**

18. It was agreed that the date of the next meeting was scheduled for 17 March 2015 at 2:30pm.

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