



**I. Three-year Strategic Plan of HKPC for 2017/18-2019/20 (F.C. 7/2016)**

1. introduced the paper and briefed Members on the 12 corporate goals (as set out in paragraph 5 of the paper) proposed for the Three-year Strategic Plan for 2017/18-2019/20. These 12 goals had been identified after consultation with industry through a wide array of activities and developed in accordance the 10 strategic themes for HKPC as approved by the Council at its 131<sup>st</sup> meeting on 27 April 2016. They would be pursued under the overall guiding concept of Smart City and Smart Industry to meet the new and emerging needs of industry. said that the 12 proposed corporate goals would be translated into concrete initiatives in the Programme and Estimates exercise subject to availability of resources. In this connection, said that the Business Development Committee (BDC) considered and supported these 12 proposed corporate goals at its 60<sup>th</sup> meeting held on 12 July 2016.

2. said that, to ensure the effectiveness of the proposed corporate goals with measurable achievements, the target deliverables of the respective goals, the planned timeline for their pursuance, the roles and responsibilities of different parties (as cross divisional collaboration would be involved), as well as the estimated investment and revenue potential must be clearly defined upfront in detail as broad brush or loosely defined targets and responsibilities would not be conducive to HKPC successfully achieving the aims of the corporate goals to offer timely assistance to industry.

3. In response, said that the corporate goals represented an organic amalgamation of HKPC's expertise and business strategies across divisions and assured Members that the Management would ensure that they would be specific, measurable, time-based and outcome-oriented, against which the contribution of staff would be measured. In this connection, said that the corporate goals for 2014/15 and 2015/16 had been implemented with services now being offered as normal business lines of HKPC. As regards the corporate goals for 2016/17, they were being pursued targeting service launch in 2017/18.

4. briefed Members on the proposed exit of one service in 2017/18, namely autoclave testing service, as the market was mature. In reply to , said that the related equipment would be disposed of in accordance with HKPC's prevailing asset disposal procedures.

5. Members endorsed for the Council's approval the Three-Year

Strategic Plan of HKPC for 2017/18-2019/20, including the 12 proposed corporate goals, as outlined in Appendix 1 of the paper.

## **II. Annual Accounts for the Year 2015/16 (F.C. 8/2016)**

6. introduced the paper and said that external income for the year was \$413.2M which was higher than the budget by \$6.8M or 1.7%. On the expenditure side, total expenditure came to \$405M which was \$33.3M or 7.6% less than the budget. With expenditure carefully controlled, total surplus for the year amounted to \$26.8M including a provision of \$9.9M for variable pay, representing a growth rate of 3.6% as compared with last year.

7. said that while income performance and the overall financial results were commendable, the value added was short by a not insignificant amount against the set target. said that the Management should ensure that realistic budgets were set to minimize variance between the budget estimates and actual results. This was especially important for direct project expenses as overspending in this area would have a negative impact on achieving the budgeted value added despite meeting the budgeted income target.

8. In response, said that the financial performance and projection of the business divisions were now being reviewed and monitored at a monthly management meeting. On the issue of direct project expenses, divisions would be required to budget such expenses not just according to estimated business needs but also with regard to the trend of actual direct project expenditure. While this should help to ensure more realistic budgeting, the nature of HKPC's consultancy projects (which frequently involved machines and fabrication) would mean that an increase in projects of such nature would necessarily increase total direct project expenses, hence impacting on achieving the value added budgeted.

9. In reply to on receivables that were past due, said that project staff were tasked to collect project fees according to the payment schedule in the contract and follow up immediately on any late payment. Outstanding payments from clients were monitored as part of the monthly financial performance review. For payments which were outstanding for more than three months, legal process would be initiated if initial reminders and warning letters failed to trigger payment by the clients.

11. In reply to \_\_\_\_\_, \_\_\_\_\_ said that delayed delivery against purchased orders issued was closely monitored in the monthly financial performance review and the owner divisions would need to explain the delay and action taken. But generally, such delay was not default on part of the suppliers but the result of changing requirements (for example, in the fabrication of specific machines for client projects, or on account of the progress of leasehold improvement works).

13. \_\_\_\_\_ said that the second sentence of the first paragraph under Note 9 of the “Notes to the Consolidated Financial Statements” was not necessary and should be removed.

(Post meeting note: The external auditor was informed of this and the second sentence was taken out in the final version of the audited accounts which were approved by the Council 132<sup>nd</sup> meeting held on 27 July 2016.)

14. Members endorsed for the Council’s approval the Annual Accounts of HKPC for the year ended 31 March 2016 which had also been considered by the AC at its 38<sup>th</sup> meeting on 23 June 2016 with no major adverse comments. Members also noted the 2015/16 financial results (paragraph 7 of the paper) of the Automotive Parts and Accessory Systems R&D Centre (APAS Division) which was separately and fully funded by the Government.

**V. Financial Performance of HKPC for the First Quarter of 2016/17 (April – June 2016) (F.C. 11/2016)**

24. Invited by the Chairman, \_\_\_\_\_ introduced the paper which set out the financial performance of HKPC and its branches for the period April to June 2016. For the first quarter of 2015/16, HKPC’s total fee income was \$94.1M, which was less than the budget by \$13.3M (or 12.4%) mainly due to less than budgeted income from consultancy projects and government funded projects. The value-added was lower than budget by 3.7%. The total expenditure was \$99.3M, or 13.3% less than the budget, mainly due to under expenditure in staff emolument, other fixed expenses and depreciation of fixed assets.

25. The surplus for the period was \$5.5M which was more than the budgeted surplus by \$3.5M. During the same period, the provision for staff annual leave was reduced by 25.9% to \$11.3M in June 2016 compared to a year ago, and the number of staff annual leave days with

financial implication was also reduced from 7,455 to 6,335, or by 15%.

26. Members considered the report and their views are summarized below:

- (a) the budgeting process should mandate reference to past trends to ensure realistic targets were set to minimize variance between the budget and actual performance and to set the stage for continuously improving value added;
- (b) a healthy stock of projects in the pipeline should always be maintained ; and
- (c) the Programme and Estimates for 2016/17 should be reviewed to see if they should be revised for submission to the Council for approval.

27. Members noted the financial performance of HKPC and its branches for the period April to June 2016. Members also noted the financial performance of the APAS Division which was separately and fully funded by the Government.

## **VI. Quarterly Report on HKPC's Funds (F.C. 12/2016)**

28. Members noted that as at 30 June 2016, HKPC's cash balance was \$284M. The actual bank interest income earned by HKPC in the last four quarters was \$0.40M, representing an average return rate of 0.41%. The return rate was higher than the average interest rate for savings accounts offered by major banks in Hong Kong.

## **VII. Any Other Business**

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

30. Members noted their attendance record in 2016 tabled at the meeting.

## **VIII. Date of Next Meeting**

31. It was agreed that the date of the next meeting was scheduled for 16 November 2016 at 2:30pm.

32. There being no other business, the Chairman thanked Members for their attendance and the meeting was closed at 4:55pm.