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F.C. 3/2013 (Revised)

**Revised Minutes of the 47th Meeting of the Finance Committee
held at 2:30p.m. on Tuesday, 19 March 2013
in the Board Room, 2nd 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-ye, MH, JP
Dr. David Ng
Dr. Dennis Ng, MH
Mr. Frank Tsang

Absent with Apologies : Mr. Clement Chen, BBS, JP

In attendance from HKPC :

Mr. Leo Lam	Director, Business Innovation
Mr. Tony Lam	Director, Corporate Services
Mr. Joseph Poon	Director, Technology Development
Mr. Edmond Che	General Manager, Finance and Procurement
Mr. Jonathan Ho	General Manager, Corporate Communications
Mr. Alfonso Tam	Chief Manager, Council Secretariat
Ms. Miranda Yeap	Senior Manager, Council Secretariat

Confirmation of Minutes (F.C. 15/2012 Revised)

The Revised Minutes of the 46th Meeting of the Finance Committee held on 20 November 2012 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. Financial Performance of HKPC for the First Three Quarters of 2012/13 (April – December 2012) (F.C. 1/2013)

1. Invited by the Chairman to brief Members, reported

that for the first three quarters of 2012/13, HKPC's total fee income was \$252.7M, which was less than the budget by HK\$7.2M or 2.8%. Total expenditure for the same period was HK\$262.9M, or 9.3% less than the budget, mainly due to savings in staff emoluments and capital expenditure. Total surplus for April to December 2012 amounted to HK\$21.4M.

2. said that the total fee income as at end February 2013 was \$322M and that the budgeted income target for 2012/13 should be achievable. It was anticipated that the surplus for the year might ultimately be in the region of around \$13-14M.

3. In response to enquiry as to whether the fluctuation in project expenses from month to month was a problem of the cut-off time, said that whilst different divisions had different business patterns, the concept of taking project income according to project progress and adherence to project estimate was still a long educational process. It was hoped that with the upcoming implementation of the ERP system, the process of project management would start afresh and commence at the initial stage of procurement to allow constant and accurate updates.

4. In response to enquiry, said that the higher value added percentage of the corporate services branch was largely a result of the notional rent paid by divisions to the corporate. That figure alone did not have bearing on the overall performance of the Council given that notional rent within a branch would be offset at the Council level.

5. Continuing, said that the order on hand for the coming financial year was to the order of \$368M which reflected a reasonably healthy pipeline. Separately, went on to report that the Automotive Parts and Accessory Systems R&D Centre (APAS) had merged with HKPC since 1 November 2012. Its actual expenditure for the period November to December 2012 was \$2.2M. As the APAS project was basically 100% funded by the Government, it had no bearing on the surplus situation of the Council.

6. reported that the provision for staff annual leave was reduced by 13% to HK\$18.7M in December 2012 compared to a year ago. During the same period, the number of staff annual leave days with financial implication had also been reduced by 14%, from 11,910 to 10,240. commended the HKPC Management for successfully reducing the aggregate leave balance.

7. Members noted HKPC's financial performance of the first three quarters of 2012/13 (April – December 2012).

II. Quarterly Report on HKPC's Funds (April – December 2012) (F.C. 2/2013)

8. Invited by the Chairman to report, briefed Members that as at 31 December 2012, HKPC's cash balance was HK\$166M. Under the existing investment strategy, all of HKPC's funds were placed in time deposits or savings accounts. The actual bank interest income earned by HKPC during the first three quarters of 2012/13 was HK\$0.9M, representing an average return rate of 0.99% which was higher than the 0.01% average interest rate for savings accounts offered by major banks in Hong Kong.

9. In response to enquiry on the progress of the Government's Review of Investment Guidelines, said that the Government was still reviewing the guidelines and due to a slippage in progress as advised by the Financial Services and the Treasury Bureau, there was no projection on the completion date. undertook to keep Members informed.

10. Members noted the quarterly report on investment of HKPC's funds for the period April-December 2012 as at 31 December 2012.

III. Any Other Business

(A) Attendance Record of FC Members

11. Members noted their attendance record in 2012 tabled at the meeting.

IV. Date of Next Meeting

12. It was agreed that the date of the next meeting was scheduled for 23 July 2013 at 2:30pm.

13. There being no other business, the Chairman thanked Members for their attendance and the meeting was adjourned at 3:00pm.