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F.C. 12/2011 (Revised)

**Revised Minutes of the 42nd Meeting of the Finance Committee
held at 2:30p.m. on Tuesday, 19 July 2011
in Conference Room 1, 2nd Floor, HKPC Building
78 Tat Chee Avenue, Yau Yat Chuen, Kowloon**

Present : Chairman - Mr. Victor Ng

Members - Mr. Andrew Au, JP (representing Mrs. Helen Chan, JP)
Mr. Clement Chen, BBS, JP
Mr. L.W. Ting (representing Mr. Davey Chung)
Dr. Fan Cheuk-hung
Mrs. Agnes Mak Tang Pik-yee, MH, JP
Dr. David Ng

In attendance from HKPC :

Mr. Edmund Sung	Director, Business Consulting
Mr. Tony Lam	Director, Corporate Services
Mr. Jonathan Ho	General Manager, Corporate Communications
Dr. Samuel Leung	General Manager, Finance and Administration
Mr. Alfonso Tam	Principal Consultant, Corporate Services
Ms. Miranda Yeap	Senior Consultant, Corporate Services

Welcome

The Chairman welcomed Dr. Fan Cheuk-hung and Mr. Andrew Au, JP, Acting Government Economist who attended the meeting for the first time.

Confirmation of Minutes (F.C. 6/2011 Revised)

The Revised Minutes of the 41st Meeting of the Finance Committee held on 22 March 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. Revised Programme and Estimates of HKPC for 2011/12 (F.C. 7/2011)

1. Invited by the Chairman to report, presented the gist of major changes featured in the Revised Estimates. The Management had examined the recent business activities of HKPC and considered that there should be room for expansion in HKPC's operating income and thus the income in 2011/12 was estimated to increase by \$39.8M to \$333.3M, or by 13.6% (when compared to the original budget). Due to some previous under-estimation, expenditure was also estimated to increase by \$36.3M (about half of which arising due to the anticipated pay trend adjustment for 2011/12) to \$506.4M, or by 7.7%. The revised estimates accordingly projected a budget surplus of \$10.1M (including the budgeted variable pay of \$7.3M), compared to the balanced budget approved by the Council in November 2010.

2. said that the Management had meanwhile reviewed HKPC's Three-year Strategic Plan after consulting Council Members and industry leaders from representative trade organizations and NGOs. Based on the views collected, the Management considered that our operation should continue to be guided by the four-pronged strategy, namely, to scale up platforms, create value for SMEs, sharpen our core competencies and develop strategic partnership. Additionally, it was also considered that HKPC would be better positioned to evolve and sustain its business and public mission through the five intertwining themes of Low Carbon and Environmental Protection, Technology Upgrade, Integrated Transformation and Innovation (including IP Management), International Benchmark and National Standards and Mainland Opportunity on which to formulate and implement strategic initiatives.

3. continued to report that arising from the comments of the Business Development Committee at its 45th meeting held on 28 June 2011 on the performance and resources required for implementation, the Management would also keep track of the performance of HKPC's two major platform projects, namely Cleaner Production Partnership Programme (CP3) and TURN and the related additional information were provided in the paper.

4. In response to query on the \$8M surplus for the first quarter of 2011/12, explained that the quarter's performance had not yet taken into account the upcoming commitments and the major chunk of expenditure including the salary increase and the

back-payment. In response to enquiry on the monitoring of billing of projects, replied that we had control over the bidding for projects as an internal vetting committee would vet the bids beforehand and each division was required to do its own resources planning. supplemented on the average timeline for government and private sector projects and informed the Meeting that the Management had regular meetings to supervise and ensure the healthiness of the monthly order intake.

5. Members endorsed the 2011/12 revised estimates for the Council's approval.

II. Annual Accounts for the year 2010/11 (F.C. 8/2011)

6. Invited by the Chairman to report, briefed Members that the total fees & services charges for 2010/11 amounted to \$314.9M which was higher than the budget by \$12.1M (or 4%). added that this was the first time in six years that HKPC had achieved over and above the budget in such a scale. The income surplus primarily came from consultancy projects (\$21.2M) and venue rentals (\$4.7M) but was offset by the shortfall in in-class training (\$10.5M) and study missions (\$2.7M). The shortfall in in-class training largely resulted from phasing out training courses in areas where the market was declining or maturing. For study missions, some were budgeted for destinations in Europe but did not materialize and, instead, study missions organized to the Mainland generally attracted lower income.

7. continued to report that total expenditure for the year amounted to \$490.2M which was \$6.9M (or 1.4%) less than the budget of \$497.1M. Total surplus for the year amounted to \$17.9M after a provision of \$5.8M for variable pay.

8. Members were also invited to note that transfers, within the Head of Expenditure for Staff Emoluments and Recurrent Expenditure as shown in Appendix 1 were made in accordance with S.16 (4) (b) of the HKPC Ordinance. The annual accounts for the year 2010/11 were considered by the Audit Committee at its 18th meeting held on 9 June 2011 and no adverse comment was made.

9. agreed with that the expertise and competitiveness of HKPC's account staff should be renewed and upgraded continuously with appropriate training. said that the Management had actually introduced job rotation in the Finance

Division so that the staff could learn new things and be stimulated in their performance. We were also in the process of planning more advanced IT support to enable a larger degree of automation in the production and analysis of financial reports, with a view to eventually integrating the Management Information System with operation.

10. The meeting noted that note 2(r) in paragraph 12(c) of Page 60 of the Annual Accounts should be amended to read note 2(q) instead. Members endorsed the Annual Accounts 2010/11 for the Council's approval.

III. Financial Performance of HKPC for the First Quarter of 2011/12 (April – June 2011) (F.C. 9/2011)

11. Invited by the Chairman to brief Members, said that the total fees & services charges for April – June 2011 amounted to \$81.8M which was higher than the budget by \$8.4M (or 11%). The income surplus came from consultancy projects (\$7.1M) and study missions (\$1.3M). The total expenditure (excluding RAE projects) for the period amounted to \$116.7M which was \$0.2M (or 0.1%) less than the budget of \$116.9M. explained that as a norm, most expenditure would occur in the second half of the year after getting the relevant quotations.

12. went on to brief the meeting that the total provision for staff annual leave was reduced from \$24.4M in June 2010 to \$22.5M in June 2011 (or 8%). During the same period, the number of staff annual leave days with financial implication had been reduced from 14,563 to 13,263 (or 9%). Leave management would continue to be a focus of the Management.

13. Members endorsed the report on the financial performance of HKPC for the first quarter of 2011/12.

IV. Full Stocktake of Fixed Assets 2010/11 (F.C. 10/2011)

14. Invited by the Chairman to report, said that in accordance with the internal practice of HKPC, a full stock taking exercise of fixed assets was conducted every five years. The Management had enhanced HKPC's fixed management system through a series of measures and a full stock taking exercise of fixed assets was conducted in April 2011. 7,743 items of fixed assets in 8 categories

had been checked and all had been located. The cost of all items amounted to HK\$197.7 M and the net book value was HK\$42.8M. The Internal Audit had carried out compliance check of the results of the full stock taking exercise and had no findings of exception.

15. In response to _____, _____ said that the utilization of major equipment was being managed and monitored in accordance with a Standard Practice stipulating, among others, annual review of utilization, classification and disposal as appropriate.

16. Members noted the results of the fixed asset stock taking exercise in 2010/11.

V. Quarterly Report on Investment of HPPC's Funds (F.C. 11/2011)

17. Invited by the Chairman to brief Members, _____ reported that HKPC had a cash balance of \$154M as at 30 June 2011. Under the existing framework, all HKPC's funds were placed in time deposits or savings accounts.

18. Continuing, _____ reported that the actual bank interest income earned by HKPC in 2010/11 was \$0.62M, representing an average return rate of 0.51%. In the 1st quarter of 2011/12, the actual bank interest income was \$0.2M, representing an average return rate of 0.56%. Both return rates were higher than the average interest rate (around 0.01%) for savings account currently offered by the major banks in Hong Kong.

_____ added that upon the maturity of fixed deposits, the cash would be redistributed for deposits in different banks approved earlier by the Council.

19. In response to _____ remark on the low interest rate, _____ said that the Management had earlier on prepared an Investment Framework with a view to investing in different instruments. This had been withheld pending the Innovation and Technology Commission's discussion with the Financial Services and Treasury Bureau. _____ explained that the Government was in fact currently conducting a review of the Investment Guidelines for Government departments. The review, which was expected to be completed by the end of this year, would cover views of the Audit Commission and hence would serve as useful reference to

public/statutory bodies like HKPC. It was suggested that HKPC could wait for the review's completion before finalisation of its investment guidelines. would keep in view the issuance of the new Guidelines and let HKPC have a copy once it was available.

20. Members noted the cash balance and treasury activities of HKPC as at 30 June 2011.

VI. Any Other Business

(A) Attendance Record of FC Members

21. Members noted their attendance record in 2011 tabled at the meeting.

VII. Date of Next Meeting

22. It was agreed that the date of the next meeting was scheduled for 8 November 2011 at 2:30pm.

23. There being no other business, the Chairman thanked Members for their attendance and the meeting was adjourned at 3:30pm.