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and Members' names removed)**

P.C. 35/2019 (Revised)

**Revised Minutes of the 142nd Meeting of the Hong Kong Productivity Council
held at 4:30p.m. on Tuesday, 3 December 2019 in the Board Room
2nd floor, HKPC Building, 78 Tat Chee Avenue, Yau Yat Chuen, Kowloon**

Present: Chairman – Mr. Willy Lin Sun-mo, GBS, JP

Members – Mr. Andrew Au, JP (Government Economist)
Prof. John Chai Yat-chiu, JP
Ms. Clara Chan Yuen-shan, MH
Ms. Annie Choi Suk-han, JP (Permanent Secretary for
Innovation and Technology)
Mr. Felix Chow Bok-hin (attendance via tele-
conferencing)
Mr. Alan Cheung
Ms. Rebecca Pun Ting-ting (Commissioner for
Innovation and Technology)
Mr. Wilson Fung Ying-wai
Ms. Mandy Kwok Man-yee
Ms. Juan Leung Chung-yan, MH
Ms. Amy Lee Sau-king
Mr. Li Hoi
Mr. Paul Poon Wai-yin
Miss Mabel Li Po-yi, JP (Deputy Commissioner for
Labour)
Dr. Allen Shi Lop-tak, BBS, MH, JP
Mr. Sunny Tan (attendance via tele-conferencing)
Ms. Christine Wai Yee-yan (Assistant Director-General
of Trade and Industry (Industries Support),
representing Ms. Salina Yan Mei-mei, JP,
Director-General of Trade and Industry)
Mr. Patrick Wong Chi-kwong
Mrs. Carrie Yau Tsang Ka-lai, GBS, JP
Ms. Karmen Yeung Ka-yin (attendance via tele-
conferencing)
Mr. Emil Yu Chen-on, JP

Absent with Apologies: Prof. Tam Kar-yan, MH

In Attendance from the Innovation and Technology Commission:

Mr. Ivan Lee Kwok-bun, JP
Miss Kathy Chan Nap-sze

In Attendance from HKPC:

Mr. Mohamed Din Butt	Executive Director
Dr. Lawrence Cheung	Chief Innovation Officer
Mr. Edmond Lai	Chief Digital Officer
Mr. Stanley Chu	Head, Audit and Risk Management Office (Agenda Item II only)
Ms. Flora Li	Chief People and Culture Officer
Ms. Vivian Lin	Chief Financial Officer
Ms. Gillian Luk	Senior Manager, Council Secretariat
Ms. Olivia Poon	Manager, Council Secretariat

Safety Video

A safety video was shown to Members about the safety measures in the HKPC Building.

Tour after Council Meeting

The Chairman invited Members to join a tour of the newly renovated facilities in HKPC after the meeting.

Declaration of Interest

The Chairman reminded Members to declare interest should they observe any direct/pecuniary interest in any matter to be discussed at the meeting.

I. Confirmation of Minutes (P.C. 25/2019 Revised and P.C. 27/2019 Revised)

1. The Revised Draft Minutes of the 141st Council meeting and Council special meeting held on 6 September 2019 and 11 October 2019 respectively had been circulated to Members and there were no further requests for amendments. The Minutes of the meetings were taken as read, confirmed and signed by the Chairman.

II. Matters Arising

(A) Follow-up and Update on Audit Commission Report

2. Invited by the Chairman, said that the Audit Commission released and tabled Report No. 73 (the Report) at the Legislative Council (LegCo) on 27 November 2019. Two chapters of the Report were on HKPC, covering service provision (consultancy, R&D and training) and governance and administrative issues respectively. The other 8 chapters in the Report were focused on specific aspects of work of 8 government departments.

3. Members noted that:

- (a) a line-to-take and a press statement about the Council's overall response to the Report was circulated on 7 November 2019. Staff communication was done in parallel with a special Townhall meeting arranged for all staff on 27 November 2019 and special division meetings during 29 November 2019 and 2 December 2019 to share the audit findings for better understanding;
- (b) improvement measures had been implemented for half of the audit issues before the release of the Report. The actions taken were under checking by the Audit and Risk Management Office to validate their completion before they were signed off the action list. As for the remaining audit issues, follow up actions were under preparation for timely implementation;
- (c) the progress of follow up actions in various audit areas would be reported to the respective standing committees and the Council from the next round of meetings onwards for monitoring and to ensure timely implementation. The arrangement would be as follows:
 - human resource management issues would be reported to the Staffing Committee;
 - management of consultancy and manufacturing support services, R&D projects, training programmes would be reported to the Business Development Committee;
 - Procurement and other administrative issues would be reported to the Finance Committee; and
 - corporate governance, performance reporting and overall monitoring of the follow up actions to all audit issues would be reported to the Audit Committee;
- (d) HKPC was going to review the existing KPI framework in consultation with the Innovation and Technology Commission (ITC) to address the recommendations of the Audit Commission. An initial proposal would

be submitted to ITC in December 2019 to kick off the discussion. It was planned to submit the revised KPI framework to the Business Development Committee and the Council in their next round meetings to be held in March 2020 with a view to implementing the revised KPIs as early as practicable; and

- (e) HKPC was invited to attend a public hearing to be held by the LegCo Public Accounts Committee (PAC) on 13 December 2019 and 17 December 2019 on chapter 2 of the Report on “provision of consultancy, research and development and training services”.

5. said that the Innovation and Technology Bureau and ITC would work closely with the Management to prepare responses for the public hearings. HKPC had long been facing the dilemma that while the industry always requested for lower-charge services from HKPC, HKPC as a public body was open to public scrutiny about “not to unfairly compete with the private sector”. The team would try its best to explain at public hearings the public mission of HKPC, challenges faced and improvement actions being/to be taken. said that further recommendations were expected from the PAC at the public hearings and it was advisable for the implementation plan to follow up on the Report and the subsequent PAC Report.

6. shared the views of that the recommendations by the Audit Commission should be taken positively and seriously as they provided forward-looking guidance for the on-going transformation of HKPC.

7. Members noted the update.

(B) Update on the Establishment of Industrial Artificial Intelligence and Robotics Centre

8. reported that Members approved by circulation on 11 November 2019 for HKPC to incorporate a company limited by guarantee to operate the Industrial Artificial Intelligence and Robotics Centre (the Centre) to be set up at the research cluster of AIR@InnoHK at the Hong Kong Science Park.

10. said that another batch of proposals received under the InnoHK initiative was under final vetting. With enthusiastic responses from local/overseas research institutes and universities, there was keen competition for funding support.

11. Members noted the update.

III. Programme and Estimates of HKPC for 2020/21 and Three-Year Forecast 2020/21 – 2022/23 of HKPC Income and Expenditure (P.C. 29/2019)

12. Invited by the Chairman, briefed Members on the financial performance in the first 6 months of 2019/20 as part of the background information to the proposed estimates for the following 3 years. Members noted that external income exceeded budget by 2% due to the strong performance in the Industry 4.0 business. With staff emoluments below budget by 9% due to vacancies and lower expenditure in other items, the financial result for the period was a surplus of \$33.7M.

13. then showed a video to share with Members the highlights of a flagship event held in September 2019. The event, namely SME One Fund Fair, received overwhelming response from SMEs and start-ups which took the opportunity to obtain one-stop access to around 50 government funding schemes in Hong Kong and the Mainland. Participating government departments reported a rise in enquiries and funding applications. said that based on the good feedback, HKPC would continue to roll out new initiatives in the year ahead to reach out to more SMEs and start-ups.

14. said that on the back of the drive to reach out and a healthy backlog of orders built up from the strong order intake in Industry 4.0 and Enterprise 4.0 services during the first 2 quarters of 2019/20, a 2% income growth was estimated for 2020/21. The mild income growth had also taken account of the tough economic environment and no price increase for 2020/21 as HKPC undertook to alleviate the financial burden of its industry partners. The concessions to SMEs and start-ups for several HKPC services which were announced in September 2019 would be reviewed in March 2020 and extension would be considered if necessary. On the expenditure side, staff emoluments were estimated to increase by 3% in 2020/21 while other expenditure would be reduced by 3% due to cost savings and sourcing deflation. The estimated financial result for 2020/21 was a slight surplus of \$1M. The financial forecast for the ensuing 2 years of 2021/22 and 2022/23 was similar with close to breakeven results.

15. noted that with increasing interest among many local industrialists in shifting their manufacturing base from the Mainland to ASEAN countries for diversification, HKPC had been stepping up effort to meet the demand by holding seminars about the operating conditions in the region and organising study missions to ASEAN countries. To provide effective support to the industry, HKPC should be prepared to make use of its consultancy and technical support to meet the emerging needs of local industrialists seeking to shift their operation to new markets, apart from helping the industry upgrade.

16. Continuing with [redacted] presentation, [redacted] said that the staff establishment would be maintained at 662 for 2020/21. This had taken into account the turnover rate which had stabilized [redacted] and the steadily increasing staff strength, thanks to the contract conversion exercise in July 2019 and a series of talent retention measures.

17. [redacted] said that the proposed KPI targets at Appendix 13 of the paper served as “interim” targets pending a review with ITC on the overall KPI framework to address the Audit Commission’s recommendations and to derive an updated set of indicators to better measure and reflect HKPC’s performance. It was hoped that a proposal on the updated framework could be submitted to the Council for consideration before end of 2019/20 for early implementation.

18. [redacted] then briefed Members on the proposed KPI targets for 2020/21 with variance from those of 2019/20. In particular, [redacted] highlighted the following KPIs:

- (a) the target of the “number of consultancy projects accepted” would be reduced [redacted] in 2020/21. [redacted] said that with HKPC’s focus to provide integrated and high value-added support, the consultancy project number was losing relevance as a KPI to measure HKPC’s performance. The continuing use of this indicator would be reviewed with ITC during the KPI review;
- (b) the target of the “income from training courses” would be adjusted downwards [redacted] due to the subdued economic forecast and the expected more prudent approach of companies in spending on training [redacted]; and
- (c) the target of the “income from manufacturing support projects” would be reduced [redacted] in 2020/21 as slowdown in the business was being felt due to the economic headwind.

19. After discussion, Members approved:

- (a) HKPC’s Three-Year Forecast for 2020/21-2022/23 endorsed by the Finance Committee at its 67th meeting held on 15 November 2019;
- (b) the detailed Programme and Estimates of HKPC for 2020/21 which included the staff establishment of 662 for HKPC (excluding the Automotive Platforms and Application Systems R&D Centre (APAS) of which the establishment size is 33) endorsed by the Staffing Committee at its 64th meeting held on 12 November 2019; and
- (c) the proposed “interim” targets for KPIs for 2020/21 at Appendix 13 of the paper which were endorsed by the Business Development Committee at its

70th meeting held on 15 November 2019. Pending the overall review of the KPI framework (paragraph 17 above), the targets for 2020/21 would need to be revised.

20. Members also noted the Three-year Forecast of Mainland subsidiaries for 2020/21-2022/23 (paragraph 29 of the paper) and the indicative funding from the Innovation and Technology Fund to support the operation of APAS during the 2-year period from 2021/22 and 2022/23 (paragraph 34 of the paper) which did not form part of HKPC's income and expenditure forecast for the purpose of subvention requirement.

IV. Report from the Audit Committee (P.C. 30/2019)

21. Members noted the report from the Audit Committee on matters considered at its 51st meeting held by teleconference on 12 November 2019.

V. Report from the Business Development Committee (P.C. 31/2019)

22. Members noted the report from the Business Development Committee on matters considered at its 70th meeting held by teleconference on 15 November 2019.

VI. Report from the Finance Committee (P.C. 32/2019)

23. Members noted the report from the Finance Committee on matters considered at its 67th meeting held by teleconference on 15 November 2019.

VII. Report from the Staffing Committee (P.C. 33/2019)

24. Members noted the report from the Staffing Committee on matters considered at its 64th meeting held by teleconference on 12 November 2019.

VIII. Any Other Business

(A) Attendance Record of Council Members

25. Members noted their attendance record for 2019 as circulated together with the meeting agenda and papers by email on 26 November 2019.

(B) 2020 Meeting Schedule

26. Members noted the tentative Council meeting schedule for 2020 uploaded to iPads provided at the meeting, as follows:

Meeting	Date and Time
143 rd Council meeting	25 March 2020 (Wednesday) 3:00pm
144 th Council meeting	29 July 2020 (Wednesday) 3:00pm
145 th Council meeting	25 November 2020 (Wednesday) 3:00pm

27. The Chairman invited Members to join the meetings as far as possible. The Chairman said that for Members who could not attend in person, they could consider the option of dial-in to take part in meetings.

(C) 2020 Annual Dinner

28. Members were invited by the Chairman to join the 2020 annual dinner which would be held on 27 March 2020 at 煌府 in Tsim Sha Tsui.

(D) Vote of Thanks

29. The Chairman proposed, and Members agreed, to record a vote of thanks to Mr. Alan Cheung and Dr. Allen Shi Lop-tak who would retire from the Council after 31 December 2019 for their contributions to HKPC as Council Members and during their tenure as Members of the Audit Committee/Business Development Committee and Finance Committee respectively.

30. Members noted that a dinner to bid farewell to the outgoing Council Members and welcome the new Members would be held in early 2020. Members would be informed of the date and venue in due course.

31. Members also agreed to record a vote of appreciation to Ms. Flora Li, Chief People and Culture Officer, for her dedicated human resources and facilities management service in the past 3 years.

IX. Date of Next Meeting

32. The next meeting was tentatively scheduled on 25 March 2020 at 3 p.m.

33. There being no other business, the Chairman thanked Members for their attendance and the meeting was closed at 5:20 p.m.