

**F.C. 8/2020 (Revised)**

**Revised Minutes of the 68<sup>th</sup> Meeting of the  
Finance Committee of the  
Hong Kong Productivity Council  
held at 4:30p.m. on Tuesday, 17 March 2020  
in the Board Room, 2<sup>nd</sup> Floor, HKPC Building  
78 Tat Chee Avenue, Yau Yat Chuen, Kowloon**

**Present** : Chairman - Mr. Wilson Fung Ying-wai

Members - Mr. Mohamed D. Butt  
Prof. John Chai Yat-chiu, JP  
Miss Kathy Chan Nap-sze  
(Assistant Commissioner for  
Innovation and Technology (Funding  
Schemes), representing Ms. Rebecca  
Pun, JP, Commissioner for Innovation  
and Technology)  
Ms. Joyce Cheung Chung-sze  
(Principal Economist, representing Mr.  
Andrew Au, JP, Government  
Economist)  
Mr. Marvin Hsu Tsun-fai  
Ms. Karmen Yeung Ka-yin

**Absent with Apologies** : Mr. Felix Chow Bok-hin

**In Attendance from HKPC** :

Dr. Lawrence Cheung	Chief Innovation Officer
Mr. Edmond Lai	Chief Digital Officer
Ms. Vivian Lin	Chief Financial Officer
Mr. Stanley Chu	Head, Internal Audit & Risk Management (Agenda Item III only)
Ms. Gillian Luk	Senior Manager, Council Secretariat
Mr. Nelson Wong	Manager, Council Secretariat

## **Special Arrangement for the Meeting**

The Chairman said that in light of the coronavirus outbreak, most Members joined the 68<sup>th</sup> Finance Committee (FC) meeting via Microsoft Teams application. He thanked Members for their support of the special arrangement.

## **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.

## **Welcome**

The Chairman welcomed Mr. Marvin Hsu Tsun-fai who attended the meeting for the first time.

## **Vote of Appreciation**

The Chairman suggested, and Members agreed, to record a vote of appreciation to Dr. Allen Shi Lop-tak, BBS, MH, JP for his contribution during his tenure as Member.

### **I. Confirmation of Minutes (F.C. 15/2019)**

1. The Draft Minutes of the 67<sup>th</sup> FC Meeting held on 15 November 2019 had been circulated to Members and there were no requests for amendments. The Minutes were taken as read and confirmed and the Secretariat would arrange signing of the Minutes by the Chairman.

### **II. Matters Arising**

#### **(A) Business Model of HKPC's Mainland Operation**

2. To follow up on Members' request at the 67<sup>th</sup> meeting held in November 2019, briefed Members on the business model and operation of HKPC's Wholly Foreign Owned Enterprises (WFOEs) by presenting the entity structure, business activities, income sources and a Greater Bay Area strategy adopted to support Hong Kong enterprises operating in the Mainland.

3. In reply to \_\_\_\_\_, \_\_\_\_\_ said that there were some 30 staff in the Mainland offices which formed an important service delivery arm of HKPC. During the current virus outbreak, Hong Kong staff who resided in the Mainland and needed to undergo quarantine had been arranged to work in the Shenzhen office so that service to clients would not be disrupted. Local staff, by virtue of their similar background and language to partners and clients in the Mainland, had contributed to enhancing HKPC's customer interface and enabled HKPC to deliver better customer experience.

4. Members noted the presentation on the business model and operation of HKPC's Mainland entities.

### **(B) Concession Scheme to Hong Kong SMEs**

5. Members noted that the enhanced concession scheme to support SMEs during the coronavirus outbreak, which was endorsed by the Finance Committee by circulation on 3 March 2020 (F.C. 1/2020), was approved by the Council by circulation on 10 March 2020. The enhanced concession scheme took effect on 12 March 2020 and would run till 30 September 2020.

### **III. Update on Follow-up Actions on Reports to Director of Audit and Public Accounts Committee of Legislative Council on HKPC (F.C. 2/2020)**

6. Members noted a report by \_\_\_\_\_ on the follow-up actions on the Reports of Director of Audit and Public Accounts Committee (PAC) of Legislative Council on HKPC.

### **IV. Financial Performance of HKPC for the Year of 2019/20 (April 2019 – January 2020) (F.C. 3/2020)**

7. Members noted the financial performance of HKPC, excluding Automotive Platforms and Applications Systems R&D Centre (APAS), for the period from April 2019 to January 2020, as presented by \_\_\_\_\_. During the period, HKPC's total external income was \$388.7M, exceeding the budget by 5.3%. This was contributed by the strong performance in the Industry 4.0 business. In terms of value added, the actual level achieved surpassed budget by \$17.1M (or 7.9%). Total expenditure was \$366.4M, or 6.4% less than the budget. This was due to lower staff emoluments caused by vacancies, lower operating expenditure, and lower depreciation on fixed assets. The surplus for the period was more than the budgeted surplus by \$42.6M, as a result of higher value added achieved and lower staff emolument and operating expenditure.

8.           supplemented that actual staff emoluments had moved closer to budget as the vacancy situation had continued to improve after measures adopted to retain talents and make new recruits.

9.           asked whether the lower depreciation expense (\$3.9M below budget) was due to lower spending in fixed asset or timing difference in expense recognition. In response,           said that the outbreak had delayed the arrival of construction materials for ground floor renovation. The project was expected to complete in April 2020 and part of the capital expenses would be delayed to the next financial year. Some delays in equipment delivery in the second half of 2019/20 also contributed to the lower depreciation expense.

10. In response to           ,           said that the consultancy order intake had been slowing down due to the huge impact of the outbreak on businesses. But with a strong order pipeline secured, there were sufficient projects for HKPC to execute in the following year.           Given that the difficult external environment was likely to continue in the first quarter of 2020/21, HKPC would exercise caution in spending and restrict investment to worthwhile areas only.

#### **V. Concession Scheme to Hong Kong SMEs (F.C. 4/2020)**

11. Members noted a presentation by           on the financial impact of HKPC's concession offers to Hong Kong SMEs           .

#### **VI. Quarterly Report on HKPC's Funds (F.C. 5/2020)**

12. Members noted the quarterly report on HKPC's funds as presented by           , covering the cash balance position as at 31 January 2020, deposit of funds in savings and time deposit accounts of various banks and interest earned.

#### **VII. Procurement Update (F.C. 6/2020)**

13. Invited by the Chairman,           introduced the paper and briefed Members on:

- (a) 3 internal procurement tenders above \$5M which had been submitted to the Central Tender Board Chairman for approval before tender award, in line with the Central Tender Board system approved by the Council at its 136<sup>th</sup> meeting held on 21 November 2017; and
- (b) the key initiatives of the Procurement Unit in 2019/20, including 3 sourcing fairs and launch of an e-procurement system scheduled for end-March 2020,

among others, and the savings achieved in sourcing deflation.

14. In response to \_\_\_\_\_'s question about the calculation of the sourcing deflation figure, \_\_\_\_\_ said that there were 2 parts to the formula depending on the nature of goods/services purchased. For repeated purchases, comparison would be made to the prices of the previous year. For purchase of tailor-made project-specific products or services not purchased before, the comparison would be based on the better price achieved after negotiation against the quoted price.

15. Members noted the report on procurement update.

### **VIII. Revised Key Performance Indicators for HKPC and Proposed Targets for 2020/21 (F.C. 7/2020)**

16. Invited by the Chairman, \_\_\_\_\_ briefed Members on the proposed revised Key Performance Indicator (KPI) framework with 19 KPIs, which had been endorsed by the Business Development Committee at its 71<sup>st</sup> meeting held on 17 March 2020 for submission to the Council and Commissioner for Innovation and Technology for approval, for implementation from 2020/21 onwards. \_\_\_\_\_ said that the revision had taken account of the Audit Commission's comments on several KPIs in its report on HKPC in November 2019 and to reflect the change in HKPC's business model since the adoption of the current 23 KPIs for 2016/17. Under the revised framework, KPIs on HKPC services of similar nature were merged to arrive at two broad categories of indicators: integrated service projects (encompassing consultancy, testing, conference etc.) and integrated learning (to cover in-class training, in-company training, study missions and overseas training). The purpose was to achieve more clear-cut classification for ease of understanding and monitoring. The KPI revamp would also involve improved practice in data entry and retrieval via SAP and other e-systems as far as possible to remove the need for manual update and reduce the room for error.

19. \_\_\_\_\_ referred to the definition of the 19 proposed KPIs at the Appendix of the paper. \_\_\_\_\_ observed that both KPIs of "customer satisfaction index" and "public learning participants satisfaction index" did not cover the evaluation by corporate training clients. \_\_\_\_\_ undertook to review the definition of the 2 KPIs and make amendment as appropriate.

(Post-meeting note: After re-consideration, the KPI of "public learning participants satisfaction index" had been renamed as "learning participants satisfaction index" for a more coordinated assessment of HKPC's training activities under the concept of integrated learning. The coverage of the KPI had

been extended to include corporate training programmes. The revised KPI was supported by the Council at its 143rd meeting held on 25 March 2020 as part of the revised KPI framework.)

20. also agreed with that the KPI of "overall external income/external expenditure ratio" should be renamed as "overall external income/total expenditure ratio" .

21. Members noted the proposed revised KPI framework which would be submitted to the Council for approval together with the proposed KPI targets for 2020/21.

## **IX. Any Other Business**

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

22. Members noted their attendance record for 2019 as circulated together with the meeting agenda and papers by email on 10 March 2020 and shown at the meeting. The Chairman reminded Members to try their best to attend future meetings.

## **X. Date of Next Meeting**

23. It was noted that the next meeting was tentatively scheduled for 21 July 2020 at 4:30 p.m.

24. There being no other business, the Chairman thanked Members for their attendance and the meeting was closed at 5:25 p.m.