

**Legislative Council Public Accounts Committee  
(Public Hearing)  
13 December 2019 (Friday)**

**The Director of Audit's Report No. 73**

**Chapter 2: Provision of consultancy, research and  
development and training services by the Hong Kong  
Productivity Council**

Opening Remarks by  
the Secretary for Innovation and Technology

Chairman,

First of all, I would like to thank the Director of Audit for compiling two comprehensive reports on the governance and operations of the Hong Kong Productivity Council (HKPC). The recommendations put forward in the reports will help the HKPC improve its corporate governance, financial and human resources management, consultancy and training services, as well as commercialisation of the results of research and development projects, enabling the HKPC to provide better support to the industry more effectively in the future. The Government and the HKPC agree with all the recommendations in the two reports.

2. The HKPC is a statutory organisation established in 1967. Its public mission is to help enterprises increase productivity, use resources more effectively, and enhance the value of their products and services through the provision of integrated support services, so as to strengthen the industry's international competitiveness and ability to achieve sustainable development. Over the past 50 some years, the production mode of Hong Kong's manufacturing industry and economic structure have undergone significant changes. The HKPC has been keeping abreast with the times to provide the necessary

support for the development and transformation of the industry in line with Government policies, and assisting enterprises including small and medium enterprises in coping with the changes and challenges of the market.

3. In order to add more impetus to Hong Kong's economy and facilitate its more diversified development, the Government is committed to developing innovation and technology and promoting "re-industrialisation" in recent years. The HKPC has played a crucial role in the process. Since 2016, the HKPC has launched different initiatives to enhance the local industry's understanding of "Industry 4.0" (i4.0), and assist the industry in gradually upgrading its production operations to i4.0 through the "Industry 4.0 Upgrade and Recognition Programme".

4. The Government provides annual subvention to the HKPC to support it to fulfil its mission to support the industry. Currently, the recurrent subvention provided by the Government accounts for around one-third of the annual expenditure of the HKPC, and the remaining expenditure has to be financed through provision of services to the industry, etc. Although the Audit Commission has pointed out in the report that the HKPC was unable to recover the full costs in some projects, on an overall basis, the HKPC has been able to maintain a healthy financial position which has enabled it to provide continuous support as needed by the industry and at the same time fulfilling its public mission.

5. We appreciate that the public is much concerned about how the HKPC, as a subvented organisation, utilises public money and whether it has fulfilled its mission effectively. The Government and the HKPC attach great importance to the two audit reports. The HKPC has already implemented the majority of the recommendations in the reports, and is actively following up on the remaining ones. We will continue to closely monitor the operation of the HKPC to ensure the prudent use of public money and the fulfilment of public mission.

6. We and colleagues of the HKPC will be happy to answer Members' questions in a moment. Thank you, Chairman.

Innovation and Technology Bureau  
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