

Minutes of the 121st Meeting of the Board of the Hong Kong Internet Registration Corporation Limited (HKIRC) and Hong Kong Domain Name Registration Company Limited (HKDNR) held at 4:00 pm on 5th January 2021 at HKIRC Office, Unit 501, Level 5, Core C, Cyberport 3, Cyberport, Hong Kong by Zoom Meeting

Present (All joined by Zoom):

Mr. Simon CHAN Sai Ming	Chairman
Mr. Stephen HO Wai Chung	Deputy Chairman
Mr. Gabriel PANG Tsz Kit	Deputy Chairman
Mr. Raymond CHENG Siu Hong	Director
Dr. Wendy LEE Woon Ming	Director
Mr. Ben LI Ming Pan	Director
Mr. Leonard CHAN Tik Yuen	Director

In Attendance:

Mr. Wilson WONG	Chief Executive Officer
Mr. Clarence LAM	Head of Finance and Company Secretary
Ms. Annie LOI	Head of Marketing and Communications
Ms. Noel NG	Head of Operations

1. To welcome new director

Chairman welcomed new director Mr. Raymond Cheng to join our Board Meeting the first time.

Raymond consented to join as a member of the Audit Committee.

2. To review action items and confirm the Minutes and Summary of Minutes of the Board Meeting held on 3 Nov 2020

Wilson went through the follow up action items from last Board Meeting on 3 Nov 2020. The first item was about acceptable use policy. IT team is now searching for an automation solution for preliminary screening of domain name being applied. For suspicious domain name application, registrant is required to submit documentary proof for our further processing. Regarding Chairman's concern on identification of not acceptable names and PR handling, our system has stored a set of inappropriate words and will alert us if any new domain name application contains the inappropriate words. In case people challenge the policy and procedure, relevant line-to-take and Q&A are prepared in paper no. A1-1.

The second item was about complaint handling policy. Chairman asked to prepare for the rationale behind to propose such change. Relevant line-to-take and Q&A are prepared in paper no. A1-2.

The third item was about not adopting e-voting for AGM purpose. Relevant line-to-take and Q&A will be prepared and be available in March 2021.

The last item was the annual pricing review for .hk domain. All comments from Chairman and directors had been updated in the presentation file on domain pricing and presented in CAP Meeting on 8 Dec 2020.

There is no further comment from Board members.

The Board approved the Minutes and Summary of Minutes for the Board Meeting held on 3 Nov 2020.

3. To approve the following items

3.1 Items endorsed by Audit Committee in AC Meeting held on 14 Dec 2020

Clarence presented the two items endorsed by Audit Committee. The first item was about the selection of statutory auditors for 2021. Background and assessment result were presented. AC endorsed to select KPMG in view of its better understanding of our group and lower total fee. Wilson added that KPMG is selected for 2021 and the fee quoted only application for 2021. According to internal company policy, we can either keep using KPMG for the next 5 years or we can still choose to change statutory auditors in next year.

Chairman commented that it was unusual to have the same auditors for so many years continuously and concerned about the long period of engagement with the same statutory auditors. It was agreed to appoint KPMG for 2021, but management should take into consideration Chairman's concern in the selection process next year.

Clarence further presented the second item on the Cost allocation Ratios ("CARs") for Jan to Jun 2021. He briefed the Board about the background about CARs, company policy and assessment methodology. The assessment result, which has been endorsed by AC, is to keep the CARs at 72% to 28% for HKIRC and HKDNR respectively. He further added that AC members had commented the ratios were 50 to 50 few years ago. It was mainly due to the fact that more staffs' times are allocated to HKIRC, in particular for serving public mission activities, and sharing more existing resources to promote .hk and maintain a secure and stable .hk internet platform.

There is no further comment from the Board members.

The Board approved the appointment of KPMG as the statutory auditors for 2021 and Cost Allocation Ratios for Jan to Jun 2021 be set at 72% to 28% for HKIRC and HKDNR respectively.

3.2 The appointment of new Company Secretary for HKIRC Group in 2021

Clarence presented the background to appoint new Company Secretary for HKIRC Group. The existing Company Secretary is Deodand (Services) Limited, being run by a local law firm named Lo & Lo Solicitors. They provide basic secretarial service since 2001. In line with other professional services (statutory audit, internal audit or AGM audit) and target to improve the quality and standard of company secretarial services, we asked for quotation from existing and other suppliers for 2021 company secretarial services.

Finally, Deodand refused to quote and Tricor Services Limited ("Tricor") quoted a fee of \$7,000 for Basic Secretarial Services for 2021 per company. Tricor is the largest corporate secretarial service provider in Asia, having 2,600 employees (47 offices) across 21 countries/territories. They serve over 50,000 clients including companies listed in Hong Kong, China and other Asian countries. They will cover all job duties currently performed by Deodand, plus willing to sign CR forms on our behalf after confirmation from clients.

There is no further comment from Board members.

The Board approved the appointment of Tricor Services Limited as the Company Secretary of HKIRC Group.

3.3 Financial Performance for FY2020, KPIs and related items

Wilson presented those challenges we encountered during 2020, including the adverse economic situation and MIIT policy impact to HKIRC's business and briefed what HKIRC had done to drive the business. Then, he further presented the actual Profit & Loss result for 2020 (before audit). Total income for the year was \$39.3M which was about \$500K lower than that of last year or budget. Under pandemic situation, more cost saving actions, such as no recruitment for vacant position and no replacement for resigned position, had been done and total operating cost was \$28.3M which was much less than budget. Compared to last year, Office Cost was \$0.2M higher due to increase in office rental upon renewal of tenancy in Nov 2019, Other Cost was about \$0.5M higher due to \$0.38K legal and professional fees spent for MIIT project and \$0.2K consultancy fee to appoint PwC for a I.T. system review (mainly registrar and registry systems). Summary of PwC's study and recommendation will be reported in next Board Meeting.

Overall, the operating profit before bonus and public mission was \$10.9M for 2020, versus \$11.8M for 2019, reduced by \$0.9M.

Raymond asked about 2020 domain registration performance and he wanted to confirm if it is correct that the number of new domains for 2020 was dropped, but overall domain numbers at the end of the year was increased. Wilson confirmed it is correct, the number of new domains dropped, but due to better retention rate, the total domain numbers increased.

Stephen advised Wilson to elaborate to Raymond more about \$40M threshold under Competition Law for HKIRC's business. Wilson will arrange after the Board Meeting.

Raymond asked any office rental rebate (rental waiver of 6-months offered to tenants capped at 10,000 sq ft from 1 April 2020) under the impact of COVID-19. Wilson replied that there was no rebate offered to HKIRC according to HKSAR Government's guideline on launching the rental waivers for tenants of Cyberport. HKIRC is classified as a quango which cannot enjoy any rental rebate.

Regarding the future I.T. cost to be incurred based on recommendation from PwC, Raymond asked if we have included such cost in 2021 budget. Wilson replied that the report is not yet finished and we are still waiting to review PwC's final recommendation and assess how much future cost is required. We have budgeted a little cost for quick improvement in 2021. After reviewing the final recommendation from PwC, we will plan in details for long term purpose and include all necessary costs in the budget of 2022 or future years.

Wilson went through the actual results for all the ten KPIs approved by the Board in the beginning of the year. The total weighted score we achieved for 2020 was 4.25. According to "KPI to Bonus Table", staffs are entitled to 1.6 months bonus for 2020.

In the absence of all staffs, Wilson presented 2021 HKIRC Salary Review Proposal to the Board.

Finally, the Board approved the year-end bonus for staffs be 1.65 months of their basic salary. The Board requested management to send the details of bonus distribution by individual staff for their information. Regarding salary review for 2021, it will be postponed to review again in the mid of 2021 after more market information is available.

There is no further comment from the Board.

The Board noted the profit & loss performance of HKIRC Group for the year ended 31 Dec 2020 (before audit) and approved the year-end bonus for staff be 1.65 months of their basic salary.

3.4 Budget for FY2021

2021 overall P&L Budget

Wilson presented the business drivers for 2021 which covers both direct and indirect drivers. With reference to the performance of other Asian countries, he recommended a 2% year-on-year growth rate for the domain numbers from 2021 to 2023.

Then, he presented the proposed 2021 profit & loss budget. Registration and related income will budget to have 2% increment, interest income will be trimmed down to \$1.29M due to the significant drop in fixed deposits interest rate and there will be a sharing of \$0.2M revenue with the partner under MIIT project.

Budgeted operating costs will be all spending less than the actual spending of 2020. As a result, the budgeted operating profit before public mission and bonus for 2021 is \$9.2M. After netting budgeted public mission (details to be presented later) of \$10M and staff bonus of \$1.5M, we will experience a loss of \$2.3M for 2021.

Stephen raised a concern on the net loss position after budgeted spending of \$10M for public mission.

Gabriel commented that he had voiced out in his first time to join HKIRC's Board Meeting that we could determine a certain % on key financial parameters to govern the spending level for public mission. It is the same practice as the case for Cyberport.

Chairman opined that the budgeted operating profit before public mission for 2021 is considered reasonable, but management need to watch out carefully on cutting operating costs, particularly the i.t. costs in order not to affect the key objective of maintaining HKIRC's service quality and reliability.

Raymond commented that the budgeted bottom line is not the "final" figure since CEO's bonus is not included due to privacy concern. Regarding the spending for public mission, the invested projects must be well justified and management have to prepare a draft policy for the Board to approve which define what % of total income or other financial parameter to be used for better management in long term purpose.

i.hk Programmes – 2021 Cost Budget

Wilson presented the i.hk programmes (public mission projects) for 2021 which covers 2 sessions, the first one is about this year's target for the existing 4 programmes and second session is about the 4 new proposed programmes. He reported in details on the 4 existing i.hk programmes (Cybersecurity, Cybersec Infohub, Web Accessibility and Digital Marketplace seminar) on the work done in 2020 and proposed activities or target for 2021.

Then, he further reported the objectives and value to HKIRC for the 4 new proposed i.hk programmes, they are:-

- a. Annual Survey on HK e-Commerce User Behaviour
- b. Cyber Youth Programme
- c. Machine-to-machine Cybersecurity Information Sharing
- d. Cyber Defense Hub

He prioritize the above 4 new programmes in sequence of the most preference being c, b, d and a.

Chairman commented that the budgeted spending for public mission in 2021 is reasonable. Regarding the 4 new programmes, he agreed to go ahead in accordance to Wilson's recommended priority. In addition, he requested management to prepare a 3 or 5 years budget for i.hk programmes in order to allow better understanding and financial planning on the future development of public mission. It is because HKIRC is unlikely to increase domain price in the next few years and the programmes are usually continued for more than one year.

Stephen commented that HKIRC should co-operate with education institutions to organize the Cyber Youth Programme and then issue formal certificate to participants from the institutions after successful completion of the programme so as to increase its attractiveness. Wilson replied that we have contacted IVY and CUHK and will plan to work with them for this programme.

Chairman reminded management to prepare for the point that members may challenge how the new programmes benefit to them. Wilson responded that this point has been considered. For example, youth programme will apply to schools which are .hk users only.

2021 KPIs

Wilson presented the proposed targets for 2021 KPIs. Keep using existing 10 KPIs as for 2020, he explained in details how to set the proposed target for each KPIs. Overall speaking, the proposed targets are slightly tougher than 2020.

Raymond commented that a few KPIs, such as retention rate and customers satisfaction rates, are competitive and reasonable. A few KPIs, such as publicity, are easy to achieve. For the "Ongoing Career Development", it is good for career development, but he commented that the target should be set more towards the real benefits to the staff instead of just purely count on the training hours. Lastly, he recommended to add more targets for public mission since the spending is substantial. Existing targets are mechanical and management should review again and add more targets to ensure right setting of KPIs to get the best outcome for public mission.

Wilson responded that management will re-study the KPIs and present again in next Board Meeting.

There is no further comment from the Board members.

The Board approved the 2021 P&L Budget, including the cost budget for public mission. For the priority of the new programmes for i.hk projects, the Board approved the priority as recommended by Wilson.

3.5 Timetable for 2021 AGM and Board Member Election

Clarence presented the proposed timetables for 2021 AGM. The key date is the day of AGM which is proposed to be on 14 May 2021 (Friday). Based on this proposed AGM date, we work backward to determine some key dates. Firstly, the date to close membership application is set on 25 Feb 2021 (Thursday). Second is the nomination period for director election, same practice as prior years, a 3-weeks period from 8 Mar to 26 Mar 2021 is proposed. Then, the last key date is the date to serve Notice of AGM which is statutorily required to have not less than 21 days from date of AGM. We propose to set it on 20 Apr 2021 (Tuesday) instead of statutory minimum on 22 Apr 2021 to allow a little buffer for any emergency.

Wilson asked the Board to approve a few logistic issues relating to 2021 AGM. The first one is the location to hold 2021 AGM. Board members agreed to select the same venue in Cyberport. The second point is about video conference facility. Wilson reported that it was only one director who attend 2020 AGM through VC facility and it costed \$35,000. Board members suggest to make decision later to see the pandemic situation near AGM date.

The Board members have no further comment.

The Board approved the 2021 AGM to be held on 14 May 2021 in premises located in Cyberport.

3.6 2020 Annual Report – Directors Report, layout design and selection of printer

Wilson presented paper no. B6 on items relating to 2020 Annual Report (“AR”) which covers two areas, one on the content of Directors’ Report and the other on the AR layout. He reported the statutory requirement on the content of Directors’ Report and made reference to the ARs of Cyberport and HK Science & Technology Park. It is proposed to add back a section to mention Risk Management and Business Review presentation will follow that of HK China Light & Power to add a table to let readers know where to find relevant topics in the AR.

Raymond agreed and suggested to add reputational risk under the Risk Management section.

Annie further presented the AR layout from different suppliers. It is proposed the supplier to select Toppan and the layout to use Option B. Wendy prefers the layout to use Option A. It is concluded to ask Toppan to re-design a new layout to incorporate the themes for both Option A and B.

There is no further comment from the Board members.

The Board approved to accept the recommendation by management relating to the content of the Directors’ Report and AR vendor to select Toppan with layout to use a mix of Option A and B.

3.7 Change of bank authorized signatories

Wilson presented paper no. B7 to propose change to bank authorized signatories. Due to the changes in the Board composition, it is proposed to delete Profession Chin (retired) and add Raymond (newly appointed) as authorized signor of all bank accounts of HKIRC and HKDNR.

There is no further comment from the Board members.

The Board approved to delete Professor Chin and add Raymond as authorized signor of all bank accounts of HKIRC and HKDNR.

4. To review the following items

Paper No. C1, C2 and C3 will be reviewed by directors themselves. If there is any question, they can ask Wilson directly.

Regarding Paper No. C4, Wilson reminded all directors to mark their calendar on the proposed dates for coming Board, sub-committee, AGM and CAP meetings in 2021. The next Board Meeting is scheduled to be held on 8 April 2021 (Tuesday).

The Board noted the scheduled dates for Board, sub-committee, AGM and CAP meetings in 2021.

5. To conduct Performance Review with CEO

The Board reviewed with Wilson on his performance during 2020. It is approved the year-end bonus for Wilson be 3 months of his basic salary.

There is no further comment from the Board members.

The Board appreciated Wilson's performance and approved his year-end bonus be 3 months of his basic salary.

6. AOB

There is no other business.

Following items are taken to be read:-

7. Draft Minutes of Audit Committee Meeting held on 14 Dec 2020.

8. Monthly Reports:-

- 8.1 Finance and Statistics report
- 8.2 Marketing and Business Development report
- 8.3 Technology report
- 8.4 i.hk Projects update
- 8.5 Organization chart

The Board meeting was adjourned at 6:30 p.m.



Mr. Simon CHAN Sai Ming
Chairman

