



**Hong Kong
Productivity Council**
香港生產力促進局

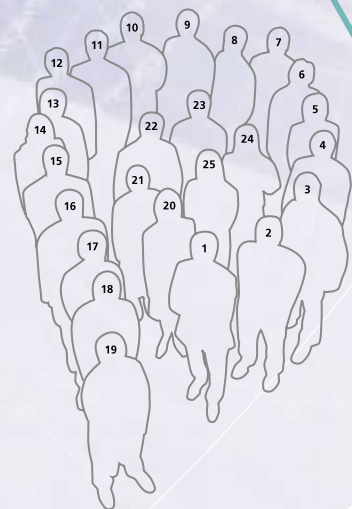


2006/07
Annual Report



Cover Design: Productivity in Action

For 40 years, “Productivity in Action” has become a way of life for HKPC consultants, the technology and management experts providing seamless integration across the value chain to enhance the competitiveness of Hong Kong companies. Dedicated and committed to the pursuit of productivity excellence, our HKPC people deliver professional services in the areas of manufacturing technology, environmental technology, information technology and management consultancy to meet the changing needs of industry.



Mr Wilson Fung, Executive Director of HKPC and a group of HKPC people from various Divisions show their commitment to productivity excellence by the formation of a “P” configuration.

- | | |
|--|---|
| 1: Mr Wilson Fung – Executive Director | 14: Ms Diana Ng – Innovation & IP Officer |
| 2: Mr Bryan So – Manufacturing Technology Consultant | 15: Mr Tony Leung – Security Officer |
| 3: Mr Daniel Sum – Environmental Management Consultant | 16: Mr Wilson Siu – Materials Technology Engineer |
| 4: Mr Yu Chi Shing – Training Consultant | 17: Mr Jack Chen – Management Trainee |
| 5: Ms Winnie Siu – Accounts Clerk | 18: Ms Wanda Chiu – Receptionist |
| 6: Ms Helen Chan – Administration Clerk | 19: Mr Desmond Liu – Environmental Management Consultant |
| 7: Mr Joseph Tang – Driver | 20: Ms Jessica Nan – IT Industry Development Consultant |
| 8: Mr Lau Yiu Hung – Materials Technology Engineering Assistant | 21: Ms Bobo Fung – Human Resources Sr. Consultant |
| 9: Mr Gary Cheng – IT Industry Development Consultant | 22: Dr Lawrence Poon – Automotive & Electronics Consultant |
| 10: Dr Lam Chi Chung – Materials Technology Sr. Consultant | 23: Mr Philippe Tang – Business Management Sr. Consultant |
| 11: Mr Chuck Fung – Manufacturing Technology Consultant | 24: Ms Tina Ng – Business Management Consultant |
| 12: Mr Ivan Wong – Process Management Asso. Consultant | 25: Ms Riva Wong – Receptionist |
| 13: Ms Chui Yee Ling – Tea Lady | |

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Corporate Profile

The Hong Kong Productivity Council (HKPC) is a multi-disciplinary organization established by statute in 1967 to promote increased productivity and the use of more efficient methods throughout Hong Kong's business sectors.

HKPC is governed by a Council comprising a Chairman and 22 members. This Council represents managerial, labour, academic and professional interests, as well as a number of government departments concerned with productivity issues.

HKPC and its subsidiary companies provide a multitude of services to around 3,000 clients each year. The operation of HKPC is supported by fee income from its services and a government subvention in balance.

With 28 Centres of Excellence, 10 testing laboratories, as well as exhibition and training facilities at its headquarters at the HKPC Building in Kowloon Tong, HKPC provides a diverse range of services in manufacturing technology, information technology, environmental technology and management systems to clients from different industrial and commercial sectors.

As the Hong Kong economy continues to move to higher value-added production, a constant flow of creatively applied technology is essential if the territory is to stay ahead in competitive global markets. To fulfil its role, HKPC is focused on both new technologies and continuous competence development in order to upgrade the performance of its workforce.

HKPC's ability to serve its customers depends largely on the diverse professional skills, teamwork and loyalty of its employees. The competence of its professional staff, especially in keeping abreast with the latest technological developments and global trends, is a high priority of HKPC's staff development programme. In order to provide one-stop services to its clients, HKPC encourages cross-divisional collaboration and inter-disciplinary teamwork.

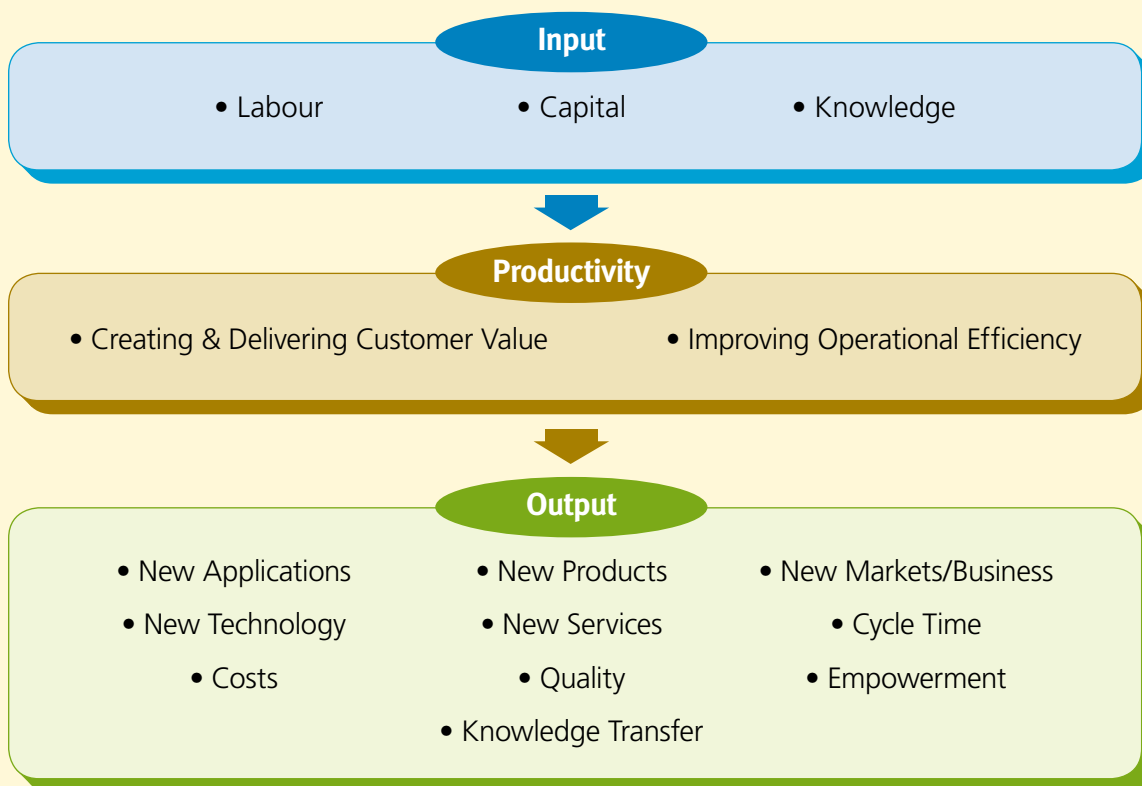
HKPC endeavours to meet the needs of clients to enhance their competitive advantages in both the local and world markets. HKPC is committed to providing professional and efficient services in a supportive environment. Total customer satisfaction forms the core service goal of HKPC's team of professional consultants.

Mission

HKPC's mission is to promote productivity excellence through the provision of integrated support across the value chain of Hong Kong firms, in order to achieve a more effective utilization of resources, to enhance the value-added content of products and services, and to increase international competitiveness.

Definition of Productivity

Productivity is the effective use of innovation and resources to increase the value-added content of products and services. It is the true source of competitive advantage that creates long-term economic viability and a better standard of living for all.



Organization Structure



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graph TD; Root[ ] --- MPB[Manufacturing Productivity Branch]; Root --- PPB[Product Productivity Branch]; Root --- BPB[Business Productivity Branch]; Root --- CSB[Corporate Services Branch];
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Manufacturing Productivity Branch

- Manufacturing Technology Division
- Materials Technology Division
- Productivity Training Institute

Product Productivity Branch

- Innovation and IP Division
- Automotive & Electronics Division
- Environmental Management Division

Business Productivity Branch

- IT Industry Development Division
- Process Management Division
- Business Management Division

Corporate Services Branch

- Corporate Communications Division
- Finance Division
- Human Resources & Administration Division
- Council Secretariat

Gearing up **for New Challenges**







Message from the Chairman

On a typical working day, HKPC consultants could be seen in action in different locations driving productivity enhancement for a wide spectrum of the industrial sector. Their activities could be as diverse as attending a business meeting with clients in a boardroom, testing a treatment process in a material laboratory to collecting effluent sample from a sewer in a manufacturing plant.

For 40 years, “Productivity in Action” has become a way of life for our “HKPC People”. Today, as we move into yet another chapter of HKPC, we pledge to keep up our momentum for continuous pursuit of productivity excellence to meet the changing needs of industry against a business landscape that is filled with both challenges and opportunities.

Operating in an era where technologies and processes, as well as factors that determine competitiveness are changing more rapidly than ever, productivity enhancement has become an immensely challenging task. Amid this challenging time, we successfully recruited Mr Wilson Fung as the Executive Director of HKPC in December 2006. Mr Fung brings with him over 20 years of experience in the HKSAR Government. His knowledge and experience in such diverse areas as infrastructure, housing, human resources, information technology,

civil aviation and competition policy are vast by any standards. His public sector experience at the policy level and understanding of Hong Kong’s competitive edge will no doubt assist me to steer HKPC towards new heights in the years to come.

With the increasing number of Hong Kong manufacturers in the Pearl River Delta (PRD), we have been expanding our presence across the border to provide these enterprises with integrated support across the value chain. Our efforts to forge closer technological collaboration between Hong Kong and the Mainland will be further strengthened when the Shenzhen SZ–HK Productivity Foundation Co., Ltd, which was incorporated in 2005/06 as a joint venture between our Shenzhen company and the Shenzhen Productivity Promotion Centre of the Shenzhen Municipal Government, commences full operation in October 2007. This new joint venture will support the development of Hong Kong and Mainland SMEs in the areas of technology innovation, CEPA business opportunities, information services, management and training, and product promotion.

In response to the HKSAR Government’s “Action Blue Sky” campaign, HKPC will continue to accord high priority to



The Hon Andrew Leung (second from left), Mr Joseph Wong (second from right), former Secretary for Commerce, Industry and Technology, HKSAR Government, and Dr Samson Tam (right), Deputy Chairman of HKPC, officiate the installation of the Productivity Time Capsule to commemorate HKPC's 40th anniversary.

the research and development of new environmental technologies, especially in the areas of cleaner production and green productivity. In addition, we will continue to provide consultancy services to assist Hong Kong manufacturers in the PRD to comply with local environmental regulations. As a pioneer of green productivity 25 years ago, HKPC is indeed well positioned to support the development of the local environmental industry and assist enterprises in their green drive both in Hong Kong and in the PRD.

To help industry move up the value chain, HKPC is committed to driving the development of industries that offer high growth potential. In this context, HKPC recognizes the vast opportunities offered by the rapidly growing

automobile industry in the Mainland and thus the increasing demand for automotive parts and components. With the HKSAR Government's setting up of the Hong Kong Automotive Parts and Accessory Systems R&D Centre in April 2006, HKPC, acting as the Centre's hosting organization, will continue to work closely with industry, universities and technology institutes to initiate market-led research and development (R&D) projects and support the Hong Kong automotive parts sector in tapping the vast opportunities in the Mainland.

The aviation industry, much like the automotive parts industry, is also a market with great potential for Hong Kong manufacturers. With increasing demands for PMA (Parts Manufacturer Approval) parts, HKPC will undertake to provide technology and compliance support to local manufacturers interested in exploring this emerging market.

The medical devices market is also expanding at a fast pace today with the aging population and increased health consciousness worldwide. However, for local manufacturers to enjoy a share of this booming industry, they must first acquire state-of-the-art technologies in order to develop products that comply with the stringent international regulations and quality system requirements. In the coming years, HKPC will step up its efforts to develop

and transfer key technologies to assist manufacturers to gain a competitive edge in this lucrative market.

In support of the Government's initiative to enhance the competitiveness of Hong Kong's logistics industry, HKPC will continue to give priority to support logistics practitioners by promoting the application of information technology for improved information connectivity and providing relevant training and consultancy services.

Fast gaining global recognition is Hong Kong's digital entertainment industry. As manager of the Hong Kong Digital Entertainment Industry Support Centre set up by the Office of the Government Chief Information Officer (OGCIO) in 2005, HKPC will accelerate its efforts in providing integrated services and resources for the development of new technologies and new businesses for this industry.

HKPC, as the productivity partner for local industry, has always worked hand in glove with trade associations across a range of industry sectors. This synergy between HKPC and industry will be further enhanced with the official opening in December 2007 of

the Centrepoin, a permanent platform at the HKPC Building for local trade associations to converge for cross collaboration and business networking. Covering an area of over 290 metres and equipped with multi-media display booths for trade associations, cyber kiosks with Wi-Fi enabled network, 24-hour news and international finance broadcast as well as coffee and business lounges, the Centrepoin will no doubt become a "hot spot" for productivity networking in Hong Kong.

Finally, I would like to express my gratitude to all our Council Members and staff of HKPC for their relentless efforts and dedication. Giving their very best, they have all contributed to "Productivity in Action" for a better quality of life for the people of Hong Kong.



The Hon Andrew Leung,
SBS, JP
Chairman

Council Membership



(From left to right)

Front row: Mrs Jenny Chan, Ms Goretti Lau, Mrs Agnes Mak, The Hon Andrew Leung (Chairman),
Dr Carrie Willis, Ms Cheung Lai-ha

Middle row: Mr Paul Yin, Dr Samson Tam (Deputy Chairman), Mr Victor Ng, Mr Kwok Kwok-chuen, Mr Poon Siu-ping

Back row: Mr Willy Lin, Mr Joseph Lai, Dr Raymond Chan, Mr Anthony Wong, Mr Cliff Sun, Mr Daniel Yip,
Mr Choi Kam-wah, Mr Oscar Chow

(Absent from the photo: Mr Fan Cheuk-hung, Mr Francis Ho, Prof Lee Wing-bun and Prof Tuan Chyau)



Chairman

The Hon Andrew Leung Kwan-yuen, SBS, JP

Deputy Chairman

Dr Samson Tam Wai-ho, JP

Management Representatives

Dr Raymond Chan, JP

Mr Oscar Chow Vee-tsung

Mr Fan Cheuk-hung

Ms Goretti Lau Wai-kuen

Mr Willy Lin Sun-mo, SBS, JP

Mrs Agnes Mak Tang Pik-yee, JP

Mr Cliff Sun Kai-lit, BBS, JP

Mr Paul Yin Tek-shing, BBS

Mr Daniel Yip Chung-yin

Professional/ Academic Representatives

Prof Lee Wing-bun

Mr Victor C.K. Ng

Prof Tuan Chyau

Dr Carrie Willis, MBE

Labour Representatives

Ms Cheung Lai-ha

Mr Choi Kam-wah

Mr Poon Siu-ping, MH

Public Officers

Mr Francis Ho, JP

Permanent Secretary for Commerce,

Industry and Technology

(Communications and Technology)

Mr Anthony S.K. Wong, JP

Commissioner for Innovation and Technology

Mr Joseph Y.T. Lai, JP

Director-General of Trade and Industry

Mr Kwok Kwok-chuen, BBS, JP

Government Economist

Mrs Jenny Chan, JP

Deputy Commissioner for Labour

Auditors

KPMG

Legal Advisers

Messrs Wilkinson & Grist

As at 31 March 2007

The Year in Review from the Executive Director



Engaging People for Performance

The success of any organization relies heavily on its people. They are the key assets that make the difference.

When I joined HKPC as Executive Director in December 2006, I summarized the essence of my

forthcoming plans in two words – “people management”. As an established organization spearheading the application of advanced technologies and innovation, HKPC relies heavily on the expertise of its pool of experienced and skilled professionals. Developing people asset was therefore one of my top priorities.



As a first step, I set out to establish a staff development programme, performance recognition scheme and a staff morale index at HKPC. To enhance internal communications, regular briefing sessions were held with staff to allow direct dialogue between the senior management and staff. Necessary organizational realignment was also undertaken to further strengthen our capability in meeting industry needs. With the support of my colleagues, our initiatives have been well received by staff and we are beginning to see their positive impact on our overall performance.

The Year in Review

During the year, HKPC continued to fulfill our mission in driving productivity excellence through focused endeavours in four complementary areas, namely, manufacturing technology, environmental technology, information technology and management systems.

With our extensive industry network, HKPC has been playing an active role in matching industry needs with various Government funding schemes to promote innovation, strengthen capabilities and enhance services.

To this end, in 2006/07, HKPC engaged in seven projects supported by the Innovation and Technology Fund (ITF), five projects financed by the SME Development Fund and 10 under the Professional Services Development Assistance Scheme of the HKSAR Government.

Especially worth mentioning is our support for the Guangdong/Hong Kong Technology Co-operation Funding Scheme. To date, HKPC has initiated or undertaken eight research projects since the launch of the Scheme in 2004. Technologies developed and know-how gained from these funded projects were disseminated to industry through publications, seminars, consultancy and training programmes.

As an essential part of our overall support to industry, HKPC organized a total of 22 conferences and 20 study missions in 2006/07 to help industry explore technology and business collaboration opportunities worldwide. In addition, we organized over 469 training programmes for more than 15,000 participants from various industry and service sectors.

Upgrading Manufacturing Process

To accelerate Hong Kong manufacturers' moving up the value ladder, HKPC provided technology and process upgrading services to Hong Kong industries through sourcing, development and transfer of advanced technologies.

During the year, HKPC broke new grounds in the application of micro fabrication technologies to assist industry to ride on the trend towards miniaturization of components and products. In co-operation with local machinery builders, HKPC completed the development of a micro-injection moulding machine, enabling plastic manufacturers to produce precision parts with wide applications in emerging industries at affordable cost.

With growing concern over the environmental impact of plastic products, HKPC made great efforts in promoting the usage and development of environmental friendly thermo-plastics as well as degradable plastics and additives.


Our efforts to support the growth of the local automotive parts sector continued to be one of our key focus areas in

2006/07. As the hosting organization of the Hong Kong Automotive Parts and Accessory Systems R&D Centre (APAS) since April 2006, HKPC assisted local industries to upgrade their capabilities through Government-funded projects and eventually to enter or take a larger share of the enormous auto parts market.

Recognized as a pioneer in magnesium die-casting process in Hong Kong, HKPC continued to introduce new technologies to help Hong Kong manufacturers enter the fast expanding market of magnesium automotive parts. In 2006/07, HKPC completed an ITF project on magnesium injection moulding technology, which can deliver parts with superior strength and quality at lower cost.

Apart from hosting the APAS, HKPC also actively engaged in research projects of the Centre. Three projects initiated by HKPC on Microcellular Foam Injection, Tube Hydroforming and Rheo-diecasting were approved during the year. These projects will push the process capabilities of Hong Kong manufacturers to the next frontier for producing high quality and complex auto parts.

In addition, during the year, our team of automotive professionals also provided business development, testing



and consultancy services, as well as organized a series of study missions to visit auto OEMs and Tier 1 suppliers in various automotive production bases in the Mainland.

Seeking Greener Pastures

Having provided 25 years of service in green productivity for Hong Kong industries, HKPC continued to introduce new solutions to assist manufacturers to meet the stringent green requirements both locally, in the PRD and internationally. One major initiative was the Pilot Cleaner Production Technical Support Project, which has proven to be successful in engaging manufacturers in cleaner production to combat air pollution and resources scarcity problems in the PRD region.

In support of the HKSAR Government's Action Blue Sky Campaign, HKPC initiated the development of a Hybrid Electric Vehicle (HEV) with industry partners during the year. Offering a green solution to improve fuel efficiency and reduce emissions, the HEV is capable of achieving at least 30% saving in fuel and 60% reduction in vehicular emission.

To assist manufacturers to comply with the European and the Mainland's environmental regulations, through

its Green Manufacturing Network (GMN), HKPC organized a series of awareness and capability-building seminars, workshops, study missions and training courses in 2006/07, which were attended by more than 1,200 industry and business representatives.

During the year, HKPC successfully transferred some of its environmental solutions to the private sector through technology commercialization. In April 2006, through its subsidiary, the HKPC Technology (Holdings) Co., Ltd. (HKPCT), HKPC signed the first licensing agreement with Nishitani (Asia) Ltd for the commercialization of the Handy Toilet Waste Disinfection System (HTWDS) developed by HKPC. Marking a new chapter for HKPC in technology commercialization, this licensing agreement was the first transaction of the HKTHL. 93 HTWDS were installed in the Infectious Disease Control (IDC) Centre of the Princess Margaret Hospital in August 2006.

Fostering IT Industry Development

Our support to the local IT industry dated back to the early 1970's when HKPC organized training programmes for punch card operators. Now in an age of omnipresent Internet access and

skyrocketing hardware speed, HKPC is still working closely with the industry to promote IT adoption, explore market opportunities and enhance IT security.

A notable development during the year was the collaboration among HKPC, the Guangdong Linux Center (GDLC) and industry partners to help Hong Kong software companies tap the booming open source software (OSS) market in the Mainland.

In November 2006, HKPC and the Hong Kong Information Technology Federation launched a programme to assist local software companies to apply for listing on the Guangdong e-Government Linux Software and Hardware Recommended Procurement List. This initiative provided a new channel to promote Hong Kong's OSS solutions to the Mainland.

In addition, HKPC also embarked on the setting up of the Hong Kong Open Source Software Centre (HKOSSC) with the support of GDLC and IBM China/Hong Kong Limited. Its aim is to provide technical support and promotion, training, technology transfer, as well as business and technology matching to industry players and end-users on the deployment and development of OSS

solutions. The HKOSSC is scheduled for opening in 2007/08.

Pursuing Management Excellence

Management excellence is the prerequisite for business success. As an essential element of our one-stop support to industry, during the year, HKPC provided consultancy to help local companies achieve management excellence in different areas, including quality, performance, process, leadership, company culture, talent development as well as customer services.

In 2006/07, HKPC continued to be the professional consultant for the Quality Tourism Services scheme, established by the Hong Kong Tourism Board to give recognition to quality service providers. During the seven years ending March 2007, some 1,300 establishments representing 6,000 outlets have been accredited under the scheme. HKPC also contributed to the extension of the scheme to cover visitors' accommodation beyond the retail and dining sectors.

As a promoter of quality and productivity excellence, HKPC actively participated in various award schemes

to facilitate benchmarking and sharing of best practices among companies in the trade. HKPC continued to be the organizer of the Hong Kong Awards for Industries: Productivity and Quality. The Award recognizes continual enhancement of productivity and quality by business enterprises. Thirty companies from the manufacturing and service sectors participated in the 2006 Awards Scheme. We also engaged in the assessment of the Shenzhen Mayor Award and the China Quality Management Award.

Forging Closer Links with Industry

Capitalizing on HKPC's people asset, we would focus on further strengthening our capabilities through synergy building by forging closer ties with industry. In this connection, we will launch the Centrepoint as a permanent platform at the HKPC Building for local and Mainland trade associations to converge for business networking and promotion. When officially opened in December 2007, the Centrepoint would also serve as a multi-purpose facility for the staging of industry support programmes such as monthly themed promotion, business matching events and networking activities.

We came through the transitional year with significant accomplishments. Looking ahead, we will continue to embrace the challenges on the horizon and work closely with industry to create yet another milestone in productivity enhancement.



Wilson Fung
Executive Director



Reaching for Blue Sky



Reaching for Blue Sky



Mr Fritz Chan, Consultant,
Automotive and Electronics Division,
HKPC, examines the solder joints of
a tested printed circuit board.

Environmental issues are posing a serious threat to sustainable development. In July 2006 the HKSAR Government launched the “Action Blue Sky” Campaign to improve air quality in Hong Kong. In support of this campaign, HKPC undertook numerous initiatives to assist industry to adopt Cleaner Production (CP) measures to reduce emissions and resources consumption, as well as enhance energy efficiency.

These included a consultation forum to explore the role of the manufacturing industry in environmental protection. Representatives from more than 20 local industry associations attended the forum and reached a consensus that CP offers the best means to combat environmental challenges. Subsequent to the consultation, HKPC submitted a proposal to the HKSAR Government. With the support of industry and the Government, HKPC will move ahead in full steam to implement the proposed CP initiatives.

HKPC's efforts in promoting "green productivity" date back to a quarter of a century ago when this was just an emerging phenomenon. Today "green productivity" has been broadened to cover a wide spectrum spanning green manufacturing, waste management and resource conservation to air quality control. Building on its past experience, HKPC is well positioned to serve the green needs of the business community.

PROMOTING CLEANER PRODUCTION (CP)

To promote the adoption of CP initiatives to Hong Kong manufacturers in the PRD, HKPC launched a three-phase Pilot Cleaner Production Technical Support Project in December 2006, funded by the Environment Protection Department (EPD) of the HKSAR Government.

Focusing on reducing pollutant emissions and enhancing energy efficiency, the Pilot Project completed its first phase with the identification of feasible CP practices for 14 manufacturers, representing diverse sectors such as printing, metal products, mineral products, chemicals, paper products, textile bleaching and dyeing and machineries. It is anticipated that the next two phases would be completed by the end of 2007.

During the year, HKPC developed a low-cost flue gas desulphurization (FGD) scrubber system which can remove 30% of sulphur dioxide emitted by emergency power generators. Using alkaline limestone pellets to neutralize the acidic gas, the system was retrofitted successfully on a 400 kVA generating set in Shenzhen. Costing only 24% of the conventional and 67% of the wet scrubbing FGD systems, this system offers a low-cost technology option to industries in Hong Kong and the Mainland.

Through energy audits and consultancy services, HKPC also helped industry adopt green manufacturing practices. A case in point was the support service for a local printing company. By implementing alterations in the chilling plant and retrofitting the lighting system with energy efficient fluorescent tubes, the company was able to save 3.06 million kwh of electricity, worth \$2.6 million during the five-year project period.

In addition, HKPC continued to enhance the capabilities of energy professionals through its training services. This included the "Advanced Energy Audit Training Course" under the Professional



HKPC publishes guidebooks and CD-ROMs on environmental regulations and standards compliance to assist industry in enhancing competitiveness.

Services Development Assistance Scheme (PSDAS), which was attended by over 100 participants.

Moving towards Green Productivity

The essence of green productivity lies in the reduction or elimination of waste and hazardous substances at the source itself. To this end, HKPC strived to promote eco-design, elimination of toxic wastes and recycling of raw materials, in addition to supporting enterprises in water and energy conservation. Through consultancy, testing, training and information support services, HKPC helped industry comply with international and local environmental regulations and standards, and to make the transition towards green manufacturing.

International Regulations and Standards

Among the most important regulations on green manufacturing are the European Union's directives on handling Waste Electrical and Electronic Equipment (WEEE), Restriction of the Use of Certain Hazardous Substances in Electrical and Electronic Equipment (RoHS), eco-design requirements of Energy-using Products (EuP), and Registration, Evaluation and Authorisation of Chemicals (REACH), as well as the Mainland's "Measures for Administration of the Pollution Control

of Electronic Information Products" (commonly known as "China RoHS"). In addition, industry is also concerned with international standards such as QC 080000 and ISO 14001.

China RoHS, WEEE, EuP and REACH

To enhance companies' capabilities in compliance management, HKPC organized a series of awareness and capability-building seminars, workshops, study missions and training courses in 2006/07, which were attended by 1,200 industry and business representatives.

During the year, HKPC produced various publications and tools to assist industry in standards compliance and implementation of eco-design practices. These included the RoHS Reference Guide, a Smart eco-Design CD-ROM for professionals in designing inherently environment friendly products, and the "Practical Handbook for Ecodesign of Household Appliances in Compliance with WEEE" to facilitate the design and manufacture of plastic and metal parts.

The transition from lead-containing to lead-free electronics is a mandatory requirement of RoHS. During the year, HKPC launched a lead-free soldering capability evaluation kit, assisting manufacturers to validate their lead-free soldering process capability. HKPC also provided reliability evaluation services

for solder joints of tested printed circuit boards, and offered RoHS data management solutions to facilitate the industry's RoHS compliance.

Through its Green Manufacturing Network, HKPC provided an integrated channel to keep industries abreast of the latest information in international environmental regulations and standards.

QC 080000 IECQ HSPM and ISO 14001

To assist industry to implement Hazardous Substance Process Management (HSPM) System in accordance with international specifications, HKPC launched the QC 080000 IECQ HSPM consultancy services and provided related training to industry.

While preparing industry for further compliance with the QC 080000, HKPC continued to provide consultancy and training services on ISO 14001:2004. During the year, HKPC organized two seminars to introduce this standard to the toys and textile industries. In addition, HKPC also provided support to the electronics, jewellery, logistics, transportation, as well as the public sectors.

Air Pollution Control, Water and Energy Conservation

HKPC continued to provide one-stop environmental consultancy services



Mr Michael Lui (left), Consultant, and Mr Alfred Chan, Project Supervisor, Environmental Management Division, HKPC, inspect the air pollution control equipment for a client in Tai Po.

to assist industry to attain green productivity. A case in point was the design and installation of two sets of air pollution control equipment for an aluminium work in Tai Po for treating exhaust gases from the furnaces. HKPC also designed and installed comprehensive water pollution control systems for the plant to treat different wastewater streams at source, besides providing services for stack monitoring to ensure that emissions comply with the licensing conditions.

In addition, HKPC provided consultancy service to an aircraft engineering and maintenance company to reduce the emission of Volatile Organic Compounds from its spray-painting operations. HKPC

successfully designed and installed a mechanised system to extract, capture and treat paint mist, which was integrated with the existing equipment to ensure smooth operations.

During the year, HKPC continued to develop and promote advanced water recycling technologies to industry. This initiative provided timely assistance to industry in meeting the Guangdong Provincial Government's regulations on limiting water usage for different industries while achieving specific water re-use targets at the same time.

In 2006/07, HKPC assisted a Hong Kong printed circuit board manufacturer in Dongguan to recover over 60% of

its industrial wastewater, equivalent to 5,000 m³/day, into clean water with the advanced Dual Membrane System using HKPC's proprietary S-IX technology for metal removal. HKPC also helped a group of Hong Kong-owned leather companies in Shenzhen to identify appropriate sites in PRD to relocate their manufacturing operations in order to cope with the tightened environmental requirements including effluent discharge.

HKPC's patented construction site wastewater treatment plant technology received further acceptance during the year. With HKPC's support, the licensee was able to sell more than 30 systems to Singapore, Australia and Macao.



HKPC develops a Handy Toilet Waste Disinfection System that can effectively disinfects the raw sewage at source.

Hygiene and Food Safety

In 2005, HKPC successfully developed a Handy Toilet Waste Disinfection System with a patented technology which disinfects the raw sewage at source. In 2006/07, 93 systems were installed in the Infectious Disease Control (IDC) Centre of the Princess Margaret Hospital. The technology was licensed to the private sector in April 2006 and is being promoted to the international markets.

Commissioned by the HKSAR Government, HKPC continued to implement the Quality Seawater



Mr K W Fung (left), Consultant, and Ms Catherine Ng, Lab Technologist, Environmental Management Division, HKPC, conduct water sample tests for Legionella bacteria.

Assurance Scheme to enhance the quality of seawater used for keeping live seafood. Since its launch in 2006, about 250 seawater suppliers and seafood traders, including seafood wholesalers and distributors, restaurants, super-markets and market stalls have participated in the Scheme.

Environmental Monitoring and Testing

The Environmental and Product Innovation Laboratory of HKPC continued to provide analytical services and support to manufacturers as well

as the community, to identify potential environmental issues, verify regulatory compliance, and assess system performance. In 2006/07 the Laboratory processed 1,070 water samples from cooling towers for Legionella bacteria and another 25,617 samples for a wide range of clients for different environmental indicators. It also conducted assessment for three newly built crematoria at Kwai Chung, Fu Shan and Diamond Hill to ensure that these facilities comply with air pollution regulations.





Driving Industry Growth

Driving Industry Growth



A critical process for thin-film sensor production – pyroelectric thin-film deposition using RF sputtering

To help local industry move up the value chain, HKPC endeavors to facilitate the development of industries that offer high growth potential. In 2006/07, HKPC further stepped up its effort in various sectors including the automotive parts and medical devices industries as well as the logistics and digital entertainment industries.

Gearing up Support for Automotive Parts Industry

As the third-largest automobile producer in the world, China has a robust

demand for the production of auto parts and accessories.

Recognizing the potential of this industry and its economic implications for Hong Kong, the HKSAR Government set up the Hong Kong Automotive Parts and Accessory Systems R&D Centre in April 2006 and appointed HKPC as its hosting organization. Serving as an industry front-end for the Centre, HKPC worked closely with the industry, universities and technology institutes to initiate market-led R&D projects and commercialize their results in four focus

areas, namely, Electronics & Software, Safety Systems, New Materials & Processes, and Hybrid, Electric Drives & Environment.

Leveraging on its extensive industry network, HKPC facilitated individual companies to formulate and submit project proposals to the R&D Centre. Altogether, 7 collaborative and 16 platform technology project proposals were submitted in the first round in 2006/07, involving more than 30 manufacturers and 4 universities.

HKPC also collaborated with local industry to introduce market-led research projects using their own resources. Major projects included the development of a price-competitive hybrid electric drive system for passenger vehicle; the technology that can effectively reduce particulates and emission of harmful gases from commercial diesel vehicles; the car telematics and communication platforms for receiving up-to-the-minute road/traffic information; as well as the digital wireless car reversing display to alert pedestrians and other drivers on possible danger resulting from vehicle reversing.

Furthermore, HKPC extended its support to the automotive sector by providing business development, testing and consultancy services. During the year, HKPC organized more than 12 exhibitions, seminars and conferences to help local industries explore this rapidly growing market. HKPC organized study missions with the R&D Centre to visit auto OEMs and Tier 1 suppliers on the Mainland including Chongqing, Nanjing, Zhejiang and Anhui.



Mr Desmond Liu, Consultant, Environmental Management Division, HKPC, installs a battery on a hybrid electric vehicle jointly developed by HKPC and its industry partners to improve fuel efficiency and reduce emissions.



Mr Thomas Lei, Associate Consultant, Materials Technology Division, HKPC, tries out the thin-film sensor generating machine developed for the medical devices industry.

In addition, HKPC co-organized seminars with leading automobile OEMs for local Hong Kong auto parts manufacturers to better understand quality management and logistics requirements of global automobile companies such as Toyota, Ford and Daimler Chrysler.

During the year, HKPC also provided testing services for auto parts and components validation to support local manufacturers in meeting the stringent

safety and reliability requirements in order to enter the automotive supply chain. HKPC designed testing plans with its technical partners, which were defined by international standard bodies such as SAE (The Society of Automotive Engineers). As a result, HKPC tested different types of auto parts such as truck brake system, alternative fuel and motor oil filter.

HKPC offered consultancy services and training for auto parts suppliers to achieve quality management certification such as ISO/TS 16949. Under the support of the Guangdong–Hong Kong Technology Cooperation Funding Scheme, HKPC successfully implemented a project in 2006/07 to enhance the manufacturing management practices of automotive components manufacturers in the PRD region.

The project integrated the concept of ISO/TS 16949:2002 (TS-2) and Six Sigma that focused on process improvement and variation reduction. A reference manual was compiled during the year to assist automotive components manufacturers to apply the TS-2/Six Sigma combined model. Seven manufacturers successfully implemented this system.



Developing Technologies for Medical Devices Industry

Aging population and increased health consciousness are boosting worldwide demand for medical devices and healthcare equipment. Much like the automotive parts industry, the medical device market has great potential but presents challenges. Manufacturers must acquire state-of-the-art technologies in order to develop products that comply with stringent international regulations and quality system requirements.

In Hong Kong, although several local medical and healthcare devices and components manufacturers are already certified with ISO 13485:2003, the industry still requires extensive support to gain greater acceptance in the global markets.

One important focus of HKPC is to develop and transfer key technologies to manufacturers for the production of critical components for medical equipment. By offering total solutions to the local medical community, HKPC provided support in developing concepts into designs and products. These services included prototyping of prosthesis, bio-readers, nebulisers and wrist acupuncture devices.

In 2006/07, HKPC, as the implementation agent for the Hong Kong Medical and Healthcare Device Manufacturers Association Limited, commenced an ITF project on the development of thin-film sensor for medical diagnostic equipment to enhance local manufacturers' capability to develop new products at competitive cost.

During the year, two ITF projects were also approved. One involved collaboration with the University of Hong Kong to develop implantable artificial finger joints and the other was to develop a novel CAD/CAM system for dental prostheses production.

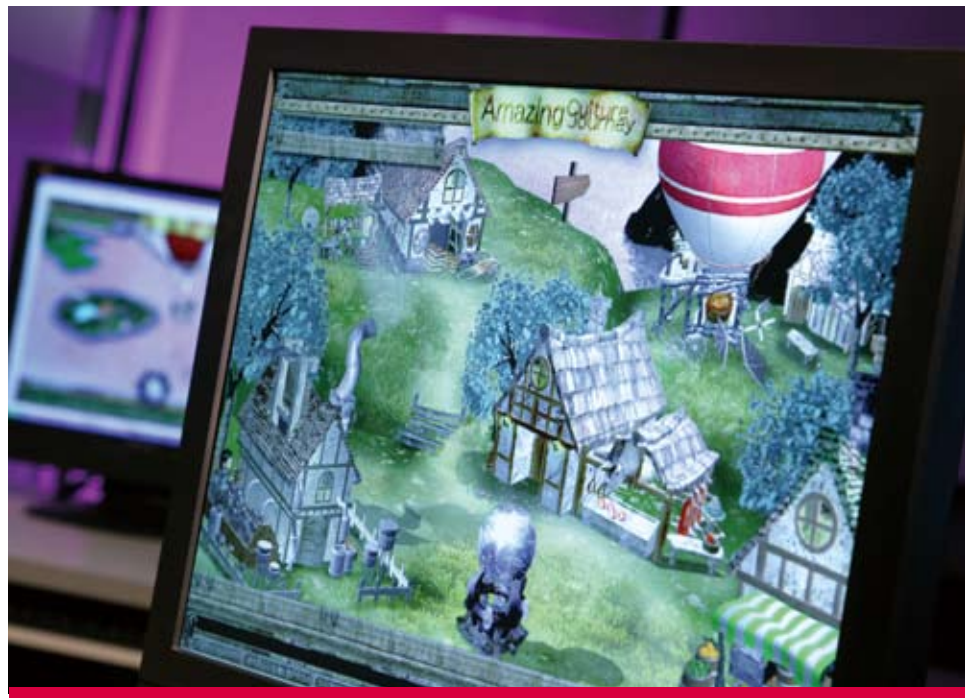
During the year, HKPC provided consultancy services and advisory support to more than 20 local companies in obtaining product certifications such as CE-marking and FDA 510(k) and quality system certifications such as ISO 13485 and FDA cGMP. In addition, HKPC implemented a government funded project for The Hong Kong Institution of Engineers (Biomedical Division) to help local medical devices industry establish a risk management system based on the most updated ISO 14971 standard. A reference manual would be compiled for dissemination to the industry.

Supporting IT Industry Development

To help IT firms achieve global competitiveness and gain access to the Mainland market, HKPC actively promoted open source-based systems and applications to Hong Kong software vendors. In November 2006, a programme was jointly launched with the Hong Kong Information Technology Federation to assist software companies to apply for listing on the Guangdong

e-Government OSS/Linux Software and Hardware Recommended Procurement List. With assistance from HKPC, 15 software companies successfully enlisted their 20 software products.

The Mainland's "Computer Information System Integration Qualification Certification" (SIQC) is a pre-requisite for Hong Kong companies taking up Mainland IT projects. Commissioned by the Office of the Government Chief Information Officer (OGCIO) of the



HKPC's game-based e-learning system ensures a joyous and fruitful learning experience.



HKSAR Government, HKPC started providing SIQC assessment services for local enterprises in 2005 through its System Integration Qualification Assessment Centre (SQAC). In 2006/07, seven Hong Kong firms successfully obtained the certification.

A “game-based” e-Learning system was developed by HKPC to help learners acquire knowledge through a “Monopoly” style computer game. This new learning and teaching technique generated great response from users in 2006/07. HKPC assisted 15 local and multi-national companies, government departments and schools to develop their customized e-Learning systems.

Enhancing Competitiveness of Logistics Industry

Hong Kong has traditionally been the logistics hub of the Asia-Pacific region and a gateway to the Mainland. However, with the rapid development of port and airport facilities in South China, Hong Kong’s premier position in handling Mainland cargoes is being challenged.

To maintain its competitiveness, it is imperative for Hong Kong to enhance the cost-effectiveness of cross-boundary freight transport. Strengthening

information connectivity by the application of information technology is essential for the Hong Kong logistics industry to provide reliable and high value-added services.

In support of the Government’s initiative to enhance the competitiveness of the logistics industry, as highlighted in the Financial Secretary’s Budget Speech 2007-08, HKPC serves as the project manager and technology expert in the implementation of the On-Board Trucker Information System (OBTIS) sponsored by the LOGSCOUNCIL.

By making use of information technologies such as GPS, on-board display and a backend data interchange server, OBTIS aims to significantly enhance the connectivity and visibility of the essential trucking information along the supply chain, improving the efficiency of trucking operations by at least 20%. OBTIS is expected to launch its trial run in 2007 and a full pilot operation covering 500 trucks will be rolled out in 2008.

In August 2006, HKPC jointly organized a series of workshops and technology demonstration sessions with the LOGSCOUNCIL. The programme focused on enhancing logistics practitioners’ knowledge of information technology

and automation techniques applicable to e-documentation, warehouse and fleet management, etc. A total of 19 workshops and 8 demonstration sessions have been organized for over 1,300 participants. As a highlight of the programme, HKPC organized the Logistics Technology Forum in March 2007. Industry leaders and vendors shared their views and experiences of applications of the latest logistics technologies. The event was attended by over 500 representatives from the local logistics and trading sectors.


Fuelling Growth of Digital Entertainment Industry

Not only have information technologies transformed the global supply chain, the popularity of the Internet and digital media production tools have also fuelled the rapid growth of the digital entertainment sector.

Hong Kong's digital entertainment industry is fast gaining global recognition. To enhance the competitiveness of this nascent and



Mr K W Tao, Consultant, Information Technology Industry Development Division, HKPC, puts his creativity and skills to work for a digital entertainment project.



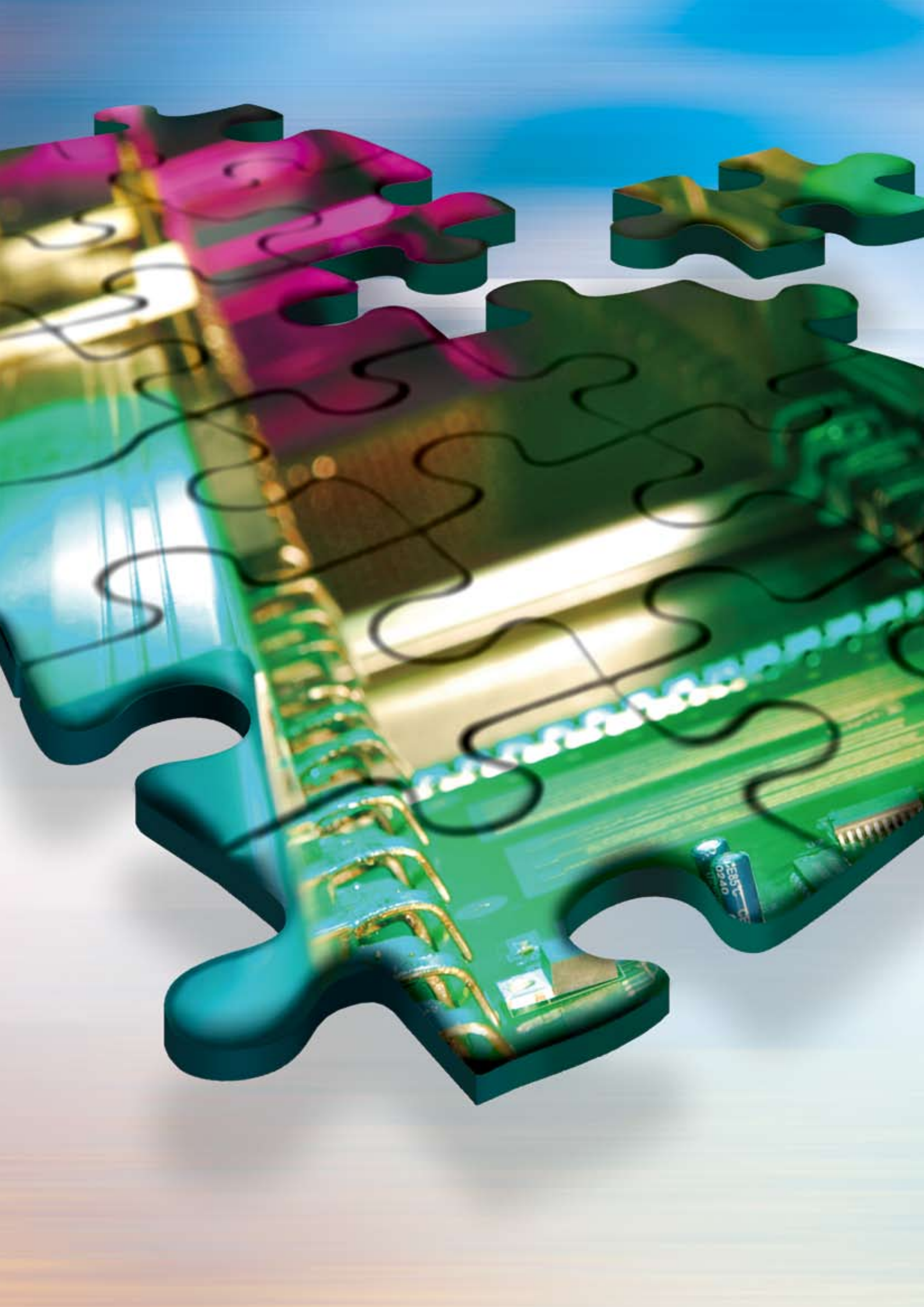
innovative industry, the Hong Kong Digital Entertainment Industry Support Centre (HKDEISC) was set up in 2005 with the support of the OGCIO.

Managed by HKPC, the Centre provides integrated services and resources for the development of new technologies, training programmes and promotional events for the digital entertainment industry. It also serves as a platform for collaboration between local digital entertainment businesses and support organizations. The Centre receives great support from key trade associations such as the Hong Kong Digital Entertainment Association, China Game Publishers Association (Hong Kong) and Hong Kong Comics and Animation Federation.

During the year, the Centre published the Hong Kong Digital Entertainment Industry Directory 2006, profiling local digital entertainment enterprises, of which 5,000 copies were distributed in international exhibitions to facilitate business matching and cooperation.

In addition, HKPC was one of the organizers of the Hong Kong Pavilion of the Electronic Entertainment Expo (E³) 2006, the world's largest trade show for computer and video games in Los Angeles, USA. Staged for the fourth time at the annual show, the Pavilion presented the latest works of Hong Kong's digital entertainment industry. Business matching sessions were organized to facilitate collaboration between Hong Kong and overseas industry players. For the past four years, the Hong Kong Pavilion has successfully generated over \$50 million of business for the industry.

To recognize the outstanding achievements of the local digital entertainment industry, HKPC co-organized the "Hong Kong ICT Awards 2006: Digital Entertainment Awards" and the "1st Hong Kong Digital Entertainment Industry Person of the Year Election" together with the Hong Kong Digital Entertainment Association and OGCIO.





Innovating
for Results

Innovating for Results



The micro-injection moulding machine enables plastic machinery manufacturers to produce precision parts.

In today's competitive business environment, innovation is critical to business growth and continuous profitability.

In 2006/2007, HKPC continued to foster innovation in local industry through upgrading of manufacturing technology, provision of IP management support and dissemination of excellent management practices.

Upgrading Manufacturing Technology

Continuous technology upgrading is of utmost importance for manufacturers to stay competitive. During the year, HKPC assisted industry in technology upgrading particularly in the areas of micro fabrication as well as magnesium processing and environment-friendly materials.

Micro Fabrication

As miniaturisation of components and products becomes the technology and market drivers for many industries, it is essential for Hong Kong manufacturers to enhance their capabilities with micro fabrication technologies.

In 2006/07, HKPC, in co-operation with four machinery manufacturers and a local technology partner, completed the development of a micro-injection moulding machine under an ITF project.

The machine prototype provides a reference platform for local plastic machinery manufacturers to build their own machines at affordable costs and produce precision parts such as micro gears, sensors, medical devices and fibre-optic components.

During the year, HKPC also broke new grounds in the application of micro injection moulding technologies, including the development of precision aspheric lens for manufacturing optical fibre coupler, an essential component of telecommunication equipment.

Another application was a micro filter designed for implantable medical device, with a diameter of just 2.5 mm.

HKPC developed the mould design using a novel approach and the know-how is being transferred to industry through consultancy and technical support services.



This high-strength, light-weight automotive door handle is manufactured with the application of magnesium injection moulding technology.

Magnesium Processing

Magnesium offers significant advantages over other conventional materials in terms of performance and costs, accounting for its growing popularity in the manufacturing of consumer electronics products and automotive parts. As a pioneer in magnesium die casting technology in Hong Kong, HKPC continued to introduce new processes to Hong Kong manufacturers to help them enter this fast expanding market.

In 2006/07, HKPC completed an ITF project on magnesium injection moulding technology. Compared with conventional die casting process, magnesium injection moulding is more environment-friendly and delivers products with superior strength and quality at lower cost.

To evaluate and demonstrate the process, a technology demonstration centre equipped with magnesium injection moulding facilities was set up in the Mainland by HKPC. Through practical case studies and a technical handbook, HKPC transferred the technology and its applications to the industry.

Semi-solid die-casting (thixoforming) is another innovative process that can produce magnesium parts with

extremely high strength, replacing aluminium alloys or even steel in automotive structural parts.

During the year, HKPC embarked on an ITF project to develop a total solution for manufacturing high-strength, low-weight automotive parts using the thixoforming process. The solution includes applications and processing techniques of magnesium thixoforming as well as scrap recycling.

Environment-Friendly Plastic Materials

Environmental protection is one of the major concerns of the plastics industry where great efforts and measures have been taken to reduce damage to the environment through better product design, choice of materials and recycling processes. With increasing competition in the plastics industry, early adoption of environment-friendly plastic materials is one of the key factors to success.

Thermoplastic elastomers (TPE) combine the elastic properties of rubbers with the processability of plastics. They consume less energy than natural rubber in the production process and produce fewer pollutants than traditional plastic materials like Polyvinyl Chloride (PVC).

To promote the usage of environment-friendly thermoplastics, HKPC continued to implement an ITF project to develop techniques for blending high performance thermoplastic elastomers in small batches to support the development of green products by the local plastics industry. During the year, HKPC made significant progress in developing different types of TPE blends.

Another ITF project was also approved in 2006/07 to develop technologies for manufacturing environmentally degradable additives and plastics.

Promoting IP Management

While new manufacturing and material technologies enable the creation of innovative products, it is intellectual property (IP) management that helps companies and inventors capitalize on their inventions.

In 2006/07, in response to China's 11th Five-Year Plan, the HKSAR Government announced an Action Agenda to enhance cross-boundary co-operation to strengthen IP protection and develop a "Brand Hong Kong" culture. During the year, HKPC provided a range of services in IP management, including consultancy, auditing and training for enterprises in Hong Kong, as well as the PRD. HKPC

services covered design and innovation, brand building, and overall IP protection and management.

Generating Innovative Ideas

TRIZ – the Russian acronym for "The Theory of Inventive Problem Solving" – is a proven methodology widely used by companies in Europe, Korea and US to generate new product ideas.



HKPC offers online patent mapping services to help industry analyze technology trends with the use of a patent database.

Under an ITF project, HKPC adapted TRIZ to meet local needs and tried out the customized model with eight local pilot companies. In the process, six patentable ideas were generated. One of the participating companies was able to generate additional business revenue of \$15.5 million by applying an innovative idea to its new products.

During the year, HKPC facilitated the adoption tools of the TRIZ methodology by local manufacturers through in-company training and consultancy services.

In addition, HKPC provided consultancy services in patent mapping, another effective tool for analyzing technology trend using information of a patent database. Patent maps are graphical representations of the interactions between related patents. They allow decision makers or non experts to quickly identify the trends of development in a specific technology area.

Knowledger is a patent mapping tool developed by HKPC to help industry analyze technologies being used and avoid the risk of infringement.

In 2006/07, HKPC collaborated with industry associations to further promote this service to various industry sectors.

Branding Creation & Management

Branding is an integral part of IP management since unique products and processes can only be distinguished by their brand names. Branding is an important strategy for businesses to add value to products and services and to differentiate themselves from their competitors.

During the year, HKPC supported industry in brand creation and management by providing brand audit services in addition to consultancy on strategies for brand creation, product positioning and management of brand equity.

The Best Brand Enterprise Award 2006 was organized by HKPC to promote excellence in brand building. The Award was co-organized with the China Trademark Association and supported by the HKSAR Government and trade associations from both Hong Kong and the Mainland.



The Hon Andrew Leung, Chairman, HKPC, speaks at the presentation ceremony of the Best Brand Enterprise Award 2006.

The Award received over 100 entries from Hong Kong and Guangdong, covering a wide range of industrial and business sectors. Entries were judged according to five criteria, including corporate development, brand management, corporate strategy, leadership and innovation.

Support for IP Protection

Applying for patents for products and processes could be an expensive proposition and small and medium-sized enterprises often find it difficult

to pursue patents because of the costs involved. In view of this, HKPC has been appointed by the HKSAR Government as the implementation agency of the Patent Application Grant since 1998.

In 2006/07, 120 applications for grants were screened by HKPC, of which 65 were approved for funding. Since the inception of the programme, HKPC had screened 1,475 applications, resulting in 462 patent registrations, including 100 US patents and 105 Mainland inventions and utility model patents.

During the year, HKPC staunchly supported the Fast Action Scheme launched by the Hong Kong Brands Protection Alliance and the Hong Kong Customs of the HKSAR Government to combat copyright and trademark infringements in trade fairs and exhibitions.

As a technical partner of the scheme, HKPC maintained a database which provided copyright and trademark information online to organizers of exhibitions and trade shows for immediate verification, enabling the

Hong Kong Customs to take quick action against infringements. The scheme was well received by manufacturers.

International Collaboration on IP

In the absence of internationally recognized IP management standards, in 2006/07, HKPC worked with the Intellectual Property Office of Singapore (IPOS) and the Denmark Patent and Trademark Office (DKPTO) to develop an internationally recognized IP management standard to assess the IP management readiness of companies.



Mr Daniel Yu (second from right), Consultant, Process Management Division, HKPC, offers advice to an executive of a property management company on how to attain service excellence.



To prepare Hong Kong and Mainland companies for efficient IP management, HKPC and the Guangdong Provincial Intellectual Property Office (GDIPO) have worked together to prepare and recommend an audit framework for establishing the IP management standard in Guangdong Province. The framework will also be promoted to other provinces of Mainland China in a later phase.

Another significant development in the year was the founding of the International Federation of Intellectual Enterprises by HKPC together with the China Association of Inventions, Guangdong Association of Inventions, Hong Kong Inventions Association and Dongguan Inventions Association. The Federation will provide a platform for collaboration with international bodies to establish best practices in IP management.

Driving Management Excellence

Management excellence, underpinning all innovative products and services, is the key prerequisite for business success. During the year, HKPC continued to provide management consultancy and

training services to help local companies achieve overall management excellence.

Quality Management

To help local enterprises adopt emerging international management standards such as ISO 10002, ISO 27001 and ISO 22000, HKPC provided consultancy services in the management of customer complaint, information security and food safety.

With the support of HKPC, a telecommunication service provider successfully established an integrated system for adoption of ISO 10002 and ISO 9001 as part of its organizational transformation programme. The client was able to improve customer satisfaction significantly. Similar services were provided to other sectors including the property management and retail industry.

In the areas of information security and quality management, HKPC assisted a government department, a data switching company and several printing companies to establish their integrated management systems of ISO 27001 and ISO 9001.

Performance Excellence

HKPC helps enterprises establish performance management systems to analyze performance gaps and map out improvement actions.

Adopted by more than 50 countries as the blueprint of their local quality award schemes, the Malcolm Baldrige National Quality Award Criteria has become the international benchmark of performance excellence. In the past, HKPC assisted government departments, public utilities and private enterprises in Hong Kong to review their business performance and enhance their management practices according to the Baldrige criteria.

On the Mainland, a Baldrige-based Performance Excellence Model was also adopted as the national standard – GB/T 19580. During the year, HKPC was invited by the China Association for Quality, Guangzhou Association for Quality and Shenzhen Quality Assurance Centre to conduct GB/T 19580 assessors training. HKPC also participated in the assessment of the Shenzhen Mayor Award and China Quality Management Award.

In addition, HKPC devised an Integrated Performance Management System (IPMS)

to help enterprise enhance financial results, operational efficiency, customer satisfaction and staff performance.

The IPMS assesses staff performance and competence by measuring their achievements against key performance indicators while assessing their knowledge, skills and capabilities against core competence requirements. This is supported by training and development programmes to address their less competent areas.

Strengthening Process Management

Facing stiff global competition, Hong Kong enterprises need to further enhance their operational efficiency. In 2006/07, HKPC continued to help Hong Kong enterprises make use of the latest tools to streamline their business processes.

Enterprise Resources Planning (ERP)

Considered to be one of the most successful applications of IT in effective management of business enterprises, ERP continues to be used as a tool for managing a wide range of business functions such as sales and distribution, production planning

and control, materials management, engineering, finance and costing, customer service and business performance management.

In 2006/07, ERP consultancy services provided by HKPC continued to be in popular demand. These services included needs assessment, package evaluation, business process modeling, implementation and in-company training. In addition, HKPC organized over 30 seminars in Hong Kong and PRD to promote the use of ERP applications.

During the year, HKPC assisted a major Hong Kong toys producer to standardize and streamline its overall supply chain operations through the implementation of a real-time information system for managing customers, factories, sub-contractors and suppliers.

BusinessCompass™

This innovative approach designed by HKPC provides low cost diagnostic services to businesses covering key areas of manufacturing strategy and operations management, human capital development and business process improvement.

In 2006/07, over 20 manufacturers commissioned HKPC to analyze their current status and make short- and long-term recommendations on identified critical issues.

TOPfactory™

While “BusinessCompass™” offers a quick fix, “TOPfactory™” is a comprehensive solution devised by HKPC to map out and implement improvement programmes for manufacturers.

Through the provision of consultancy services, in 2006/07, HKPC helped a number of manufacturers from various sectors to implement “TOPfactory™”. Companies that have adopted “TOPfactory™” reported reduction of 10-60% in production lead time and a decrease of defective rate by 10-50%.

Lean Manufacturing

Derived from the Toyota Production System, Lean Manufacturing is an approach to minimize waste. It enables companies to optimize the use of time, human resources and assets while enhancing their productivity.

To enable SMEs to benefit from the Lean methodologies, HKPC introduced the “Lean Manufacturing Enlightenment Scheme” in 2006/07. This programme included training, preliminary assessment, pilot improvement projects and evaluation. With overwhelming response from the industry, HKPC will extend the scheme to cover other management concepts such as Six-Sigma.

During the year, HKPC organized five study missions to Japan on Lean Manufacturing. The missions offered unique opportunities for industry delegates to gain insight into techniques critical to the successful implementation of Lean Manufacturing.



Mr Philippe Tang (second from left), Senior Consultant, and Ms Mandy Lau (first from left), Consultant, Business Management Division, HKPC, assist the staff of a fast food chain to adopt the SmarTalent Development Programme.



Culture and Leadership Management

HKPC's GLOBALLeadership Development Programme assists enterprises in developing their managers into agile leaders through the establishment of leadership vision, leadership profile, leadership assessment and subsequent leadership competence development programmes.

During the year, over 100 managers from a leading local bank attended a GLOBALLeadership programme organized by HKPC to enhance their leadership skills and tune their mindsets to align with the bank's globalization strategy.

Talents are important assets of a company. The SmarTalent Development Programme of HKPC helps enterprises attract, retain and develop talent in order to build a solid talent pool for future succession planning and achievement of strategic objectives. During the year, eight organizations from different sectors adopted this programme.

In addition, HKPC launched the Corporate Culture Reshaping service in 2006/07. Aimed at helping companies align their cultures with organizational visions, over 2,500 managerial, supervisory and general staff from local companies attended this programme during the year.

Customer Service Excellence

HKPC continued to help businesses attract and retain customers through consultancy and activities on customer service and customer relations.

Since 2001, HKPC has been assisting the Hong Kong Association of Customer Service Excellence each year to review the award categories and assessment criteria of its Customer Service Excellence Award. In 2006/07, this annual event received 70 entries involving 3,100 frontline staff from some of the most reputable service organizations in Hong Kong.

In 2006/07, HKPC continued to be the professional consultant for the Quality Tourism Services (QTS) scheme, established by the Hong Kong Tourism Board in 1999 to help tourists identify quality service providers. Since its inception, some 1,300 establishments representing 6,000 outlets have been accredited under the Scheme. Other than the retail and dining sectors, HKPC also contributed to the expansion of the Scheme to cover visitors' accommodations.

Capturing **Mainland Opportunities**







Capturing Mainland Opportunities

The Shenzhen SZ-HK Productivity Foundation aims to support the development of Hong Kong and Mainland enterprises in the areas of technology and product innovation.

In the face of intensified global competition and serious environmental issues, Hong Kong manufacturers in the PRD region has to move up the value chain and create new synergies to capture the business opportunities arising from the booming Mainland market.

In 2006/07, several initiatives were launched by HKPC to build new platforms for technology cooperation and business matching between Hong Kong and Mainland enterprises.

Accelerating Mainland–Hong Kong Collaboration

During the year, through its subsidiaries in Guangzhou, Dongguan and Shenzhen, HKPC continued to provide integrated support across the value chain to Hong Kong enterprises and their Mainland partners.

HKPC made significant progress in the setting up of the Shenzhen SZ-HK Productivity Foundation, a joint venture between HKPC's Shenzhen subsidiary

and the Shenzhen Productivity Promotion Centre of the Shenzhen Municipal Government. The Foundation, strategically located at the heart of the Shenzhen High Tech Industrial Park, aims to support the development of Hong Kong and Mainland enterprises in the areas of technology and product innovation.

Promoting Hong Kong's R&D Capabilities

In December 2006, HKPC's Shenzhen subsidiary was appointed by Shenzhen's Technology and Information Bureau to conduct an industry survey on available resources in technology R&D in both Hong Kong and Shenzhen. The project deliverable included a research report to the Bureau with recommendations

on new policies to facilitate technology collaborations and sharing of innovation resources.

In a related effort, a series of seminars and road shows were held in Guangdong Province to promote Hong Kong's research and development capabilities.

The event was organised by the Innovation and Technology Commission of the HKSAR Government and the Department of Science and Technology of Guangdong Province. As the implementation agent, HKPC organized four road shows in Guangzhou, Foshan, Shenzhen and Dongguan to showcase the research focus and partnership opportunities offered by the six R&D Centres and three related organizations of Hong Kong.



The Hong Kong Pavilion showcases the technological achievements of Hong Kong enterprises and technological organizations at the China Hi-Tech Fair.

The China Hi-Tech Fair (CHTF) is one of the most important annual events for China's high technology industry. Since the inaugural event in 1999, the Hong Kong Pavilion has become a platform for Hong Kong enterprises and research institutions to showcase their technological achievements and explore business collaboration opportunities.

At the CHTF 2006 in Shenzhen, a HKPC Technology Gallery was set up in the Hong Kong Pavilion for the first time to showcase the latest technology support services of the Council including micro-fabrication, micro-rapid prototyping, calibration and reliability testing, innovating equipment design and environmental services.

Collaborating on Software Outsourcing

To capitalize on the vast potential in developing partnerships between Hong Kong and Guangdong software companies, in 2006/07, the Office of the Government Chief Information Officer (OGCIO) sponsored the Hong Kong Information Technology Federation to set up the Hong Kong Software Outsourcing Alliance (HKSOA). HKPC was responsible for the operation of HKSOA and formulated a cooperation model between HKSOA and the Guangdong Software Outsourcing Council (GDSOC).

Engaging in Business Networking

During the year, to facilitate business cooperation between Hong Kong and Mainland companies, HKPC organized numerous business matching and networking sessions for Hong Kong and Mainland enterprises. Supported by more than 80 industry associations, HKPC and the Federation of Hong Kong Industries jointly organized the Hong Kong–



Mr Daniel Ng (left, front row), Convenor, Hong Kong Software Outsourcing Alliance, and Mr Wen Junwei, Vice Director General, Guangdong Software Outsourcing Council, sign a memorandum of understanding on cooperation in the field of outsourcing. The ceremony was witnessed by Mr Francis Ho (middle, back row), in his then capacity as Permanent Secretary for Commerce, Industry and Technology of the HKSAR Government.



Mr Andrew Leung (right), Chairman of HKPC presented a souvenir to Mr Tang Hao, Director-General of the Hong Kong and Macao Affairs Office, People's Government of Guangdong Province at the Hong Kong-PRD Industrial Promotion Gala Dinner.

PRD Industrial Promotion Gala Dinner in Zhongshan in November 2006, with Mr Tang Hao, Deputy Secretary-General of Hong Kong and Macao Affairs Office in Guangdong; and the Hon Henry Tang, Financial Secretary of the HKSAR as the officiating guests. Now in its fifth year, the Gala Dinner has evolved into an important annual networking event for Hong Kong and Mainland enterprises. The event was attended by over 1,000 industrial leaders, manufacturers and senior Government officials from Hong Kong and the PRD.

In addition, HKPC organized two road shows comprising seminars and business matching sessions in Changsha and Chongqing to help Hong Kong financial professionals market their services to Mainland enterprises. The two events, in which ten professional services providers showcased their expertise, were attended by over 650 participants from the Mainland.



Synergizing

Collaboration





Synergizing Collaboration

Mr Huang Hua-hua (second from right), the Governor of Guangdong Province, led a delegation to HKPC and were briefed by the Council's Chairman, the Hon Andrew Leung (first from left), on HKPC's initiatives to foster collaboration between Hong Kong and Guangdong enterprises, particularly in the areas of environmental management, automotive parts and information technologies.

Fostering strategic alliances and forging partnerships for synergy building are key drivers for business success. During the year, HKPC continued to expand its efforts in promoting business partnerships and strengthening industry liaison in Hong Kong, the Mainland and overseas.

Partnering for Synergy

In 2006/07, HKPC formed new partnerships with local, Mainland and overseas organizations for technology and business collaboration. On the manufacturing technology front, HKPC, in co-operation with four machinery

manufacturers and a local technology partner, completed the development of a micro-injection moulding machine under an ITF project.

On the automotive front, HKPC signed a Memorandum of Understanding (MOU) with Hainan Automobile Group Co., Ltd. on the research and development of Hybrid Electric Vehicles – a green solution to improve fuel efficiency, reduce emissions and increase power output.

In the area of information technology, HKPC formed strategic alliances with IBM China/Hong Kong Limited (IBM)

and the Guangdong Linux Center (GDLC) to support the development of the Hong Kong Open Source Software Centre (HKOSSC) in mid 2007. HKOSSC aims to provide technical support and training service on OSS and to drive co-operation between the software sectors in Hong Kong and the Pan-Pearl River Delta (PRD) region.

HKPC also signed a MOU with Microsoft (Hong Kong) Limited, Print-Rite Holdings Limited and Smart.net (Hong Kong) Limited to collaborate in the development of the Intellectual Property Management System (IPMS) – to assist enterprises in Guangdong and Hong Kong to move from OEM to ODM through improved asset management

and protection, as well as the build up of knowledge asset.

Networking for Business Success

In 2006/07, HKPC assisted industries to tap new business opportunities through business matching activities, study missions, exhibitions and networking events.

During the year, HKPC organized 22 conferences and 24 study missions. Lists of major conferences and study missions organized by or involving the participation of HKPC in 2006/07 are outlined in Appendices IV and V respectively.



Mr K T Yung (centre), General Manager, IT Industry Development Division, HKPC, officiates at the MOU signing ceremony with Mr Jeff Chui (right), Manager of Linux Business, IBM China/ Hong Kong Limited (IBM), and Dr Yuan Quan, Center Director, Guangdong Linux Center (GDLC) on the development of the Hong Kong Open Source Software Centre (HKOSSC).



The Hon Andrew Leung (right), Chairman, HKPC, presents the 2006 Hong Kong Awards for Industries: Productivity and Quality Award to the representative of a winning company.

Recognizing Productivity Excellence

To promote productivity and business excellence, HKPC is actively engaged in the co-ordination and implementation of Awards Schemes both in Hong Kong and the PRD.

sectors. The Productivity and Quality Award Category was organized by HKPC to commend enterprises with outstanding performance in quality and productivity excellence.

To enhance general awareness on the significance of environmental protection

Led by the Trade and Industry Department of the HKSAR Government, HKPC, together with six major trade and industry associations and industry support organizations, organized the 2006 Hong Kong Awards for Industries to recognize outstanding achievements and performance excellence of enterprises in both the manufacturing and services



HKPC's customer service officer introduces the achievements of HKPC to visitors at the Productivity Gallery located at the ground floor of the HKPC Building.

and to recognize enterprises that have achieved outstanding performance in environmental management, the Environmental Campaign Committee, the Environmental Protection Department, HKPC and two major industry associations jointly organized the 2006 Hong Kong Eco-Business Awards.

In addition, HKPC and the Guangdong Provincial Intellectual Property Office (GDIPO) jointly organized the Innovation Knowledge (InKnow) Enterprise Award 2006 to promote best practices in IP management and set the benchmark for Hong Kong and Mainland enterprises in their pursuit of excellence.

Commercializing Technologies

HKPC strives to facilitate transfer of innovative products and technologies to benefit the industrial sector. In April 2006, HKPC Technology (Holdings) Co., Ltd. (a company set up in 2004 as HKPC's vehicle for the commercialization of patents, technologies and deliverables resulting from HKPC's research and development projects), signed the first agreement with Nishitani (Asia) Ltd, a local company, for the commercialization of the Handy Toilet Waste Disinfection System (HTWDS) developed by HKPC.

Teaming with Industry

HKPC continued to promote its integrated support services and productivity achievements to local, Mainland and overseas delegations through a comprehensive visitors' programme. During the year, a total of 5,137 people from 228 delegations from Hong Kong, Mainland and overseas countries visited HKPC. In October 2006, HKPC launched the Productivity Gallery to showcase the collaborative success of its productivity enhancement projects for clients as well as other major achievements of HKPC over the past 40 years. The Gallery has become one of the major attractions to HKPC visitors.



Mr Ian Bailey (centre), Trade Commissioner, and Mr Tony Collingridge (second from right), Head of the Asia Pacific Team of UK Trade and Investment, British Consulate-General in Hong Kong, visited HKPC and were welcomed by Mr Wilson Fung (second from left), Executive Director; Dr Stephen Lee (first from left), Director of Product Productivity; and Mr Frank Leung, General Manager of Automotive and Electronics Division.

Enhancing

People Development





Enhancing People Development



The HKPC management team participates in the Blood Donation Day.

Nurturing Staff Development

HKPC continued to live up to its commitment to the long-term growth and development of its staff members. In 2006/07, 346 staff received training locally while 65 were sent on overseas training programmes.

During the year, 27 staff members received the Long Service Award, with 4 of them having served HKPC for 25 years and the others for 15 years.

Encouraging Work Improvement

To encourage staff to achieve the goal of continuous improvement, HKPC

continued to undertake the Quality Improvement Team (QIT) programme in 2006/07. A total of 17 QITs were formed, engaging the professional staff from all divisions, with all QITs submitting quality improvement projects.

In addition, the Work Improvement Team (WIT) programme continued to encourage staff participation in decision making and foster a greater sense of corporate citizenship. The programme effectively provided channels for horizontal communications between divisions and branches, as well as vertical communications between front-line staff and management. In 2006/07, 21 WITs submitted 37 improvement projects. Team members' efforts were recognized

at HKPC's Annual Dinner during which the best performing WITs received cash awards.

Cultivating Team Spirit

During the year, the Staff Recreation Club (SRC) organized a range of diverse activities to enhance team spirit, offer relief from work stress and support community services. Apart from organizing large scale events such as HKPC's Annual Dinner and Christmas Party, SRC also organized charity events, including Dress Special Day, Blood Donation Day and Walks for Millions to demonstrate HKPC's support for worthy causes. Sports and leisure activities ranging from badminton, hiking, bowling and sightseeing tours to cooking lessons and group dance were organized to help staff attain a more balanced and healthy style of living.



Enhancing team spirit and staff morale is a key priority at HKPC. Mr Wilson Fung (second from right), Executive Director, meets with Mr Timothy Lee (first from left), Chairman (2006/07), Staff Recreation Club, Mr Ho Yee Wai (second from left), Chairman, Hong Kong Productivity Council Employees Association, and Mr Enoch Lau, Chairman (2007/08), Staff Recreation Club, to discuss upcoming staff events.



HKPC Council Members and Directorate propose a toast at the Annual Dinner 2007.

The HKPC dragon boat team giving its best performance at the Sai Kung District Dragon Boat Race.



Mr Wilson Fung (centre), Executive Director, and Mr Edmund Sung (right), Director (Business Productivity), HKPC, showing their support for the HKPC dragon boat team competing at the Sai Kung District Dragon Boat Race.



HKPC staff shares a happy moment at the Bowling Night.





A time of fun for all HKPC staff and their family members at the Christmas Party 2006.



Around 60 HKPC staff and their family members participate in the 'Hong Kong – Shenzhen Western Corridor Walk for Millions'.



Mr Wilson Fung (back row, middle), Executive Director, HKPC, shares a joyous moment with family members of staff at the 'Hong Kong – Shenzhen Western Corridor Walk for Millions'.

Subsidiary Companies

Automotive Parts and Accessory Systems R&D Centre Ltd.

Automotive Parts and Accessory Systems R&D Centre Ltd. (the Centre) was established on 31 March 2006 by the HKSAR Government under the Hong Kong R&D Centre Programme to undertake market-led R&D programmes and commercialize their results for the development of the APAS industry. The Centre is hosted by HKPC.

In consultation with the relevant industries and academia sector, the

Centre has adopted a technology roadmap which covers 4 focus technology areas, namely electronics and software, safety systems, new materials & processes, and hybrid, electric drives & environment. In September 2006, the Centre launched the first round of project solicitation. The first batch approved projects will commence in 2007/08.

During 2006/07, to publicize the Centre's work and R&D opportunities, the Centre held workshops, participated in local industry association forums, and paid visits to major auto makers. The Centre's

website and a Members Club were also launched to promote the latest events and to facilitate Club members' access to industry information, reports, standards and engineering specifications of major global auto makers.

Board of Directors

Dr T.L. Ng (Chairman of the Board), Prof K.B. Chan, Mr Gordon Chan, Mr Ricky Chan, Dr Roy Chung, Mr Wilson Fung, Mr Herbert Hui, Mr Brian Li, Dr S.W. Lui, Mr W.H. Ng, Mr Peter Sun, Prof Xu Yang-sheng, and Mr Anthony Wong.

Clothing Technology Demonstration Centre Company Ltd.

The Clothing Technology Demonstration Centre (CTDC) commenced operations in March 1990 and was officially incorporated as a subsidiary company of HKPC in September 1990.

At the 105th Council Meeting held on 17 July 2007, it was agreed that the CTDC had completed its mission to demonstrate technologies and production systems through real time production of garments, and therefore the operation of the CTDC should be ceased by voluntary winding-up on 31 October 2007.

Board of Directors

Mr Willy Lin (Chairman of the Board), Mr Pedro Chan, Mr Philip Choi, Mr Weiman Chu, Mr Ivan Ho, Dr Harry Lee, Mr Kenneth Lo, Mr Alan So and Dr Gordon Yen.

BMM Ltd.

The BMM Ltd. was established on 1 April 1995 to manage the HKPC Building. It is financed by management fee income on a cost recovery basis by HKPC. Since its establishment, the company has been providing quality building management service to both HKPC and its tenants. During the year, the BMM Ltd. assisted HKPC to implement projects to upgrade the existing building facilities as well as the overall environment. It also assisted HKPC to implement an annual preventive maintenance programme to ensure the proper functioning of the building systems.

Board of Directors

Dr Stephen Lee (Chairman of the Board), Mr Sam Law and Mr M.P. Au.

HKPC Technology (Holdings) Co., Ltd.

HKPC Technology (Holdings) Co., Ltd. (HKPCT) was established on 1 September 2004 as a vehicle for the commercialization of patents, technologies and project deliverables of HKPC that have market potential. The Company aims to contribute to Hong Kong's development of a new

generation of technology-based economic activities through providing a more direct and effective avenue to turn R&D deliverables into products.

Following the successful commercialization of a Handy Toilet Waste Disinfection System (HTWDS) in 2006, the HKPCT will continue to explore commercialization of other innovative R&D products so that more

industry players in local and overseas markets can benefit from HKPC's development efforts.

Board of Directors

Dr Samson Tam (Chairman of the Board), Mr Oscar Chow, Mr Wilson Fung, Mr Anthony Wong, and Mr Daniel Yip.

Productivity (Holdings) Limited and Wholly Foreign Owned Enterprises in the PRD

The Productivity (Holdings) Limited was established on 28 July 2003 with the objective to promote productivity excellence across the value chain of Hong Kong firms operating in the Pearl River Delta (PRD).

This objective is achieved through incorporating three Wholly Foreign Owned Enterprises (WFOEs) in the PRD, namely, Productivity (Guangzhou) Consulting Co., Ltd. (GZWFOE), Productivity (Dongguan) Consulting Co., Ltd. (DGWFOE) and Productivity (Shenzhen) Consulting Co., Ltd. (SZWFOE) in 2003 and 2004.

During 2006/07, the WFOEs continued to promote consultancy and training

on new technologies, quality and process management, green production, environmental protection, intellectual property and standards compliance. There was also collaboration with Mainland tertiary education institutions in a series of R&D projects, such as advanced hollow fibre membrane for wastewater treatment and recycling and the development of power line communication technology.

The Shenzhen SZ-HK Productivity Foundation Co., Ltd., a joint venture between SZWFOE and the Shenzhen Productivity Centre (a subsidiary of the Shenzhen Municipal Government), would provide a platform to strengthen technology and business development between Hong Kong and Shenzhen.

Board of Directors

Productivity (Holdings) Ltd. – The Hon. Andrew Leung (Chairman of the Board),

Dr Samson Tam, Mrs Agnes Mak, Mr Anthony Wong, and Mr Wilson Fung.

Productivity (Guangzhou) Consulting Co., Ltd. – Mr Sam Law (Chairman of the Board), Mr Wilson Fung, Mr Weiman Chu, Dr Stephen Lee, Mr Edmund Sung, and Mr Alfonso Tam.

Productivity (Dongguan) Consulting Co., Ltd. – Mr Sam Law (Chairman of the Board), Mr Wilson Fung, Mr Weiman Chu, Dr Stephen Lee, Mr Edmund Sung, and Mr Alfonso Tam.

Productivity (Shenzhen) Consulting Co., Ltd. – Mr Sam Law (Chairman of the Board), Mr Wilson Fung, Mr Weiman Chu, Dr Stephen Lee, Mr Edmund Sung, and Mr Alfonso Tam.

Standing Committees

Staffing Committee

The Staffing Committee approves the appointment and promotion of senior staff, apart from the Executive Director and the Deputy Executive Director. The Committee monitors the staffing situation and recommends changes to the Council where appropriate. It advises the Council on human resources development policies.

The Committee also monitors HKPC's general terms and conditions of service, to ensure that these are adequate to recruit and retain competent staff, and recommends changes to the Council where necessary. The Committee provides a channel between the Council and staff for the communication of grievances about terms and conditions of service, in situations where they cannot be resolved by consultation.

Chairman

Ms Agnes Mak Tang Pik-yee, JP

Members

Ms Cheung Lai-ha

Mr Choi Kam-wah

Mr Fan Cheuk-hung

Prof Lee Wing-bun

Mr Poon Siu-ping, MH

Dr Carrie Willis, MBE

Mr David Wong

*(Representing the Commissioner for
Innovation and Technology)*

Mr Wilson Fung

Executive Director of HKPC

Business Development Committee

The Business Development Committee monitors the performance of HKPC's subsidiary companies, recommends the appointment of Chairmen, endorses annual budgets, and identifies subvention implications for the approval of the Council. The Committee reviews business activities and explores new business opportunities, and advises the Council on the business development of HKPC in relation to HKPC's role in the changing industrial environment.

Chairman

Dr Samson Tam Wai-ho, JP

Members

Ms Cheung Lai-ha

Ms Goretti Lau Wai-kuen

Mr Willy Lin Sun-mo, SBS, JP

Mr Cliff Sun Kai-lit, BBS, JP

Prof Tuan Chyau

Mr Paul Yin Tek-shing, BBS

Mr Daniel Yip Chung-yin

Mr David Wong

*(Representing the Commissioner for
Innovation and Technology)*

Mr Wilson Fung

Executive Director of HKPC

Finance Committee

The Finance Committee monitors the financial performance of HKPC and ensures that funds made available are properly accounted for. The Committee approves HKPC's three-year forecast and recommends an annual programme and estimates for consideration by the Council.

The Committee advises the Council on matters relating to HKPC's financial policies and also on the transfer of funds between major heads of expenditure, as required by the Council's Ordinance.

Chairman

The Hon Andrew Leung Kwan-yuen, SBS, JP

Members

Mr Oscar Chow Vee-tung

Mrs Agnes Mak Tang Pik-ye, JP

Dr Samson Tam Wai-ho, JP

Mr Kwok Kwok-chuen, BBS, JP

Government Economist

Mr David Wong

*(Representing the Commissioner for
Innovation and Technology)*

Mr Wilson Fung

Executive Director of HKPC

Audit Committee

The Audit Committee is established to monitor and make recommendations to enhance HKPC's healthy corporate governance in financial reporting, risk management, internal control and compliance with relevant laws and regulations. The Committee is authorized by the Council to investigate any activity within its scope of duties.

Chairman

Mr Victor C.K. Ng

Members

Mr Choi Kam-wah

Prof Lee Wing-bun

Dr Samson Tam Wai-ho, JP

Mr Anthony S.K. Wong, JP

*Commissioner for Innovation and
Technology*

Mr Wilson Fung

Executive Director of HKPC

Directorate



(From left to right) Mr Weiman Chu Director (Manufacturing Productivity) Dr Stephen S. F. Lee Director (Product Productivity) Mr Wilson Fung Executive Director Mr Edmund Sung Director (Business Productivity)

Mr Wilson Fung *Executive Director*

Mr Wilson Fung has over 20 years of experience in public administration. He joined the civil service as an Administrative Officer in 1985 and has since served in various Government policy bureaux and departments.

Between 1987 and 1990, Mr Fung served as Assistant Secretary for General Duties, responsible for Sino-British negotiations on Hong Kong's future. From 1990 to 1994, Mr Fung was primarily responsible for air services negotiations in his capacity as Assistant Secretary

and Principal Assistant Secretary for Economic Services. From 1994 to 1997, he held the position of Deputy Director General of the Hong Kong Economic and Trade Office in Washington DC.

From 1997 to 2000, he served as Principal Assistant Secretary for Planning and participated in a number of major infrastructural projects including the Cyberport, Hong Kong Science Park and Hong Kong Disneyland. From 2000 to 2002, as Director of Corporate Services for the Housing Authority, he was responsible for Human Resources, Information Technology and Corporate Communications.

From 2002 to July 2006, Mr Fung served as Deputy Secretary for Economic Development. During his tenure, he was engaged in responsibilities spanning air services negotiations, management of the Civil Aviation Department and the Airport Authority Hong Kong (AA), privatization of AA, Consumer Protection and the public consultation on the way forward for Hong Kong's Competition Policy.

Mr Fung graduated from the Chinese University of Hong Kong with a Bachelor of Social Science degree (First Class Honours) in 1985. Mr Fung joined HKPC as Executive Director in December 2006.



Mr Weiman Chu

Director, Manufacturing Productivity

Mr Weiman Chu brings to his position extensive working experience in the USA, the Mainland, and the Asia Pacific region. He held professional engineer, project manager, and regional managerial positions for Fortune 500 and publicly listed companies. Prior to joining HKPC, Mr Chu initiated and managed major projects and ventures on the Mainland, and provided evaluation services for enterprises to increase their productivity.

Mr Chu is a licensed Professional Engineer of the State of California. He obtained a Bachelor's degree in Power Mechanical Engineering from Tsing Hua University, Taiwan; a Master of Science degree from the University of California at Los Angeles, USA; and a Master of Business Administration degree from the University of Southern California, USA. Mr Chu joined HKPC in 2000.

Dr Stephen S F Lee

Director, Product Productivity

Dr Stephen Lee is a Chartered Engineer of the United Kingdom and Fellow of various Hong Kong and UK professional engineering institutions. Prior to joining HKPC, he worked in companies in both Hong Kong and the UK, holding positions as quality supervisor, product development engineer and industrial engineer. Dr Lee was a lecturer at the Hong Kong Polytechnic University, and department head and acting Vice-Principal at the Vocational Training Council.

Dr Lee graduated from Hong Kong Technical College (predecessor of the Hong Kong Polytechnic University) and holds Master's degrees in Manufacturing Engineering and Electronics Engineering from the UK's Cranfield University and Heriot-Watt University respectively and a Ph. D. in Engineering from the University of Warwick, UK. Dr Lee joined HKPC in 2000.

Mr Edmund Sung

Director, Business Productivity

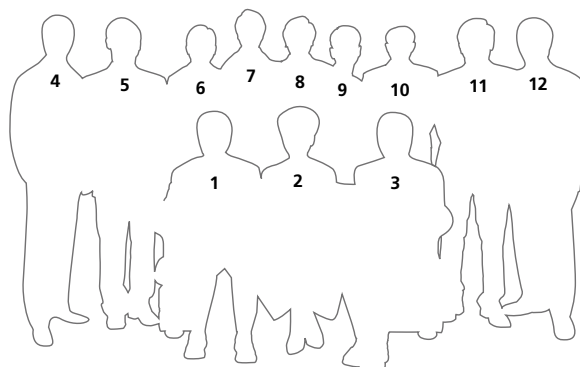
Mr Edmund Sung has over 28 years of experience in business consulting and quality management, with a portfolio of clients from both the services and manufacturing sectors. He is currently a member of the Small and Medium Enterprises Committee, as well as a member of the Innovation and Technology Fund (General Support Programme) Vetting Committee and the Professional Services Development Assistance Scheme Vetting Committee.

Mr Sung holds a Bachelor's and Master's Degree in Industrial Engineering from the University of Hong Kong and a Post Graduate Diploma in Management Studies from the Hong Kong Polytechnic University. He joined HKPC in 1981.

Division Heads



- 1: **Mr L.M. Li** – General Manager, Manufacturing Technology Division
- 2: **Ms Betty Lee** – General Manager, Corporate Communications Division
- 3: **Mr K.T. Yung** – General Manager, Information Technology Industry Development Division
- 4: **Mr Joseph Poon** – General Manager, Innovation & IP Division
- 5: **Mr Sam Law** – General Manager, Finance Division
- 6: **Dr Vincent Li** – General Manager, Productivity Training Institute
- 7: **Mr Jeremy Poon** – General Manager, Process Management Division
- 8: **Mr Frank Leung** – General Manager, Automotive & Electronics Division
- 9: **Mr Raymond Cheng** – General Manager, Business Management Division
- 10: **Dr L.K. Yeung** – General Manager, Materials Technology Division
- 11: **Mr K.L. Tsang** – General Manager, Environmental Management Division
- 12: **Mr Au Ming Piu** – General Manager, Human Resources & Administration Division



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Independent auditor's report to the council members of Hong Kong Productivity Council

(Incorporated in Hong Kong under the Hong Kong Productivity Council Ordinance)

We have audited the consolidated accounts of Hong Kong Productivity Council ("the Council") set out on pages 79 to 113, which comprise the consolidated and council balance sheets as at 31 March 2007, and the consolidated income and expenditure account, the consolidated statement of changes in reserves and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Council's responsibility for the accounts

The Council is responsible for the preparation and the true and fair presentation of these accounts in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Productivity Council Ordinance ("the Ordinance"). This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of accounts that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these accounts based on our audit. This report is made solely to you, as a body, in accordance with Section 18 of the Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of the report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the accounts. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Council, as well as evaluating the overall presentation of the accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated accounts give a true and fair view of the state of affairs of the Council and of the group as at 31 March 2007 and of the group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Ordinance.

Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

17 July 2007

Consolidated balance sheet

at 31 March 2007 (Expressed in Hong Kong dollars)

	Note	2007 HK\$	2006 HK\$
Non-current assets			
Fixed assets	2	206,328,732	225,918,184
Investments in non-consolidated subsidiaries	3	10,001	1
Interest in an associate	4	541,874	364,008
		206,880,607	226,282,193
Current assets			
Consumables		96,845	121,570
Accounts receivable, prepayments and deposits	5	33,271,067	24,226,663
Cash at bank and in hand	6	94,841,889	112,421,763
		128,209,801	136,769,996
Current liabilities			
Accounts payable and accruals	7	116,780,672	131,558,110
Government loan	8	13,025,401	13,025,401
Tax payable	15(c)	226,484	279,553
		130,032,557	144,863,064
Net current liabilities		(1,822,756)	(8,093,068)
Total assets less current liabilities		205,057,851	218,189,125
Non-current liability			
Government loan	8	39,076,205	52,101,606
NET ASSETS		165,981,646	166,087,519
Total equity attributable to the Council	9	165,469,031	165,564,275
Minority interests	9	512,615	523,244
TOTAL EQUITY		165,981,646	166,087,519

Approved and authorised for issue by the Council on 17 July 2007

Chairman

Deputy Chairman

The notes on pages 85 to 113 form part of these accounts.

Balance sheet

at 31 March 2007 (Expressed in Hong Kong dollars)

	Note	2007 HK\$	2006 HK\$
Non-current assets			
Fixed assets	2	205,420,096	224,913,680
Investments in subsidiaries	3	10,926,937	12,403,876
		216,347,033	237,317,556
Current assets			
Consumables		96,845	121,570
Accounts receivable, prepayments and deposits	5	31,886,940	22,867,538
Cash at bank and in hand	6	84,175,953	101,571,763
		116,159,738	124,560,871
Current liabilities			
Accounts payable and accruals	7	114,642,103	130,511,203
Government loan	8	13,025,401	13,025,401
		127,667,504	143,536,604
Net current liabilities		(11,507,766)	(18,975,733)
Total assets less current liabilities		204,839,267	218,341,823
Non-current liabilities			
Government loan	8	39,076,205	52,101,606
NET ASSETS		165,763,062	166,240,217
Reserves	9	165,763,062	166,240,217

Approved and authorised for issue by the Council on 17 July 2007

Chairman

Deputy Chairman

The notes on pages 85 to 113 form part of these accounts.

Consolidated income and expenditure account

for the year ended 31 March 2007 (Expressed in Hong Kong dollars)

	Note	2007 HK\$	2006 HK\$
Income			
Government subvention	10	139,669,000	138,631,000
Services income	11	262,693,239	260,111,847
Other income	12	9,333,701	5,846,793
		411,695,940	404,589,640
Expenditure			
Staff emoluments	13	(225,542,249)	(231,218,796)
Other expenses	14	(220,681,505)	(217,186,716)
Share of loss of an associate		(9,497)	(6)
		(34,537,311)	(43,815,878)
Taxation	15(a)	(24,658)	(64,991)
		(34,561,969)	(43,880,869)
Transfer from / (to):			
– Capital subvention fund to match with the related costs of			
– (gain) / loss on disposal of fixed assets	9(a)	(292,877)	6,185,759
– depreciation charge for the year	9(a)	22,794,778	20,932,064
– interest expenses on government loan	9(a)	5,340,416	4,480,095
– Capital subvention fund	9(a)	3,616,980	11,763,579
– Building maintenance reserve	9(f)	3,039,707	–
– Commercial research and development reserve	9(c)	155,979	–
– Minority interests	9(j)	10,629	16
Net surplus / (deficit) transfer to revenue subvention reserve	9(e)	103,643	(519,356)

The notes on pages 85 to 113 form part of these accounts.

Income and expenditure account

for the year ended 31 March 2007 (Expressed in Hong Kong dollars)

	Note	2007 HK\$	2006 HK\$
Income			
Government subvention	10	139,669,000	138,631,000
Services income	11	260,712,668	263,466,199
Other income	12	8,875,480	6,122,254
		409,257,148	408,219,453
Expenditure			
Staff emoluments	13	(224,643,375)	(230,310,134)
Other expenses	14	(219,233,456)	(220,334,916)
		(34,619,683)	(42,425,597)
Transfer from / (to):			
– Capital subvention fund to match with the related costs of			
– (gain) / loss on disposal of fixed assets	9(a)	(292,877)	6,185,759
– depreciation charge for the year	9(a)	22,794,778	20,932,064
– interest expenses on government loan	9(a)	5,340,416	4,480,095
– Capital subvention fund	9(a)	3,616,980	11,763,579
– Building maintenance reserve	9(f)	3,039,707	–
– Commercial research and development reserve	9(c)	155,979	–
Net surplus transfer to revenue subvention reserve	9(e)	35,300	935,900

The notes on pages 85 to 113 form part of these accounts.

Consolidated cash flow statement

for the year ended 31 March 2007 (Expressed in Hong Kong dollars)

	Note	2007 HK\$	2006 HK\$
Operating activities			
Net cash outflow from operations	16	(33,782,403)	(2,749,972)
Interest received		3,348,573	2,566,154
People's Republic of China ("PRC") Enterprise Income Tax paid		(77,727)	(69,441)
Net cash outflow from operating activities		(30,511,557)	(253,259)
Investing activities			
Proceeds from disposal of fixed assets		488,493	148,208
Proceed from disposal of subsidiary		–	1,325,507
Purchase of fixed assets		(3,656,671)	(7,219,094)
Investment in a subsidiary		(10,000)	–
Net cash outflow from investing activities		(3,178,178)	(5,745,379)
Financing activities			
Government subvention for purchase of fixed assets		15,804,000	18,442,000
Government loan subvention		13,025,401	13,025,401
Government loan repayment		(13,025,401)	(13,025,401)
Government subvention on government loan interest		5,340,416	4,480,095
Interest paid on government loan		(5,340,416)	(4,480,095)
Payment of proceed from disposal of subsidiary to the Government		–	(1,325,507)
Capital contribution from minority shareholders		–	523,260
Net cash inflow from financing		15,804,000	17,639,753
(Decrease) / increase in cash and cash equivalents		(17,885,735)	11,641,115
Cash at bank and in hand at 1 April		112,421,763	100,634,320
Effect of foreign exchange rate changes		305,861	146,328
Cash at bank and in hand at 31 March	6	94,841,889	112,421,763

The notes on pages 85 to 113 form part of these accounts.

Consolidated statement of changes in reserves

for the year ended 31 March 2007 (Expressed in Hong Kong dollars)

	Note	2007 HK\$	2006 HK\$
Total reserves of the Council as at 1 April		166,240,217	171,950,468
Deficit for the year dealt with in income and expenditure account of the Council		(34,619,683)	(42,425,597)
Income and expenditure recognised directly in reserves:			
Capital subvention fund	9(a)		
– Government subvention for purchase of fixed assets			
– funds spent in current year		12,187,020	6,678,421
– funds unspent		3,616,980	11,763,579
– Government subvention for repayment of government loan			
– principal		13,025,401	13,025,401
– interest		5,340,416	4,480,095
Provident fund reserve	9(b)		
– Recovery of forfeited council contributions to retirement schemes		–	204,422
– Life insurance premium paid		–	(728,798)
Medical benefits reserve	9(d)		
– (Over-provision)/provision for cost of medical benefits		(27,289)	8,805,811
– Claims and premiums paid		–	(7,513,585)
Net deficit for the year		(477,155)	(5,710,251)
Total reserves of the Council as at 31 March		165,763,062	166,240,217
Accumulated (losses) / profits of subsidiaries as at 1 April		(954,526)	(500,730)
Profit/(loss) of subsidiaries for the year attributable to:			
– the Council		68,343	(1,455,256)
– minority interest	9(j)	(10,629)	(16)
Capital contribution from minority shareholders	9(j)	523,244	523,260
Exchange reserve as at 1 April	9(i)	278,584	9,822
Exchange difference on translation of accounts of PRC subsidiaries	9(i)	313,568	268,762
Total reserves of the Group as at 31 March		165,981,646	166,087,519

Notes on the accounts

(Expressed in Hong Kong dollars)

1 Principal accounting policies

(a) Statement of compliance

These accounts have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Productivity Council Ordinance. A summary of the significant accounting policies adopted by the Council and its subsidiaries (together referred to as the "group") is set out below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the group and the Council. The adoption of these new and revised HKFRSs did not result in significant changes to the group's accounting policies applied in these accounts for the years presented. The group has not applied any new standard or interpretation that is not yet effective for the current accounting period (note 21).

(b) Basis of preparation of the accounts

The accounts have been prepared in accordance with section 17 of the Hong Kong Productivity Council Ordinance. The consolidated accounts for the year ended 31 March 2007, comprise the Council and its subsidiaries and the group's interest in an associate.

The preparation of accounts in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenditure. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The measurement basis used in the preparation of the accounts is the historical cost basis.

Notes on the accounts

(Expressed in Hong Kong dollars)

1 Principal accounting policies (continued)

(c) Subsidiaries and minority interests

The consolidated accounts include the accounts of the Council and certain of its subsidiaries (note 3) made up to 31 March.

Subsidiaries are entities controlled by the group. Control exists when the group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

An investment in a controlled subsidiary is consolidated into the consolidated accounts from the date that control commences until the date that control ceases.

Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated accounts. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Minority interests represent the portion of the net assets of subsidiaries attributable to equity interests that are not owned by the Council, whether directly or indirectly through subsidiaries, and in respect of which the group has not agreed any additional terms with the holders of those interests which would result in the group as a whole having a contractual obligation in respect of those interest that meets the definition of a financial liability. Minority interests are presented in the consolidated balance sheet within equity, separately from equity attributable to the Council. Minority interests in the results of the group are presented on the face of the consolidated income statement as an allocation of the total profit or loss for the year between minority interests and the Council.

Where losses applicable to the minority exceed the minority's interest in the equity of a subsidiary, the excess, and any further losses applicable to the minority, are charged against the group's interest except to the extent that the minority has a binding obligation to, and is able to, make additional investment to cover the losses. If the subsidiary subsequent report profits, the group's interest is allocated all such profits until the minority's share of losses previously absorbed by the group has been recovered.

In the Council's balance sheet, an investment in a subsidiary is stated at cost less impairment losses (note 1(g)).

Notes on the accounts

(Expressed in Hong Kong dollars)

1 Principal accounting policies (continued)

(d) Associates

An associate is an entity in which the group or the Council has significant influence over its management, including participation in the financial and operating policy decisions.

An investment in an associate is accounted for in the consolidated accounts under the equity method and is initially recorded at cost and adjusted thereafter for the post-acquisition changes in the group's share of the associate's net assets. The consolidated income and expenditure account reflects the group's share of the post-acquisition, post-tax results of the associates for the year.

When the group's share of losses exceeds the carrying amount of the associate, the carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the group has incurred legal and constructive obligations in respect of the associate. For this purpose, the group's interest in the associate is the carrying amount of the investment under the equity method together with the group's long-term interests that in substance form part of the group's net investment in the associate.

Unrealised profits and losses resulting from transactions between the group and its associates are eliminated to the extent of the group's interest in the associate, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in income and expenditure.

In the Council's balance sheet, an investment in an associate is stated at cost less impairment losses (note 1(g)).

(e) Fixed assets

Fixed assets are stated in the balance sheet at cost less accumulated depreciation and impairment losses.

Depreciation of fixed assets is provided to write off their costs over their estimated useful lives less accumulated impairment losses on a straight-line basis at the following annual rates:

HKPC Building	50 years
Leasehold improvements	
– HKPC Building	3 years
– Others	Over the unexpired period of the lease
Furniture and equipment	3 to 10 years

Both the useful life of fixed asset and its residual value, if any, are reviewed annually.

Notes on the accounts

(Expressed in Hong Kong dollars)

1 Principal accounting policies (continued)

(e) Fixed assets (continued)

At each balance sheet date, both internal and external sources of information are considered to assess whether there is any indication that fixed assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated and where relevant, an impairment loss (note 1(g)) is recognised to reduce the asset to its recoverable amount.

The gain or loss on disposal of a fixed asset is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in income and expenditure on the date of retirement or disposal.

(f) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) *Classification of assets leased to the group*

Assets that are held by the group under leases which transfer to the group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the group are classified as operating leases, with the following exception:

- Land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease. For these purposes, the inception of the lease is the time that the lease was first entered into by the group, or taken over from the previous lessee.

(ii) *Operating lease charges*

Where the group has the use of other assets held under operating leases, payments made under the leases are charged to income and expenditure in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in income and expenditure as an integral part of the aggregate net lease payments made. Contingent rentals are charged to income and expenditure in the accounting period in which they are incurred.

Notes on the accounts

(Expressed in Hong Kong dollars)

1 Principal accounting policies (continued)

(g) Impairment of assets

(i) *Impairment of accounts receivable, prepayments and deposits*

Accounts receivable, prepayments and deposits are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. If any such evidence exists, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted where the effect of discounting is material.

(ii) *Impairment of other assets*

Internal and external sources of information are reviewed at each balance sheet date to identify indications that the following assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased:

- fixed assets; and
- investments in subsidiaries and an associate

If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised in income and expenditure whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount of an asset is the greater of its net selling price and value in use.

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. A reversal of impairment losses is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to income and expenditure in the year in which the reversals are recognised.

(h) Consumables

Consumables comprise chemicals and tools and are stated at cost.

When consumables are consumed, the carrying amount of these consumables is recognised as an expense in the year in which the consumption occurs.

(i) Accounts receivable, prepayments and deposits

Accounts receivable, prepayments and deposits are initially recognised at fair value and thereafter stated at amortised cost less impairment losses for bad and doubtful debts (note 1(g)).

Notes on the accounts

(Expressed in Hong Kong dollars)

1 Principal accounting policies (continued)

(j) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in income and expenditure over the period of the borrowings using the effective interest method.

(k) Accounts payables and accruals

Accounts payables and accruals are initially recognised at fair value and subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(l) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

(m) Employee benefits

(i) *Short term employee benefits and contributions to defined contribution retirement plans*

Salaries, annual bonuses, paid annual leave, contributions to defined contribution plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) *Termination benefits*

Termination benefits are recognised when, and only when, the group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

(n) Income tax

(i) Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in income and expenditure except to the extent that they relate to items recognised directly in reserve, in which case they are recognised in reserve.

Notes on the accounts

(Expressed in Hong Kong dollars)

1 Principal accounting policies (continued)

(n) Income tax (continued)

- (ii) Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.
- (iii) Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from differences which arise on initial recognition of assets and liabilities, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

(o) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the group or the Council has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Notes on the accounts

(Expressed in Hong Kong dollars)

1 Principal accounting policies (continued)

(p) Revenue subvention reserve

In accordance with section 8 of the Memorandum of Administrative Arrangement ("MAA") dated 22 March 2003 signed between the Government of the Hong Kong Special Administrative Region ("the Government") and the Council, the Council is allowed to keep any savings from its annual block grant (revenue subvention and capital subvention for purchase of fixed assets) as reserves. At any one point in time the level of reserve shall not exceed 15% of the Council's annual block grant in the current financial year. The total block grant for the year of 2006/2007 is \$155 million (2005/2006: \$157 million) and based on this, the maximum level of revenue subvention reserve allowed under the MAA is \$23 million (2005/2006: \$24 million).

(q) Income recognition

Government subventions consist of revenue subventions for recurrent activities and capital subventions for fixed asset purchases and government loan and interest repayments. Revenue subventions are recognised as revenue in income and expenditure when there is reasonable assurance that the group will comply with the conditions attaching with them and that the subvention will be received. Capital subventions are recognised as income to the extent of the related expenditures incurred during the year. Unspent subventions for recurrent activities and fixed assets purchases arising in the financial year will be retained by the Council as reserves up to a limit as agreed with the Government (note 1(p)). Amount in excess of the limit will be returned to the Government in the following financial year.

Income from provision of services is recognised when the related services are rendered.

Rental income is recognised on an accruals basis.

Interest income is recognised as it accrues using the effective interest method.

Revenue from the sale of goods is recognised when goods are delivered at the customers' premises which is taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership.

(r) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the balance sheet date. Exchange gains and losses are recognised in income and expenditure.

Notes on the accounts

(Expressed in Hong Kong dollars)

1 Principal accounting policies (continued)

(r) Translation of foreign currencies (continued)

The results of foreign operations are translated into Hong Kong dollars at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Balance sheet items are translated into Hong Kong dollars at the foreign exchange rates ruling at the balance sheet date. The resulting exchange differences are recognised directly in a separate component of reserve. On disposal of a foreign enterprise, the cumulative amount of the exchange differences recognised in reserve which relate to that foreign operation is included in the calculation of profit or loss on disposal.

(s) Borrowings costs

Borrowing costs are expensed in income and expenditure in the period in which they are incurred, except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale.

(t) Related parties

For the purposes of these accounts, a party is considered to be related to the group if:

- (i) the party has the ability, directly or indirectly through one or more intermediaries, to control the group or exercise significant influence over the group in making financial and operating policy decisions, or has joint control over the group;
- (ii) the group and the party are subject to common control;
- (iii) the party is an associate of the group;
- (iv) the party is a member of key management personnel of the group, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;
- (v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or
- (vi) the party is a post-employment benefit plan which is for the benefit of employees of the group or of any entity that is a related party of the group.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

Notes on the accounts

(Expressed in Hong Kong dollars)

2 Fixed assets

(a) The Group

	Leasehold land and HKPC Building HK\$	Leasehold improvements HK\$	Furniture and equipment HK\$	Total HK\$
Cost:				
At 1 April 2006	267,784,136	31,932,643	134,547,221	434,264,000
Exchange reserve	–	–	41,704	41,704
Additions	–	371,280	3,285,391	3,656,671
Disposals	–	(453,849)	(13,066,795)	(13,520,644)
At 31 March 2007	267,784,136	31,850,074	124,807,521	424,441,731
Depreciation:				
At 1 April 2006	84,220,812	13,740,966	110,384,038	208,345,816
Exchange reserve	–	–	9,567	9,567
Charge for the year	5,355,683	8,510,920	9,216,041	23,082,644
Disposals	–	(394,449)	(12,930,579)	(13,325,028)
At 31 March 2007	89,576,495	21,857,437	106,679,067	218,112,999
Net book value:				
At 31 March 2007	178,207,641	9,992,637	18,128,454	206,328,732

Notes on the accounts

(Expressed in Hong Kong dollars)

2 Fixed assets (continued)

(a) The Group (continued)

	Leasehold land and HKPC Building HK\$	Leasehold improvements HK\$	Furniture and equipment HK\$	Total HK\$
Cost:				
At 1 April 2005	267,784,136	62,148,984	189,488,664	519,421,784
Exchange reserve	–	–	20,224	20,224
Additions	–	394,857	6,824,237	7,219,094
Disposals	–	–	(61,785,904)	(61,785,904)
Assets written-off	–	(30,611,198)	–	(30,611,198)
At 31 March 2006	267,784,136	31,932,643	134,547,221	434,264,000
Depreciation:				
At 1 April 2005	78,865,129	42,720,263	151,636,703	273,222,095
Exchange reserve	–	–	1,271	1,271
Charge for the year	5,355,683	1,631,901	14,195,879	21,183,463
Disposals	–	–	(55,449,815)	(55,449,815)
Assets written-off	–	(30,611,198)	–	(30,611,198)
At 31 March 2006	84,220,812	13,740,966	110,384,038	208,345,816
Net book value:				
At 31 March 2006	183,563,324	18,191,677	24,163,183	225,918,184

Notes on the accounts

(Expressed in Hong Kong dollars)

2 Fixed assets (continued)

(b) The Council

	Leasehold land and HKPC Building HK\$	Leasehold improvements HK\$	Furniture and equipment HK\$	Total HK\$
Cost:				
At 1 April 2006	267,784,136	31,932,643	133,243,637	432,960,416
Additions	–	371,280	3,125,530	3,496,810
Disposals	–	(453,849)	(13,066,795)	(13,520,644)
At 31 March 2007	267,784,136	31,850,074	123,302,372	422,936,582
Depreciation:				
At 1 April 2006	84,220,812	13,740,966	110,084,958	208,046,736
Charge for the year	5,355,683	8,510,920	8,928,175	22,794,778
Disposals	–	(394,449)	(12,930,579)	(13,325,028)
At 31 March 2007	89,576,495	21,857,437	106,082,554	217,516,486
Net book value:				
At 31 March 2007	178,207,641	9,992,637	17,219,818	205,420,096

Notes on the accounts

(Expressed in Hong Kong dollars)

2 Fixed assets (continued)

(b) The Council (continued)

	Leasehold land and HKPC Building HK\$	Leasehold improvements HK\$	Furniture and equipment HK\$	Total HK\$
Cost:				
At 1 April 2005	267,784,136	62,148,984	188,743,456	518,676,576
Additions	–	394,857	6,283,564	6,678,421
Disposals	–	–	(61,783,383)	(61,783,383)
Assets written-off	–	(30,611,198)	–	(30,611,198)
At 31 March 2006	267,784,136	31,932,643	133,243,637	432,960,416
Depreciation:				
At 1 April 2005	78,865,129	42,720,263	151,589,894	273,175,286
Charge for the year	5,355,683	1,631,901	13,944,480	20,932,064
Disposals	–	–	(55,449,416)	(55,449,416)
Assets written-off	–	(30,611,198)	–	(30,611,198)
At 31 March 2006	84,220,812	13,740,966	110,084,958	208,046,736
Net book value:				
At 31 March 2006	183,563,324	18,191,677	23,158,679	224,913,680

(c) The leasehold land and HKPC Building held for own use is situated in Hong Kong and is held under medium-term lease.

3 Investments in subsidiaries

	The Group		The Council	
	2007 HK\$	2006 HK\$	2007 HK\$	2006 HK\$
Unlisted shares, at cost	1,718,695	1,708,695	21,728,695	21,718,695
Amounts due from subsidiaries	–	–	1,635,030	1,356,117
Amounts due to subsidiaries	–	–	(10,728,094)	(8,962,242)
Impairment loss	(1,708,694)	(1,708,694)	(1,708,694)	(1,708,694)
	10,001	1	10,926,937	12,403,876

Notes on the accounts

(Expressed in Hong Kong dollars)

3 Investments in subsidiaries (continued)

Details of the group's and the Council's subsidiaries as at 31 March 2007 are as follows:

Name	Place of incorporation and operations	Particulars of issued and paid up capital HK\$	Proportion of ownership interest			Principal activities
			Group's effective interest	held by the Council	held by subsidiaries	
Clothing Technology Demonstration Centre Co. Ltd. @	Hong Kong	1,706,695	100%	100%	–	Clothing manufacturing and demonstration
Automotive Parts and Accessory Systems R&D Centre Ltd. @	Hong Kong	10,000	100%	100%	–	Research and development
BMM Ltd.	Hong Kong	2,000	100%	100%	–	Building management
HKPC Technology (Holdings) Co. Ltd.	Hong Kong	10,000	100%	100%	–	Commercialisation of patents and project deliverables of HKPC
Productivity (Holdings) Ltd.	Hong Kong	20,000,000	100%	100%	–	Investment holding
Productivity (Guangzhou) Consulting Co. Ltd.	PRC	2,400,000	100%	–	100%	Consultancy and training services
Productivity (Dongguan) Consulting Co. Ltd.	PRC	5,000,000	100%	–	100%	Consultancy and training services
Productivity (Shenzhen) Consulting Co. Ltd.	PRC	1,610,000	100%	–	100%	Consultancy and training services
Shenzhen SZ – HK Productivity Foundation Co. Ltd.	PRC	1,492,260	64.94%	–	64.94%	Consultancy and training services

Notes on the accounts

(Expressed in Hong Kong dollars)

3 Investments in subsidiaries (continued)

- @ The subsidiaries were incorporated for specific purposes and are managed independently and their operations are subverted by the Government. Accordingly the subsidiaries are not included in the consolidated accounts of the Council as the Council does not have significant influence over the financial and operating policies of the subsidiaries. The financial results of the subsidiaries not dealt with in the consolidated accounts of the Council are not material.

On 31 March 2006, the group invested 100% interest in a newly incorporated company, Automotive Parts and Accessory Systems R&D Centre Ltd., for \$10,000, satisfied in cash.

Except for Automotive Parts and Accessory Systems R&D Centre Ltd, all the subsidiaries are not audited by KPMG. The accounts of the subsidiaries not audited by KPMG reflect total net assets and total income constituting approximately 10% and 5% respectively of the related consolidated totals.

4 Interest in an associate

	The Group	
	2007	2006
	HK\$	HK\$
Share of net assets	1,190,496	1,162,793
Amounts due to an associate	(648,622)	(798,785)
	541,874	364,008

Details of the associate as at 31 March 2007 are as follows:

Name	Place of incorporation and operations	Particulars of issued and paid up capital Rmb	Proportion of ownership interest held by a subsidiary	Principal activity
Chongqing – Hong Kong Productivity Promotion Center Company Limited	PRC	3,000,000	40%	Consultancy and training services

Notes on the accounts

(Expressed in Hong Kong dollars)

4 Interest in an associate (continued)

Summary financial information on the associate:

	Assets HK\$	Liabilities HK\$	Equity HK\$	Revenues HK\$	Profit / (loss) HK\$
2007					
100 per cent	3,005,539	(29,299)	2,976,240	282,807	(23,743)
Group's effective interest	1,202,216	(11,720)	1,190,496	113,123	(9,497)
2006					
100 per cent	3,015,926	(108,942)	2,906,984	84,303	(16)
Group's effective interest	1,206,370	(43,577)	1,162,793	33,721	(6)

5 Accounts receivable, prepayments and deposits

All of the accounts receivable, prepayments and deposits are expected to be recovered within one year.

The group's credit policy is set out in note 18(a).

6 Cash at bank and in hand

	The Group		The Council	
	2007 HK\$	2006 HK\$	2007 HK\$	2006 HK\$
Cash at bank	94,434,473	110,468,409	83,862,971	101,164,753
Cash in hand	407,416	1,953,354	312,982	407,010
	94,841,889	112,421,763	84,175,953	101,571,763

Notes on the accounts

(Expressed in Hong Kong dollars)

7 Accounts payable and accruals

	The Group		The Council	
	2007	2006	2007	2006
	HK\$	HK\$	HK\$	HK\$
Trade payables	15,565,520	26,559,612	15,157,520	26,559,612
Receipts in advance	59,012,203	50,330,447	57,875,433	50,330,447
Provision for annual leave compensation	33,138,977	34,909,587	33,138,977	34,909,587
Accruals and other payables	9,063,972	19,758,464	8,470,173	18,711,557
	116,780,672	131,558,110	114,642,103	130,511,203

All of the trade payables, accruals and other payables are expected to be settled within one year.

8 Government loan

The Group and the Council

	2007	2006
	HK\$	HK\$
Principal	249,425,000	249,425,000
Capitalised interest	18,385,117	18,385,117
	267,810,117	267,810,117
Amounts repaid in prior years	(202,683,110)	(189,657,709)
Amount repaid in the current year	(13,025,401)	(13,025,401)
	52,101,606	65,127,007
Amount due within one year included under "current liabilities"	(13,025,401)	(13,025,401)
	39,076,205	52,101,606

The loan, provided by the Government to fund construction of the Council's building, bears interest calculated on a daily basis at the best lending rates quoted by the note-issuing banks of Hong Kong.

The principal and capitalised interest is repayable by twenty annual instalments with the last instalment due in December 2010. Funding for payment of the annual instalment is obtained by an annual government subvention.

Notes on the accounts

(Expressed in Hong Kong dollars)

9 Reserves

	Note	The Group		The Council	
		2007 HK\$	2006 HK\$	2007 HK\$	2006 HK\$
Capital subvention	(a)	170,520,816	167,810,296	170,520,816	167,810,296
Provident fund	(b)	–	20,651,653	–	20,651,653
Commercial research and development	(c)	–	155,979	–	155,979
Medical benefits	(d)	–	27,289	–	27,289
Revenue subvention	(e)	(5,643,937)	(31,949,773)	(4,757,754)	(30,995,247)
Building maintenance	(f)	–	6,534,707	–	6,534,707
HKPC 40th anniversary	(g)	–	1,000,000	–	1,000,000
Other	(h)	–	1,055,540	–	1,055,540
		164,876,879	165,285,691	165,763,062	166,240,217
Exchange reserve	(i)	592,152	278,584		
		165,469,031	165,564,275		
Minority interests	(j)	512,615	523,244		
		165,981,646	166,087,519		

(a) Capital subvention fund

The Group and the Council

	2007 HK\$	2006 HK\$
At 1 April	167,810,296	175,224,297
Government subvention for purchase of fixed assets		
– funds spent	12,187,020	6,678,421
– funds unspent	3,616,980	11,763,579
Government subvention for repayment of government loan		
– principal (note 8)	13,025,401	13,025,401
– interest	5,340,416	4,480,095
Transfer to income and expenditure account to match with the related costs of		
– gain / (loss) on disposal of fixed assets	292,877	(6,185,759)
– depreciation charge for the year (note 2(b))	(22,794,778)	(20,932,064)
– interest expenses on government loan	(5,340,416)	(4,480,095)
Transfer to income and expenditure account	(3,616,980)	(11,763,579)
At 31 March	170,520,816	167,810,296

Notes on the accounts

(Expressed in Hong Kong dollars)

9 Reserves (continued)

(b) Provident fund reserve

The Group and the Council

	2007 HK\$	2006 HK\$
At 1 April	20,651,653	21,176,029
Recovery of forfeited Council contributions to retirement schemes	–	204,422
Life insurance premium	–	(728,798)
Transfer to revenue subvention reserve	(20,651,653)	–
At 31 March	–	20,651,653

The balance of this reserve in prior year represented contributions by the Council in respect of resigned staff who were not entitled to full repayment of their provident fund contributions. Such contribution recoveries were accumulated in the reserve and used to fund life insurance premium for staff as approved by the Council in 1982. As approved by the Finance Committee of the Council on 13 March 2007, the balance was transferred to revenue subvention reserve.

(c) Commercial research and development reserve

The Group and the Council

	2007 HK\$	2006 HK\$
At 1 April	155,979	155,979
Transfer to income and expenditure account	(155,979)	–
At 31 March	–	155,979

This reserve was created for the purpose of commercial research and development in prior year. As approved by the Finance Committee of the Council on 13 March 2007, the balance was transferred to income and expenditure account.

Notes on the accounts

(Expressed in Hong Kong dollars)

9 Reserves (continued)

(d) Medical benefits reserve

The Group and the Council

	2007 HK\$	2006 HK\$
At 1 April	27,289	(1,264,937)
(Over-provision) / provision for cost of medical benefits	(27,289)	8,805,811
Claims and premiums paid	–	(7,513,585)
At 31 March	–	27,289

In prior years, a fixed percentage of salary costs was charged to the income and expenditure account and credited to the reserve. Claims and insurance premiums paid were charged against the reserve and any surplus arising during the year is carried forward to offset against future claims as approved by the Council in 1967.

(e) Revenue subvention reserve

	The Group		The Council	
	2007 HK\$	2006 HK\$	2007 HK\$	2006 HK\$
At 1 April	(31,949,773)	(31,430,417)	(30,995,247)	(31,931,147)
Transfer from / (to) income and expenditure account	103,643	(519,356)	35,300	935,900
Transfer from provident fund reserve	20,651,653	–	20,651,653	–
Transfer from building maintenance reserve	3,495,000	–	3,495,000	–
Transfer from HKPC 40th anniversary reserve	1,000,000	–	1,000,000	–
Transfer from other reserves	1,055,540	–	1,055,540	–
	(5,643,937)	(31,949,773)	(4,757,754)	(30,995,247)

Notes on the accounts

(Expressed in Hong Kong dollars)

9 Reserves (continued)

(f) Building maintenance reserve

The Group and the Council

	2007 HK\$	2006 HK\$
At 1 April	6,534,707	6,534,707
Transfer to income and expenditure account	(3,039,707)	–
Transfer to revenue subvention reserve	(3,495,000)	–
At 31 March	–	6,534,707

This reserve was created for the purpose of maintenance of HKPC Building in prior years. As approved by the Finance Committee of the Council on 13 March 2007, the balances were transferred to income and expenditure account and revenue subvention reserve respectively.

(g) HKPC 40th anniversary reserve

The Group and the Council

	2007 HK\$	2006 HK\$
At 1 April	1,000,000	1,000,000
Transfer to revenue subvention reserve	(1,000,000)	–
At 31 March	–	1,000,000

This reserve was created for the purpose of celebrating HKPC 40th anniversary in prior year. As approved by the Finance Committee of the Council on 13 March 2007, the balance was transferred to revenue subvention reserve.

Notes on the accounts

(Expressed in Hong Kong dollars)

9 Reserves (continued)

(h) Other reserves

The Group and the Council

	2007 HK\$	2006 HK\$
At 1 April	1,055,540	1,055,540
Transfer to revenue subvention reserve	(1,055,540)	–
At 31 March	–	1,055,540

These reserves were created for the purpose of funding various activities with specific purposes in prior years. As approved by the Finance Committee of the Council on 13 March 2007, the balances were transferred to revenue subvention reserve.

(i) Exchange reserve

	The Group 2007 HK\$	2006 HK\$
At 1 April	278,584	9,822
Exchange difference on translation of accounts of PRC subsidiaries	313,568	268,762
At 31 March	592,152	278,584

(j) Minority interests

	The Group 2007 HK\$	2006 HK\$
At 1 April	523,244	–
Capital contribution from minority shareholders	–	523,260
Share of loss for the year	(10,629)	(16)
At 31 March	512,615	523,244

Notes on the accounts

(Expressed in Hong Kong dollars)

10 Government subvention

The Group and the Council

	2007 HK\$	2006 HK\$
Subvention for recurrent activities	139,669,000	138,631,000

11 Services income

	The Group		The Council	
	2007 HK\$	2006 HK\$	2007 HK\$	2006 HK\$
Consultancy	180,681,687	190,571,396	180,498,365	194,535,992
Training	31,099,741	27,514,371	29,302,492	26,904,127
Manufacturing support	36,985,666	30,384,643	36,985,666	30,384,643
Publications and advertising	5,431,936	6,857,408	5,431,936	6,857,408
Exhibitions	8,494,209	4,784,029	8,494,209	4,784,029
	262,693,239	260,111,847	260,712,668	263,466,199

12 Other income

	The Group		The Council	
	2007 HK\$	2006 HK\$	2007 HK\$	2006 HK\$
Rental	3,399,582	1,951,260	3,399,582	1,951,260
Interest	3,348,573	2,566,154	3,265,083	2,511,136
Others	2,585,546	1,329,379	2,210,815	1,659,858
	9,333,701	5,846,793	8,875,480	6,122,254

Notes on the accounts

(Expressed in Hong Kong dollars)

13 Staff emoluments

	The Group		The Council	
	2007	2006	2007	2006
	HK\$	HK\$	HK\$	HK\$
Salaries & allowances	180,481,042	184,774,255	179,635,597	183,973,435
Gratuities	560,653	830,816	560,653	830,816
Directorate passages	337,931	369,647	337,931	369,647
Overtime, subsistence & other allowances	1,132,701	975,605	1,132,701	975,605
Staff housing & furniture allowances	9,409,128	9,498,264	9,409,128	9,498,264
Staff education allowances	2,083,276	1,817,069	2,083,276	1,817,069
Retirement schemes contribution	22,924,322	24,147,329	22,870,893	24,039,487
Medical benefits scheme	8,613,196	8,805,811	8,613,196	8,805,811
	225,542,249	231,218,796	224,643,375	230,310,134

Notes:

- (a) Temporary staff costs of the Council amounting to \$14,828,308 (2006: \$13,537,921) has been charged to administrative expenses under note 14.
- (b) Project staff costs amounting to \$13,658,455 (2006: \$12,405,825) and \$10,092,000 (2006: \$9,740,000) has been charged to project related expenses of the group and the Council respectively under note 14.

14 Other expenses

	The Group		The Council	
	2007	2006	2007	2006
	HK\$	HK\$	HK\$	HK\$
General and administrative expenses	52,071,332	51,157,495	48,787,772	48,430,663
Project related expenses	116,676,409	113,558,848	118,812,217	119,743,613
Loss on disposal of fixed assets	–	6,185,759	–	6,185,759
Depreciation	23,082,644	21,183,463	22,794,778	20,932,064
Interest expenses on government loan	5,340,416	4,480,095	5,340,416	4,480,095
Other expenses	23,510,704	20,621,056	23,498,273	20,562,722
	220,681,505	217,186,716	219,233,456	220,334,916

Notes on the accounts

(Expressed in Hong Kong dollars)

15 Taxation

(a) Taxation in the consolidated income and expenditure account represents:

	2007 HK\$	2006 HK\$
Current tax – Overseas		
Taxation for the year	48,703	64,991
Over-provision in respect of prior year	(24,045)	–
	24,658	64,991

The Council is not subject to any Hong Kong Profits Tax.

Taxation for PRC subsidiaries is charged at the appropriate current rates of taxation ruling in the relevant provinces.

(b) Reconciliation between tax expenses and accounting profit at applicable tax rates:

	2007 HK\$	2006 HK\$
Profit / (loss) of subsidiaries before taxation	82,372	(1,459,722)
Notional tax on profit / (loss) before tax, calculated at 17.5%	14,415	(255,451)
Tax effect of non-taxable revenue	(4,904)	(2,980)
Tax effect of non-deductible expenses	3,905	9,286
Rate differential on PRC operations	(37,356)	(271,379)
Tax effect of temporary timing differences not recognised	–	7,338
Tax effect of unused tax losses not recognised	86,068	578,177
Tax effect of prior years' tax losses utilised	(13,425)	–
Over-provision in prior year	(24,045)	–
Actual tax expense	24,658	64,991

Notes on the accounts

(Expressed in Hong Kong dollars)

15 Taxation (continued)

(c) Current taxation in the consolidated balance sheet represents:

	2007 HK\$	2006 HK\$
Provision for PRC Enterprise Income Tax	226,484	279,553

(d) Deferred tax assets and liabilities:

The group has no material deferred tax assets or liabilities requiring recognition as at 31 March 2007.

16 Notes to the consolidated cash flow statement

Reconciliation of deficit for the year to net cash outflow from operating activities:

	2007 HK\$	2006 HK\$
Deficit dealt with in the consolidated income and expenditure account	(34,537,311)	(43,815,878)
Decrease in consumables	24,725	43,848
(Increase) / decrease in accounts receivable, prepayments and deposits	(9,044,404)	19,520,509
Decrease in amount due to an associated company	(187,363)	(277,630)
Decrease in accounts payable and accruals	(14,777,438)	(8,346,719)
Interest income	(3,348,573)	(2,566,154)
(Gain) / loss on disposal of fixed assets	(292,877)	6,185,759
Depreciation on fixed assets of the Council	22,794,778	20,932,064
Depreciation on fixed assets of subsidiaries	287,866	251,399
Interest expenses on government loan	5,340,416	4,480,095
Share of loss of an associate	9,497	6
Exchange differences	(24,430)	74,879
Operating cash flows dealt with in reserves:		
Provident fund reserve		
– recovery of forfeited Council contributions	–	204,422
– life insurance premium paid	–	(728,798)
Medical benefits reserve		
– (over-provision) / provision for cost of medical benefits	(27,289)	8,805,811
– claims and premiums paid	–	(7,513,585)
Net cash outflow from operations	(33,782,403)	(2,749,972)

Notes on the accounts

(Expressed in Hong Kong dollars)

17 Operating lease arrangements

(a) As lessee

At 31 March 2007, the group and the Council had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	The Group		The Council	
	2007	2006	2007	2006
	HK\$	HK\$	HK\$	HK\$
Land and buildings				
Not later than one year	596,697	834,402	156,580	410,680
Later than one year and not later than five years	54,300	131,544	1,500	42,000
	650,997	965,946	158,080	452,680

The leases typically run for an initial period of one to five years, with an option to renew the lease when all terms are renegotiated. None of the leases includes contingent rentals.

(b) As lessor

At 31 March 2007, the group and Council had future aggregate minimum lease receivables under non-cancellable operating leases as follows:

	The Group and the Council	
	2007	2006
	HK\$	HK\$
Land and buildings		
Not later than one year	966,840	91,200
Later than one year and not later than five years	2,718,120	–
	3,684,960	91,200

The leases typically run for an initial period of two years, with an option to renew the lease when all terms are renegotiated. None of the leases includes contingent rentals.

Notes on the accounts

(Expressed in Hong Kong dollars)

18 Financial instruments

Exposure to credit, liquidity and foreign currency risks arises in the normal course of the Council's business. These risks are managed by the Council's financial management principles described below.

(a) Credit risk

The Council's credit risk is primarily attributable to accounts receivables, prepayments and deposits. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

At the balance sheet date, the Council has a certain concentration of credit risk as 33% (2006: 29%) of the total accounts receivables, prepayments and deposits was due from the group's five largest customers. The maximum exposure to credit risk is represented by the carrying amount of each financial asset, in the balance sheet.

(b) Liquidity risk

The Council's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

(c) Foreign currency risk

The Council is exposed to foreign currency risks through certain purchases that are dominated in the United States dollars and Renminbi. The Council does not expect any significant movements in the United States dollars to Hong Kong dollars and Renminbi to Hong Kong dollars exchange rate.

19 Material related party transactions

In addition to the transactions and balances disclosed elsewhere in these accounts, the group entered into the following material related party transactions:

- (i) Council Membership of the Council is appointed by Chief Executive of the Government. The Government has significant influence over the Council and transactions between the Council and the Government are considered to be related party transactions and are identified separately in these accounts. During the year, the Council has had the following material related party transactions with the Government:

	2007 HK\$	2006 HK\$
Repayment of government loan and interest	18,365,817	17,505,496
Receipt of government subvention used for:		
– purchase of fixed assets	15,804,000	18,442,000
– repayment of government loan and interest	18,365,817	17,505,496
– recurrent activities	139,669,000	138,631,000

Notes on the accounts

(Expressed in Hong Kong dollars)

(ii) Other material related party transactions of the group:

	Note	2007 HK\$	2006 HK\$
Service income earned from a subsidiary	(1)	3,868,936	–
Rental income received from a subsidiary	(2)	1,473,000	–

Notes:

- (1) Service income earned from a subsidiary is based on similar terms as the Council's transactions with other customers.
 (2) Rental income received from a subsidiary is based on similar terms as the Council's transactions with other customers.

20 Comparative figures

Cost of medical benefits scheme recognised in income and expenditure account in the comparative figures has been reclassified to conform with the current year's presentation.

21 Possible impact of amendments, new standards and interpretations issued but not yet effective for the annual accounting year ended 31 March 2007

Up to the date of issue of these accounts, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the accounting year ended 31 March 2007 and which have not been adopted in these accounts.

The Council is in the process of making an assessment of what the impact of these amendments, new standards and new interpretations is expected to be in the period of initial application. So far it has concluded that the adoption of these standards may result in new or amended disclosures, it is unlikely to have a significant impact on the group's results of operations and financial position.

In addition, the following developments may result in new or amended disclosures in the accounts:

		Effective for accounting periods beginning on or after
HKFRS 7	Financial instruments: disclosures	1 January 2007
Amendment to HKAS 1	Presentation of financial statements: capital disclosures	1 January 2007

Appendix I

Innovation and Technology Fund (ITF) Projects Approved in 2006/07

Project	HKPC's Role	Approved Funding (\$M)	Applicant
Development of a Numeric Controlled and User Centered 3D Dental Prostheses Design and Manufacturing System with Build-in Knowledge Based Chinese Dental Database	Applicant	2.699	Hong Kong Productivity Council
International Collaboration for the Development of Optoelectronics Industry in Hong Kong and the Mainland	Implementation Agent	0.32	Hong Kong Optoelectronics Association Ltd.
Feasibility Study of Instant Synthesis of Gemstone-graded Colored Corundum Using a Powder Sintering Approach	Implementation Agent	0.692	Hong Kong Jewelry and Jade Manufacturers Association
Key Technologies Development for Critical Medical Device Components Manufacturing – Site Directed Surface Treatment Technology for Sensors Production	Implementation Agent	3.699	Hong Kong Medical and Healthcare Device Manufacturers Association
Develop Technologies and Facilities to Design and Build Mechanical Watch Movements	Implementation Agent	3.294	The Chinese University of Hong Kong
Development of Nano-Scale Encapsulation Technique for Producing Colour Dispersion for Inkjet Painting	Partner	0.7	A & J Technology Ltd.
Fabrication of Ceramic Coating by Electrophoretic Deposition (EPD)	Partner	0.688	Hong Kong Metal Finishing Society Ltd.

Appendix II

SME Development Fund (SDF) Projects Approved in 2006/07

Project	HKPC's Role	Approved Funding (\$M)	Applicant
Competitiveness Enhancement Program for Hong Kong Electronics Manufacturers on the Application of Embedded Software	Implementation Agent	0.837	America Hong Kong Electronics Association
To Establish a Unique Industry-specific Risk Management System in Compliance with ISO 14971:2003 (Application of Risk Management to Medical Devices) for Hong Kong Medical and Healthcare Devices and Components Manufacturers	Implementation Agent	0.909	The Hong Kong Institution of Engineers – Biomedical Division
To Promote and Adopt Environmental Friendly Concepts and Technologies for the Life Cycle of Plastic Film Packaging	Implementation Agent	0.999	Hong Kong Plastics Bags Manufacturers' Association
Standard Protocols on Resource Management and Food Safety Plan and Training VCD/DVD	Implementation Agent	1.535	The Hong Kong Federation of Restaurants and Related Trades Ltd.
SME Corporate Governance Implementation Toolkit – from Guidelines to Implementation	Implementation Agent	1.215	The Hong Kong Institute of Directors

Appendix III

Professional Services Development Assistance Scheme (PSDAS) Projects Approved in 2006/07

Project	HKPC's Role	Approved Funding (\$M)	Applicant
Capability Training Programme on LEAN Management Enhancing Manufacturing and Industrial Engineers in Response to CEPA Development	Implementation Agent	0.202	The Hong Kong Institution of Engineers – Manufacturing and Industrial Division
Professional Competency Development Programme on Optimized Facility Management System in Compliance with the PAS-55 Asset Management - Specification for the Optimized Management of Physical Infrastructure Assets for Hong Kong Automotive Manufacturing Engineers	Implementation Agent	0.502	Society of Automotive Engineers – Hong Kong
Professional Exchange and Enhancement Programme on World-class Computer Graphic Designs and Interactive Techniques for Computer Graphics (CG Visual) Practitioners in Hong Kong	Implementation Agent	0.962	Hong Kong ACM SIGGRAPH Professional Chapter Ltd.
To Extend Optometrists' Professional Service to PRC and Help Them Tap CEPA Opportunities	Implementation Agent	0.587	Hong Kong Optometric Association
Promotion of Advanced Materials Processing Technology to Raise the Competitiveness of Local Materials Engineers	Implementation Agent	0.244	Hong Kong Foundry Association
Enhancement Programme for Hong Kong Engineers on Total Air Quality Management	Applicant	0.224	Hong Kong Productivity Council

Appendix III

Professional Services Development Assistance Scheme (PSDAS) Projects Approved in 2006/07 (continued)

Project	HKPC's Role	Approved Funding (\$M)	Applicant
Enhance the Competitiveness of Local Eyewear Designers and Engineers in PRC	Implementation Agent	0.68	Hong Kong Optical Manufacturers Association
To Promote the Professionalism and Enhance the Capability of Local Engineers in Biomedical Engineering Development in order to Capture the CEPA Opportunity	Implementation Agent	0.609	The Hong Kong Institution of Engineers – Biomedical Division
Promoting Material Science and Technology among Engineering Professionals to Raise the Standard of Professional Service	Implementation Agent	0.486	The Hong Kong Institution of Engineers
Development Program for Professionals in Technology Transfer, Commercialization Service and Public & Private Financing	Implementation Agent	0.387	Guangdong-Hong Kong Association for the Promotion of Technology Enterprise

Appendix IV

Major Conferences Organized by or Involving the Participation of HKPC in 2006/07

1. With HKPC as Organizer or Joint Organizer

Name	Sector Served	Venue	Date
2006 International Congress for Asia Pacific Automotive Industry (ICAPAI)	Automotive	Hong Kong	15.05.06 – 16.05.06
Mobile Enterprises Conference & Exhibition	All Sectors	Hong Kong	27.06.06
Industrial Forum on the Role of Manufacturer in Protecting Environment	All Sectors	Hong Kong	29.06.06
2006 International Conference on Green Surface Finishing Technology	Manufacturing	Hong Kong	17.07.06 – 18.07.07
Asian 3G Forum	All Sectors	Hong Kong	20.10.06
2006 International Conference on NanoTechnology and Advanced Materials	Manufacturing	Hong Kong	01.11.06 – 03.11.06
Illumination Technology & Lighting System Design Symposium	Manufacturing	Hong Kong	06.11.06
Mobile TV Conference	Telecommunications	Hong Kong	15.11.06
Forum at HK-PRD Industrial Promotion Gala Dinner	Manufacturing	Zhongshan	17.11.06
Jewelry Design Leader Forum and Technology Conference	Jewelry	Hong Kong	08.12.06 – 09.12.06
Technological Solution Leading to Blue Sky	All Sectors	Hong Kong	12.01.07
International Metallic Auto Parts Technology Conference	Auto Parts	Hong Kong	22.01.07 – 24.01.07
Managing Contaminated Lands in Hong Kong – A Perspective on Current Practice and New Development Forum	All Sectors	Hong Kong	02.02.07
2007 Hong Kong Logistics Technology Management Forum	Logistics	Hong Kong	12.03.07
Hong Kong Investment & Financing Forum in Chongqing	All Sectors	Chongqing	29.03.07 – 30.03.07

Appendix IV

Major Conferences Organized by or Involving the Participation of HKPC in 2006/07 (continued)

2. With HKPC in Other Roles

Name	Sector Served	HKPC's Role	Venue	Date
12th World Micromachine Summit	Manufacturing	Supporting Organization	Beijing	27.04.06 – 29.04.06
World Congress on Medical Physics and Biomedical Engineering 2006 (WC 2006)	Medical and Healthcare Devices	Supporting Organization	Hong Kong	28.08.06
Hong Kong International Computer Conference 2006	All Sectors	Secretariat	Hong Kong	13.09.06 – 14.09.06
Dongguan International Sci-Tech Collaboration Week 2006	All Sectors	Supporting Organization	Dongguan	21.09.06 – 24.09.06
Nansha Science & Technology Forum: Environment Sustainability	All Sectors	Supporting Organization	Guangzhou	27.10.06 – 28.10.06
Asia Pacific Conference on Optics Manufacturing 2007 (APCOM)	Manufacturing	Supporting Organization	Hong Kong	11.01.07 – 13.01.07
HKACE Customer Service Excellence Award Experience Sharing Forum	All Sectors	Implementation Agent	Hong Kong	07.03.07 – 08.03.07

Appendix V

Major Study Missions Organized by or Involving the Participation of HKPC in 2006/07

1. With HKPC as Organizer or Joint Organizer

Name	Sector Served	Destination	Date
Study Mission to USA on Municipal Waste Management and Technologies	All Sectors	USA	02.04.06 – 09.04.06
Automotive Manufacturing Industry Business / Technology Study Mission to Henan	Automotive Parts	Henan	11.04.06 – 15.04.06
Study Mission to Germany and Netherlands on Functional Surface Finishing Technology	Manufacturing	Germany, Netherlands	23.04.06 – 30.04.06
Study Mission on Plastics, Metals and Tooling Industries to Shanghai, Suzhou, Wuxi and Qingdao	Plastics, Metals and Tooling	Shanghai, Suzhou, Wuxi, Qingdao	25.04.06 – 29.04.06
Study Mission on Aviation Industry to Guizhou	Aviation	Guizhou	17.05.06 – 21.05.06
Study Mission on Lean Manufacturing to Japan	Manufacturing	Japan	22.05.06 – 27.05.06
Study Mission on Houseware and Premium Industry to Jiangxi, Shaanxi, Ningbo and Taizhou	Houseware and Premium	Jiangxi, Shaanxi, Ningbo, Taizhou	06.06.06 – 10.06.06
Study Mission on Aviation Devices and Components Industry to Germany and Britain	Aviation	Germany, Britain	18.07.06 – 23.07.06
Delegation to Eco-Leather Industrial Park in Jiangmen	Manufacturing	Jiangmen	10.08.06 – 11.08.06
Study Mission on Advanced Biomedical Engineering Technology to South Korea	Medical and Healthcare Devices	South Korea	23.08.06 – 26.08.06
Study Mission on Chinese Medicine Industry to Guangzhou, Maoming and Zhanjiang	Chinese Medicine	Guangzhou, Maoming, Zhanjiang	28.08.06 – 30.08.06
Study Mission on Food Production Technology to Japan (FoodTech 2006)	Manufacturing	Japan	11.09.06 – 16.09.06
Study Tour to Poland on Foundry Technology and Non-Ferrous Metals Expo	Manufacturing	Poland	23.09.06 – 29.09.06
Study Mission on Aviation Devices, Components and Maintenance Industry to Singapore	Aviation	Singapore	01.10.06 – 03.10.06

Appendix V

Major Study Missions Organized by or Involving the Participation of HKPC in 2006/07 (continued)

Name	Sector Served	Destination	Date
Study Mission to Japan and Korea on Advanced Manufacturing Technologies of Plastics, Metals and Tooling Industries	Plastics, Metals and Tooling	Japan, Korea	03.11.06 – 09.11.06
Study Mission on Green Surface Finishing Technology to Italy and Germany	Manufacturing	Italy, Germany	26.11.06 – 03.12.06
Study Mission to Europe on Electrical Appliances Product Development, Advanced Manufacturing Technologies and RoHS/WEEE/EuP Implementation	Electrical Appliances	Europe	27.11.06 – 03.12.06
EuroMold Study Mission on Advanced Plastic Mould and Product Development to Germany, Switzerland and France	Plastics, Moulds and Machinery	Germany, Switzerland, France	30.11.06 – 07.12.06
Business Matching Study Mission to Vietnam	Manufacturing	Vietnam	15.01.07 – 20.01.07
Study Mission to USA on Medical and Healthcare Industries	Medical and Healthcare Devices	USA	07.02.07 – 16.02.07
Study Mission on Automotive and Components Industry to Jiangxi, Nanchang, Jingdezhen and Jiujiang	Automotive Parts	Jiangxi, Nanchang, Jingdezhen, Jiujiang	14.03.07 – 17.03.07
Study Mission on Productivity Improvement to Japan	Manufacturing	Japan	25.03.07 – 31.03.07

2. With HKPC as Implementation Agent

Name	Sector Served	Destination	Date
Study Mission on Industry & Technology Development Policy to Beijing	Manufacturing	Beijing	29.10.06 – 02.11.06
"SIGGRAPH 2006" – Study Mission to USA	Digital Entertainment	USA	26.07.06 – 06.08.06

Appendix VI

Event Highlights

21 April 2006



Seminar on Brand Building for Hong Kong Jewellery on the Mainland

Dr Stephen Lee (third from right), Director of Product Productivity of HKPC and speakers at the opening of the seminar

27 April 2006



Signing Ceremony of the Licensing Agreement on Handy Toilet Waste Disinfection System between HKPC Technology (Holdings) Co., Ltd and Nishitani (Asia) Limited

Mr Yukio Nishitani (left), CEO and Chairman, Nishitani (Asia) Limited presented a souvenir to Dr Samson Tam, Deputy Chairman of HKPC.

22-27 May 2006



Study Mission to Japan on Lean Manufacturing

The delegation at the Exhibition Hall of the Toyota Motor Corporation

9 June 2006



The Best Brand Enterprise Award 2006 (Guangdong & Hong Kong) Presentation Ceremony

Ms Yvonne Choi (left), in her then capacity as Permanent Secretary for Commerce, Industry and Technology (Commerce and Industry), HKSAR Government and a winner of 'The Best Brand Enterprise Grand Award' shared a memorable moment at the presentation ceremony.

16 May 2006



Signing Ceremony of MOU on the Research and Development of Hybrid Electric Vehicles between Hong Kong Productivity Council and Hainan Automobile Group Co., Ltd

Mr Yang Jianzhong (right), Vice President of Hainan Automobile Group Co., Ltd, and Dr Stephen Lee, Director of Product Productivity of HKPC, at the signing ceremony

16 May 2006



2006 International Conference for Asia Pacific Automotive Industry

Dr Stephen Lee (third from left), Director of Product Productivity of HKPC and speakers at the Conference

16 June 2006



Manufacturing Solution Day 2006

Mr Francis Ho, in his then capacity as Permanent Secretary for Commerce, Industry and Technology (Communications and Technology), HKSAR Government gave opening remarks at the event.

27 June 2006



Quality Seawater Assurance Scheme Certificate Presentation Ceremony

Opening remarks by Mrs Carrie Yau, in her then capacity as Permanent Secretary for Health, Welfare and Food (Food and Environmental Hygiene), HKSAR Government at the presentation ceremony

17 July 2006



Opening Ceremony of 2006 International Conference on Green Surface Finishing Technology

Welcoming speech by Mr Luther Wong, Chairman of Hong Kong Metal Finishing Society

25 August 2006



Closing ceremony of the Entrepreneurs in Action Program (EiA Program) for New Era Leaders 2006

(From left) Mr James Tsui, National President of JCIHK, Mr Li Jiayi, Deputy General of Youth Department, Liaison Office of the Central People's Government in the HKSAR and Dr Stephen Lee, Director of Product Productivity of HKPC shared a joyous moment.

12-17 October 2006



HKPC Organizes Technology Gallery at China Hi-Tech Fair 2006

Dr Stephen Lee (second from left), Director of Product Productivity introduced HKPC's technology support services showcased at the HKPC Technology Gallery.

19 October 2006



HKPC - Into the 40th Year: Launch of Productivity Gallery

Mr Joseph W. P. Wong (second from left), in his then capacity as Secretary for Commerce, Industry and Technology, HKSAR Government, Mr Andrew Leung (first from left), Chairman of HKPC, Dr Samson Tam (second from right), Deputy Chairman of HKPC and Dr Stephen Lee (first from right), Director of Product Productivity of HKPC shared a happy moment at the launch of the Productivity Gallery.

20 September 2006



Growth Leadership Forum – Master of the Game

Forum panelists shared their experience in corporate development.

21 September 2006



Opening Ceremony of BME 2006 Biomedical Engineering Conference

Ir Wong Kwoklai (left), President of The Hong Kong Institution of Engineers presented a souvenir to Ir John Mok, Chairman of Hong Kong Medical and Healthcare Device Manufacturers Association.

1 November 2006



Opening Ceremony of 2006 International Conference on Nanotechnology and Advanced Materials

Mr Jimmy Kwok (right), Chairman of the Federation of Hong Kong Machinery & Metal Industries and Dr Kazunobu Tanaka of the Asia Nano Forum shared a memorable moment at the Conference.

17 November 2006



Hong Kong - PRD Industrial Promotion Gala Dinner in Zhongshan

Mr Tang Hao (front row, ninth from left), Deputy Secretary-General of Hong Kong and Macao Affairs Office in Guangdong, the Hon. Henry Tang Ying-yen (front row, tenth from right), in his then capacity as Financial Secretary of the HKSAR Government, Mr Andrew Leung (front row, tenth from left), Honourary Chairman of the Gala Dinner Organizing Committee and Chairman of HKPC, Mr Kenneth Ting (front row, ninth from right), Honourary Chairman of the Gala Dinner Organizing Committee and Chairman of FHKI and Dr WK Lo (front row, sixth from left), Executive Chairman of the Gala Dinner Organizing Committee.

28 November 2006



Opening Ceremony of Information Security Summit 2006

Dr Stephen Lee, Director of Product Productivity of HKPC (front row, first from right), Mr Dale Johnstone (front row, centre), Chairman of Organizing Committee of the Information Security Summit 2006 and Mr Shelton Ng (front row, first from left) Chief Superintendent, Hong Kong Police officiated at the Opening Ceremony of the Information Security Summit 2006.

29 November 2006



HKPC Pavilion at the Innovation & Design Expo

"HKPC Pavilion" featured the Council's one-stop services in product design and development for local industry at the Innovation & Design Expo.

12 January 2007



Conference on Technological Solution Leading to Blue Sky

Mr Wilson Fung, Executive Director of HKPC gave the welcome remarks at the opening of the Conference.

17 January 2007



Growth Leadership Forum - Magic Key of Doing Business in China

Ms Joyce Tam (fourth from right), Assistant Director-General of Trade and Industry, HKSAR Government and Mr Edmund Sung (centre), Director of Business Productivity of HKPC posed for a group photograph with speakers at the Opening Ceremony of the Growth Leadership Forum – Magic Key of Doing Business in China.

8 December 2006



Opening Ceremony of 2006 World's Jewelry Design Masters, Strategists & Leaders Forum

Mr Addy Wong (left), Chairman of 2006 International JDI Competition Organizing Committee presented a souvenir to the Hon. Mrs Selina Chow for her support.

19 December 2006



Innovation Knowledge (InKnow) Enterprise Award Presentation Ceremony 2006

Mr Xing Shengcai (front row, fifth from left), Deputy Commissioner of State Intellectual Property Office, Dr Samson Tam (front row, sixth from left), Deputy Chairman of HKPC and Mr Li Zhongduo (front row, fourth from right), Director General of Guangdong Intellectual Property Office, other officiating guests and representatives of companies honoured at the Innovation Knowledge Enterprise Award Presentation Ceremony.

5 February 2007



2006 Hong Kong Awards for Industries Presentation Ceremony

The Hon Henry Tang Ying-yen (right), in his then capacity as Financial Secretary, HKSAR Government presented the '2006 Hong Kong Awards for Industries: Productivity and Quality Grand Award' to the representative of a winning company.

12 March 2007



Opening Ceremony of Hong Kong Logistics Technology Management Forum

The Hon. Miriam Lau gave the opening remarks at the Forum.

Appendix VII

Visitors

27 June 2006



Mrs Carrie Yau (second from right), JP, in her then capacity as Permanent Secretary for Health, Welfare and Food (Food and Environmental Hygiene) and representatives of the Accredited Organizations of the Quality Seawater Assurance Scheme visited HKPC's Innovation Gallery. Mr Kenny Wong (first from right), Principal Consultant of Environmental Management Division, introduced the latest environmental technologies to the visitors.

26 July 2006



Mr Pramon Sutivong (left), Chairman, the Thai Chamber of Commerce in Thailand, was greeted by Mr Edmund Sung, Director of Business Productivity of HKPC, during his visit to the Council.

25 September 2006



Dr John Blakemore (right), National President of the Manufacturing Society of Australia, was welcomed by Dr Stephen Lee, Director of Product Productivity of HKPC, during his visit to the Council.

7 November 2006



Professor Han Qide (left), Vice-Chairman of the Standing Committee of the National People's Congress and Chairman of the China Association for Science and Technology, PRC, led a delegation to HKPC. He was briefed by Mr Andrew Leung, Chairman, on the Council's initiatives and the latest projects on commercialization of environmental technologies.

10 November 2006



Mr Fu Depeng (fifth from right, front row), President of the Guangdong Electroplating Industry Association, PRC, led a delegation to HKPC and met with Mr Weiman Chu (fifth from left, front row), Director of Manufacturing Productivity.

21 November 2006



Mr John Langoulant (right), Chief Executive of the Chamber of Commerce and Industry of Western Australia, was welcomed by Dr Stephen Lee, Director of Product Productivity of HKPC, during his visit to the Council.

25 October 2006



Mr Jesus Vizcarra (fifth from left, front row), Secretary for Economic Development of the State Government of Sinaloa, Mexico, and his delegates visited HKPC. They were welcomed by Dr Stephen Lee (fifth from right, front row), Director of Product Productivity of HKPC.

3 November 2006



Mr Xu Fuming, President of the Nanjing University of Science and Technology, PRC, led a delegation to HKPC.

18 December 2006



Mr Xing Shengcai (fourth from left), Deputy Commissioner, State Intellectual Property Office, PRC, accompanied by Mr Li Zhongduo (fifth from right), Director-General, Intellectual Property Office of Guangdong Province, visited HKPC and were briefed by Dr Stephen Lee (fifth from left), Director of Product Productivity of HKPC and representatives of CEPA Business Development and Intellectual Property Division on the Council's support services for value-added industries.

22 December 2006



Mr Weiman Chu (first from right), Director of Manufacturing Productivity of HKPC introduced the latest optical technology to Mr Liao Xiaoqi (second from right), Vice-Minister, Ministry of Commerce, PRC, during his visit.

17 January 2007



Mr Tse Waihang (centre), Chairman of the Federation of Hong Kong Watch Trades and Industries, led a delegation to HKPC and met with Mr Wilson Fung (fourth from left), Executive Director; Mr Weiman Chu (first from left), Director of Manufacturing Productivity and Dr L K Yeung (second from right), General Manager of Materials Technology Division.

24 January 2007



Mr David Chew Hengching (left), Chairman of the Singapore International Chamber of Commerce, was presented with a souvenir by Mr Edmund Sung, Director of Business Productivity of HKPC, during his visit to the Council.

14 March 2007



Mr Robert Peolhekke (first from left), Deputy Director of International Economic Affairs, Confederation of Netherlands Industry and Employers, the Netherlands, and Mr John Higgins (third from left), Director General of Intellect, the UK, visited HKPC to promote regional business cooperation. They were welcomed by Dr Stephen Lee (second from left), Director of Product Productivity of the Council.

29 May 2007



Mr Tang Hao (left), Director-General of the Hong Kong and Macao Affairs Office, People's Government of Guangdong Province, PRC, was presented with a souvenir by Mr Wilson Fung (right), Executive Director, HKPC, during his visit to the Council.

29 January 2007



HE Mr Lu Shumin (left), Ambassador of the PRC to Canada, met with Mr Weiman Chu, Director of Manufacturing Productivity of HKPC, during his visit to the Council.

2 February 2007



Mr Ian Bailey (centre), Trade Commissioner, and Mr Tony Collingridge (second from right), Head of the Asia Pacific Team of UK Trade and Investment, British Consulate-General in Hong Kong, visited HKPC and were welcomed by Mr Wilson Fung (second from left), Executive Director; Dr Stephen Lee (first from left), Director of Product Productivity; and Mr Frank Leung, General Manager of Automotive and Electronics Division.

5 July 2007



Mr He Yuepei (third from right), Director-General of Dongguan Science and Technology Bureau, PRC, led a delegation to HKPC and was briefed by Mr Wilson Fung (fourth from right), Executive Director, and Mr Weiman Chu (first from right), Director of Manufacturing Productivity, at the Innovation Gallery.

18 July 2007



Mr Jiang Ling (second from right), Vice-Mayor of the Dongguan Municipal People's Government, PRC, led a delegation to HKPC and was briefed by Mr Wilson Fung (second from left), Executive Director, HKPC, on the In-Situ Food Waste Conversion System at the Innovation Gallery.

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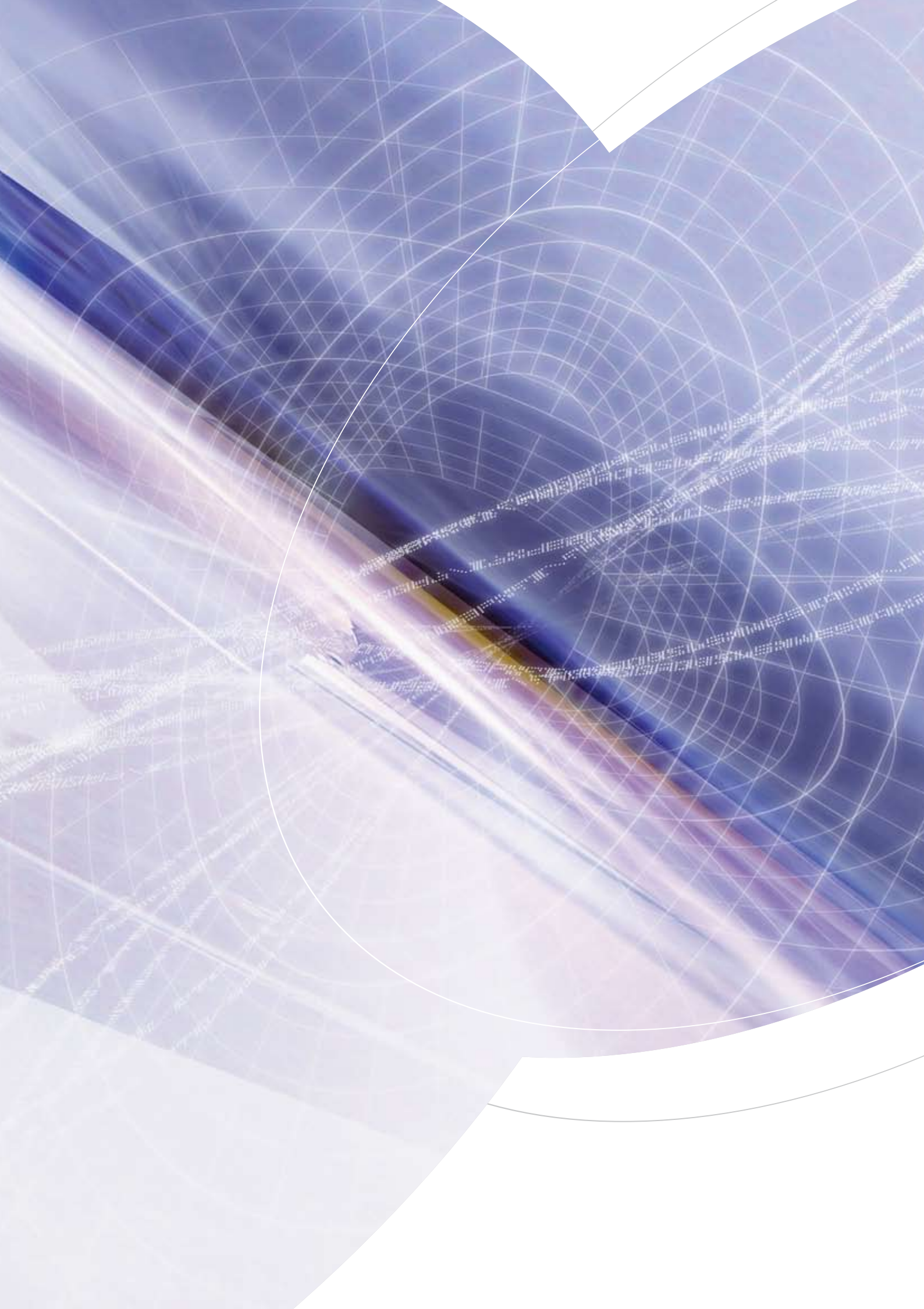
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