**2013/14 HKPC Annual Report**

**Value**

**One Minute Annual Report**

**Operation Highlights**

* Total service income of HKPC and its subsidiaries
* amounted to $375 million, an increase of 4.2% over 2012/13
* 964 consultancy projects undertaken
* 44 new government funded projects with $112.4 million funding approved

**Customer Satisfaction**

* Scored 9.01 on a scale of 10 in customer survey

**Major Collaborations**

* Launched Lab Test One, a one-stop testing and technical support service, with the Hong Kong Science and Technology Parks Corporation (HKSTPC)
* Signed Memorandum of Understanding with KUKA Robotics China Co., Ltd., Fraunhofer Institute for Production Technology IPT, and the Fraunhofer Institute for Silicate Research ISC respectively for cooperation on intelligent automation and advanced manufacturing technology

**New Industry Support Facilities**

* Hong Kong’s first independent software testing laboratory - The Hong Kong Software Testing and Certification Centre (HKSTCC) opened
* Hong Kong’s first Intelligent Manufacturing (i-mfg) Technology Demonstration Centre launched
* A new T2B Zone in HKPC building to promote technology commercialization

**Sustainability Initiatives**

* Implemented the extended phase of Cleaner Production Partnership Programme for two years from 1 April 2013
* Launched the first Government-funded electric bus R&D project
* Launched the “HSBC Water Programme for Industrial Water Management” to help water-consuming industries conserve water resource

**Serving the Community**

* Awarded the Five Years Plus Caring Organization
* Joined the “Talent-Wise Employment Charter and Inclusive Organisations Recognition Scheme” of the Labour and Welfare Bureau, both as an employer and a supporting organization

**Communication with stakeholders**

* HKPC’s Sustainability Report 2012/13, basing on the Global Reporting Initiatives (GRI) G4 Sustainability Reporting Guidelines, is one of the world’s first 20 reports that passed the materiality assessment
* 50 industry consultation events organized
* Played host to over 4,100 visitors and nearly 200 local, Mainland and overseas delegations

**Awards and Honours**

* The Automatic Engine Idlestop and Supplementary Air Conditioning System awarded the Second Runner-up of the Innovation Award for the Engineering Industry (Technology Category), organized by the Hong Kong Institution of Engineers
* HKPC 2011/12 Annual Report won the Gold Award in “App Annual Report” (Government Agencies and Offices) in the 2013 International ARC Awards
* HKPC’s SME One and LSR and Over-moulding Injection System have won the Certificate of Merit in the Customer Service, and Machinery and Machine Tools Design categories respectively in the 2013 Hong Kong Awards for Industries

**Who We Are**

When our story began...

The history of HKPC dated back to the 1960s when Hong Kong began to evolve from an entrepot trading centre into an industrial centre. With the predominance of family-owned small enterprises in the manufacturing sector, the Government saw the need to provide institutional support to foster the further development of Hong Kong industry, thus the Hong Kong Trade Development Council and Hong Kong Export Credit Insurance Corporation were set up in 1966 and the Hong Kong Productivity Council (HKPC) in 1967.

In 1967, HKPC was established by statute to support Hong Kong companies adopt productivity-enhancing practices, enabling them to make use of their resources in a more effective and innovative fashion so as to increase the value-added content of products and services.

For close to 50 years, HKPC plays a critical role in Hong Kong’s industry support infrastructure, focusing on sourcing, developing and transferring new technologies and management knowhow to enhance the competitiveness and sustainability of Hong Kong industries in the world market.

HKPC is governed by a Council comprising a Chairman and 22 members, representing managerial, labour, academic, business sector and professional interests, as well as related government bureaux and departments in Hong Kong. HKPC’s operations are mainly supported by income from its technical and management consultancy services and government subventions.

With close to 700 dedicated employees including consulting and technical professionals, HKPC and its subsidiaries provide one-stop solutions and services to more than 1,000 enterprises on average each year to add value to their business.

HKPC’s headquarters in Kowloon Tong features advanced manufacturing and accredited testing facilities, exhibition and training venues, and support centres dedicated to various technological areas and specific sectors of the industry. HKPC also operates three wholly-owned subsidiaries in Guangzhou, Dongguan and Shenzhen serving Hong Kong enterprises in the Pearl River Delta aiming to provide more readily available support to enterprises across the boundary.

* Applied R&D
* Technology Transfer
* Productivity Enhancement

Close to 700 employees, including consulting and technical professionals, serving more than 1,000 companies each year

**Our Vision, Mission, Value and Strategy**

**Vision**

Be your most preferred productivity partner

**Mission**

Promote productivity excellence for industry to enhance competitiveness and sustainability

**Core Values**

* Integrity
* Integration
* Innovation
* Impartiality
* People
* Passion
* Professionalism
* Partnership

**Four Pronged Strategy**

**Scaling up Platforms**

Through the establishment of support platforms, HKPC can pool resources from the public and private sectors to address issues concerning the industry at large.

**Creating Value for SMEs**

HKPC is committed to helping SMEs create and deliver higher value-added products and services.

**Sharpening Core Competencies**

HKPC continues to invest in new facilities and acquire new competencies to address the emerging needs of Hong Kong industry.

**Developing Strategic Partnership**

By leveraging on the strengths of technology and business partners, HKPC can effectively transfer new technology and knowhow to Hong Kong industry.

**Our Corporate Identity**

The two-toned parallel lines forming our corporate identity (CI) signify the longstanding partnership with Hong Kong industry.

**Our Capital**

All organizations depend on various forms of “Capitals” as fuels to sustain their success.

**Financial Capital**

The operation of HKPC is supported by Government subvention in the form of an annual block grant which covers 30% of its income. The remaining 70% of HKPC’s income is supported predominantly by various fee-charging services (58%) and to a lesser extent competitive Government funded programmes (12%).

**Human Capital**

As an organization providing value-added services and knowledge-based solutions, human capital is HKPC’s most valuable intangible asset.

HKPC’s workforce comprises professional consultants and technical staff with strong academic background and solid industry experience. 75% of HKPC’s employees hold bachelor’s or higher degrees and 171 professional designations are conferred to our colleagues.

Their diverse talents and extensive expertise covers the entire value chain from product development, manufacturing, testing, business management to customer service.

Academic Qualification of HKPC Staff (as at 31 March 2014)

* 30 Doctor degree
* 205 Master’s degree
* 263 Bachelor’s degree
* 168 Others

HKPC has formulated a structured training curriculum to clearly define the general skills and knowledge required in each staff grade.

As part of HKPC’s long-term talent development planning, HKPC has set up the Trainee Consultant Induction Programme and Cadet Engineer Scheme to recruit from top-notch universities and institutions.

HKPC has established a comprehensive continuous training framework utilizing both in-house expertise and external facilities aiming to sharpen staff members’ essential skills to better serve our clients:

* 3 Serving Cadet Engineers
* Appointed 8 Trainee Consultants
* 903 applicants
* 7 competence-based generic skills training modules
* 397 employees have attended Sponsorship programme to encourage staff members participate in external training
* 1,126 training programmes and knowledge sharing events under this programme in the past year
* Sponsored 20 employees to pursue their first degree, 20 to pursue master’s or doctorate degree
* Incorporated staff members training efforts, achievements in academic, professional, research and community in the annual appraisal assessment

**Structural Capital**

Structural capital can be defined as all those things that remain in an organization after its employees have left the organization, such as operating processes, management systems, information systems, intellectual property and best practices.

HKPC is in possession of many kinds of structural capital, which incorporates all intangible assets such as brand value, processes, management systems and IT platforms that ensure the sustainable operation of HKPC.

With a long track record of support for Hong Kong industry, HKPC has built up an established and highly regarded brand, with a reputation for quality and reliability.

Especially important is our innovation mechanism, HKPC has deployed a Commercial Research and Development Scheme (CRD) since 2000. Every year, at least HK$2 million of internal funding is earmarked in HKPC’s annual budget for the CRD Fund to support our staff’s self-initiated R&D projects on new technologies, methodologies, services and best practices.

HKPC systematically captures, organizes and shares information through IT platforms and Knowledge Management (KM) mechanisms.

Our in-house developed KM Technology Platform – “i-Exchange” employs Web 2.0 technologies to build a comprehensive KM platform. The system fosters internal business collaboration by leveraging our multi-disciplinary expertise.

A corporate wide enterprise resource planning system (ERP) was also deployed in the year to manage our key business functions covering project, finance, procurement and related operations.

To support its R&D and consulting services, HKPC operates 26 industry support centres in HKPC Building equipped with advanced design, processing and testing facilities, including four accredited laboratories under the Hong Kong Laboratory Accreditation Scheme (HOKLAS).

**HKPC’s Industry Support Centres**

* Advanced Electronics Processing Technology Centre
* Advanced Surface Technology Development Centre
* CAD / CAM Centre
* Conformal Cooling Technology Centre
* D2D+ Business Automation Centre
* Electromagnetic Compatibility Centre
* Enterprise Resources Planning Centre
* Environmental and Product Innovation Laboratory
* Far Infrared Rays Testing Laboratory
* Hong Kong Jewellery Industry Technology Centre
* Hong Kong Computer Emergency Response Team Coordination Centre
* Hong Kong Open Source Software Centre
* Hong Kong Software Industry Information Centre
* Hong Kong Software Testing and Certification Centre
* Hong Kong Watch & Clock Technology Centre
* Intellectual Property Services Centre
* Intelligent Flexible System and Robotics Centre
* Intelligent Manufacturing (i-mfg) Technology Centre
* Light Metal Engineering Research Centre
* Micro Fabrication Technology Centre
* Optics and Opto-Mechatronics Technology Centre
* Plastics Technology Centre
* Precision Tooling Technology Centre
* Rapid Prototyping Technology Centre
* Reliability Testing Centre
* SME One

**Relational Capital**

Relational Capital refers to value-creating relationships that are external to an organization such as customers, suppliers, partners and government, etc.

HKPC keeps close track of the HKSAR and Mainland government policies and support the Government initiatives in various policy areas. HKPC has been actively building a cooperation network with Mainland government organizations since 1990s, successfully established effective cross-boundary communication channels on many levels.

HKPC nurtures the formation and development of trade associations, helps them to access various resources to upgrade their sectors and reflect their concerns to the Government. We also exchange ideas and collaborate with academia and research institutes for industry upgrade, innovation and technology commercialization.

To foster our collaboration network, HKPC has representation in committees of various trade associations, with many of our consultants making contributions to their networking and industry promotion activities.

The industry consultation platform, “Hong Kong Industry Network Clusters” (HK-INC), is established by HKPC to gauge the views of the industry on issues of relevance to their long-term development.

Insights collected by HK-INC have directly contributed to the creation of various new industry support programmes. In the year, among the 50 industry consultation meetings organized, 8 theme-based industry consultation sessions were organized through the HK-INC platform, over 24,341 people attended 278 networking activities for industry associations in 2013/14.

**HK-INC platform**

* 50 Industry consultation meetings
* 278 networking activities
* 24,341 people attended
* About 100 trade related organizations with HKPC representation

**Our Stakeholders**

In order to apply the most effective ways to create value for our stakeholders, we must identify the expectations of our stakeholders. We must know who we are accountable to and what is important to them. Our stakeholders are...

|  |  |  |
| --- | --- | --- |
| **Stakeholders** | **Why they matter** | **What they expect of HKPC** |
| **Government** | As a statutory organization, HKPC has to fulfill its public mission by aligning its services with government policies. | Respond swiftly to government initiatives with specific and practical initiatives and programmes. |
| **The Council** | HKPC is governed by the Council representing management, labour, academic and professional interests, as well as related government bureaux and departments. The Council provides strategic leadership to HKPC. | To maintain good corporate governance and deliver our public mission in response to stakeholders’ needs through an effective and efficient organizational structure. |
| **Clients** | HKPC fulfills its public mission through the delivery of consulting services to a wide range of enterprises and the income generated contributes to its sustainable operation. | To deliver a consistent level of service as well as independent and professional judgment to safeguard the client’s best interest. |
| **Industry Associations** | Industry associations are important channels for HKPC to keep tabs on industry development and needs. They are also HKPC’s key targets for transfer of technologies and management best practices. | To maintain a close linkage with industry associations so as to help different sectors access various resources for business upgrading and to reflect their concerns to the government. |
| **Strategic Partners** | HKPC leverages the strengths of a wide range of strategic partners for technology and knowledge transfer, and to deliver our integrated services. | To provide regular cooperation opportunities and maintain a long-term relationship. |
| **Employees** | As a knowledge-based organization, HKPC’s greatest asset is its employees. | They expect HKPC to create a positive work environment in which people are empowered, enabling them to grow professionally and personally. |
| **Professional Institute and Academia** | HKPC works closely with numerous professional bodies and academia as collaboration partners for new technology and business development. | To help them collaborate with various industry sectors to transfer their technologies and knowledge. |
| **General Public** | Public perception of HKPC is crucial to the building of a positive brand image. | To conduct its business following the principles of good corporate governance and regularly communicates with the general public through various media. |

**Our Business Model**

As a statutory industry support organization, HKPC’s core business is to help companies and industry sectors enhance their competitiveness and sustainability to cope with the challenges of the external environment, including economic conditions, technological change and environmental problems.

To do so, HKPC needs to draw on various “Capitals” including financial capital, human capital, structural capital and relational capital, and covert them into products, services, technology and knowhow through HKPC’s industry support platforms and enterprise support services. Economic, environmental and social values are then created as the final outcome.

Industry Support Platform

HKPC can never serve Hong Kong’s industries in isolation, in order to scale up its services substantively, HKPC has to leverage upon external capabilities.

In the process, HKPC creates support platforms to provide comprehensive services to the industries in need and also create new business opportunities for all other key stakeholders and business partners.

Enterprise Support Service

Besides the one-to-many service platform, HKPC also provides one-on-one enterprise support service covering the entire business value chain. These one-on-one service projects complement the service platforms. The experience gained, on the other hand, ensured that the service platforms are relevant to the industry.

**Fluid and Flex**

Water constantly changes its shape to fit whatever container it is in. In an age characterized by highly customized needs, flexibility has become the most important competitive priority for businesses.

“The greatest good is like water.

Water benefits all things,

yet conflicts with none.”

Lao Tzu

**Message from the Chairman**

“Value” is more often mistaken as the synonym for price.

While there are countless examples illustrating and formulas defining the difference between “value” and “price”, the essence of value hinges on the perceived and actual benefits that customers obtain from the product or service. It goes beyond the price tag. For most companies, what matters most to their competitiveness is the value of their products or services, rather than the price.

A key objective of HKPC’s mission is to help Hong Kong companies bring a higher customer value to their products and services so as to enhance their international competitiveness.

As we are well aware that a company is not an isolated entity, its long term success is determined not just by its business performance, but by its ability to create value for its stakeholders, the environment and the community as a whole.

As a non-profit-distributing organization established with a public mission, the ultimate yardstick for measuring HKPC’s performance would never be its profit or revenue. Rather, our report card is a reflection of how far HKPC has been able to make effective use of its capitals or resources to help enterprises and industries create economic, environmental and social values vital to the sustainability and prosperity of Hong Kong.

To enable our stakeholders to get a full picture of our performance from this perspective of value creation, in this report, we have provided a concise account of our various capitals and our business model. Case studies taken from our spectrum of consultancy projects will illustrate how our capitals come into play to create values for enterprises and industry sectors in the current economic and social environment.

Hong Kong manufacturers operating in the Pearl River Delta region continue to weather the challenges of rising operation cost, labour shortages and stringent regulations and standards. The continual appreciation of the renminbi (RMB) has been a major driver in the cost hike. Despite the fall in the first quarter of 2014, market consensus views it as a short-term adjustment rather than a fundamental shift in the appreciation trend. At the same time, as Mainland’s population ages, structural changes in the human resources landscape will further cap the supply of labour force in the years ahead.

With a tight labour supply and a strong currency, it is foreseeable that operation cost and labour cost will continue to rise in the Mainland. It will be unrealistic for Hong Kong companies to solely bank on the low-cost factors of production as their competitive strategy.

So what strategy should Hong Kong companies adopt?

To benchmark the technological development and operation model of application-oriented research institutes in Europe, a delegation of HKPC’s senior management visited leading enterprises and research institutes in Germany and the UK in October 2013.

The study mission bore fruit as we have built strategic partnerships and gained valuable insights to source new technologies for local industry development. Among them, the most important observation is that productivity matters more than labour cost. Germany’s hourly compensation costs in manufacturing sectors are 30% higher than those in the USA, yet Germany successfully maintains a highly competitive manufacturing sector with strong export performance.

Many of Germany’s small-and-medium-sized firms, being regarded as “Hidden Champions”, are world leaders in specialized products. They are not the lowest cost producers, but the excellent quality and performance of their products allows them to maintain their place in the world market in face of lower cost competitors.

Another driving force behind the success of manufacturing sector in the German economic model is the Fraunhofer Society (Fraunhofer-Gesellschaft). As an independent non-governmental organization, the Fraunhofer Society operates as a hub of 67 institutes and research units, each of them is closely connected to a German university.

The Fraunhofer Society positions itself as a bridge between universities and business enterprises. It provides SMEs with short-term and affordable research services which focus on immediately applicable results, enabling smaller manufacturers to continually upgrade their processes and products.

Like the Fraunhofer Society, HKPC continues to enhance its bridging role in the innovation infrastructure in Hong Kong through the establishment of a one-stop industry support hub to connect the industry, especially SMEs, to funding and R&D resources.

During the year, we have launched new initiatives to help the industry adopt flexible manufacturing technology, intelligent robotics and process automation. We are also spearheading the application of 3D-printing to accelerate product innovation and explore new markets of low-volume and highly customized products such as medical devices.

These new initiatives are set to help Hong Kong manufacturers respond quicker and smarter to market changes by producing novel items with different specifications and in smaller quantities, more efficiently and economically.

Not only can our manufacturers benefit from the application of process automation, our services industry, facing an increasingly tight manpower situation, can manage labour shortages through enhancing productivity with a wide range of technologies and service innovation solutions. We would continue to do our level best to help the services industry, especially the retail sector, attain excellent productivity in service delivery and capture fresh business opportunities.

Today’s challenges may give rise to tomorrow’s opportunities. The aging population in the Mainland is driving up demand for medical devices and healthcare products. At the same time, Mainland China is set to overtake the USA to become the world’s largest e-commerce market. The booming “e-tailing” market and the emergence of the middle class consumers are bound to open up ample opportunities for original brand products with discernible quality and unique design.

In any case, it will be more pertinent for Hong Kong companies to seriously address their business transformation challenges by exploring emerging industry sectors and enhancing their responsiveness to market demand.

“Empty your mind, be formless, shapeless - like water. Now you put water in a cup, it becomes the cup; you put water into a bottle it becomes the bottle; you put it in a teapot it becomes the teapot. Now water can flow or it can crash. Be water, my friend.”

This famous quote from Kung-fu master Bruce Lee vividly illustrates the power of water with its ability to transform rapidly. Likewise, to be competitive in the rapidly changing market and business environment, flexibility and continuous innovation are the only way out for Hong Kong enterprises.

Lastly, I sincerely extend my gratitude to all Members and staff of the Council for their continuous support, commitment and dedicated efforts in providing invaluable services to our industry.

Clement Chen, SBS, JP

Chairman

“Empty your mind, be formless, shapeless - like water.”

**Council Membership**

**Chairman**

Mr Clement Chen Cheng-jen, SBS, JP

Executive Director, Tai Hing Cotton Mill Ltd.

**Deputy Chairman**

Mr Victor Ng Chi-keung, MH

**Management / Professional / Academic Representatives**

Mr Albert Au Siu-cheung, BBS

Chairman, BDO Ltd.

Mr Jimmy Kwok Chun-wah, BBS, MH, JP

Managing Director,

Rambo Chemicals (Hong Kong) Ltd.

Dr David Ng Tai-chiu

Director, Lippo Asia Ltd.

Prof Helen Meng Mei-ling

Department of Systems Engineering &

Engineering Management,

The Chinese University of Hong Kong

Mr Leung Yam-shing

Deputy Executive Director,

Vocational Training Council

Dr Delman Lee

President and Chief Technology Officer,

TAL Apparel Ltd.

Mr Patrick Wong Chi-kwong

Partner, Mayer Brown JSM

Dr Elizabeth Shing Shiu-ching, BBS, JP

Executive Director, IW Management Services Ltd.

Ir Daniel Cheng Man-chung, MH, JP

Managing Director,

Dunwell Industrial (Holdings) Ltd.

Mrs Katherine Ngan Ng Yu-ying, JP

Vice-President,

May Cheong Toy Products Factory Ltd.

Dr Jack Yeung Chung-kit

Chief Executive Officer,

ACE Corporation Holdings Limited

Dr Dennis Ng Wang-pun, BBS, MH

Managing Director,

Polaris Jewellery Manufacturer Ltd.

Mr Leung Kwong-chuen

**Public Officers**

Miss Susie Ho Shuk-yee, JP

Permanent Secretary for Commerce

and Economic Development

(Communications and Technology)

Miss Janet Wong Wing-chen, JP

Commissioner for

Innovation and Technology

Mr Kenneth Mak Ching-yu, JP

Director-General of Trade and Industry

Mrs Helen Chan, JP

Government Economist

Mr Byron Ng, JP

Deputy Commissioner

for Labour

**Labour Representatives**

Miss Lam Kam-yi

Chairperson, Logistics Cargo

Supervisors Association

Mr Sin Kai-ming, MH

Hong Kong & Kowloon

Electrical Engineering &

Appliances Trade Workers Union

Ms Marilyn Tang Yin-lee

Executive Director, Hong Kong Confederation of Trade Unions

Auditors

PricewaterhouseCoopers (PwC)

Legal Advisers

Wilkinson & Grist

CWL Partners

As at 31 March 2014

“Dripping water hollows out stone, not through force but through persistence.”

Ovid, Roman Poet

Executive Director’s Review

HKPC has built up a core wealth of expertise and knowhow that enables us to add glitter to enterprises and industries.

There is no glamour in our work. By staying focused on developing and providing cost effective solutions to address management and technical problems of the industry for almost half a century, however, HKPC has built up a core wealth of expertise and knowhow that enables us to add glitter to enterprises and industries while enhancing their competitiveness and sustainability.

The demand for services of HKPC remained robust in 2013/14. Total service income of HKPC and its subsidiaries amounted to $375 million, representing an increase of 4.2% over that of 2012/13. We have undertaken a total of 964 consultancy projects in the year, and scored 9.01 on a scale of 10 in our customer survey.

Guided by a four-pronged strategy of scaling up platforms, creating value for SMEs, sharpening core competencies and developing strategic partnership, HKPC embarked on a spectrum of major initiatives to help the industry meet new demands stemming from the changing economic and market landscape.

Scaling Up Platforms

What sets HKPC apart from private consulting firms is its impartiality and public mission to promote the development of the industry at large.

Apart from providing consulting service to individual companies, HKPC strives to set up industry support platforms with an aim to enhancing the overall competency level of the industry. Nothing works better than bringing in a wide range of support services to more companies, which in turn creates a multiplying effect. By engaging in various funding schemes and support programmes of the HKSAR Government, HKPC can leverage the funding and technical resources from both the public and private sectors to benefit the industry.

During the year, HKPC and the Hong Kong Science and Technology Parks Corporation (HKSTPC) jointly launched a one-stop testing and technical support service, Lab Test One, to help the local electronics industry comply with stringent international regulatory standards and to meet rising demands for smart products.

Combining the testing infrastructure and strengths of both organizations, manufacturers can conveniently contact HKPC or HKSTPC to get testing support ranging from wireless communications and materials analysis to electronics reliability.

All along HKPC has been providing support services to enterprises on the transformation and upgrading of business operations in the Mainland. A recent example is that, commissioned by the HKSAR Government, HKPC has been acting as the secretariat for the Enterprise Support Programme (ESP) of the Dedicated Fund on Branding, Upgrading and Domestic Sales (the BUD Fund) since its inception in 2012.

Up to the end of March 2014, 205 applications were approved under the ESP. About 94% of the beneficiary companies were small and medium enterprises.

On green productivity, in addition to implementing the government-funded Cleaner Production Partnership Programme for the sixth year, we have solicited resources from the private sector in the promotion of sustainability initiatives.

Leveraging technical support from HKPC and funding from the global HSBC Water Programme (2012-2016), the “HSBC Water Programme for Industrial Water Management” was launched in 2013 to support major water-consuming industries to implement good practices on water management.

Creating Value for SMEs

As at March 2014, there were about 320,000 SMEs in Hong Kong. They accounted for over 98% of the total business units and provided job opportunities to nearly 1.3 million persons.

Aiming to enhance SMEs’ accessibility to development resources, SME One, a dedicated centre was established by HKPC to provide one-stop support to help local SMEs utilize the variety of support and funding schemes available in Hong Kong and the Pearl River Delta region.

Since its operation in 2012, SME One has handled close to 6,000 enquiries and made 82 referrals on funding and support scheme applications. To date, 13 applications have been approved, with total funding amounting to $15 million. Its various forums, seminars and workshops also attracted participation from over 10,000 SME representatives.

Building on the successful experience of SME One, we would join hands with the HKSTPC to set up a one-stop service centre, TecONE, at Hong Kong Science Park to support technology startups.

With HKPC as the centre manager, TecOne will start operation in July 2014 to provide comprehensive advisory services to technology companies on areas related to public funding schemes, industry support programmes, HKSTPC support services, banking and finance, and angel funds.

During the year, in collaboration with trade associations, HKPC also implemented and launched projects sponsored by the SME Development Fund to enhance the productivity of SMEs and create opportunities for business growth. These projects covered new standards and regulatory compliance, product reliability, as well as talent development for the services industry through a digitized learning platform.

Developing Strategic Partnership

As a technology transfer agency, we actively source advanced technologies and processes through our network of strategic partners all over the world.

During the year, HKPC collaborated with two industry partners from Japan to establish a technology transfer platform to promote the application of conformal cooling technology in advanced moulding.

Leveraging the direct metal laser sintering technology and efficient moulding solutions from the partners, the collaboration can support the local moulding industry to upgrade the cooling channel design and production technology.

We have also forged partnerships with leading enterprises and research institutes in Germany, including KUKA, one of the world’s leading suppliers of intelligent robots; as well as the Fraunhofer Institute for Production Technology IPT and the Fraunhofer Institute for Silicate Research ISC.

These collaborations are conducive to the transfer of intelligent automation solutions, novel materials and advanced metal processing technology to Hong Kong industry. We have already submitted an Innovation and Technology Fund (ITF) project proposal with Fraunhofer IPT as our technology partner. Leveraging IPT’s laser material processing technology, the proposed project will enhance the capability of local manufacturers in producing high strength metal components such as automotive parts in a cost effective manner.

Sharpening Core Competencies

Throughout its history, HKPC has been a pioneer in manufacturing technology and business management in many sectors. HKPC continues to invest in new facilities enhancing its competencies to upgrade the service levels, while addressing the diversified needs of our industry.

One of our latest developments is the introduction of the hybrid direct metal laser sintering (DMLS) technology from Japan. DMLS is essentially a metal 3D printing technology which can produce intricate cooling channels and mould configurations with exceptional accuracy.

The DMLS equipment will be the prime feature in our new Conformal Cooling Technology Centre (CCTC), scheduled for operation in September 2014. The Centre will be the first in the world in offering integrated services in conformal cooling related technologies, providing mould and die manufacturers with integrated solutions across various technologies to achieve uniform and efficient cooling in plastic injection moulds.

CCTC will also be the second centre in our motherland (after Shanghai) and the first in Hong Kong to provide hybrid metal 3D printing service. With these facilities in place, local manufacturers will be poised to seize business opportunities offered by the 3D printing technology.

To enhance the core competence of HKPC in high precision and advanced freeform optical components machining, we have invested $5 million to acquire a high precision 5-axis vertical machining system. It will enable HKPC to provide advanced machining services to manufacturers, especially SMEs, who now have to resort to overseas suppliers for support at higher product development costs and a longer cycle.

The new facility would lower the technology barrier for Hong Kong SMEs to enter various high value adding industry sectors with growth potential, such as optics and automotive, biomedical devices and telecommunications, and photonics.

Valuable Citizen

Apart from promoting the concept and best practices of corporate citizenship to the industry, we are mindful of our own corporate social responsibility.

To inspire secondary students to properly equip themselves for their career path ahead, HKPC volunteers cooperated with the Hong Kong Family Welfare Society to organize the 4th HKPC Teenager Experience Programme.

To support the employment of persons with disabilities, HKPC joined the “Talent-Wise Employment Charter and Inclusive Organisations Recognition Scheme” of the Labour and Welfare Bureau, both as an employer and a supporting organisation. HKPC was awarded the Five Years Plus Caring Organisation in the year in recognition of the continuous effort of our voluntary group. We are also one of the Happy Organisations under the “Happiness-at-work Promotional Scheme” and have launched various initiatives to create a relaxing work atmosphere and strengthen staff communications.

Lastly, I would like to convey my heartfelt thanks to all staff members for their dedicated and concerted efforts to contribute to the industry and the community throughout the year. We would continue to move forward to create values for our stakeholders in the years ahead.

Agnes Mak, MH, JP

Executive Director

**The Year in Pictures**

Apr 2013

* HKPC and Hong Kong Science and Technology Parks Corporation (HKSTPC) jointly launched a one-stop service to enhance testing support for the local electronics and ICT industries.
* Organized the ‘Hong Kong Auto Parts Pavilion’ in Xiamen, Fujian to help Hong Kong enterprises enter the Mainland automotive supply chain market.
* The Automatic Engine Idlestop and Supplementary Air Conditioning System awarded the Second Runner-up of the Innovation Award for the Engineering Industry (Technology Category), organized by the Hong Kong Institution of Engineers.
* HKPC won the Silver Award under the Web Accessibility Recognition Scheme.
* Announced the 2nd quarter of 2013 Standard Chartered Hong Kong SME Leading Business Index.
* HKPC signed a Memorandum of Understanding with the Quanzhou City, Fujian Province, to strengthen the collaboration between HKPC and Quanzhou City.

May 2013

* Organized the “Cross Industry Matching Showcase 2013” to facilitate businesses to leverage local creativity in developing cross-over opportunities.
* Organized the HK-INC to explore relocation & green opportunities for critical components industry.

Jun 2013

* Organized the Wise Business SME Summit 2013 to assist SMEs to grasp business opportunities in the rapidly growing emerging economies.
* Organized the 4th Hong Kong Corporate Citizenship Program to encourage more collaboration between social enterprises and local businesses.
* Organized the HK-INC to explore the direction and development strategies of the green transport industry in Hong Kong.
* Organized the Information Security Showcase 2013 with the theme of “Data Protection in Cloud and Mobile Environments”, to provide an exchange platform for the industry and to introduce the latest solutions and services.
* HKPC collaborates with industry partners from Japan to establish a technology transfer platform to promote the application of conformal cooling technology in advanced moulding.

Jul 2013

* Organized the Happiness-at-work Promotional Scheme to promote a delightful working environment and raise the happiness-at-work level for staff.
* Announced the 3rd quarter of 2013 Standard Chartered Hong Kong SME Leading Business Index.
* Set up the first Intelligent Manufacturing (i-mfg) Technology Demonstration Centre in Hong Kong to assist the industry to adopt Flexible Manufacturing Technology and process automation.

Aug 2013

* Jointly organized the Creative Industries Exhibition 2013 with the Chamber of Hong Kong Computer Industry to promote a wider application of software and provide a platform for cross-sector collaboration.
* HKPC and Bao’an County government jointly launched the Bao’an TURN programme to provide a one stop service for business upgrading.
* Compiled a guidebook with the Federation of Hong Kong Watch Trades and Industries to map out the future direction and success factors for horological manufacturers and retailers.
* HKPC 2011/12 Annual Report was awarded the Gold Award in “App Annual Report” (Government Agencies and Offices) in the 2013 International ARC Awards.

Sep 2013

* Launched the HKPC Training Smart e-Newsletter to provide HKPC’s latest courses, study missions, workshops and information on other events.
* Staged the HK Pavilion at the 10th China International Small and Medium Enterprises Fair to present a variety of Hong Kong-branded products, and services for business upgrading.
* Organized the HK-INC to exchange views with the local creative industries on the development of digital content creation.

Oct 2013

* SME One and LSR and Over-moulding Injection System have won the Certificate of Merit in the Customer Service, and Machinery and Machine Tools Design categories respectively in the 2013 Hong Kong Awards for Industries.
* Announced the 4th quarter of 2013 Standard Chartered Hong Kong SME Leading Business Index.
* Embarked on the first R&D project to develop a ‘Made by Hong Kong’ pure electric bus. It is expected to hit the market in the 3rd quarter of 2015.
* Organized the “Information Security Summit 2013” under the theme of “Trust and Privacy in the Cyber Era 2.0 – Securing and Protecting Borderless Data”.
* HKPC and the Hong Kong Society of Chinese Medicines jointly launched a programme and established an online GMP reference platform to promote the development of the Hong Kong proprietary Chinese medicine industry.

Nov 2013

* HKPC staged another year’s InnoCarnival with a display of interactive exhibits of locally-developed applied technology solutions and a parade of electric vehicles.
* HKPC published the first carbon-neutral Annual Report for 2012/13 under the theme of “Small”.
* Hong Kong Computer Emergency Response Team Coordination Centre (HKCERT) conducted a territory-wide drill to raise the readiness of local critical Internet infrastructure providers and mobile network operators.
* Signed a Memorandum of Understanding for cooperation with Fraunhofer Institute for Production Technology, Germany on intelligent automation, laser-assisted processing and other areas.

Dec 2013

* Organized the 12th Hong Kong-PRD industry networking event in Zhongshan with the Federation of Hong Kong Industries and PRD Council.
* HKPC opened the first independent software testing centre in Hong Kong - the Hong Kong Software Testing and Certification Centre.
* Set up the SME One Pavilion at the World SME Expo 2013. HKPC experts and SME One ambassadors have offered free consultation on the application requirements and details of various SME funding schemes.
* Convened the HK-INC to explore the effective strategies to better protect critical infrastructures from cyber threats.
* Organized the HK-INC to gauge the views of the apparel industry on the strategies in factory relocation, and automation for cost reduction.
* Signed a collaboration agreement with Dongguan Bureau of Foreign Trade & Economic Cooperation to strengthen support for SMEs in Hong Kong and the PRD city of Dongguan.

Jan 2014

* Organized industry.Announced the 1st quarter of 2014 Standard Chartered Hong Kong SME Leading Business Index.
* Based on the Global Reporting Initiatives (GRI) G4 Sustainability Reporting Guidelines, HKPC has published its first Sustainability Report 2012/13, and become one of the 20 organizations in the world that passed the materiality assessment.

Feb 2014

* Organized the HK-INC to explore opportunities in testing and certification
* .HKPC organized the “Innovation • Technology • Industries” Microfilm Competition, with the aim to raise awareness on the role of innovation and technology in industrial application.
* Organized the Hong Kong MAKE Award Presentation Ceremony 2013 with PolyU, prompting businesses to create and retain important knowledge asset.
* The Asia Pacific Computer Emergency Response Team (APCERT) conducted its annual drill. HKCERT, managed by HKPC joined the drill as the exercise controller team.

Mar 2014

* Convened the HK-INC to explore ways to ride out the challenges and tap business opportunities arising from the Air Pollution Prevention & Control Action Plan issued by the State Council.
* HKPC Senior Consultant and supervisor of the Rapid Prototyping Technology Centre Bryan So was named “Young Engineer of the Year” by the Hong Kong Institution of Engineers (HKIE), in recognition of his expertise and commitment in driving technology and new product development, medical device regulatory affairs, as well as technology transfer.
* Set up a T2B Zone to step up support to enterprises to apply innovation technology for value creation in product development.
* Launched the HSBC Water Programme for Industrial Water Management to facilitate major water-consuming industries to achieve better water management.

**Water in the Air**

Through evaporation and precipitation, water cycles through the Earth to support many forms of life. Facing immense environmental challenges, enterprises have to integrate sustainability principles into their businesses.

**Creating competitive advantage**

Serving local industry close to 50 years.

In recent years, many Hong Kong companies that have set up production facilities in the PRD are coping with soaring operating costs and shortage of labour force. In light of these challenges, Hong Kong companies need to transform and upgrade their operation models and search for ways to add value and improve the productivity of their business along the value chain from product innovation, manufacturing to service delivery.

**Innovation**

With the help of HKPC’s multidisciplinary expertise and support from Government funding, Hong Kong manufacturers can now take a quick path to develop innovative product with unique values for them to enter new market sectors.

Say goodbye to plaster casts

With an aging population, incidents of elderly and osteoporosis-related fractures are on the rise. HKPC, in collaboration with local medical device maker Vincent Medical Manufacturing Co. Ltd. and medical advisors from the University of Hong Kong (HKU), has successful developed a “plaster cast-free” bracing technology as a safe and effective treatment for arm fractures, while enabling early movement and rehabilitation. The project is funded by the Innovation and Technology Fund (ITF) through the Nano and Advanced Materials Institute (NAMI).

An inflatable multi-cushion cell structure allows Orthopaedists to precisely adjust the contact pressure.

Flexible elbow joint gives patients mobility to reduce the risk of stiff elbow.

The brace can be installed in five minutes, suitable for on-the-spot treatment at emergencies.

**Speedy product development**

While 3D printing technology is on everyone’s lips, few people know this technology was brought to Hong Kong by HKPC more than two decades ago as a solution to help local manufacturers shorten the product development cycle. In 1993 HKPC established the Rapid Prototyping Technology Centre - the first of its kind in Asia, delivered over 400 3D prototyping projects for local enterprises each year.

Product prototype can be constructed from conceptual design blue print as fast as one day instead of weeks and months through the conventional moulding approach, least to mention the high cost involved. Besides offering consultancy service on 3D printing solutions, during the year, HKPC also organized technical seminars and workshops to promote the technology to the industry.

Hong Kong footwear companies are facing daunting challenges in designing highly customized products as they migrate from the OEM to ODM business model. However, manufacturers are still developing master fabric pattern manually, which is subject to long processing time and prone to human errors.

To address this problem, with the support of the ITF through the Hong Kong Research Institute of Textiles and Apparel (HKRITA), HKPC collaborated with technical experts in the local footwear industry to develop a knowledge based 3D CAD solution for shoe design and patterning.

The system will feature a 3D footwear component database and an automated pattern generation function, enabling easy retrieval and reuse of design experience and engineering knowledge so as to shorten the product development cycle and ensure product consistency.

400 3D printing projects completed per year

**Comics are serious business**

It is a well-known fact that the comics industry has been spawning business opportunities for other sectors such as toys, movies, video games and the like. Cross sector collaboration can best utilize the penetration power of creative designs to add value to products of Hong Kong manufacturers.

Leveraging on HKPC’s connection with the creative and manufacturing industry and with funding support from Create Hong Kong (CreateHK), HKPC collaborated with trade associations on various projects to develop creative talents for the industry by showcasing their capabilities overseas and by creating cross-over collaboration opportunities.

The Hong Kong Comics and Animation Federation worked with HKPC on the organization of the “Comics X Figures

Twenty classic comic characters displayed at the Hong Kong Avenue of Comic Stars have undergone a 3D makeover by 20 well-known local action figure designers. The Show is one of the core programmes of the “Hong Kong Ani-Com Summer 2013” which is presented by CreateHK to promote Comix Home Base, Hong Kong’s new creative landmark.

The Hong Kong Comic Camp, organized by Hong Kong Digital Entertainment Association and implemented by HKPC, was held from June to August 2013 to provide training for around 60 participants with practical skills in comics creation.

Eighty Hong Kong character creators, graphic, product and multimedia designers, licensing agents and design institutes put forth their best for cross-over collaboration with the business sector at the “Cross Industry Matching Showcase 2013” .

Sponsored by CreateHK and organized by the Innovative Entrepreneur Association with the support of HKPC, the Showcase aims to provide a cross industry matching platform to promote business synergy between local SMEs and the creative industries.

**Lights, Camera, Action**

Microfilm has become a new promotional tool used by enterprises in recent years. With funding support from the ITF, HKPC launched the “Innovation • Technology • Industries” microfilm competition with support from the Federation of Hong Kong Industries and CreateHK. It aims to promote innovation and technology to the public and younger generation through this new media while enhancing the development of local creative industries.

15 finalists from the Student and Open categories will receive financial and mentorship support for microfilm production to compete for the “Gold Award of Best Microfilm” and “My Most Favorite Microfilm Award”.

During the year, supported by CreateSmart Initiative, HKPC assisted the Hong Kong Association of Interactive Marketing to launch the microfilm production support scheme. First of its kind in Hong Kong, the scheme assisted 15 advertising production start-up companies and 15 young singers with support in training, promotion and production resources to create original microfilm works.

**Manufacturing**

Automated production not only helps manufacturers reduce their reliance on labour force, but also improves the efficiency and quality of the manufacturing process, resulting in the enhancement of competitiveness against keen price competition from low-cost regions.

To cater for the ever-increasing demands for smaller, urgent orders with vast product variety, manufacturers should adopt automation to enhance flexibility in production.

With funding support from the ITF, HKPC has set up the Intelligent Manufacturing Technology Demonstration Centre to promote flexible production management to the local industry. With the mould and die industry as the pilot, the Centre demonstrates the application of advanced technologies in mould automation production. Functions such as engineering design, production and business management are integrated into the German intelligent mould manufacturing system, allowing manufacturers to produce components with different specifications more efficiently.

**Be Flexible**

During the year, HKPC signed a collaboration agreement with KUKA, one of the world’s leading suppliers of industrial automation solutions and intelligent robots. The two parties will join hands to help local and PRD-based Hong Kong enterprises build up their competence in industrial robotic applications by providing technical consultancy, training and solutions development services.

**Make a Quick Cup**

Lingerie manufacturers rely on manual process to produce plastic shot for quality control and development of bra cups which is time-consuming, labour intensive and prone to substantial wastage due to cutting errors.

Facing the challenges of high-mix, low-volume manufacturing of bra cups, a lingerie manufacturer recognized the need to upgrade their bra cup manufacturing process by adopting an integrated automation solution, which has greatly streamlined and automated the labour intensive bra cup production process, significantly enhancing its quality and productivity.

**Light Me Up**

Experienced operator is required to store and retrieve GIA certificates of diamond by the certificate number. The process is time consuming and prone to errors. This intelligent certificate management system, developed by HKPC for a Hong Kong jewellery company, allows the placement of certificates in non-sequential order as assigned by the management software. Operators can quickly access the certificate through the LED light indicator which is automatically controlled by the management software.

**Food for Good**

A proper freezing process is critical to food safety, but the traditional process is time consuming which could take as long as 6 hours to cool down the food packs to below 4oC, lots of resources, such as large amount of ice, water and manpower are required.

The system can chill hot packed soup products to 4oC in 30 minutes, significantly shorten the processing time, minimize production cost and enhance safety of food products.

One of the famous fast food chains in Hong Kong adopted HKPC’s Automatic Liquid Freezing System in its master kitchen in Guangdong to improve the effectiveness of the food chilling process.

**Testing**

Testing and certification services provided by credible organizations are very important to enhancing overseas buyers’ confidence in the products made by Hong Kong SMEs.

**Keep Bugs Out**

Software testing is the gatekeeper in the complex software development process, effective testing can greatly enhance quality of software products and build reputation of software developers.

During the year, HKPC established The Hong Kong Software Testing and Certification Centre(HKSTCC), the first-ever independent software testing centre in Hong Kong to enhance the technical capability of local ICT organizations and practitioners in software quality assurance and testing.

Located on the second floor of HKPC Building, the HKSTCC offers a whole range of services including testing solution demonstration, functional and performance testing, code scanning, technical support, training as well as research.

**Lab Test One**

The demand for testing and certification services among SMEs continues to grow due to stricter requirements on electronic and electrical products.

HKPC and Hong Kong Science and Technology Park Corporation (HKSTPC) jointly launched the Lab Test One programme. Enterprises can now take full advantage of the wide range of testing facilities and professional support services provided by both HKPC and HKSTPC to improve the reliability of their products, shorten product-to-market cycle and enhance their competitiveness through dedicated hotlines.

To meet the market demand on high reliability and shortened product development cycle, many global manufacturers have already adopted the Highly Accelerated Life Test to improve the reliability of their products, significantly reducing returns by 50% in some instance, while taking only weeks instead of months.

Supported by the SME Development Fund, the Hong Kong Electronics and Technologies Association launched a programme to enhance the competitiveness of Hong Kong’s electronics industry by improving product reliability in a short product development cycle.

Highly Accelerated Life Test reduces returns by 50%

Implemented by HKPC, the project will introduce the new accelerated reliability improvement knowhow and methodology to local SMEs through in-depth training, consultancy and case study projects.

Value to Industry

* One stop service
* Improve product reliability
* Shorten product-to-market cycle

**Online Marketing**

Exploring the mainland market is important to the sustainable business development of Hong Kong IT solution providers.

**Marketing**

Supported by the BUD Fund (Organisation Support Programme), the Hong Kong Information Technology Federation (HKITF) launched a programme to set up a comprehensive online directory to facilitate business collaboration between Hong Kong IT solution providers and mainland IT customers.

HKPC helped HKITF to investigate the current status of IT solution providers in Hong Kong and build a digital interactive directory on Hong Kong IT solutions providers and their solutions.

**Service**

In the competitive world of business, quality of service and professional standards are critical to maintaining Hong Kong’s competitive edge. To this end, HKPC has been spearheading service excellence for various sectors in the territory.

**Service Excellence**

HKPC continues to be the professional consultant to implement the assessment of merchants for the Quality Tourism Services Scheme, which was established by the Hong Kong Tourism Board (HKTB) in 1999. The Scheme aims to enhance the service level of tourism services sectors and visitors’ confidence through accreditation and promotion of the quality merchants in the dining, shopping and visitor accommodation industry.

ESD Service Limited has been partnering with HKPC to develop and establish Hong Kong’s first certification scheme for the wedding services industry. The Quality Wedding Merchant Scheme helps brides-to-be and bridegrooms-to-be identify quality merchants in the wedding services sector. HKPC is the designated third-party assessor for the scheme. To date, over 300 outlets, including hotels, restaurants, wedding services providers and retailers, have been accredited.

During the year, in order to enhance the service quality and culture through recognition of the quality servicing staff and merchants, HKPC helped to develop and implement a number of service awards , including Outstanding QTS Merchants and Staff Awards, HKACE Customer Service Excellence Awards and HKACE SME Customer Service Excellence Awards by leveraging on our expertise in service quality assessment.

**Service Innovation**

Service innovation can happen at every points of contact between a service provider and its customers.

Based on the “Service Design” methodology, HKPC helped a leading foot care shoes retailer design new solutions to differentiate its services from competitors by engaging its staff in the service innovation process.

HKPC conducted a user-centred research to discover the latent needs of customers. With the research results, HKPC then defined the key customers’ profiles and needs followed by workshops to help the staff develop innovative service ideas through the use of designer’s tools such as prototyping and visualization.

Over 200 new ideas were generated amongst the staff, which were then re-grouped and prioritized into short-term, medium-term and long-term goals for the client company to implement.

Value to Industry

* Redesign shopping experience with clear differentiation
* Cultivate an innovative culture
* Enhance staff's synergy for continued growth

**Service Management**

With the labour intensive nature of catering business, daily operation involves a lot of document flow between the branches and the central office.

A local restaurant chain plans its roster of 3,000 staff manually, as a result there had to be a great deal of coordination between the front line staff and human resource team to verify rostering and attendance.

HKPC implemented a computerized e-Roster programme to enable branch/ division managers to plan rosters using a mobile device.

Together with the newly installed face-recognition attendance reporting system, branch managers can easily check attendance records of over 3,000 staff and communicate with Human Resources Office quickly and easily, enabling human resource officers to quickly response to attendance issues.

**Logistics**

Since the 911 terrorist attack and numerous subsequent terrorist attempts, the US authority has tightened its demand on air cargo security.

**Safe Shield**

To enhance airfreight security and efficiency, funded by the Hong Kong Logistics Development Council, in collaboration with the Hong Kong Association of Freight Forwarding and Logistics Ltd, HKPC has developed the Secure Air Freight Enclosure (SAFE), which is a security device that enables real-time monitoring of air cargoes against tampering while they are in transit from the warehouse to the airport.

131 trucks from 31 companies participated in the free trial of SAFE to evaluate the technical and operational feasibility and to identify areas for improvement. It is intended that the SAFE device can be considered by Civil Aviation Department as one of the secured transport measures for upstream screening in the future.

SAFE is a cover for either a pallet or a full truck, during operation, the lining of SAFE will be pressurized with air. Any tampering or unauthorized opening of the cargo will trigger a decompression which would trigger an alert to the freight forwarder and cargo owner through wireless communications.

**Driving Business Sustainability**

The aim of sustainable development is to find ways to improve the quality of life while conserving the environment.

As a pioneer of environmental management in Hong Kong, HKPC has developed numerous environmental and cleaner production solutions to address environmental concerns of the industry and the community; these solutions also help Hong Kong enterprises comply with environmental regulations and standards.

At the same time, leveraging on HKPC’s collaboration network, we have undertaken a series of industry and community wide initiatives to engage the business sectors and the public in the adoption of green practices and to support the sustainability policy of the HKSAR Government.

**Air**

One of the industry wide initiatives is the Cleaner Production Partnership Programme (CPPP). The Programme has successfully established a collaboration platform between the HKSAR Government and its Guangdong counterparts in jointly promoting cleaner production to the industries. It has also established a platform to engage with Environmental Technology (ET) services providers to implement projects funded under this Programme.

**Cleaner Production Partnership**

After the successful completion of the government-funded 5-year Cleaner Production Partnership Programme (CPPP) in January 2013, the HKSAR Government provided additional funding of HK$50 million to extend the Programme for two years from 1 April 2013 to 31 March 2015.

Enhanced funding support was offered in the extended phase to encourage more factories to adopt cleaner production technologies, dedicated efforts were also made to disseminate successful experiences accumulated in the programme to the industries through technology promotion activities and case reports for completed demonstration projects and verification projects.

There has been a good progress along all fronts of the Programme, as at 31 March 2014, 267 project applications were approved, well exceeding the planned targets.

During the year, HKPC also implemented the Hong Kong-Guangdong Cleaner Production Partners Recognition Scheme jointly organized by the Environment Bureau of the HKSAR Government and Economic and Information Commission of Guangdong Province for the fifth year to give recognition to the achievements made by the participating factories and the sourcing enterprises in encouraging cleaner production practices through their supply chains.

A total of 3 sourcing enterprises, 85 factories and 16 ET service providers were awarded the Cleaner Production Partners commendation in the categories of Manufacturing, Supply Chain and Technology Service respectively.

**Zero Emission**

According to the Environmental Protection Department (EPD), the levels of roadside respirable suspended particulates and nitrogen dioxide in Hong Kong have been exceeding the Air Quality Objectives over the years. Motor vehicles are the main sources of these pollutants.

To provide a zero-emission green transport solution for the industry and the community, HKPC embarked on the first R&D project to develop a “Made by Hong Kong” pure electric bus that will fully meet the requirements of the local market. The close to $40 million project is funded by the ITF through the Hong Kong Automotive Parts and Accessory Systems R&D Centre, and sponsorship from a local vehicle manufacturer.

The HKPC-developed pure electric bus will have four distinctive features - light body, extended range, intelligent and localized design. Once fully charged, the electric bus can travel up to 300 km. Another unique feature is a remote diagnosis system which can transmit the bus’s operating data to the headquarters instantly for better vehicle maintenance and fleet management.

The resulted core technologies will help the industry develop other large-scale commercial electric vehicles (EV). The adoption of EV will then ride on the fast track. The electric bus will undergo road tests in the first quarter of 2015.

**Economic Value**

* Help industry enter large scale EV market

**Environmental Value**

* Reduce roadside pollution

**Refuse Odour**

To address the environmental nuisance such as odour and dripping leachate caused by refuse collection vehicles (RCVs), the Environmental Protection Department (EPD) launched a one-off subsidy scheme for private RCV owners to retrofit their vehicles with a metal tailgate cover to prevent the emission of odour and a waste water sump tank to collect foul liquid.

In collaboration with EPD and the Electrical and Mechanical Services Department (EMSD), HKPC devised the functional requirements for the retrofitting work and followed up the testing of the RCVs. In addition to technical support, HKPC also carried out a market survey to advise EPD the level of subsidy to the owner of RCV for the retrofitting work.

**Environmental Value**

* Reduce nuisance caused by odour of RCV

**Smokeless**

To cope with the increasing demand from the community, a new columbarium and

a new crematorium were constructed in Wo Hop Shek, Fanling.

In order to tackle air pollution problems caused by traditional ritual activities, such as joss paper and joss stick burning, HKPC worked with the Food and Environmental Hygiene Department (FEHD) and Architectural Services Department (ASD) to design and implement two kinds of air pollution control devices in the two new premises.

15 environment-friendly furnaces, “Qing Yan” Smokeless Joss Paper Furnaces, were installed in these two premises to remove black smoke emissions from joss paper burning carried out by the public.

Three innovatively designed Joss Stick Smoke Collectors were installed in the service halls of the crematorium to remove smoke generated from joss stick burnings at the altars. HKPC also applied advanced computational fluid dynamic analysis technique to evaluate the performance of the collectors during early design stage.

**Boiling and Steaming**

In the Mainland, boilers and steam systems are the major energy consuming facilities of factories. Operational inefficiency further fuels the energy wastage problem. Also, since boilers emit smoke, sulphur dioxide and nitrogen oxide, which are principal sources of air pollution requiring urgent attention.

HKPC collaborated with the Guangdong Cleaner Production Association and Fushan Special Equipment Energy Efficiency Testing Institute for the promotion of industrial boiler and steam system energy conservation for manufacturing establishments in Guangdong Province.

The programme aims to help factories inspect and test the energy efficiency of their boilers and steam systems. Operation improvement and energy saving retrofit recommendations would be provided to the factories by consultants. The factory will receive a recognition label jointly issued by the three parties if it can meet the improvement criteria.

**Carbon Smart**

To encourage local enterprises to enhance energy efficiency, reduce carbon emission, and create synergy between businesses and environmental industries, HKPC and industry partners, supported by the Environment and Conservation Fund, launched a 30-month CarbonSmart programme in March 2012. This Programme has completed its second year of implementation and was well received by various business sectors.

The programme features a Audit Pilot Fund (CAPF) scheme which will subsidize around 200 companies from office-based operations, retail, catering and other industry sectors to conduct carbon audit.

To date, a total of 211 CAPF applications were endorsed, about 50% of the applicants are SMEs. Among these applications, a total of 28 qualified service providers from the industry had provided carbon auditing service to the applicants.

About 1,600 participants have attended seminars, forum and workshops organized under this scheme to learn the importance of carbon management and carbon reduction initiatives.

An On-line Directory of Energy Solution Providers was posted on the CarbonSmart website for the public.

**Excel in Green**

Hong Kong Awards for Environmental Excellence (HKAEE) has been widely regarded as one of the most prestigious and reputable award schemes in Hong Kong, aiming to recognize the outstanding environmental performance of businesses and organizations.

Since 2008, HKPC has been one of the co-organizers and the technical consultant for HKAEE. HKPC has been carrying out recruitment and assessment work for Sectoral Awards, Green Innovations Awards, Environmental Labels and Carbon Reduction Certificates.

In 2013, more than 890 organizations joined the sectoral Awards, represented an increase of 15% over the previous year. In addition, HKPC held five experiences sharing seminars attracting more than 1,000 participants in total, as well as organized five visits to award-winning organizations participated by about 150 industry representatives.

**Water**

To address concerns over water shortage and pollution in southern China, HKPC launched the “HSBC Water Programme for Industrial Water Management” in the year to support major water-consuming industries to implement good practices on water management.

**Every drop counts**

Leveraging technical support from HKPC and funding from the global HSBC Water Programme (2012-2016), the new initiative sets to offer free water management assessment and consultancy to 36 electronics, metal finishing, and textile and leather factories in Guangdong and Hong Kong. Six of them will receive further technical support on the preliminary designs for process improvement and implementation of improvement measures.

Apart from on-site technical support, the 18-month “HSBC Water Programme for Industrial Water Management” also features knowledge sharing of best practices in water management and practical improvement solutions for over 10,000 factories from the three major water-consuming industries through seminars, plant visits, water management manuals and website. It will also set up a technical support helpdesk, and organize training for HSBC volunteers to raise public awareness on water conservation.

**Waste**

Hong Kong has an imminent waste problem. Each year, more than 6 million tonnes of municipal solid waste are generated, over half of which is disposed in the three strategic landfills. Hong Kong needs a more sustainable way to deal with waste.

**From Food to Energy**

Hong Kong is facing a pressing problem of identifying a sustainable solution to handle and dispose of the substantial volume of food waste generated daily. One of the solutions is to convert food waste into soil conditioner and bio-fuel.

Supported by the ITF, HKPC is developing a compact anaerobic digestion system for decentralized treatment of food waste to generate biogas. The solution will use a newly designed membrane-coupled anaerobic digester to accelerate the conversion of food waste into biogas.

To date, HKPC has successfully developed the first stage bioreactor, so that food waste particles can be converted into clear nutrient solution rich in organic acids within three days.

The system developed in this project will be much more robust and compact than the conventional anaerobic digestion. It will provide the industries a sustainable way to treat food waste and generate biogas as fuel substitute for boilers or heaters, which can be easily implemented by factories. The system can be used by food factories, industrial parks and small communities to treat food waste, saving energy and waste disposal cost for them.

**Food Wise**

The Environment and Conservation Fund launched the Food Waste Recycling in Housing Estates Scheme in July 2011. Under the Scheme, funds and technical support are granted to help participating housing estates to carry out food waste reduction promotion programmes as well as food waste recycling by on-site food waste composting facilities. 11 housing estates joined the first phase of the Scheme in 2012.

With the launching of the second phase, it is anticipated that about 45 more housing estates will participate in this scheme.

HKPC was commissioned by EPD to support this initiative by providing technical help-desk service and technical advice relating to source separation and on-site recycling of food waste.

HKPC also assisted in the promotion of the Food Wise Hong Kong Campaign, which aims to promote public awareness of food waste problems in Hong Kong and co-ordinate efforts within the Government and public institutions to lead by example in food waste reduction.

A website dedicated to the Campaign has been developed and updated regularly. Train-the-trainers workshops were organized for different sectors to provide practical information on reducing food waste in different sectors.

**Reduce by Charging**

Around 13,400 tonnes of waste are generated each day in Hong Kong and sent to landfills, nearly 67% of the waste (9,000 tonnes) is municipal solid waste (MSW). Experience from other jurisdictions indicated that MSW charging can be a direct and effective economic tool to induce behavioural change resulting in reduced waste generation at source.

The Council for Sustainable Development (SDC) was invited by the Government to conduct a public engagement process to gauge views and foster in-depth discussion on how best to implement MSW charging in Hong Kong. HKPC was commissioned by the SDC as the programme director for conducting this public engagement process.

HKPC developed the overall engagement strategy for the public engagement process with SDC in early 2013 to facilitate public and stakeholders’ discussion and deliberation. HKPC also developed the Invitation for Response document and set out four key issues for in-depth discussion by stakeholders, namely charging mechanism, coverage of charging scheme, charging level and recycling.

HKPC drafted the final report based on the views collected in the public engagement process on behalf of SDC and submitted to the Government for consideration.

**Green Business**

As consumers across the globe are trying to lead greener lives, the rising demand for eco-friendly product and services is creating new business opportunities for companies.

**Degrade for good**

The application of degradable materials is generally accepted for products that cannot or will not be recycled such as clinical supplies.

Supported by the Hong Kong Nonwoven Association, HKPC is developing a cost effective way to produce degradable and disposal fibre for producing degradable nonwoven surgery protective clothing, mouth masks and sanitary products, etc. The project is funded by ITF through the Hong Kong Research Institute of Textiles and Apparel (HKRITA).

The project deliverable will allow manufacturers to produce degradable products by just adding masterbatch additive into the production line without the need to purchase expensive equipment. The increase in manufacturing cost is only 2 – 3 % of the existing process.

In principle, all types of textile materials made of 100% polyester, polypropylene and polystyrene can become degradable by this new technology.

HKPC has successfully developed the chemical formula for producing degradable polyester, polypropylene and polystyrene fibres. A twin screw extruder equipped with vacuum dryer is also installed for the production of masterbatch for industrial trial.

**Eco Design**

With growing public concern over ecological protection, many multinational corporations nowadays request suppliers to comply with related green standards throughout the entire product life cycle. Among which, the ISO 14006:2011 Environmental Management System, which emphasizes a green approach throughout the process from product design, production, delivery to disposal, provides a practical guideline for enterprises to integrate eco-design in daily operation.

To help SMEs adopt ISO 14006, HKPC and the Hong Kong Federation of Innovative Technologies and Manufacturing Industries (FITMI) jointly launched an industry-wide programme to enhance their knowledge of eco-design and manufacturing. At the 18th International Conference of ISO & TQM held in Malaysia, HKPC and FITMI presented a technical paper on the programme and garnered the “Best Sub-theme paper Award”.

**Sustainability Report**

Sustainability Report is an important tool to showcase an organization’s endeavour in adopting sustainability practices. The Drainage Services Department of the HKSAR Government commissioned HKPC to compile its first sustainability report for 2012/13 in accordance with the Global Reporting Initiative (GRI) guidelines G3.1 application level “A”.

Based on the Global Reporting Initiatives (GRI) G4 Sustainability Reporting Guidelines, HKPC’s Sustainability Report 2012/13, published in Feb 2014, is also one of the world’s first 20 reports that passed the materiality assessment. Implemented by GRI in December 2013, materiality assessment aims at validating sustainability reports in terms of materiality, credibility and reliability, ensuring that the report meets the core requirements of the GRI G4 guidelines.

The report won three international awards including the “Sustainability Report - Gold Award” and “Top 50 Annual Reports Worldwide” in the 2012/13 Vision Awards Annual Report Competition organized by the League of American Communications Professionals LCC; and the “Awards of Excellence - the Green Annual Reports Category” of the APEX 2014 Awards organized by Communications Concepts, Inc.

**Caring for our Stakeholders**

Corporate Social Responsibility (CSR) is more than community activities.

It can improve the competitiveness of a business, from brand enhancement to raising customer loyalty and staff morale. Developing CSR can also

help a company reduce operational risks and costs; ultimately achieving

win-wins for both enterprises and society. While striving to promote CSR to Hong Kong business, HKPC is committed to building a caring and accountable organization for our employees and the community.

**Corporate Citizen**

To raise awareness of corporate citizenship among local enterprises, in collaboration with the Committee on the Promotion of Civic Education, HKPC has been organizing the “Hong Kong Corporate Citizenship Program” since 2010.

Forty companies, corporate volunteer teams and social enterprises with outstanding achievements in implementing and promoting corporate social responsibility (CSR) were recognized at The 4th Hong Kong Outstanding Corporate Citizenship Awards Presentation Ceremony.

The programme included a prestige award scheme called “Hong Kong Outstanding Corporate Citizenship Award” to recognize enterprises’ outstanding CSR achievements, together with a number of promotional events such as seminars, experience sharing and workshops, as well as the distribution of electronic booklet of CSR best practices.

This year, a new category “Social Enterprise” and a new award, “Corporate Citizenship Young Power”, were introduced. Many winners have broken new grounds on implementing social responsibility through working in partnership with social enterprises.

In the past four years, 145 local companies were recognized in the award scheme

and over 7,000 participants had joined the programme’s events.

**Value to the Industry**

* Enhancing credibility
* Raising staff morale
* Retaining employees

**Happy Workplace**

When facing fierce market competitions, organizations can strengthen their resilience through building a healthy and happy working environment to promote positive mindset among workers, trigger innovative ideas and improve customer service.

To encourage businesses and organizations to create a happy working environment, and to raise the happiness-at-work level of the local workforce, the Promoting Happiness Index Foundation and HKPC collaborated to launch the “Happiness-at-work Promotional Scheme”.

By pledging their support to building a happy workplace, participants will be awarded the Happy Company or Happy Organization logo. More than 180 local companies and organizations have been recognized as a Happy Company/Organization.

Through this Scheme, HKPC aims to inspire local businesses to integrate the “happy workplace” concept into management practices,

and promote work-life balance.

**Social Value**

* Improve quality of life
* Promote good HR management practice

**Safe Net**

To better protect youngsters from objectionable materials on the Internet, the Office for Film, Newspaper and Article Administration (OFNAA) decided to develop an educational kit in the form of an online teaching platform for Secondary School Moral, Civic and National Education Curriculum.

Commissioned by OFNAA, HKPC created a content-centric platform that is mobile enabled with new media elements like scenario based videos, RPG game learning module, newspaper clippings, activity tasks and exercises.

The Hong Kong Computer Emergency Response Team Coordination Centre (HKCERT) also helps enterprises and the public build a safer Internet environment to live in and to do business in Hong Kong.

During the year, HKCERT joined hands with the National Institute of Network and Information Security (NINIS) to analyze the top 50 free apps on Google Play Store for Hong Kong area in July, alerting the public to keep up the vigilance against risky apps.

**Caring Organization**

By creating a rewarding and supportive work environment and by wholeheartedly embracing work-life balance, we are building a caring organization for our staff and stakeholders.

The Staff Recreation Club (SRC) of HKPC organized a wide variety of social, sport and recreational activities aiming to enhance the team spirit and promote work-life balance among our employees.

To build up partnership between our senior management and staff members, HKPC employees of all ranks and divisions are encouraged to discuss business and organizational issues regularly in all kinds of communication platforms such as the breakfast and lunch gathering with directors, business review meeting, director’s briefing and staff morale index survey. Online discussions can also be conducted anytime through our i-exchange forum.

To support the employment of persons with disabilities, HKPC has joined the “Talent-Wise Employment Charter and Inclusive Organisations Recognition Scheme” organized by the Labour and Welfare Bureau as both an employer organization and a supporting organization.

During the year, with an aim to promote a better relationship between HKPC and families of staff members, SRC organized a corporate-wide Family Open Day to invite families and friends of our staff to visit HKPC for an afternoon of exciting activities which included guided tour to HKPC Gallery and SME One, booth games and charity bazaar.

HKPC Volunteers was established in 2008 to encourage active participation of HKPC staff in community services and enhance the industry’s awareness of corporate social responsibility.

To recognize the continuous effort of our voluntary group, HKPC was awarded the Five Years Plus Caring Organization this year.

Leveraging HKPC’s resources and network, the voluntary group cooperated with the Hong Kong Family Welfare Society to organize the 4th HKPC Teenager Experience Programme. Throughout the three-day Experience Programme, 32 secondary students visited local and Mainland manufacturing companies to learn about the working environment of various industries. In addition, HKPC’s senior management shared their insights and career experience so as to inspire the students to properly equip themselves for their career path ahead.

**Engaging our Stakeholders**

A host of initiatives were introduced during the year to extend our reach to the business organizations and the community at large.

Economic uncertainty, slowing global export market and rising production costs present unprecedented business challenges to SMEs in Hong Kong. The “Wise Business 2013” programme was launched jointly with the Hongkong and Shanghai Banking Corporation, comprising a new series of “SME Global Opportunities and Challenges” print editorials, TV infomercials, a SME Summit and free consultancy services offered by advisors of HKPC to provide local SMEs with latest market updates on current issues and hot topics affecting their business operation.

Communicating our mission and services to a wider audience, during the year HKPC played host to over 4,100 visitors and nearly 200 mainland, overseas and local delegations, to enhance their understanding of our wide spectrum of industrial support services.

To raise public awareness of the use of innovative technology in daily life, HKPC showcased fun-inspiring technologies developed by its experts at the InnoCarnival 2013 which was organized by the Innovation and Technology Commission at the Hong Kong Science Park.

**Solid and Open**

Water’s solid state is less dense than its liquid state, enabling fish and other organisms to survive in frozen lakes. A solid but open governance structure will help an enterprise strike the balance between performance and accountability.

**Corporate Governance**

HKPC is a statutory organization governed by the Hong Kong Productivity Council Ordinance (Chapter 1116 of Laws of Hong Kong). HKPC is fully committed to maintaining good corporate governance as we strongly believe that good corporate governance is essential to accomplishing our public mission and meeting the expectations of our stakeholders. We attach paramount importance to adopting accountability, transparency, fairness and ethics as the cornerstones of our corporate governance framework.

**The Council**

The Council is HKPC’s governing body, providing strategic leadership in the fulfillment of the functions of HKPC.

The Council comprises not more than 23 Members appointed by the HKSAR Government, of whom five shall be public officers. Among the non-official members (who represent management, labour, business sector and professional or academic interests), a Chairman and a Deputy Chairman shall be appointed.

The Chairman, and other Members, of the Council are non-executive in nature. In the year under review, the Council has convened three meetings.

The Council on an annual basis approved HKPC’s Three Year Forecast, the detailed Programme and Estimates of HKPC, the Strategic Three-year Plan and the Services Audit Statement.

**Council Members’ responsibility for the Accounts**

Council Members acknowledge their responsibility for ensuring that the preparation of the annual accounts of HKPC is in accordance with statutory requirements and applicable accounting standards.

The statement of the Auditor of HKPC about their reporting responsibilities on the accounts of the HKPC is set out in the Independent Auditor’s Report and Financial Statements.

**Council’s Committees**

Under the auspices of the Council, four committees have been set up to look after different aspects of Council Business. These four committees are the Audit Committee, the Finance Committee, the Staffing Committee and the Business Development Committee. All the Committees are accountable to the Council.

The minutes of the Council and Committees (except discussion items containing commercially sensitive or confidential information and the minutes of the Audit Committee) are made available on a non-attributable basis on HKPC’s website.

**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, appointment and performance of the external auditor, and compliance with relevant laws and regulations. The Committee is authorized by the Council to investigate any activity and resolve any disagreement within its scope of duties. Staff members can directly report to the Chairman of the Audit Committee on cases of malpractice or irregularities.

The Committee is underpinned by an Internal Audit and Risk Management Office which reports functionally to the Audit Committee and administratively to the Executive Director. The Office is committed to assist the Audit Committee to safeguard and promote the healthy corporate governance of the HKPC.

The Audit Committee is chaired by a Council member and currently has 8 members. It met four times during the year under review.

Chairman

Mr Albert Au Siu-cheung, BBS

Members

Mr Jimmy Kwok Chun-wah, BBS, MH, JP

Dr Delman Lee

Mr Leung Kwong-chuen

Dr David Ng Tai-chiu

Dr Elizabeth Shing Shiu-ching, BBS, JP

Mr Patrick Wong Chi-kwong

Miss Janet Wong Wing-chen, JP

Mrs Agnes Mak Tang Pik-yee, MH, JP

**Finance Committee**

The Finance Committee monitors the financial performance of HKPC and ensures that funds made available are properly accounted for. The Committee approves changes to HKPC’s policies and practices relating to procurement, building management, fixed asset management and charging levels of HKPC’s services.

The Committee recommends HKPC’s three-year strategic plan, three-year forecast, an annual Programme and Estimates and the transfer of funds between major heads of expenditure, for consideration by the Council. The Committee also advises the Council on matters relating to HKPC’s financial policies and matters that have a significant financial impact on HKPC.

The Finance Committee, which is chaired by a Council member, currently has five members. During the year in review, it met three times.

Chairman

Mr Victor Ng Chi-keung, MH

Members

Dr David Ng Tai-chiu

Dr Dennis Ng Wang-pun, BBS, MH

Mrs Helen Chan, JP

Mr Frank Tsang

Mrs Agnes Mak Tang Pik-yee, MH, JP

Staffing Committee

The Staffing Committee approves the appointment of General Managers. 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 general terms and conditions of service, in situations where they cannot be resolved by consultation.

The Staffing Committee is chaired by a Council member and currently has ten members. It met three times during the year in review.

Chairman

Dr Elizabeth Shing Shiu-ching, BBS, JP

Members

Miss Lam Kam-yi

Mr Leung Yam-shing

Prof Helen Meng Mei-ling

Mrs Katherine Ngan Ng Yu-ying, JP

Mr Sin Kai-ming, MH

Ms Marilyn Tang Yin-lee

Dr Jack Yeung Chung-kit

Mr Byron Ng, JP

Mr Frank Tsang

Mrs Agnes Mak Tang Pik-yee, MH, JP

Business Development Committee

The Business Development Committee reviews the business activities of HKPC, considers substantial changes to the HKPC’s Services Audit Statement, 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. The Committee also monitors the performance of HKPC’s subsidiary companies.

The Business Development Committee is chaired by a Council member. It currently has eight members. During the year in review, it met three times.

Chairman

Mr Clement Chen Cheng-jen, SBS, JP

Members

Ir Daniel Cheng Man-chung, MH, JP

Mr Jimmy Kwok Chun-wah, BBS, MH, JP

Dr Delman Lee

Mr Leung Kwong-chuen

Mrs Katherine Ngan Ng Yu-ying, JP

Dr Jack Yeung Chung-kit

Mr Frank Tsang

Mrs Agnes Mak Tang Pik-yee, MH, JP

Internal Control and Risk Management

The Council attaches significant importance to maintaining a high standard of corporate governance and the enhancing of its transparency and accountability to the public. The external and internal audit systems are instrumental in this regard.

External Audit

The Council has appointed PricewaterhouseCoopers, as the external auditor to conduct an audit of its financial statements.

The external audit plays an important role in reviewing the financial statements as well as strengthening the internal controls of HKPC. Before the audit commences, the external auditor discusses the nature and scope of the audit with the Audit Committee if necessary, together with any matters the external auditor may wish to discuss in the absence of the management. Any management letter from the external auditor and the management’s response will be reviewed by the Audit Committee.

Internal Audit and Risk Management

The Council’s Internal Audit and Risk Management Office (“ARO”) is directed by the Audit Committee of HKPC to assist the management with the risk management function of the Council.

ARO proactively identifies and examines any risky area in the operations and proposes appropriate internal control measure in line with the mandates for corporate governance. ARO also formulates and executes an overall audit policy and strategy of the Council to safeguard its assets, ensure compliance with relevant laws and regulations, promote operational efficiency and effectiveness and secure accuracy and reliability of its records.

The Office reports directly to the Chairman of the Audit Committee. At every Audit Committee meeting, the Office reports to the Committee its findings on auditing of control sufficiency and compliant situation of different operations of HKPC.

In the year under review, the ARO had audited 10 operations covering different aspects of HKPC. The audit job plans are reviewed and agreed by the Audit Committee in advance.

Internal Control

To ensure an effective system of internal control is in place, the Management has also performed the following tasks during the reporting period:

• review the effectiveness of the system of internal control and report to the Council through review of the findings and recommendations as set out in the reports of internal audit;

• go on-live an enterprise resource planning system for the entire corporation to enhance standardization and transparency of project, finance and procurement-related operations;

• review the resources for all divisions during the annual Programme and Estimates exercise;

• conduct frequent review of the business, external environment and significant risks as part and parcel of the annual Programme and Estimates exercise; and

• meet with external auditors together with the Audit Committee Chairman and report any control weaknesses as well as the effectiveness of financial reporting and compliance as discussed during the meeting of the Audit Committee.

Transparency

In accordance with the requirements of the HKPC Ordinance, the HKPC’s Annual Report, with the statement of accounts, is tabled at the Legislative Council each year. To enhance transparency, the annual emoluments of each and every senior executive at the top two tiers of the HKPC management are disclosed in Independent Auditor’s Report and Financial Statements.

Since November 2009, the minutes of the Council and Committees (except discussion items containing commercially sensitive or confidential information and the minutes of the Audit Committee) have been made available on a non-attributable basis on HKPC’s website.

Separately, the Council adopted a two-tier reporting system for declarations of interest by Council Members, who are required to disclose upon first appointment and annually thereafter proprietorships, partnerships or directorships of companies. They are also required to disclose remunerated employments, offices, trades, professions or vocations as well as shareholdings in companies, public or private (being 1% or more of the company’s issued share capital).

The register of declarations is made available for public inspection upon request. Furthermore, Members are required, as soon as practicable after they have become aware of it, to disclose to the Chairman (or the Council) their interest in any matter under consideration by the Council prior to the discussion.

Whistle Blowing

The Council has a whistle blowing policy to provide the wider public with reporting channels and guidance on whistleblowing. Persons who have legitimate concern about irregularity, misconduct or malpractice of the Council or any staff member may raise the matter directly through mail or a dedicated email address (whistleblowing@hkpc.org) to the Audit Committee (AC) Chairman of the Council. Only persons who are designated by the AC Chairman will have access to such email or correspondence.

The AC Chairman will review the complaint and decide how it should be addressed such as nominating an appropriate investigating officer or set up a special committee to investigate into the matter independently.

Council and Standing Committee Meeting Attendance Record

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **4/2013 – 3/2014** | **Council** | **SC** | **BDC** | **FC** | **AC** |
| Mr Clement Chen Cheng-jen, SBS, JP | 3/3 |  | 3/3 | 1/2 |  |
| Mr Victor Ng Chi-keung, MH | 3/3 |  |  | 3/3 |  |
| Mr Albert Au Siu-cheung, BBS | 3/3 |  |  |  | 4/4 |
| Ir Daniel Cheng Man-chung, MH, JP | 2/3 |  | 2/3 |  |  |
| Mr Jimmy Kwok Chun-wah, BBS, MH, JP | 3/3 |  | 2/3 |  | 3/4 |
| Dr Delman Lee | 2/3 |  | 2/3 |  | 1/1 |
| Mr Leung Kwong-chuen | 3/3 |  | 3/3 |  | 1/1 |
| Mr Leung Yam-shing | 3/3 | 3/3 |  |  |  |
| Mr Andrew Mak Yip-shing, JP (till 31/12/2013) | 0/2 | 0/2 |  |  | 0/3 |
| Prof Helen Meng Mei-ling | 3/3 | 2/3 |  |  |  |
| Dr David Ng Tai-chiu | 3/3 |  |  | 3/3 | 4/4 |
| Dr Dennis Ng Wang-pun, BBS, MH | 3/3 |  |  | 3/3 |  |
| Mrs Katherine Ngan Ng Yu-ying, JP | 3/3 | 3/3 | 3/3 |  |  |
| Dr Elizabeth Shing Shiu-ching, BBS, JP | 3/3 | 3/3 |  |  | 4/4 |
| Mr Patrick Wong Chi-kwong (from 1/1/2014) | 1/1 |  |  |  | 1/1 |
| Dr Jack Yeung Chung-kit | 3/3 | 1/1 | 3/3 |  |  |
| Miss Lam Kam-yi | 3/3 | 2/3 |  |  |  |
| Mr Sin Kai-ming, MH | 3/3 | 3/3 |  |  |  |
| Ms Marilyn Tang Yin-lee | 3/3 | 3/3 |  |  |  |
| Permanent Secretary for Commerce and Economic Development (Communications and Technology) or her alternative members | 3/3 |  |  |  |  |
| Commissioner for Innovation and Technology or her alternative members | 3/3 | 3/3 | 3/3 | 3/3 | 4/4 |
| Director-General of Trade and Industry or his alternative members | 3/3 |  |  |  |  |
| Government Economist or her alternative members | 3/3 |  |  | 3/3 |  |
| Deputy Commissioner for Labour or his alternative members | 2/3 | 3/3 |  |  |  |
| Executive Director of HKPC |  | 3/3 | 3/3 | 3/3 | 4/4 |

SC – Staffing Committee, BDC – Business Development Committee, FC – Finance Committee, AC – Audit Committee

**Key Performance Measures**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Service Delivery** | 2013/14 | 2012/13 | 2011/12 | 2010/11 | 2009/10 |
| Number of consultancy projects | 964 | 1,030 | 1,361 | 1,443 | 965 |
| Number of training course participants | 4,564 | 5,434 | 6,542 | 6,172 | 4,400 |
| Number of people attended exhibitions/study missions/conferences | 6,474 | 2,048 | 2,631 | 3,310 | 4,680 |

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Financial Result (HK$M)** | 2013/14 | 2012/13 | 2011/12 | 2010/11 | 2009/10 |
| Income from consultancy projects | 260.252 | 260.619 | 232.925 | 202.206 | 171.302 |
| Income from training courses | 17.431 | 18.537 | 21.428 | 21.002 | 27.867 |
| Income from exhibitions/study missions/conference | 7.18 | 10.348 | 13.833 | 7.74 | 7.482 |
| Income from manufacturing support projects | 26.295 | 22.318 | 21.243 | 23.408 | 24.604 |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Effectiveness** | | 2013/14 | 2012/13 | 2011/12 | 2010/11 | 2009/10 |
| Marketing effort | Number of events/networking activities for industry associations/  free seminars | 278 | 297 | 273 | 252 | 269 |
|  | Number of people attended | 24,341 | 22,629 | 21,694 | 21,132 | 22,792 |
| Customer satisfaction | Customer satisfaction index | 9.01 | 9.1 | 8.66 | 8.64 | 8.47 |

**Senior Management**

Mrs Agnes Mak Tang Pik-yee, MH, JP

Executive Director

Mrs Mak has over 30 solid years of experience in information technology.  Prior to joining Hong Kong Productivity Council, Mrs Mak founded her own IT consultancy business.  She also has extensive working experience in both private and public sectors having held key posts in various communication companies as well as statutory body.

Along with her full-time career, Mrs Mak has been very active within the Hong Kong IT Community. She was the President of Hong Kong Computer Society (1995-1998), Chairman of the Advisory Committee of Science Faculty of Hong Kong Baptist University (2008-2014), Chairman of Committee in Information Technology Training and Development of Vocational Training council (2008-2013), Vice Chairman of the General Support Program Vetting Committee of the Innovation and Technology Fund (2007-2010), Vice Chairman of Employee Retraining Board (2007-2010), Board member of Hong Kong Science and Technology Parks Corporation (2009-2010), Member of Hong Kong Councils for Accreditation of Academic and Vocational Qualifications (2008-2011)and Member of the Social Welfare Advisory Committee (2008-2013).

In addition to being an enthusiast in promoting the quality of higher education and enriching vocational education, Mrs Mak is also an advocate in advancing professional recognition for IT professionals in Hong Kong. She has assumed Chairman of the Information & Communications Technology / Industry Training Advisory Committee under the Education Bureau of HKSAR Government. Under her leadership, the Specification of Competency Standards for the IT industry was successfully developed. She has also taken up the position of Director In-charge of the Hong Kong Institute for IT Professional Certification which pioneers the first IT Professional credentialing scheme in Hong Kong.

In 1995, Mrs Mak was recognized as one of Ten Most Outstanding Young Persons in the Hong Kong community that made significant IT contributions. In 1999, she was conferred Distinguished Fellow of the Hong Kong Computer Society. In 2002, she was appointed as a “Justice of Peace”. In July 2007, she was awarded “Medal of Honor” by the HKSAR Government. And in November 2008, she was conferred Honorary Fellow of Vocational Training Council.

Mr Tony Lam Chik-ting

Director, Corporate Services

Mr Lam graduated from the University of Hong Kong with a Bachelor of Social Sciences (Honours) Degree. He joined HKPC as Director, Corporate Services, in August 2009.

Having worked in the private sector, Mr Tony Lam joined the civil service as an Administrative Officer in 1991 gaining some 20 years of experience in public administration before joining the Hong Kong Productivity Council. Over the years, Mr Lam has been involved in the formulation and implementation of public policy in a very wide range of areas. His experience covers health care, municipal services and public security. Additionally, he has also been involved in the policy areas of industry, trade, innovation and technology development.

Prior to joining the Hong Kong Productivity Council, Mr Lam participated in the planning and implementation of several cross-boundary mega transport infrastructures including the Hong Kong–Zhuhai–Macao Bridge, the Guangzhou–Shenzhen–Hong Kong Express Rail Link and the Hong Kong–Shenzhen Airport Rail Link.

Mr Joseph Poon Wing-sang

Director, Technology Development

Mr Poon obtained a Bachelor’s degree in Mechanical Engineering from the University of London, UK and a Master of Science degree in Production Management and Manufacturing Technology from Strathclyde University, UK. Mr Poon joined HKPC in 1986.

Mr Joseph Poon has over 30 years of experience in business and consulting. His portfolio spans automotive, innovation, automation, intellectual property management, patent and trademark, intellectual capital management, to branding and Kaizen consulting.

Prior to joining HKPC, Mr Poon held a senior management position in a machinery manufacturing company. He is currently an executive committee member of the Hong Kong Electronic Industries Association; Honourary Advisor of the Hong Kong Diecasting and Foundry Association; committee member of the Hong Kong Mould & Die Council; Vice Chairman of the Hong Kong Association for the Advancement of Science and Technology; honorary board member of the Hong Kong Medical and Healthcare Device Industries Association; Director of the SZ-HK Productivity Foundation Co Ltd.

Mr Gordon Lo Siu-chung

Director, Business Management

Mr Lo is a Certified Professional IT Project Director (CPIT(PD)). He obtained a Diploma of Imperial College and a Master of Science degree from University of London. Mr Lo joined HKPC in 1997.

Mr Gordon Lo has over 30 years of experience in business management and IT consulting. His portfolio spans strategic planning, solution evaluation, feasibility study, process improvement, system integration, service innovation and supply chain management, etc. Major clients include listed companies, manufacturers, retailers, banks, telecom companies, NGOs and various Government departments.

Prior to joining HKPC, Mr Lo worked in international IT companies for more than ten years. He is currently member of  ICT Services Advisory Committee of Trade Development Council; member of Advisory Panel on Retail Manpower Development of Commerce and Economic Development Bureau;  member of Committee of IT Training and Development of Vocational Training Council; member of Joint Committee on Information Technology for the Social Welfare Sector of Social Welfare Department;  member of Small and Medium Enterprise Committee of Trade and Industry Department; advisor of Technology Development Committee of Federation of HK Industries; member of Digital, Information and Telecommunications Committee of Hong Kong General Chamber of Commerce and council member of Hong Kong Computer Society.

DIVISION HEADS

Dr Lawrence Cheung

General Manager,

Automotive & Electronics

Mr Derek Louie

General Manager,

Automation Service

Mr Tsang Kam Lam

General Manager,

Environmental Management

Mr Thomas Lee

General Manager, Materials &

Manufacturing Technology

Mr Kim Chan

General Manager,

Enterprise Innovation

Mr Wilson Wong

General Manager,

IT Industry Development

Ms Lilian Ho

General Manager,

Human Resources & Administration

Mr Edmond Che

General Manager,

Finance & Procurement

Mr Jonathan Ho

General Manager,

Corporate Communications

Mr Stanley Chu

Head,

Internal Audit and Risk Management

**Organization Structure**

Hong Kong Productivity Council Directorate

Technology Development Branch

* Materials & Manufacturing Technology Division
* Automation Service Division
* Automotive & Electronics Division
* Environmental Management Division
* Automotive Parts and Accessory Systems R&D Centre (APAS)

Business Management Branch

* IT Industry Development Division
* Enterprise Innovation Division
* Marketing & Industry Support Unit

Corporate Services Branch

* Finance & Procurement Division
* Human Resources & Administration Division
* Council Secretariat
* Management Information System Unit
* BUD Secretariat (for dedicated fund on Branding, Upgrading and Domestic Sales - Enterprise Support Programme)

Corporate Communications Division

Internal Audit & Risk Management office

Hong Kong Subsidiaries

* Productivity (Holdings) Limited
* HKPC Technology (Holdings) Company Limited

Mainland Subsidiaries

* Productivity (Guangzhou) Consulting Company Limited
* Productivity (Dongguan) Consulting Company Limited
* Productivity (Shenzhen) Consulting Company Limited

**Subsidiaries**

Automotive Parts and Accessory Systems R&D Centre Ltd.

Automotive Parts and Accessory Systems R&D Centre Ltd. (APAS) 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 local automotive parts and accessory systems industry. APAS is hosted by HKPC.

Based on the recommendation of a comprehensive review of the R&D Centres by the government in December 2011, APAS was merged with HKPC on 1 November 2012 to facilitate greater synergy and bring more benefit to the industry. Subject to the completion of the necessary legal procedures in relation to the merger, APAS will be wound up by way of voluntary liquidation by shareholders.

Board of Directors:

Mr W.H. Ng (Chairman of the Board),

Dr Herbert Hui, Mrs Agnes Mak, Prof Alex Wai and Miss Janet Wong

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 through the provision of integrated support 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., Productivity (Dongguan) Consulting Co. Ltd., and Productivity (Shenzhen) Consulting Co. Ltd. in 2003 and 2004.

Productivity (Holdings) Limited

Board of Directors:

Mr Clement Chen (Chairman of the Board),

Mrs Agnes Mak, Mr Victor Ng, Dr Elizabeth Shing and Miss Janet Wong

Productivity (Guangzhou) Consulting Co. Ltd.

Productivity (Dongguan) Consulting Co. Ltd.

Productivity (Shenzhen) Consulting Co. Ltd.

Board of Directors:

Mr Tony Lam (Chairman of the Board),

Mr Edmund Che, Mrs Agnes Mak, Mr Gordon Poon, Mr Joseph Poon and

Mr Alfonso Tam

HKPC Technology (Holdings) Co. Ltd.

HKPC Technology (Holdings) Co. Ltd. (HKPCT) was established on 1 September 2004 as a vehicle for the commercialization of HKPC’s patents, technologies and project deliverables with market potential. The Company aims to develop a new technology-based generation through providing a more direct and effective avenue to turn R&D deliverables into products.

During the year, HKPCT successfully commercialized, via a non-exclusive licence, an invisibLED lighting technology which is a quality eco lighting system for retail and office lighting. The licencee was a local company which already obtained a licence from HKPCT in 2012 for retail application of the technology. The company applied in 2013 for another licence to use the technology for office application.

HKPCT was also in the process of finalizing a non-exclusive licensing agreement with a local company to commercialize a greywater recycling membrane system developed by HKPC. The system decomposes organic matters in domestic wastewater by special micro-organisms. The recycled water is free of germs and odour and can be used for toilet flushing, gardening or as cooling tower make-up water.

Board of Directors:

Mr Clement Chen (Chairman of the Board),

Ir Daniel Cheng, Miss Janet Wong, Mrs Agnes Mak and Dr Jack Yeung

Financial Review

The consolidated accounts for the year ended 31 March 2014 of Hong Kong Productivity Council and its subsidiaries have been audited by the external auditor (PricewaterhouseCoopers) with a clean audit opinion and extracts of the Consolidated Balance Sheet, Consolidated Income and Expenditure Account and Consolidated Statement of Comprehensive Income are set out in the following pages.

The full text of the “Independent Auditor’s Report and Financial Statements” is available on our website at www.hkpc.org.

Consolidated Balance Sheet

at 31 March 2014

(Expressed in Hong Kong dollars)

|  |  |  |
| --- | --- | --- |
|  | 2014 | 2013 |
| Non-current assets |  |  |
| Fixed assets | $186,191,339 | $196,895,090 |
| Intangible assets | 12,949,578 | 1,902,243 |
| Investment in a non-controlled wholly-owned entity | 10,000 | 10,000 |
| Interest in an associate | 1,543,530 | 1,506,230 |
| Deposit | 12,985,450 | 18,462,257 |
|  | $213,679,897 | $218,775,820 |
| Current assets |  |  |
| Accounts receivable, prepayments and deposits | $ 45,661,390 | $30,838,488 |
| Cash at bank and in hand | 242,772,928 | 203,662,878 |
|  | $ 288,434,318 | $234,501,366 |
| Current liabilities |  |  |
| Accounts payable and accruals | $181,464,672 | $148,177,829 |
| Amount due to a non-controlled wholly-owned entity | 697,050 | 339,910 |
| Amount due to an associate | 827,061 | 803,903 |
| Current taxation | 168,363 | 5,494 |
|  | $183,157,146 | $149,327,136 |
| Net current assets | $105,277,172 | $85,174,230 |
| NET ASSETS | $318,957,069 | $303,950,050 |
| Capital subvention fund and reserves attributable to the Council | $317,339,552 | $302,352,864 |
| Non-controlling interests | 1,617,517 | 1,597,186 |
| CAPITAL SUBVENTION FUND, RESERVES AND NON-CONTROLLING INTERESTS | $318,957,069 | $303,950,050 |

Consolidated Income and Expenditure Account

for the year ended 31 March 2014

(Expressed in Hong Kong dollars)

|  |  |  |
| --- | --- | --- |
|  | 2014 | 2013 |
| Income |  |  |
| Government subvention for recurrent activities | $171,996,708 | $170,504,991 |
| Service income | 374,977,639 | 359,751,519 |
| Other income | 11,184,612 | 10,637,202 |
| Share of profit of an associate | – | 21,744 |
|  | $558,158,959 | $540,915,456 |
| Expenditure |  |  |
| Staff emoluments | (329,204,184) | (309,713,333) |
| Other expenses | (240,240,400) | (235,669,444) |
| Share of loss of an associate | (6,035) | – |
|  | $(11,291,660) | $(4,467,321) |
| Income tax | (203,156) | (191,577) |
|  | (11,494,816) | (4,658,898) |
| Transfer from capital subvention fund | 24,979,940 | 25,185,726 |
| Surplus for the year | $13,485,124 | $20,526,828 |
| Attributable to: |  |  |
| The Council | $13,283,259 | $21,452,028 |
| Non-controlling interests | 201,865 | (925,200) |
|  | $13,485,124 | $20,526,828 |

Consolidated Statement of Comprehensive Income

for the year ended 31 March 2014

(Expressed in Hong Kong dollars)

|  |  |  |
| --- | --- | --- |
|  | 2014 | 2013 |
| Surplus for the year | $13,485,124 | $20,526,828 |
| Other comprehensive income for the year |  |  |
| Items that may be reclassified subsequently to income and expenditure accounts |  |  |
| Exchange differences on translation of accounts of operations in the People’s Republic of China (“PRC”) | (206,968) | (100,227) |
| Total comprehensive income for the year | $13,278,156 | $20,426,601 |
| Attributable to: |  |  |
| The Council | $13,257,825 | $21,343,819 |
| Non-controlling interests | 20,331 | (917,218) |
| Total comprehensive income for the year | $13,278,156 | $20,426,601 |