



Hong Kong Education City Limited

Annual Report

September 2007 to August 2008

*Prepared by
Hong Kong Education City Ltd*

November 2008

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1. ABOUT HONG KONG EDUCATION CITY LIMITED

The Hong Kong Education City Limited (HKECL) emanated from a Quality Education Fund project to a wholly-owned subsidiary of the Government of the Hong Kong Special Administrative Region in the form of an incorporated company, with the vision of enabling teachers to better adapt to the changing curriculum initiatives through technology. The HKECL portal has been the largest professional education portal and community in Hong Kong with an active member base of over 200,000. This operation receives an annual subvention of around HK\$25 million to finance subvented activities set forth to fulfill its mission.

In 2007/08, HKECL has further refined its business focus, strategies and tightened its connection with Hong Kong's third strategy on Information Technology in Education "Right Technology at the Right Time for the Right Task". This report outlines the progress made by HKECL as set out in the renewed Service Agreement, which are essentially the Company's strategic focuses as follows:

- A. to serve as a depository of curriculum-based educational resources;
- B. to facilitate online interaction and exchange among the teachers, students and parents;
- C. to serve as a window to allow teachers' associations, Parent -Teacher Associations (PTAs), other educational bodies and the private sector to disseminate / publicize education-related information or activities; and
- D. to bring new teaching and learning experience and methods into classrooms and home through the use of new technology such as eLearning and Web 2.0 tools under the guidance of teachers.

Positioned as the strategic partner of the Education Bureau (EDB) with a close alignment to Information and Technology in Education, HKECL places a strong emphasis on developing partnerships with schools, academia, education professional bodies, publishers and technology vendors to enrich its service offering, such as teaching resources digital depository and Web 2.0 services and tools.

2. EXECUTIVE SUMMARY

In 2007/08, HKECL fine-tuned its business direction to be more aligned with the learning and teaching needs of the community and streamlined its business structure and operations. During the past year, HKECL has cleaned up over 100 legacy projects and resources online and established the Resources Depository (RD) that houses close to 5,000 newly tagged, curriculum related teaching and learning resources for teachers. To ease teacher's burden on lesson preparation and resources searching, a new search engine has been adopted that covers both HKECL portal search and external educational resources search. In addition, HKECL has also embraced Web 2.0 technologies and launched EdBlog platform which allows teachers to share practices and use it as a tool for extended teaching. This new service has generated great traction with the teaching community and attracted over 200 teacher's blog in 3 months. To support students' different learning needs, five eLearning packages were provided in collaboration with EDB and other organizations, which attracted over 0.44 million active participants for online learning. HKECL has met most of the key performance indicators laid down in the year plan with some outstanding performance in the area of Resources Depository and student learning package participants.

From systems improvement's perspective, HKECL has successfully migrated its data centre and realized a 37% saving on the new setup. A professional security audit exercise has also been employed to tighten its system security and stability. HKECL has refined its organisation structure and also completed a remunerations and benefits review and realignment. Similar to the market environment, human resources management remains a key challenge for HKECL. Though staff turnover rate came down by 14%, long hiring gap remains a top issue to be addressed in 2008/09.

From a long-term perspective, HKECL aims to continue to play the role of a gateway and depository of quality teaching resources; a community that facilitate knowledge building and sharing; a pioneer of innovative learning and teaching tools and services; and a bridge between the academic and commercial sectors, and NGOs.

3. KEY INITIATIVES AND ACHIEVEMENTS IN 2007/08

2007/08 was a year of consolidation for HKECL. Significant effort had been devoted to review and integrate platforms and enhance services developed over the past few years. In the first half year, over a hundred legacy online projects were investigated; some of them had ceased to provide services with respect to intellectual property rights as agreed with content providers. In the second half year, business priorities were refined to align with the renewed Service Agreement, efforts were devoted to (1) enhance the quality and relevancy of resources and the development of Resources Depository; (2) introduce new Web 2.0 services, mainly the EdBlog; (3) establish ties and liaisons with key stakeholders; and (4) improve user experience with better search results.

HKECL has met most of the Key Performance Indicators (KPI) stated in the year plan 2007/08, with a number of accomplishments beyond target such as the number of learning and teaching resources and active participants of eLearning packages. The few items fell short of the target include the number of page view of the HKECL portal. This is mostly due to the open headcount (Corporate Marketing Officer) to drive promotion and market awareness. Detailed breakdown of the KPI has been attached in Appendix 1. The following sections briefly report the achievement of each major business initiatives in 2007/08.

3.1 Development of the Resources Depository

As one of the major strategies supporting Action 1 of the third strategy on IT in Education, HKECL has developed a centralized Resources Depository for hosting and searching for curriculum-based learning and teaching resources. The Resources Depository was launched successfully in May 2008. By the end of August 2008, approximately 5,000 quality resources were categorized and “tagged” into the Resources Depository. An average of over 55,000 “text search” and “tag search” were recorded every monthly since the launch. The monthly page view of the resource summary page is 65,000. Listed below are major attributes contributing to the results.

- The 20,000+ resources, developed by HKECL or collected through partners throughout the years, resided in the Resource Centre which had been reviewed and tagged into the newly developed Resources Depository which is structured according to the curriculum framework for teacher’s easy reference and retrieval.
- The first phase that took place in 2007/08 covers eight major Key Learning Areas (KLAs) including Chinese Language Education, English Language Education, Mathematics Education, General Studies for Primary Schools, Liberal Studies for Senior Secondary Levels, Technology Education, Science Education and Physical Education. Resources for Special Education Needs were also tagged into the Depository.
- In order to cope with the wide spectrum of user needs, two searching modes are introduced, namely curriculum browsing and keyword search allowing users to retrieve resources by KLA, level and topic, or search by keyword with search filters.

Tag cloud has also been provided to facilitate users to easily locate frequently visited resources.

- The quality and relevance of the resources in the RD provided to users rely heavily on the feedback, sharing and peer review. As a result, subject i-Worlds and other community channels were inter-linked in the corresponding curriculum browsing pages to facilitate sharing among the teaching communities.

The new resources structure has been well-received by teachers in general. Moving into the next phase, HKECL will continue to develop the RD to incorporate two additional KLAs and multimedia resources such as images and video.

To maintain our website content up-to-date and relevant to users, a periodical housekeeping on the validity of information hosted at HKECL was performed. In the last year over a hundred legacy online projects and, 20 individual mini-sites were reviewed and took down, as agreed with content providers. Another 40 legacy websites which still have educational value were archived for users' references with a disclaimer banner attached to it indicating that further improvements will not be made on these resources.

3.2 Introduction of New Teaching and Learning Experiences and Methodologies

To bring new teaching and learning experiences into classroom, Web 2.0 tools were explored and leveraged. The EdBlog and EdWiki were two major initiatives. Since blogging can be deployed in a variety of ways to facilitate teaching and learning, focus was given to the EdBlog service which was officially launched in May 2008. Three months after it was launched, over 220 teacher and school blogs were created.

- Several key features were built in the platform to facilitate the use of blog in teaching and learning. Teachers could specify the access rights of viewing, posting and commenting according to different groups/class/levels/ within or between schools using the "Access Control List (ACL)" feature. They could share their experiences and resources to other interested teachers by joining an online group, nicknamed "blog ring".
- The EdBlog platform provided a common space for teacher groups to share teaching experiences and practices. Teaching innovations were incorporated with multimedia elements to facilitate pre-/during/post-class learning. Some teachers also use it for recording and disseminating of teaching reflections. Exemplary blogs from teachers were identified for wider community sharing.

Given that members of the Advisory Panel held highly diverse views on how EdWiki should be deployed to support teaching and learning, it was decided that the service would be rolled out in a small scale to user groups as pilot, on a case-by-case basis. The experience and learning accumulated will be used to further refine this service.

Regarding the support to students, five free eLearning packages have been continually

offered to students to address different learning needs and provide a user-friendly online learning experience. These packages have been well-received by students, teachers and parents. Details are described below.

- Funded by EDB's Incentive Scheme for Developing Instructional Software, two Chinese learning systems for students with Dyslexia developed by Sam Shui Natives Association Lau Pun Cheung School were delivered to primary students. The two systems, namely “星願小王子” and “星願外傳” received 180,000 and 160,000 students' participation respectively.
- The TVnews platform provided self-access online English learning exercises based on TVB Pearl's local English news. 86 secondary schools with a monthly average of 12,350 students' participation were recorded. Over 80% teachers responded that the contents were able to raise students' awareness to social issues and enrich their vocabulary collections.
- The “Chinese 8” platform offered multimedia resources and exercises to students every day throughout the school year, enabling teachers to assist students in enhancing their Chinese language competency. Over 340 primary schools used this eLearning services. Approximately 140,000 students accessed this platform to complete over 10,000,000 passages. As the partnership comes to an end, this service has been taken down after June 2008.
- Co-developed with EDB, the “Rebuilding our Word Planet” (ROW) package allowed teachers to prepare tailor-made English online lessons for students according to their different learning abilities and difficulties. Over 8,000 students from primary school and secondary school participated in this learning package.

In addition, two online courses on Astronomy and Earth Science for Gifted Education students developed by EDB were disseminated to 77 schools and 950 students through the HKECL portal. Assessment engine was adopted to support student self-directed learning in the web environment with teachers' mediation.

3.3 Engagement of Stakeholders and Partners

To maintain close collaboration and ensure sustainable resource development, HKECL had outreached a large number of stakeholders over the past year.

- Introductory meetings were arranged with EDB Officials to provide overviews of HKECL's new direction and roles, and to present concrete opportunities for collaboration.
- Partnerships has been established with other stakeholders, including associations (Chief Executive's Award for Teaching Excellence Teachers Association (ATETA); Hong Kong Association for Computer Education (HKACE)), academia (The Chinese University of Hong Kong; The Hong Kong Institute of Education), government bodies (Department of Health; Hong Kong Observatory) to co-organize talks, projects and schemes on resources development and adoption, and dissemination of good practice of teaching and learning.

To promote new services and engage usage and adoptions, a series of marketing and outreaching events and activities were conducted.

- HKECL jointly organized the “Hong Kong IT in Education Symposium 2008” with EDB, HKACE and Pui Ching Middle School in May 2008. Four experience sharing sessions on EdBlog and EdWiki were delivered to over 200 teachers from the universities and schools.
- 4 school visits and 3 workshops were conducted to 240 participating teachers to introduce HKECL and the new services such as EdBlog and Resources Depository.
- “New School Year Service” 教學資源簡介 Brochures introducing HKECL member services, curriculum-based web content, member registration procedure, etc. were developed. A total of 1,200 brochures were sent to primary, secondary and special education schools in mid August 2008.
- To extend HKECL services to pre-service teachers, engagement had been initiated with teacher training institutions including HKIEd, CUHK, HKBU, and HKU. Pre-service member accounts were established for staff and students of HKIEd, with two service introduction briefing sessions.

3.4 Improvement on User Experiences

To better support teachers’ work, HKECL has formulated a list of actions based on response from user survey and daily user feedback to improve the capability and user-friendliness of the portal. The goal was to provide users with the most relevant personalized information and services in the most direct way. With the initiatives implemented below, users have experienced a more integral view to explore, search and consume services of the portal.

- Personalization and single sign-on: teacher profile has been upgraded to become the one-stop location to review and manage user’s services subscription at HKECL portal. According to user’s profile, additional services and tools are also listed out for their easy reference. The single sign-on feature has also been integrated into the new services launched in year 07/08 namely EdBlog and Search.
- Teacher Cabinet - a new storage system has been installed that offers teacher members a central storage space to house all personalized resources and information for further sharing and dissemination. In 2007/08, user data of the EdBlog system has been migrated to this new storage system which will be further developed in 2008/09 to support personal portfolio and resources tracking.
- Content Pushing – RSS feature has been deployed in EdBlog system to allow users to subscribe to information according to their interest.
- School Profile - Mapping representation of school data was introduced to the primary and secondary school profile systems to facilitate parent to review school information on the basis of district.
- Search Enhancement - Search function at the HKECL portal has been upgraded, employing a customized search engine from Google. This upgrade has largely improved search accuracy and relevance with the results confined to the resources within the HKECL portal and user contributed education portals on the Internet.

4. CORPORATE GOVERNANCE

Operated largely with the support of government funds, HKECL places strong emphasis on corporate governance. In 2007/08, HKECL worked closely with EDB and the Board of Directors in reviewing the Service Agreement that governs the use of government subvention and paid effort in formulating and reviewing a number of policies and procedural guidelines for corporate governance purpose. To strengthen its infrastructure, HKECL has also engaged expert consultants in the field of Information Technology Security and Human Resources to review and establish good corporate governance framework in the respective business areas. To allow more flexibility for HKECL running as a limited company, the Service Agreement between HKECL and EDB was revised in February 2008 with simplified terms and conditions.

4.1. Policies

To facilitate internal operation and systemize the workflow of the Company, a number of policies have been revised or newly formulated during the year. It covers the areas of procurement, partnership engagement, equal opportunity, sexual harassment prevention, disciplinary action, grievances handling, performance appraisal and bonus, salary review, leave management, and official entertainment, etc. Some guidelines related to tendering exercise, mentorship program, and shuttle bus services were also formulated to smooth the workflow.

4.2. Systems and IT Infrastructure

As a continuous effort to improve the security, availability, scalability of the IT infrastructure, several initiatives were implemented in year 2007/08 leveraging more cost-effective solutions as technology and product improved. The effort has improved the overall performance and scalability of the HKECL portal with a tangible monetary saving as well.

- An IT security consultant has been employed to review, advise and audit HKECL's existing systems and procedures to ensure our compliance with the international standard ISO27001. The project will carry into year 08/09 with the first phase system inspection and review which started in August 2008.
- Database servers have been upgraded to resilience mode which improved the reliability and availability to 99.9%.
- To make better use of system resources, decommissioning of CyberCampus and other legacy services was planned, to migrate legacy services with updated services. A detail study on the market offering and investment would be conducted before the decommission and migration exercise.
- Video streaming platform revamp – due to other priorities, the revamp project has been postponed to 2008/09.
- Leverage on the electricity usage based charging terms with the new data center provider and server consolidation and replacement, a saving around \$330,000

(37.5%) was realized as compared to the projected 2007/08 cost with fixed usage scheme.

4.3. Human Resources

HKECL aimed to maintain an effective organisation structure and stable workforce at 53 in 2007/08. On 16 October 2007, there was a restructuring in HKECL that the Corporate Development Division was dissolved and its functions were shared by the Systems and Operation, Learning and Teaching, as well as Administration Divisions. The in-house video production function was also scaled down by deploying outsourcing service instead. To address the issue of staff turnover, low morale of some staff members and the need to attract new talents, HKECL has implemented a number of HR projects which emphasized on facilitating staff professional development and growth, creating an accountable and collaborative corporate culture and reinforcing a set of competitive and performance-based remuneration and benefits packages. With the implementation of all those measures, HKECL reduced the staff turnover rate by 14% and the average monthly headcount was kept steadily at 43 during the year.

4.3.1. Facilitate Staff Development

- To facilitate employees' long term development in HKECL, each employee is encouraged to map out a personal professional development plan with the help of their managers in February 2008, in which their own development areas were identified with concrete action and timeline. The development result is expected to be observed in the years to come.
- In March, a 6-month pilot on mentorship program was launched which aimed to facilitate cross team learning and experience sharing in the area of business management, strategic planning, communication, career planning and personal growth. This voluntary program attracted 13 staff participation as mentor or mentee with positive feedbacks from both parties.
- During the year, over 150 man-days have been invested into staff training which includes in-house workshops, external seminars and conferences. These training sessions cover areas of IT in education, new secondary school curriculum, business management skills, occupational health, etc. On average, each staff attended 3 man-days of training during the year to equip themselves with relevant knowledge and skills to meet business development needs and self development.

4.3.2. Increase Accountability and Collaboration

- With the introduction of 360 degree feedback exercise in July 2008, every employee was appraised by their superior, coworkers and subordinates. Through which, they got better understanding of their own strengths and weaknesses for continuous improvement which in turn drive for better business results in the long run. To further enhance our appraisal system which have been adopted for over 5 years, HKECL had sought HR consultancy to review the

system comprehensively. The new appraisal systems recommended emphasize on the eight core competencies that HKECL values and the systematic way to define quantifiable goals for each staff. With the launch of new system in coming year, individual performance of each staff will be measured in close alignment with the company's business goals and necessary adjustment may be made in different stages.

- Three cross-department virtual teams have been formed to enhance collaboration and communication across the company for key projects. This setup served as a platform of discussion on critical projects. Wider spectrum of concerns were raised, considered and built into the business plan. In addition, this setup has also provided a valuable opportunity for staff to exert their potential and explore new development areas.

4.3.3. Review the Remuneration and Benefits Package

- As approved by the Board, HKECL had allocated a budget of 4% of total basic salary for salary increment for staff with good performance in 2007/08. The salary increment of individual staff ranges from 3%-6% and the detailed report on remuneration review of 2006/07 was also submitted to EDB in October 2007.
- There was a thorough review on the staff remuneration and benefits in April 2008 which aimed to align the packages of all staff members who joined the company at different times. As endorsed by the Executive Committee (EC) and the Board, the contract duration of all subvented staff has been extended to 31 August 2011 to replace the one-year contract. Staff without the 13th month salary are eligible to receive a performance based bonus according to their appraisal results. Three types of leave including paternity leave, marriage leave and compassionate leave were also introduced. Staff can also enjoy annual leave up to 21 days according to their length of service.
- To alleviate the transportation inconvenience at Cyberport and attract new talents, HKECL introduced the shuttle bus services in July for staff to come to work in the morning by providing two pick up points at Kowloon Tong and Central. The service was later on suspended since the Company's scale was not able to provide flexible and various routes to cater our staff members living in different districts.

4.4. Financial Status¹

The overall financial status of the Company in 2007/08 was healthy and steady. The total income and expenditure of subvented activities was \$23 million. As of 31 August 2008, the Company had a total non-current asset of \$8 million and current assets of \$11.6 million. The net assets of the Company amounted to \$1.9 million. The Company's liquidity was in very good condition throughout the year as cash and deposits at bank amounted to \$9.6 million by the end of the financial year.

4.4.1. Expenditure of Subvented Activities

- Regarding the expenditure of subvented activities, the staff cost amounted to \$13.5 million which occupied the biggest share and accounted for 58.7% of the total expenditure. The staff cost was a bit under spent because of the open headcounts. The next two highest expenses (exclusive of depreciation items) were the data centre overheads and the administrative expenses which accounted for 9.1% and 6.9% respectively.
- For the capital expenditure, HKECL spent \$3 million for acquiring fixed assets which include computer equipment, office equipment and system license. Among the \$3 million, the procurement of storage system accounted for 63% of the expenditure with an aim to provide teacher users with extended web space.

4.4.2. Reserve

According to the new Service Agreement, HKECL is allowed to keep a reserve at a level capped at 25% of the subvention of the current year. Therefore, \$5.1 million unused subvention for 2005/06 and 2006/07 was carried forward and kept as reserve. In 2007/08, \$3.1 million unused subvention is estimated to be obtained and would be put as reserve in accordance with service agreement requirement.

4.4.3. External Audit

The annual external audit and compliance audit was conducted by Wong Lam Leung & Kwok C.P.A. Limited for the year-ended 31 August 2007, while the annual stocktaking exercise was also carried out for all assets. All financial practices were certified compliance with the statutory requirements.

¹ Appendix 4

5. LOOKING FORWARD

The mission of HKECL is to enhance teaching and learning outcome through integration of information technology in education, by offering on its portal, resources, peer interaction, services and information for teachers, students and parents. Moving forward, HKECL will continue to strengthen its business objectives as listed below:-

- Establish a comprehensive curriculum-related Resources Depository for teachers.
- Offer personalized learning packages and information for students and parents.
- Build up a vibrant online community scaffolding knowledge and practices.
- Promote innovative learning and teaching tools and service.

HKECL will continue to review the development of new technologies in the market and incorporate, launch new projects, services or tools as they are needed in the education community. In 2008/09, HKECL will continue to enhance the new services launched in the previous year. Priorities will be given to 1) building breadth and depth of the new Resources Depository; 2) reviewing and realigning services for students and parents; 3) strengthening and expanding community engagement; 4) consolidating the services and tools launched over the years. New learning and teaching services and tools such as Teacher's Cabinet and eLearning platform will also be introduced in 2008/09.

APPENDIX 1 – Key Performance Indicator

Indicators	Description	Target (Monthly average)	YTD as at 2008-08-31
Popularity	No. of registered members	37,600 (Teachers) 631,700 (Students) 382,000 (Others)	40,263 (Teachers) 793,024 (Students) 1,253,171 (Others)
	No. of active members	NA	NA
Stock of resources	Number of resources in RD	3,000	4,973
Usage of resources	No. of search requests	40,000	72,264
	No. of page views of the site sections presenting the resources	600,000	308,388
	No. of responses from resource users	29,000	27,648
	No. of tags added by users	50	232
Dissemination of education-related information	No. of activities promoted	100	93
eLearning Package	No. of eLearning packages with qualitative description	5	5*
	No. of active participants	66,000	441,056
	Chinese 8	-	80,488
	TVnews	-	12,350
	星願小王子	-	180,000 [⊕]
	星願外傳	-	160,000 [⊕]
	ROW	-	8,218

* Please see paragraph 3.2 for details

⊕ Information provided by Vendor

APPENDIX 2 – List of Members of the Board and Committees, Auditors and Company Secretary
(As of 31 August 2008)

Board of Directors

Prof. Roland Chin, JP (Chairman)
(From 27 May 2008)

Mr. Stanley Hui, JP (Chairman)
(Till 27 May 2008)

Mr. Christopher Wardlaw

Mr. Raymond Hung Chiu Wong
(Till 15 October 2007)

Ms. So Ka Pik, Linda
(Till 15 October 2007)

Mr. Ma Siu-leung

Mr. Anthony Au
(Till 27 May 2008)

Mr. Tik Chi Yuen
(Till 27 May 2008)

Dr. Elizebeth Quat
(From 23 October 2006)

Dr. John Fung
(From 26 February 2008)

Ms. Irene Chan
(From 26 February 2008)

Mr. Christopher Yu
(From 20 June 2008)

Mr. Michel Chan
(From 20 June 2008)

Executive Committee

Mr. Christopher Wardlaw (Chairman)

Mr. Anthony Au
(Till 27 May 2008)

Mr. Ma Siu-leung

Dr. Elizabeth Quat
(From 23 July 2008)

Ms. Mei Mei Ng (Executive Director)
(From 15 November 2007)

Advisory Panel

Mr. Yip Chee Tim (Chairman)

Mr. She Mang
(From 16 January 2008)

Mr. Cheng Che Hung, Danny
(From 16 January 2008)

Dr. Kong Siu Cheung
(From 16 January 2008)

Mr. Lee Sai Wa
(From 16 January 2008)

Mr. Liu Man Lee
(From 16 January 2008)

Mr. Sau Hang Chor
(From 16 January 2008)

Mr. Christopher Yu
(From 16 January 2008)

Mr. Raymond Chu
(From 16 January 2008)

Mr. Lau Kwok Leung
(From 16 January 2008)

Mr. Wong Wai Man
(From 10 April 2008)

Mr. Wong Sing
(From 10 April 2008)

Ms. Mei Mei Ng (Executive Director)
(From 15 November 2007)

Auditors

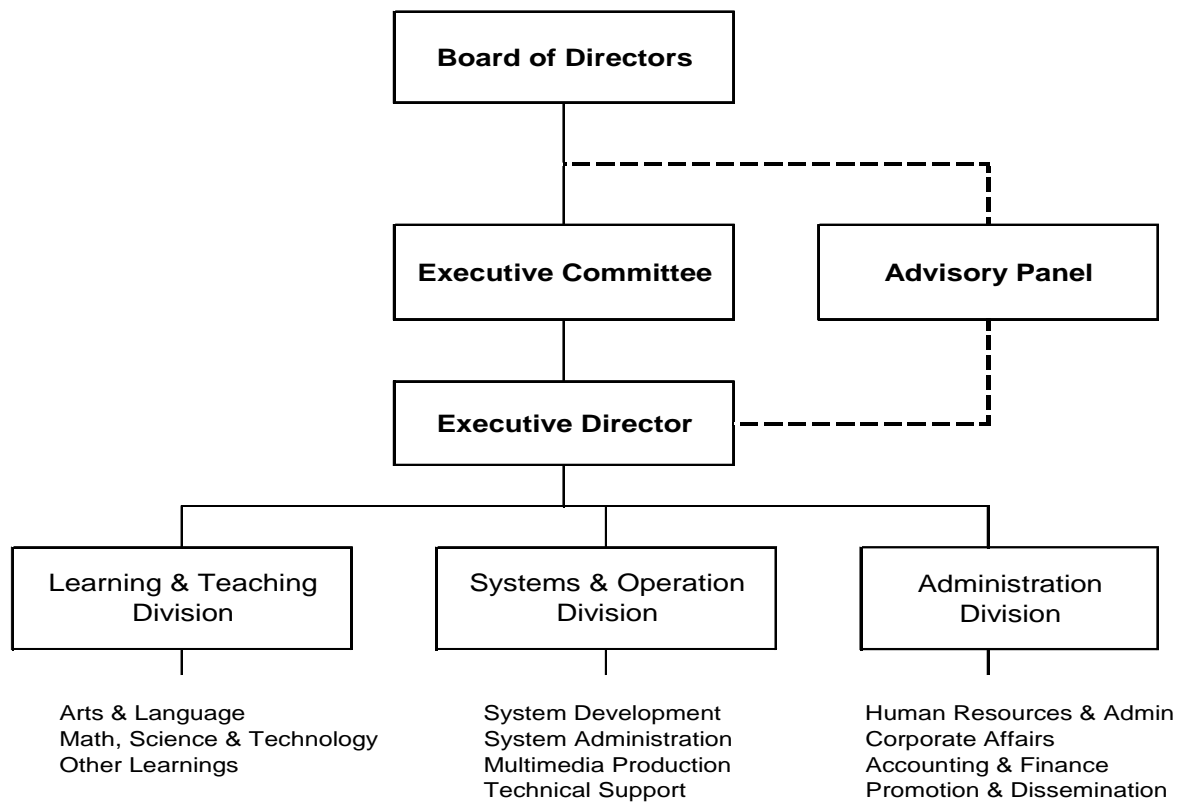
Wong Lam Leung & Kwok C.P.A. Limited

Company Secretary

WLLK Secretaries Limited

APPENDIX 3 – Organisation Structure

**Hong Kong Education City Ltd
Organisation Structure
(As of 31 August 2008)**



APPENDIX 4 – AUDITED ACCOUNTS 2007/08 (EXTRACTED FROM AUDITORS' REPORT)

HONG KONG EDUCATION CITY LIMITED
香港教育城有限公司

INCOME STATEMENT
YEAR ENDED 31 AUGUST 2008

	<u>2008</u>	<u>2007</u>
	\$	\$
Turnover	2,960,340	5,754,844
Project cost	(2,955,066)	(5,738,198)
	-----	-----
Gross profit	5,274	16,646
Other income	23,129,780	24,218,919
Administrative expenses	(23,032,543)	(24,093,698)
	-----	-----
PROFIT BEFORE TAX	102,511	141,867
Income tax income	52,101	66,707
	-----	-----
PROFIT FOR THE YEAR	154,612	208,574
	=====	=====

HONG KONG EDUCATION CITY LIMITED
香港教育城有限公司

BALANCE SHEET
AT 31 AUGUST 2008

	<u>2008</u>	<u>2007</u>
	\$	\$
NON-CURRENT ASSETS		
Property, plant and equipment	7,972,131	8,151,089
CURRENT ASSETS		
Trade and other receivables	715,638	597,616
Account receivables	1,312,370	719,685
Deposits and prepayment	9,558,506	9,471,847
Bank and cash balances	11,586,514	10,789,148
Deduct:-		
CURRENT LIABILITIES		
Trade and other payables	320,754	442,569
Creditors and accrued charges	496,580	740,208
Current portion of deferred income	8,038,482	6,627,713
Government subvention related to income	2,342,987	2,081,872
Current portion of Government subvention related to assets	30,914	341,114
Current portion of non-monetary subvention related to assets	11,229,717	10,233,476
NET CURRENT ASSETS	356,797	555,672
TOTAL ASSETS LESS CURRENT LIABILITIES	8,328,928	8,706,761
NON-CURRENT LIABILITIES		
Deferred tax liabilities	202,234	254,335
Deferred income	1,123,786	1,655,268
Government subvention related to assets	4,860,719	4,266,792
Non-monetary subvention related to assets	72,132	795,931
Provision of contract end gratuity	181,010	-
	(6,439,881)	(6,972,326)
NET ASSETS	1,889,047	1,734,435
EQUITY		
Share capital		
Authorized:-		
1,000 Ordinary shares of \$1 each	1,000	1,000
Issued and fully paid:-		
2 Ordinary shares of \$1 each	2	2
Accumulated profits	1,889,045	1,734,433
TOTAL EQUITY	1,889,047	1,734,435

HONG KONG EDUCATION CITY LIMITED
香港教育城有限公司

CASH FLOW STATEMENT
YEAR ENDED 31 AUGUST 2008

	<u>2008</u>	<u>2007</u>
	\$	\$
Cash flows from operating activities		
Profit before tax	102,511	141,867
Adjustments for:		
- Depreciation	2,321,875	3,221,669
- Property, plant and equipment written-off	1,011,285	63,859
- Interest income	(330,200)	(523,051)
- Non-monetary subvention income	(1,181,208)	(487,305)
- Government subvention income	(20,623,583)	(20,932,571)
- IT development fund income	(775,110)	(1,090,872)
- Share of indirect and unallocated costs by non-subvented projects	(216,173)	(1,125,356)
	-----	-----
Operating loss before working capital changes	(19,690,603)	(20,731,760)
(Increase)/decrease in account receivables	(118,022)	458,344
(Increase)/decrease in deposits and prepayments	(592,685)	321,661
Decrease in creditors and accrued charges	(121,815)	(468,258)
Increase in government subvention related to income	22,250,526	22,779,636
Increase/(decrease) in government subvention related to assets	855,042	(2,267,104)
Increase in provision for contract end graduity	181,010	-
	-----	-----
Net cash from operating activities	2,763,453	92,519
Cash flows from investing activities		
Interest received	330,200	523,051
Purchase of property, plant and equipment	(3,008,604)	(685,544)
Proceed from sales of property, plant and equipments	1,610	-
	-----	-----
Net cash used in investing activities	(2,676,794)	(162,493)
	-----	-----
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	86,659	(69,974)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	9,471,847	9,541,821
	-----	-----
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	9,558,506	9,471,847
	=====	=====

HONG KONG EDUCATION CITY LIMITED
香港教育城有限公司

**INCOME AND EXPENDITURE OF SUBVENTED AND NON-SUBVENTED
ACTIVITIES YEAR ENDED 31 AUGUST 2008²**

	<u>2008</u> <u>Subvented</u> <u>Activities</u> <u>HK\$</u>	<u>2008</u> <u>Non-subvented</u> <u>Activities</u> <u>HK\$</u>	<u>2008</u> <u>Total</u> <u>HK\$</u>
PROJECT INCOME	-	2,960,340	2,960,340
PROJECT COST			
Direct costs	-	2,738,893	2,738,893
Share of indirect and unallocated costs	-	216,173	216,173
	-	(2,955,066)	(2,955,066)
	-----	-----	-----
GROSS PROFIT	-	5,274	5,274
OTHER INCOME			
Bank interest income	232,963	97,237	330,200
Government subvention income	20,623,583	-	20,623,583
Non-monetary subvention income	1,181,208	-	1,181,208
IT development fund income	775,110	-	775,110
Sundry income	3,506	-	3,506
Share of indirect and unallocated costs by non-subvented projects	216,173	-	216,173
	23,032,543	97,237	23,129,780
	-----	-----	-----
	23,032,543	102,511	23,135,054
ADMINISTRATIVE EXPENSES			
Administrative cost	1,589,096	-	1,589,096
Business development	1,367	-	1,367
Corporate promotion and activities	229,653	-	229,653
Data centre	2,090,164	-	2,090,164
Depreciation	2,588,858	-	2,588,858
IT fund expenditure	775,110	-	775,110
Office overhead	1,363,451	-	1,363,451
Staff cost	13,518,936	-	13,518,936
Web content development and activities	875,908	-	875,908
	(23,032,543)	-	(23,032,543)
	-----	-----	-----
PROFIT BEFORE TAX	-	102,511	102,511
	=====	=====	=====

² Certified by the auditors but not included in the Audited Reports

APPENDIX 5 – Non-Subvented Activities

Starting from 23 October 2007, HKECL has adopted the Policy on Non-Subvented Activities which sets out the scope and criteria for the engagement in non-subvented activities which should match the core business and goals of the company. To comply with such policy, HKECL only engaged in non-subvented projects funded by EDB in 2007/08 including the school profiles projects (kindergarten, primary school and secondary school) and Reading Ambassador and Reading Contract Project which were funded by the Committee on Home-School Cooperation and SCOLAR respectively. The project objectives are in line with the corporate mission and complement the implementation of subvented activities and have been endorsed by the EC. Those projects were carried out by a project team consisted of ten non-subvented staff and operated under separate accounts. In 2007/08, the total income and expenditure of the non-subvented project were \$3.1 million and \$3 million respectively and a surplus of \$0.1 million was generated. As of 31 August 2008, the accumulated reserve of non-subvented activities reached \$1.8 million.

(1) Reading Ambassador and Reading Contract Project

The Reading Ambassador and Reading Contract Project was implemented by HKECL and funded by SCOLAR. The Project was initiated in 2006 and aimed to nurture a reading culture, and strengthen the collaboration between schools and the community in the promotion of reading. Listed below are the major programmes and events conducted in the year 2007/08.

- **Reading Ambassador Programme** 「閱讀大使」計劃 - 2,880 parents and secondary students were trained to be Reading Ambassadors and assisted 192 schools to establish school-based reading clubs. A series of support such as book loan service, reading club handbook and lesson plan were given to the project schools and reading ambassadors for organizing reading clubs.
- **Reading Contract Programme** 「閱讀約章」計劃 - Over 300,000 students were engaged in this programme to read and share books in the summer time. As a commendation to the students who have read at least 10 books and finished the record on the Reading Contract, certificates were issued and could be downloaded from the HKECL website, with good works shared with peers on-line.
- **Reading Board** 閱讀壁報板 - Three types of Reading Board were provided to 704 schools to cultivate a reading culture in school environment. 15 issues of thematic reading materials were published on the HK Reading City website.
- **World Book Day Carnival** 悅讀大本營--世界閱讀日活動 - A reading carnival was held on 19 April 2008 to support the world book day and to celebrate achievements of Reading Ambassadors. Students, teachers, parents, and other stakeholders were engaged.
- **Leader Reading Ambassador Sharing Session** 領袖閱讀大使讀書會 - 4 Leader

Reading Ambassadors' Sharing Sessions were organized to engage academia and celebrity to share reading and life experience through a face-to-face occasion. Professor Cheung, Anthony B L (President of HKIEd) and Mr. Chan Hung (Principal of QualiEd College, local writer) shared their reading and life experience with secondary students. Ms Emily Mok Fung-yee, J.P. (Principal of Chan's Creative School) and Ms Yim Ng Sim Ha (香港親子閱讀書會會長) shared their reading experience with parents.

Regarding the budget, the total income and expenditure was \$1.7 million. As approved by the EC, HKECL has waived the overheads charge to this project in view that the project was funded by SCOLAR and any surplus has to be refunded to the funding body according to the Service Agreement.

(2) Provision of School Profiles

HKECL has been commissioned to deliver provision of various school profiles to EDB since 2003. During the past academic year, the printed and online versions of four school profiles were launched in December 2007 and August 2008 respectively. The school profiles supported real time searching of school data according to school level, types and districts of all schools participated in the school place allocation, providing essential information of 980 local and non-local kindergartens, 553 primary, 458 secondary and 61 special schools in one unified platform of HKECL.

The school profiles were well-received by parents, schools and general public. Encouraging responses were reflected in the increasing page views of various school profiles. The annual accumulated page views in 2007-08 of the Kindergarten, Primary, Secondary and Special Schools Profiles³ are 23 millions, 17 millions, 25 millions and 0.57 millions respectively which showed a steady growth (10% year on year) in the popularity of the school profiles.

To enhance the usefulness of the school profiles, HKECL leveraged the latest online map facilities from Google, and worked together with the Committee on Home-School Co-operation in providing first of its kind, comprehensive school map of primary schools in Hong Kong. All 553 schools of the Primary School Profiles participated in providing their up-to-the-minute school information such as school name, location and contact details to the school map since its official launch in August 2008. For around one and half months until mid-October, the accumulated page view of the Primary School Profiles' school map has already been reaching 0.36 millions. The future plan of school map will be extended to other school levels such as secondary schools.

Total income and expenditure of all school profile projects was \$1.2 million. By using the direct cost ratio method, overheads charge of \$0.2 million was allocated to these projects except the two projects which were engaged according to the Policy on Non-subvented Activities. They are exempted from paying the overheads charge since it was agreed that any surplus of the project would be refunded to the funding body.

³ Special School Profiles were delivered by leveraging the existing school profiles system and therefore the cost was minimal which was absorbed by subvention instead of being treated as a non-subvented project.