



Hong Kong Education City Limited

Annual Report
September 2008 to August 2009

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1. MESSAGE FROM THE CHAIRMAN AND THE EXECUTIVE DIRECTOR

2008/09 was an exciting year for the Hong Kong Education City Limited (HKECL) as we rolled out several new strategic projects that fulfill our role as Hong Kong's depository of quality educational resources; an on-line community that facilitates peer sharing amongst students, parents and teachers; an on-line market facilitator and a pioneer of technology in E-learning.

Our site www.hkedcity.net underwent a new face lift with the pages on key services such as EdBlog and Resources Depository further enhanced. The number of teacher members of HKECL reached 48,000+ as of August 30th, 2009. Amongst them, 7,400 were new teacher members. The number of student members reached 797,300. As for user search requests at www.hkedcity.net, the number amounted to around 85,000 per month, an 18% year on year growth, while that of page views attained a 272% year on year growth.

During the year, HKECL piloted new campaigns such as the "Teaching Resources Award Scheme" to motivate teachers to contribute their excellent teaching materials for sharing. This scheme secured community wide support and received hundreds of contributions from teachers. Another new initiative was an online assessment engine, named "Online Questions Bank", which was launched in partnership with Hong Kong Examinations and Assessment Authority. This new service, which integrates technology in learning and assessment, attracted over 200 secondary schools during the trial period.

To further build up stakeholder support, an annual event "EdCity Subject Talk" was held and attracted over 700 teachers. It was most welcomed by the teacher community with the aim of introducing subject-based teaching resources to the teachers as they prepare for the new school year. To foster partner relationship, we conducted a "Partner Summit" to share our business overview, direction and further promote collaboration opportunities. Subsequently, partner accounts were offered to them for direct access to www.hkedcity.net.

At the backend, HKECL continued to improve corporate governance; to consolidate our services through upgrading our hardware systems and software services; and to tighten our platform security based on the ISO27001:2005 standard.

Moving into 2010, HKECL will be celebrating its 10th year anniversary. A series of celebration campaigns including competitions, exhibitions, seminars and ceremonies will be rolled out to communicate our missions and commitment to the community as

well as to recognize our contributors, supporters and partners. As HKECL moves into the second decade of service, the board and management team have re-evaluated HKECL's position and laid down the direction of expanding our service beyond Hong Kong. Our goal is to build www.hkedcity.net into a high quality education Web site to serve the community in Hong Kong and the region. This is in line with the government's direction of building up Hong Kong as an education hub. With this goal, we believe, the learning experience of our teachers and our students can also be enriched with global perspective. In addition, supporting the government's initiative on eLearning, HKECL will focus on being the content provider and market facilitator in this important endeavor.

On behalf of the Hong Kong Education City, we would like to express our deepest gratitude to members of the board and advisory team, our partners, contributors and employees for making 2008/09 such a remarkable year. Last but not least, our hearty thanks are due to our students, parents, and teachers.



Roland Chin
Chairman, Board of Directors



Mei Mei Ng
Executive Director

2. ABOUT HONG KONG EDUCATION CITY

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. As outlined in the service agreement with the Education Bureau (EDB), HKECL'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.

The following report outlines the progress made over the 2008/09 school year

3. KEY INITIATIVES AND ACHIEVEMENTS IN 2008/09

The work of HKECL in 2008/2009 can be categorized into 1) Enrich Learning and Teaching Resources; 2) Develop a Sharing and Peer Learning Culture; 3) Expand Partner Engagement and Support; 4) Extend Corporate Communication and Promotion; 5) Refine Platform and Services. The following sections briefly report the achievement of each major business initiative in 2008/09.

3.1 Enrich Learning and Teaching Resources

Since the launch of the teaching [Resource Depository](#) (RD) in May 2008, HKECL has devoted efforts in building the breadth and depth of the resource collection. By the end of August 2009, the Depository has accumulated over 12,000 resources of various key learning areas, levels and languages, obtained through schools, teachers,



Listed below are the major factors contributed to the results above.

- 3,000 NSS resources were tagged into RD together with four new categories of resources hence broadened our reach in the teacher community. The newly launched categories covers:
 - Personal, Social & Humanities Education;
 - Arts Education;
 - Moral and Civic Education;
 - Reading
- Additional resources were acquired through sourcing, identifying, and categorizing ready-to use materials from the Internet, existing database and sources from EDB sections (such as LLSS, CDI, BCA, CRC, etc.), Higher Education Institutes, schools and partners. An automatic data exchange mechanism has also been developed in collaboration with the Liberal Studies Section of EDB to import relevant teaching resources from the EDB Liberal Studies portal to HKECL's Resources Depository.

- Platform enhancements were made to improve usability. These improvements include additional filtering and sorting facility that refines search results; multi-media resources search, preview and download with extra convenience. A newly developed “[Teacher Cabinet](#)” service has also been launched in trial mode to provide teacher users with a one-stop facility to house, share, and disseminate personalized resources and information with their peers and students.

In 2008/09, HKECL launched several new eLearning packages and student campaigns relating to General Studies, Chinese Language, English Language and thinking and project learning skills for primary, secondary and special education students. These offerings have been well-received by the education community.

Special Features to address current social issues:

- In response to the Human Swine Influenza outbreak and the suspension of schools, a special feature about [Swine Flu](#) known as 「毋懼新流感 - 網上資源家中學習」 was launched in early May 2009. It provided general information and updates, and linked up over 30 eLearning packages covering numerous primary and secondary subjects. This feature alone attracted over 200,000 page views within 2 months.

- To support HKSAR government’s effort in combating youth drug abuse, HKECL also published an [Anti-Drug special feature](#) in June 2009, which covers information, resources and sharing for teachers, parents and students.



To align with HKECL’s mission, parenting resources and the [parent channel](#) were reviewed. A questionnaire survey about parents’ needs, usage and perception on the parent channel was conducted in early 2009 with 800 valid responses. The survey results and comments collected from Advisors have helped fine-tuned and shaped the position and priorities of the parent channel.

3.2 Develop a Sharing and Peer Learning Culture

Community sharing is an important part of HKECL’s mission. During 2008/09, HKECL



launched several online and offline activities with the aim of driving community engagement, sharing and contribution. These activities include:-

- [Teaching Resource Award Scheme \(TRAS\)](#), co-organized with the Chief Executive's Award for Teaching Excellence Teacher Association (ATETA) and the Hong Kong Association for Computer Education (HKACE) in 2008/09. The Scheme received over 220 resource submissions from 300 in-service and pre-service teachers, representing 129 schools and institutions. A ceremony cum sharing session was also conducted in late May 2009 to celebrate participants' achievement. These resources have been subsequently tag into the online resources depository for the wider education community.
- [Reading Resources Contributed by Excellent Teachers Project](#) (「卓越教師共建閱讀素材庫」計劃): was piloted in 2008/09 to drive community contribution through resources swapping for Chinese Language teaching. Participating schools were required to co-develop the teaching materials with consultants in return for a full-set of ready-to-use materials. This project attracted participation from over 40 secondary schools' and enriched resources in this area by 183 items. The “swap-scheme” idea will be extended to other key learning areas in the coming year.

- Platform and Tools Enhancement: to encourage user's online participation, HKECL enhanced the collaborating tools such as rating, comment, and private communication with author. These new features have been rolled out in the Resources Depository and the [EdBlog](#) platform. The front page revamp was also launched in 2008/09, adopting a role based approach to enable users to access services targeted the respective.



- School-based Training: more than 120 school visits were conducted throughout the year, reaching over 4,000 teachers in person, in which HKECL's general and subject-based services and resources for school principals and teachers was introduced. A series of EdBlog training workshops co-organized with ATETA were also conducted. These training contributed to the EdBlog usage, which stands at 1200+ teacher blogs in 2008/09.

- The “EdCity Subject Talk”, an annual event for the teacher community with the aim of



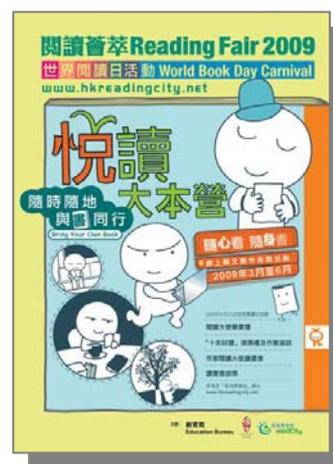
introducing subject-based teaching resources and learning packages to schools as they prepare for the new school year. This event was conducted in June and attracted over 700 teachers.

This year, HKECL has completed a 3-year (2006/09) Reading Ambassador and Reading Contract (RARC) project which contributed to nurturing a reading culture in the territory, and strengthened the collaboration in promoting reading between schools and the community. Listed below are the major programmes and events conducted in the school year 2008/09.

- **Reading Ambassador Programme** 「閱讀大使」計劃 – over 2,600 parents and secondary students have been trained as Reading Ambassadors who assisted 200 schools in establishing school-based reading clubs..
- **Reading Contract Programme** 「閱讀約章」計劃 - Over 300,000 students have been engaged to read and share books during summer time.
- **Reading Board** 閱讀壁報板 - Three types of Reading Board were delivered to 719 schools in an effort to cultivate a reading culture at schools. 15 issues of thematic reading materials have been published at HK Reading City website.



- **World Book Day Carnival** 悅讀大本營--世界閱讀日活動 - A reading carnival, aiming to support World Book Day and celebrate achievements made by Reading Ambassadors, was held on 25 April 2009. There were showcase of school reading clubs, book talk, book exhibition, book exchange corner and a graduation ceremony for Reading Ambassadors. New programmes including Reading Buddies and “Bring Your Own Book” online photo-writing activity were launched and well-received by 2,100 participants.



In the past three years, over 8,500 parent Reading Ambassadors and secondary school student Reading Ambassadors have been trained, and over 370 primary and secondary schools set up and operated their reading clubs. Recognized by the impact brought to the community, HKECL will continue to engage in reading promotion, and

has been awarded by SCOLAR to implement the RARC project in 2009/10 and 2010/11.

3.3 Expand Partner Engagement and Support

The success of HKECL relies heavily on its partners. During 2008/09, HKECL implemented the following efforts to evangelize the partner community and launched several projects in collaboration with the various stakeholders.

- “Partner Summit” was organized in June to evangelize partners on HKECL’s business direction and highlight key services in 2009/10. The event attracted 82 partners representing non-profit organizations, academic associations and government departments. Partner accounts have been created and offered to these partners, giving them direct access to post educational activities into HKECL event calendar for teachers, students and parents.



- Numerous partnerships were established to enrich HKECL’s offering, such as resources development and adoption, community engagement, and dissemination of good practices. Major partners came from associations (Chief Executive’s Award for Teaching Excellence Teachers Association (ATETA); Hong Kong Association for Computer Education (HKACE), Hong Kong Association for Mathematics Education (HKAME)), NGOs (Ocean Park, Wetland Park, Produce Green Farm, Towngas), Government bodies (Electrical and Mechanical Services Department, Independent Commission Against Corruption, Department of Health, Urban Renewal Authority), and Schools (Assembly of God Hebron Secondary School [神召會康樂中學], Lam Tai Fai College [林大輝中學], Immanuel Lutheran College [沐恩中學], Po Leung Kuk Chee Jing Yin Primary School [保良局朱正賢小學], Buddhist Wong Cheuk Um Primary School [佛教黃焯菴小學], and Hong Kong & Macau Lutheran Church Primary School [港澳信義會小學]).
- Various school profiles have been provisioned in collaboration with EDB, namely the [Secondary School Profiles 2008](#) and [Special Education Profile 2008](#) and [Kindergarten Profile 2009](#) in August 2009. To enhance the usefulness of the

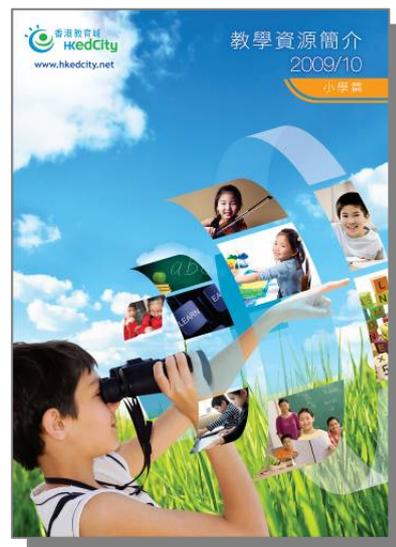
school profiles, HKECL leveraged the online map facilities to offer a comprehensive [school map](#) to facilitate parent to review school information on district basis, providing data of more than 1,000 kindergartens, 400 secondary and 60 special education schools.

- In supporting the Information Technology in Education Section of EDB, an official teacher resources platform “[EDB Depository of Curriculum-based Learning and Teaching Resources](#)” has been developed and officially launched in February 2008. The platform provides various facilities to EDB subject specialists to disseminate and gather feedback on resources hosted on the platform. Currently, the platform supports subjects of Primary Chinese, English, Mathematics and General Study.
- To support the work of the “Working Group on Textbooks and e-Learning Resources Development”, HKECL launched an online survey on their behalf to collect feedback from different stakeholders. In total, over 12,000 parents and 3,100 teachers representing 537 schools participated in the E-resources online survey hosted at HKedCity.

3.4 Extend Corporate Communication and Promotion

In 2008/09, a series of promotion and engagement initiatives were implemented to raise public awareness of the services and resources offered by HKECL. These initiatives generated good traction and favorable comments in the community.

- “[Education Resources Kit 2009/10](#)”: summarized HKECL’s services designed for primary and secondary school teachers and students. The resources kit was sent to school principals, curriculum development heads and teachers of all primary, secondary and special education schools in mid August 2009. Prior to this kit, a “Year-End School Statement” with records of teachers’ and students’ participation in HKECL service during the year have also been issued to 1,100 primary and secondary schools. This statement together with the Kit served as a good reference point for school’s evaluation and planning for the coming school year.



- eNewsletters: on a bi-weekly basis, HKECL has been sending out eNewsletters to members, highlighting the recent campaigns and services.



- HKECL actively contributed in various professional development events organized by others, such as the I.T. in Education Symposium by EDB ITE section, the Teachers' Professional Experience Sharing Month by QEF and Regional Professional Development Day organized by EDB REO section.
- As the window of promotion and dissemination, HKECL has been commissioned to support the official website of the [Committee on Home-School Co-operation](#) (CHSC) aims at providing the most up-to-date information for parents and schools. In 2008-09, the website is enhanced with a new survey system and online opinion box to collect parent feedbacks, revamped the online dissemination of events and activities and created a new interactive mechanism for NGOs to contribute events.
- Membership status has been stable with around 48,000 teachers. The HKECL's membership has been extended to pre-services teachers from Hong Kong Institute of Education, Chinese University of Hong Kong and Hong Kong Baptist University and attracted close to 1,000 new members.

3.5 Refine Platform and Services

To improve user experience at the HKECL portals and improve operation efficiency, the following efforts had been made at the backend:-

- An [online assessment engine](#) has been developed, as an assessment for learning tool. This engine enabled users to select and compose assessment exercise based on various



attributes of the questions in the established question pool, such as level of difficulty, specific area within a subject. Currently, this engine is housing 10 years of Mathematics multiple choices questions from the Hong Kong Examination and Assessment Authority. Initial response from the community has been very positive with over 200 schools applied for trial.

- Legacy and outdated services migration: HKECL partnered with Google to integrate Google Apps for Education on to HKECL platform. The move enabled HKECL to provide better services leveraging the existing infrastructures of the vendor. The first phase of the migration has been rolled out in 2008/2009, which offers 50,000 teacher accounts with a mailbox size of 7GB (70 times bigger than the existing offering). In phase two of the migration, all student account will also be migrated hence free up HKECL's backend resources and storage.

- To facilitate the role as educational information dissemination, a [master event calendar system](#) has been developed and deployed to enable partners to submit educational events directly into HKECL's system. The aggregated event information is then disseminated in various formats tailored to the target user groups. In addition, users can also search for events based on their individual needs.



- To gain more insight into user browsing behaviour on HKECL's portal, an online tracking system has been deployed to monitor and track usage pattern. The system provided user browsing pattern information in aggregate such as the most popular spot of a page and also classify the page view information based on user's role such as teacher, student and parent.
- At the backend, HKECL completed the I.T. Security Audit and refinement exercise. The project involved internal and external scanning of system vulnerabilities which led to the establishment of corresponding guidelines and procedures, based on industry standards. Subsequent actions have been taken to achieve a baseline system development security standard and improved the overall security of HKECL's online services.

4. CORPORATE GOVERNANCE

Operated largely with the support of government funds, HKECL places strong emphasis to uphold good corporate governance. In 2008/09, HKECL formulated and reviewed 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 financial management to review and establish good governance framework and practices in the respective business area.

4.1 Governance Structure

The Board of Directors¹ is the governing body which oversees the strategic development of the Company and ensures its operation in compliance with the statutory requirements. Under the Board there is an Executive Committee chaired by an official director to monitor and give advice on the company's operational matters regularly. During the period, three Board Meetings and five Executive Committee Meetings were held respectively with high participation rate of 87.5% and 100%. Regarding the change of directors, three new directors with expertise in accounting, education and IT field were appointed in personal capacity by the shareholders meeting. Declaration of interest was made by directors upon new appointment and annually thereafter. No director receiving any remuneration during their tenure so far.

4.2 Policies Formulation

HKECL has been formulating new policies or revising outdated ones to enforce internal control and risk management processes, as well as facilitating internal operation and systemizing the workflow. Having reviewed by the independent consultants in respect of IT security and financial management, no significant loopholes were observed and good practices of industrial standard recommended have been adopted and incorporated into the policies.

4.3 Human Resources

To support the business objectives, HKECL continues to evolve and transform itself into a more professional and efficient business operation by building up a team of professional staff and streamlining internal operations and processes. On 1 September 2008, there was a restructuring in HKECL in which the Corporate Marketing Division was established. To be more aligned with the market, the Learning

¹ Appendix 1

and Teaching Division was divided into 4 teams, namely “Language Team”, “Math, Science and Technology Team”, “Social Science Team” and “Audience Team”².

HKECL has also carried out a number of human resources related projects which emphasized on facilitating staff professional development and growth, creating an accountable and collaborative corporate culture and reinforcing market-competitive and performance-based remuneration and benefits packages.



4.4 Financial Status

The overall financial status of the Company in 2008/09 was healthy and steady. The total income and expenditure of subvented activities was \$27.1 million. As of 31 August 2009, the Company had a total non-current asset of \$6.5 million and current assets of \$10.3 million. The net assets of the Company amounted to \$1.7 million. The Company’s liquidity was in very good condition throughout the year as cash and deposits at bank amounted to \$9 million by the end of the financial year. Besides, \$5.7 million unused subvention from year 2005 to 2008 was carried forward and kept as reserve in 2008/09.

Wong Lam Leung & Kwok C.P.A. Limited was reappointed as the auditors for this fiscal year and such reappointment would be formally endorsed annually in May. The annual external audit and compliance audit for the year-ended 31 August 2009 was conducted in October 2009, while the annual stocktaking exercise was also carried out for all assets. All financial practices were certified compliance with the statutory requirements. The audited report is extracted as Appendix 3.

² Appendix 2

5. LOOKING FORWARD

The board of directors held a brainstorming meeting in May to lay down the long term direction of HKECL. It was agreed that HKECL should focus on empowering students' and teachers' development through an interactive platform; developing students to be an independent life-long learners, being the education hub of Hong Kong and transforming the community into a knowledge-based society. Building on this direction, HKECL will continue to invest in refining the learning and teaching resources and services, empower teachers to administer and guide student's online learning at HKedCity, strengthen its eLearning infrastructure and expand its partnership in the community. Specifically in 2009/10, HKECL will focus on:-

- maintain a stable level of quality, relevant and current learning and teaching resources through sourcing from the community such as teachers, academia, NGOs and commercial partners.
- foster sharing and participation through promotion, incentive and award schemes.
- enrich students' learning experience through introducing new learning packages and new services such as the OLE/ NSS information and matching tool
- host just-in-time resources and features that empower parents to coach and review their child's online learning
- strengthen partner communication and collaboration through providing projects and value added services, and increase transparency

The above priorities will be supported with comprehensive marketing strategies to ensure the message is communicated across to all key stakeholders. HKECL will also review and enhance its platform flexibility and interoperability, shorten project development cycle, revamp its database and membership system to overcome account administration hurdles.

From a long term perspective, HKECL will continue to work on strengthening its platform, content and partnerships to deliver a rich learning experience that compliments the teaching and learning in school and nurture students to be independent life-long learner.

APPENDIX 1 – LIST OF MEMBERS OF THE BOARD AND COMMITTEES, AUDITORS AND COMPANY SECRETARY (AS OF 31 AUGUST 2009)

Board of Directors

Prof. Roland Chin, JP (Chairman)

Mr. Christopher Wardlaw

(Till 2 October 2008)

Dr. Ka Ki Chan

(From 2 October 2008)

Mr. Ma Siu-leung

Dr. Elizabeth Quat

Dr. John Fung

Ms. Irene Chan

Mr. Christopher Yu

Mr. Michel Chan

Mr. Leo Kung

(From 12 May 2009)

Dr. Lee George Lam

(From 12 May 2009)

Executive Committee

Mr. Christopher Wardlaw (Chairman)

(Till 2 October 2008)

Dr. Ka Ki Chan (Chairman)

(From 2 October 2008)

Mr. Ma Siu-leung

Dr. Elizabeth Quat

Ms. Mei Mei Ng (Executive Director)

Advisory Panel

Mr. Yip Chee Tim (Chairman)

Mr. She Mang

Mr. Cheng Che Hung, Danny

Dr. Kong Siu Cheung

Mr. Lee Sai Wa

Mr. Liu Man Lee

Mr. Sau Hang Chor

Mr. Christopher Yu

Mr. Raymond Chu

Mr. Lau Kwok Leung

Mr. Wong Wai Man

Mr. Wong Sing

Ms. Mei Mei Ng (Executive Director)

Auditors

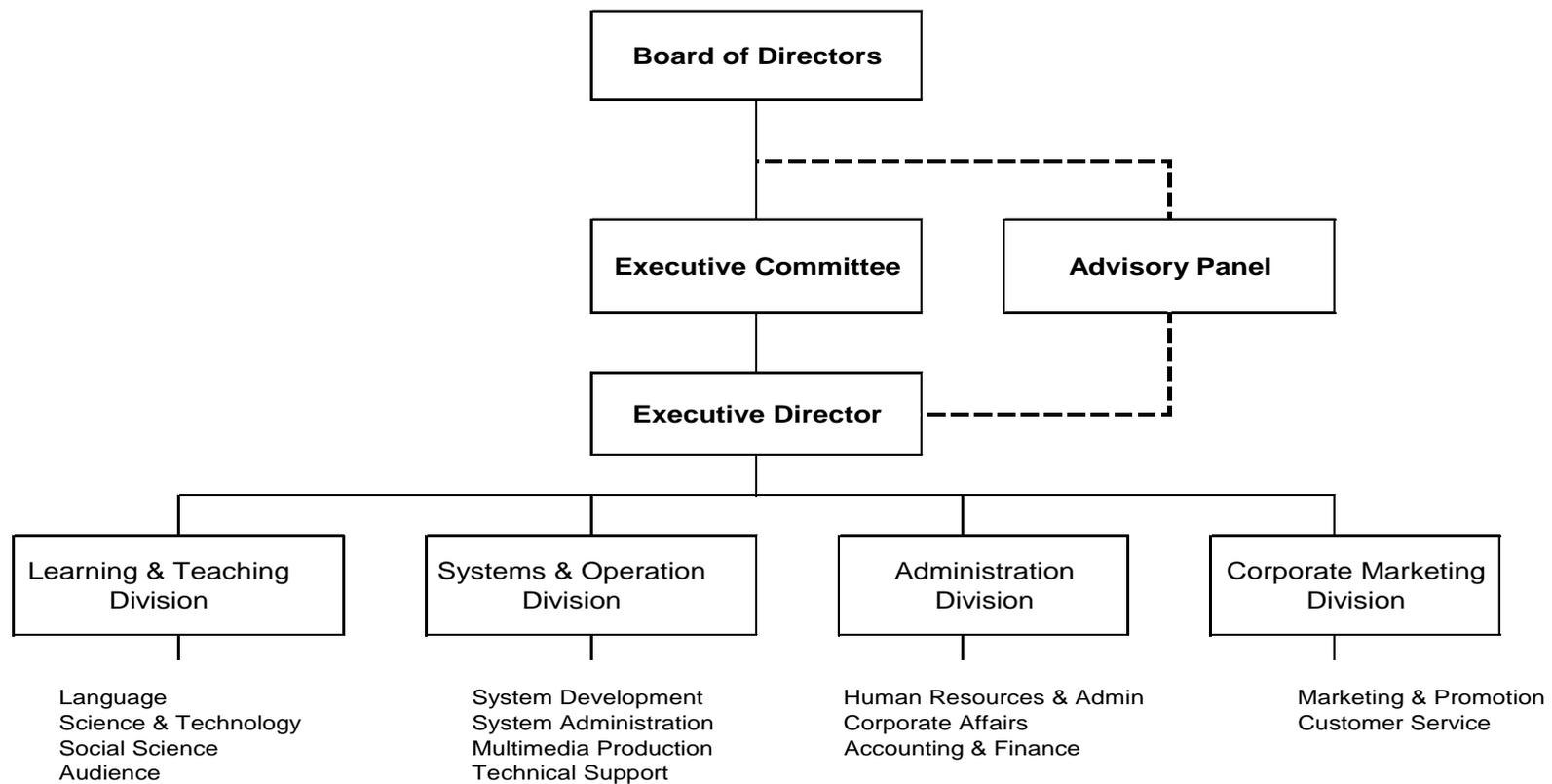
Wong Lam Leung & Kwok C.P.A.
Limited

Company Secretary

WLLK Secretaries Limited

APPENDIX 2 – ORGANIZATION STRUCTURE

Hong Kong Education City Ltd Organisation Structure (As of 31 August 2009)



APPENDIX 3 – AUDITED REPORT 2008/09 (EXTRACT)

HONG KONG EDUCATION CITY LIMITED

香港教育城有限公司

DIRECTORS' REPORT

YEAR ENDED 31 AUGUST 2009

The directors have pleasure in submitting their annual report together with the audited financial statements for the year ended 31 August 2009.

PRINCIPAL ACTIVITIES

The principal activities of the company are developing and enhancing the education portal, organizing educational and cultural activities, providing IT support for schools, and developing e-business to empower the education market.

RESULTS AND APPROPRIATIONS

The results of the company for the year ended 31 August 2009 and the state of its affairs at that date are set out in the financial statements on pages 4 to 26. The directors do not recommend the payment of a dividend.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment of the company are set out in note 10 to the financial statements.

DIRECTORS

The directors of the company during the year and up to the date of this report were as follows:-

Chan Cheuk Lin	
Chan Chi Tong	
Chan Ka Ki, Catherine	(appointed on 2 October 2008)
Chin Tai Hong, Roland	
Chiu Hoi Yue, Alice	(resigned as an alternate director to Wardlaw Christopher on 2 October 2008 and re-appointed as an alternate director to Chan Ka Ki, Catherine on 2 October 2008)
Fung Yat Chu	
Kung Lin Cheng, Leo	(appointed on 12 May 2009)
Lam Lee G.	(appointed on 12 May 2009)
Ma Siu Leung	(retired on 29 October 2009)
Quat Elizabeth	
Wardlaw Christopher	(resigned on 2 October 2008)
Yu Wing Fai, Christopher	

All directors retire in accordance with the company's Articles of Association but, being eligible, offer themselves for re-election.

DIRECTORS' INTERESTS IN CONTRACTS

No contract of significance to which the company was a party and in which a director of the company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

HONG KONG EDUCATION CITY LIMITED

香港教育城有限公司

DIRECTORS' REPORT

YEAR ENDED 31 AUGUST 2009

(CONTINUED)

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year was the company a party to any arrangements to enable the directors of the company to acquire benefits by means of the acquisition of shares in, or debentures of, the company or any other body corporate.

AUDITORS

The financial statements have been audited by Wong Lam Leung & Kwok C.P.A. Limited, Chartered Accountants, Certified Public Accountants (Practising), who retire and, being eligible, offer themselves for re-appointment.

FOR AND ON BEHALF OF THE BOARD



Chairman

Hong Kong
2 December 2009

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF
HONG KONG EDUCATION CITY LIMITED
香港教育城有限公司
(INCORPORATED IN HONG KONG WITH LIMITED LIABILITY)

We have audited the financial statements of Hong Kong Education City Limited set out on pages 4 to 26, which comprise the balance sheet as at 31 August 2009, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 141 of the Hong Kong Companies Ordinance, and for no other purposes. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

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

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

OPINION

In our opinion, the financial statements give a true and fair view of the state of the company's affairs as at 31 August 2009 and of its profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

For and on behalf of

WONG LAM LEUNG & KWOK C.P.A. LIMITED
黃林梁郭會計師事務所有限公司



MA SHUK FONG 馬淑芳會計師
CPA (Practising), FCCA
Certified Public Accountant (Practising), Hong Kong, 2 December 2009
Practising Certificate Number : P02311

Ref : H426/VM/1016/1004/486

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

INCOME STATEMENT
YEAR ENDED 31 AUGUST 2009

	<u>Notes</u>	<u>2009</u> \$	<u>2008</u> \$
Turnover	5	3,817,500	2,960,340
Project cost		(3,807,614)	(2,955,066)
		-----	-----
Gross profit		9,886	5,274
Other income	6	27,150,916	23,129,780
Administrative expenses		(27,130,615)	(23,032,543)
		-----	-----
PROFIT BEFORE TAX	7	30,187	102,511
Income tax (expenses)/income	8	(197,278)	52,101
		-----	-----
(LOSS)/PROFIT FOR THE YEAR		(167,091)	154,612
		=====	=====

The notes on pages 9 to 26 form an integral part of these financial statements.
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HONG KONG EDUCATION CITY LIMITED
香港教育城有限公司

BALANCE SHEET
AT 31 AUGUST 2009

	<u>Notes</u>	<u>2009</u> \$	<u>2008</u> \$
NON-CURRENT ASSETS			
Property, plant and equipment	10	6,526,039	7,972,131
CURRENT ASSETS			
Trade and other receivables		409,580	715,638
Account receivables		909,874	1,312,370
Deposits and prepayment		8,951,800	9,558,506
Bank and cash balances	11	10,271,254	11,586,514
Deduct:-			
CURRENT LIABILITIES			
Trade and other payables		383,512	320,754
Creditors and accrued charges		350,744	496,580
Current portion of deferred income	13	6,197,749	8,038,482
Government subvention related to income	14(a)	1,920,806	2,342,987
Current portion of Government subvention related to assets	14(b)	21,640	30,914
Current portion of non-monetary subvention related to assets	15	8,874,451	11,229,717
NET CURRENT ASSETS			
		1,396,803	356,797
TOTAL ASSETS LESS CURRENT LIABILITIES			
		7,922,842	8,328,928
NON-CURRENT LIABILITIES			
Deferred tax liabilities	12	399,512	202,234
Deferred income	13	783,500	1,123,786
Government subvention related to assets	14(b)	4,533,100	4,860,719
Non-monetary subvention related to assets	15	50,493	72,132
Provision for long service payments		38,505	-
Provision for contract end gratuity		421,250	181,010
		(6,226,360)	(6,439,881)
NET ASSETS			
		1,696,482	1,889,047

The notes on pages 9 to 26 form an integral part of these financial statements.

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

BALANCE SHEET
 AT 31 AUGUST 2009
 (CONTINUED)

	<u>2009</u>	<u>2008</u>
	\$	\$
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
 Reserves		
Accumulated profits	1,688,954	1,889,045
General reserve	7,526	-
	1,696,480	1,889,045
	-----	-----
TOTAL EQUITY	1,696,482	1,889,047
	=====	=====

The notes on pages 9 to 26 form an integral part of these financial statements.
 Independent Auditor's Report - Page 3

HONG KONG EDUCATION CITY LIMITED
香港教育城有限公司
CASH FLOW STATEMENT
YEAR ENDED 31 AUGUST 2009

	<u>Note</u>	<u>2009</u>	<u>2008</u>
		\$	\$
Cash flows from operating activities			
Profit before tax		30,187	102,511
Adjustments for:			
- Depreciation		2,458,953	2,321,875
- Property, plant and equipment written-off		51,518	1,011,285
- Interest income		(114,343)	(330,200)
- Non-monetary subvention income		(30,913)	(1,181,208)
- Government subvention income		(26,332,475)	(20,623,583)
- IT development fund income		(486,122)	(775,110)
- Share of indirect and unallocated costs by non-subvented projects		(74,316)	(216,173)
Increase in provision for long service payments		38,505	-
Increase in provision for contract end graduity		240,240	181,010
		-----	-----
Operating loss before working capital changes		(24,218,766)	(19,509,593)
Decrease/(increase) in account receivables		306,058	(118,022)
Decrease/(increase) in deposits and prepayments		402,495	(592,685)
Increase/(decrease) in creditors and accrued charges		62,758	(121,815)
Increase in government subvention related to income		24,616,805	22,250,526
(Decrease)/increase in government subvention related to assets		(826,019)	855,042
		-----	-----
Net cash from operating activities		343,331	2,763,453
Cash flows from investing activities			
Interest received		114,343	330,200
Purchase of property, plant and equipment		(1,064,380)	(3,008,604)
Proceed from sales of property, plant and equipments		-	1,610
		-----	-----
Net cash used in investing activities		(950,037)	(2,676,794)
		-----	-----
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(606,706)	86,659
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		9,558,506	9,471,847
		-----	-----
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	11	8,951,800	9,558,506
		=====	=====

The notes on pages 9 to 26 form an integral part of these financial statements.
Independent Auditor's Report - Page 3

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

INCOME AND EXPENDITURE OF SUBVENTED AND NON-SUBVENTED³
ACTIVITIES (FOR MANAGEMENT PURPOSES ONLY)
YEAR ENDED 31 AUGUST 2009

	<u>2009</u> <u>Subvented</u> <u>Activities</u> <u>HK\$</u>	<u>2009</u> <u>Non-subvented</u> <u>Activities</u> <u>HK\$</u>	<u>2009</u> <u>Total</u> <u>HK\$</u>
PROJECT INCOME	-	3,817,500	3,817,500
PROJECT COST			
Direct costs	-	3,733,298	3,733,298
Share of indirect and unallocated costs	-	74,316	74,316
	-	(3,807,614)	(3,807,614)
	-----	-----	-----
GROSS PROFIT	-	9,886	9,886
OTHER INCOME			
Bank interest income	94,042	20,301	114,343
Government subvention income	26,332,475	-	26,332,475
Non-monetary subvention income	30,913	-	30,913
IT development fund income	486,122	-	486,122
Sundry income	112,747	-	112,747
Share of indirect and unallocated costs by non-subvented projects	74,316	-	74,316
	27,130,615	20,301	27,150,916
	-----	-----	-----
	27,130,615	30,187	27,160,802
ADMINISTRATIVE EXPENSES			
Administrative cost	2,540,061	-	2,540,061
Business development	87,651	-	87,651
Corporate promotion and activities	800,626	-	800,626
Data centre	2,230,121	-	2,230,121
Depreciation	2,024,349	-	2,024,349
IT fund expenditure	486,122	-	486,122
Office overhead	1,382,613	-	1,382,613
Staff cost	16,323,534	-	16,323,534
Web content development and activities	1,255,538	-	1,255,538
	(27,130,615)	-	(27,130,615)
	-----	-----	-----
PROFIT BEFORE TAX	-	30,187	30,187
	=====	=====	=====

³ Certified by the auditors but not included in the Audited Report