



Hong Kong Education City Limited

Annual Report

September 2011 to August 2012

***Prepared by
Hong Kong Education City Limited***

28 December 2012

Table of Contents

1. ABOUT HONG KONG EDUCATION CITY LIMITED.....	3
2. MESSAGE FROM THE CHAIRMAN	4
3. MESSAGE FROM THE EXECUTIVE DIRECTOR.....	6
4. KEY INITIATIVES AND ACHIEVEMENTS IN 2011/12	8
4.1 ENHANCING AND CONSOLIDATING THE TEACHING AND LEARNING RESOURCES	8
4.2 EXPANDING STAKEHOLDERS' SUPPORTS AND ENGAGEMENT	10
4.3 INFRASTRUCTURE AND SERVICES TO FACILITATE ELEARNING AND THE ELEARNING MARKET...	14
4.4 CORPORATE COMMUNICATIONS AND PROMOTION	16
5. CORPORATE GOVERNANCE	17
5.1 GOVERNANCE STRUCTURE	17
5.2 POLICY FORMULATION	17
5.3 HUMAN RESOURCES	17
5.4 FINANCIAL STATUS	19
APPENDIX 1 - NON-SUBVENTED PROJECT: READING AMBASSADOR AND READING CONTRACT PROJECT.....	21
APPENDIX 2 - LIST OF MEMBERS OF THE BOARD, COMMITTEES, AUDITORS AND COMPANY SECRETARY (AS OF 31 AUGUST 2012)	22
APPENDIX 3 - ORGANIZATION STRUCTURE.....	23
APPENDIX 4 - AUDIT REPORT 2011/12 (EXTRACT)	24
APPENDIX 5 - PERFORMANCE PLEDGE.....	31

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 (“HKSAR”) 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. This operation receives an annual subvention of around HK\$30 million to finance subvented activities set forth to fulfill its mission. As outlined in the Service Agreement (starting from 1 September 2011) with the Education Bureau (“EDB”), HKECL’s strategic focuses are as follows:-

- A. To facilitate building up of communities among education stakeholders especially students, teachers and parents through online and offline services and activities (COMMUNITY BUILDING)
- B. To provide a platform for stakeholders to disseminate education-related information or activities (INFORMATION)
- C. To serve as a one-stop shop for learning resources and teaching support materials, both free and fee-charging (RESOURCES)
- D. To provide online tools/services to education stakeholders (SERVICES)

The following report outlines the progress made over the 2011/12 school year.

2. MESSAGE FROM THE CHAIRMAN

2011/12 was an exciting year in the education sector of Hong Kong. The first Hong Kong Diploma of Secondary Education Examination was successfully conducted, the new university 4-year curriculum was smoothly launched, and the first e-Textbook Market Development Scheme (EMADS) was introduced with great enthusiasm from the community. In our twelfth year of establishment, HKEdCity continued our mission in providing online educational resources, facilitating information exchange, building up an online teacher community, delivering an engaging and rich learning experience for students, and empowering parents to help their children to achieve balanced and whole person development.

The Web culture, ubiquitous computing and online social networking in Hong Kong have significant impacts on learning and teaching. Given our experience in supporting eLearning in Hong Kong for more than a decade, HKEdCity is now well positioned to further promote the eLearning paradigm to support students' learning in Hong Kong. In March 2012, HKEdCity introduced the EdMall, the first online education mall in Hong Kong with an aim to encourage and facilitate developers to introduce their educational products to schools, parents and students. HKEdCity is now exploring the international market to introduce quality educational resources to Hong Kong, and will collaborate with local and international partners to provide more tools and resources suitable for our students, teachers and parents.

HKEdCity continued its unique role in providing a leading platform and network services to facilitate eLearning. For example, the service of EdConnect was developed to facilitate publishers and online content providers to connect to the 800,000 student and 50,000 teacher users. The EdConnect service will be introduced soon corresponding to the e-Textbook deployment schedule.

HKEdCity, in collaboration with the Hong Kong Examinations and Assessment Authority, introduced the Online Question Bank (OQB) in 2009. By September 2012, the OQB was used by more than 120 schools in Hong Kong. The OQB is an excellent example of using technology to provide timely and useful feedback to students in order to identify their strengths and weaknesses, and for teachers to have useful statistical reports regarding the performance of their students. Performance statistics are not limited to schools but are used to compare with territory-wide performance of students. Riding on the success of OQB, HKEdCity will develop more platforms that integrate assessment with learning resources to facilitate assessment for learning.

I would also like to take this opportunity to thank the hundreds of schools and 100+

partner organizations that have rendered valuable supports to the various initiatives of HKEdCity. Particular note of thanks should also be given to the HKEdCity Board Members, for putting in so much time and efforts in guiding and supporting the development of HKEdCity. I am also grateful to a great team of committed and energetic staff in HKEdCity who help to achieve the mission of HKEdCity. I am sure HKEdCity will continue to be responsive to the needs of our students, teachers and parents, and will endeavor to lead and facilitate the eLearning development in Hong Kong.

A handwritten signature in black ink, appearing to read 'Roland Chin', written in a cursive style.

Roland Chin

Chairman, Board of Directors

3. MESSAGE FROM THE EXECUTIVE DIRECTOR

I am very pleased and honored to take up the position as Executive Director of Hong Kong Education City Limited in August 2012. Hong Kong has developed comprehensive policies and strategies in Information Technology in Education since 1998. With the maturity of internet technology and mobile computing, and the readiness of the education sector and the community, I am sure information technology can bring unprecedented benefits to enhance the quality of education in the near future, and HKECL can play an even more active role in driving and supporting eLearning in Hong Kong.

2012 has been a challenging year for HKECL as well. HKECL has been active in supporting the e-Textbook scheme and the 2012 HKDSE result release. The key initiatives in 2011/2012 are highlighted below:

- Facilitating eLearning and the eLearning Market – EdMall was beta launched on 22 March 2012 and as of 31 August 2012, 31 vendors had been engaged and 415 products were on shelf. EdMall will facilitate schools, teachers and parents to acquire the necessary eLearning resources, including both free and chargeable products.
- Online Question Bank (“OQB”) – Since the introduction of OQB in 2009, which covered only multiple choice questions for Mathematics, OQB has now been extended to cover seven subjects and different question types. This year, OQB was adopted by about 25% of secondary schools in Hong Kong and generated about one million in revenue which was a 25% growth over last year.
- Supporting HKDSE Result Release - in collaboration with a number of other organizations, HKECL developed a unique one stop information site of “Multiple Pathways” to provide consolidated information to HKDSE students covering various opportunities for further studies in Hong Kong as well as programmes offered by Mainland China and Taiwan universities. HKDSE related employment information was also provided. A webcast platform with a series of further studies and career talks hosted by renowned professionals were conducted and received good responses with over 60,476 accumulated page views.
- Consolidating learning and teaching resources – HKECL continuously reviewed the learning and teaching resource repository. One key initiative in 2011/2012 was to focus more on curriculum based learning resources by collaborating with the EDB in introducing the One-stop Portal for Learning & Teaching Resources (教育局一站式學與教資源平台) where the resources are more systematically organized according to subjects and key learning stages.

The Small Campus continued to be a very popular learning site for primary students

which eLearning packages attracted more than 105,000 students in 2011/2012. The new projects of “10 minutes Science”, “EdV Awards”, and “Students Explorer” all attracted encouraging number of participants.

The Key Performance Indicators for 2011/2012 were mostly met. HKECL will put more emphasis on developing functions and services that can engage users deeper (i.e. requires login), and will transform from a resource portal to a more interactive service portal in the future.

A handwritten signature in black ink, consisting of several loops and a long vertical stroke, positioned above a horizontal line.

Victor Cheng
Executive Director

4. KEY INITIATIVES AND ACHIEVEMENTS IN 2011/12

The key initiatives of HKECL in 2011/2012 were in 4 main areas: 1) Enhancing and consolidating the learning and teaching resources; 2) Expanding stakeholders' supports and engagement; 3) Infrastructure and services facilitating eLearning and the eLearning market; 4) Corporate communications.

4.1 Enhancing and consolidating the teaching and learning resources

- To enhance the learning and teaching materials and user experience, HKECL supported EDB to develop a brand new [EDB One-stop Portal for Learning & Teaching Resources](#) (教育局一站式學與教資源平台) which was launched in 2012. Resources of Chinese Language Education, English Language Education, Mathematics Education, Science Education, Personal, Social and Humanities Education, Technology Education, Physical Education, Arts Education, General Studies and Liberal Studies could be retrieved from a single platform. By the end of August 2012, 20,665 resources were accessible through One-stop Search and a monthly average of 66,629 downloads in resources depository was recorded. Besides, the [EDB Assessment Task Reference](#) bank (教育局評估參考站) was also maintained and carried over 1,000 assessment items.



- “[SEN Channel](#)” (共融資料館) was newly launched to provide resources for parents, teachers, and others involved in the education for students with special needs. 9 showcases were delivered on school-based experience of supporting students with special learning needs in schools, and encouraged professional exchanges among teachers.



- “[TVNews](#)” was an eLearning service which aimed at facilitating students' learning in English Language via authentic news clips and online exercises. “News Practice” offers customized English exercises designed from selected English news clips from TVB Pearl,



to help students enrich vocabulary and phrases, enhance listening skills, arouse interest and develop critical thinking towards social issues.

From December 2011 to May 2012, a total of 72 online exercises (25 for junior and 47 for senior) were provided at this platform, which attracted a total of 429 schools over the year, and engaged an average of 161 schools monthly and 8,430 monthly students' participation. One training seminar cum presentation ceremony and 8 school-based trainings were delivered.

「十分豐富的網上平台，對教師及學生均十分有益」

啟基學校陳佩惠老師

- “[10 Mins Science](#)” (「十分科學」網上學習平台) was designed to promote and facilitate self-learning related to the science domain in the General Studies curriculum, particularly for senior primary school level, this service was offered during March to June 2011. Rich multimedia learning contents contributed by Children Science and assessment items developed by HKIEd were hosted in the Learning Management System. The platform engaged over 13,500 participations from 240 primary schools at its peak and attracted 169 schools per month on average over the year. Participating teachers gave positive feedback regarding the design of the service and suggested HKECL to continue similar service in the coming school year.



“我很喜歡有關太空的題目，不過，學校要到六年級才教授太空，去年做了教育城的題目，給我機會認識一些太空知識。”

許焯僊 香港浸會大學附屬學校王錦輝中小學(小學部)

- “[Teen Campus](#)” was a brand new portal targeted at secondary students. It provided rich multimedia content and enquiry questions to raise students' awareness of local happenings, social issues and popular cultures. The portal also served as a navigator to allow student access other HKECL services, such as eWorks, Multiple Pathways, and OQB, etc.



Partnered with Hong Kong Liberal Studies Teachers' Association, supported by Microsoft and Ocean Park, Student Explorer (探知達人) was organized for students to compete for different awards including Graduation Certificates, Bronze, Silver and Golden Awards, the Best ePaper Award, the Most Interesting ePaper Award and the Best Student Explorer Award. Student Explorer allowed the participants to explore different things in society and share their after-thoughts in the form of ePapers (探知電子報). 12 workshops, 1 graduation ceremony and 4 Student Explorer committee meetings were organized throughout the year. 272 students had been recruited, 150 news articles were published. The programme attracted 688,831 page views in total over the year.



“參加探知達人計劃後，我能夠參與各種類型的工作坊和學習寫電子報。在參與工作坊和寫電子報的過程，不但學習到課本以外的知識，而且令我明白到體驗是一種學習的好途徑，因為深刻的體驗都會留在自己的記憶中!”

何韻娜 宣道會鄭榮之中學

- **“Teacher TV”** -- Teacher TV was one of the flagship services which provided video and support materials for those who were working in education in Primary and Secondary levels, including principals, teachers, teacher trainers, and support staff. It aimed to raise educational standards and promote professional development. It also provided classroom resources, video experience across all curricula and other school based issues and all content was available to be viewed online for free. In the 2011/12 school year, we uploaded 153 new video resources provided by EDB, CEATE, QEF, and SCOLARS. From usage perspective, this service gained a wide- reaching audience of 7,934 teacher members.



4.2 Expanding stakeholders’ supports and engagement

- In 2011/12, HKECL conducted various activities with partners, for instance, comic drawing competition, drama competition and video shooting competition to enrich students’ learning experience. These activities provided the concepts and

practical methods about Environmental Protection and Healthy Living which helped bring the students' talent to full play.

- “EdV Awards”, co-organized with the Chief Executive's Award for Teaching Excellence Teacher Association and Hong Kong Association for Computer Education, received over 100 learning and teaching videos from teachers, students and the public. The submissions included demonstrations, experiments, thematic studies, and performances related to learning and teaching. The kick-off ceremony cum multi-media workshops were organized in May for users to understand the trend of using multi-media in classroom as well as in school. The awards are going to be presented to the participating groups in the Learning and Teaching Expo in late November 2012 and the new service of EdV Channel (school-based) will be introduced during the award presentation ceremony. Entries will be uploaded to the EdV Channel to stimulate learning atmosphere.



- “eWorks”, an online writing platform that encourages students to write and share. Coupled with the award scheme to recognize secondary school students with outstanding writing pieces submitted (“中學生創作獎勵計劃”), the platform attracted 4,429 submissions, in which 3,686 submissions were published. These submissions attracted another 2,215 comments, 1,347 ratings and over 1,634,000 page views. 14 local writers and 7 academic professionals were invited to be the adjudicators of the award scheme. The platform engaged 221 schools in total and attracted 648 students each month on average over the year.



Besides, 6 local writers were engaged to share their writing experience, and 7 schools were invited to share their school-based experience on encouraging students to submit works. A workshop on creating comic works by local illustrator-writer MandyCat (文地) was organized on 24 March 2012, which attracted 34 secondary school participants.

- Supported the Diplomatic Cup Competition with about 100 primary and secondary schools and more than 3,000 students participated. This kind of large scale online participation is very demanding on the infrastructure. Nevertheless, the campaign was carried out successfully and the result was well received by the organizers and the participants.

- With the move in to the new building in 2011, the HKECL offices and facilities are now better equipped with suitable, fully WiFi enabled venues to facilitate community engagement activities. Over 10 events were organized.



Teachers

- Regular engagement activities were conducted to maintain close contact with schools and members and promote our services. These included theme-based seminars, school visits, call downs, focus-group meeting, etc. Multiple purposes were achieved, such as introducing resources and services, testing new tools and packages, collecting needs and feedback, exchanging new methods for teaching and learning, etc. In total, around 86 visits were carried out to introduce HKECL's services during schools' professional development day and regular visits.
- To expand our services to the pre-service teacher community, two pre-service teacher seminars and the Induction Course for New Librarian were conducted this year with the Education Bureau. The seminars were well-received with over 300 participants.

Students

- In 2011/12, HKECL maintained a pool of over 840,000 student members. eLearning packages in Small Campus were offered to students covering numerous key learning areas, and attracted over 105,000 participants.

- A major challenge for S6 students in 2012 was the first HKDSE Examination. In addition to the examination itself, all the 72,000 students needed advice and guidance regarding further studies and employment as the HKDSE qualification was new to Hong Kong. HKECL, in collaboration with the Education Bureau, Hong Kong Association of Careers Masters and Guidance Masters, Hong Kong Family Welfare Society, and youth.gov.hk developed a unique one stop information site of "**Multiple Pathways**" to provide consolidated information to HKDSE students covering local bachelor's degree programmes, sub-degree programmes, vocational training programmes, Yi Jin Diploma as well as programmes offered by Mainland China and Taiwan universities. Information on the recognition of the HKDSE qualifications in Hong Kong and overseas was also provided. The employment information of local market was also enriched.



A **webcast platform** with a series of further studies and career talks hosted by the renowned educators, scholars, counselors and professionals were conducted and received good responses. The information site of Multiple Pathways captured 60,476 accumulated page views.



「網上互動直播的講座題目很廣泛，多元導航的資訊清晰易明，如果家長及考生不愛閱讀，亦可改為收看短片，甚為吸引。」

Elsie Chan 星島日報

Parents

- In 2011/12, with the support from RTHK and Committee on Home-School Co-operation, HKECL further enhanced **Parent Channel** (家長易學站). 43 audio clips (家家有教) were uploaded to the channel. Other new components including 23 comics (小學雞)



and 25 articles (親子札記, 親子十八式) which portrayed various phenomena of Hong Kong youngsters and family relations were also provided. All these new contents accumulated 151,454 page views.

“自學獎勵計劃好實用，當中的親自技巧幫我到改善子女關係!”

何鳳玲 家長會員

4.3 Infrastructure and services to facilitate eLearning and the eLearning market

HKECL was well prepared to support the rapid development of eLearning in Hong Kong especially the introduction of mobile learning and e-textbook. Various infrastructure and services were developed and reviewed to ensure HKECL's unique position in promoting and facilitating the eLearning market. An e-textbook prototype which uses platform independent industry web standards was developed as a demonstration product for the industry. Various meetings and technical discussions were conducted with NGOs and private companies who were interested in the EMADS.

Infrastructure

- One key infrastructure strategy for HKECL was to simplify login account process and to ensure wide adoption of the HKEdCity account in the education community. In this connection, HKECL adopted OpenID technology so that users can login their HKEdCity account using other popular accounts such as Google, Facebook and Yahoo. HKECL also facilitated the student account update process by providing school by school update service prior to the start of the new academic year in August 2012. The membership system was enhanced to provide more efficient and more comprehensive supports.
- To prepare for mobile learning and the use of tablets, major systems were revamped to support touch interface widely adopted in tablets running Android and iOS (iPad). All new developments were made tablet friendly. In addition, most current and new services were made to be able to support a wider collection of popular web browsers including Internet Explorer, Chrome, FireFox and Safari. Internal development had been geared towards supporting internet technology such as html5. With such infrastructure change, HKECL was well poised to deliver new services for mobile eLearning. It is worth noting that some old learning resources based on Flash will continue to be accessible by Windows PC only for some time.

EdMall

- EdMall was launched as beta version on 22 March 2012 with 15 vendors and more than 200 products on shelf. To ensure that all operations are planned smoothly, professional review of operation manuals and service agreements were performed before the system launched. EdMall vendor recruitment talks were conducted in Partner Networking reception in May 2012 to promote the EdMall business to more than 80 potential vendors. Until August 2012, 31 vendors had been engaged and 415 products were on shelf.



- Subsequent to launching of the system, joint promotions with vendors were done with specific themes and discount offers to attract customers. A total of 6 promotion eNews were issued from March to August 2012 to highlight products and discounts available in EdMall. From October to December 2011, 3 seminars were conducted to schools to introduce the benefits of EdMall to schools.

Online Question Bank

- OQB, stepping in its third year of service, was dedicated to promoting and supporting Assessment for Learning. It aimed to reinforce and strengthen students' learning through assessment and instant feedback to support them in preparation for the HKDSE. Partnered with Hong Kong Examination and Assessment Authority (HKEAA) since 2009, OQB provided over 7000 questions from past papers of public examinations covering seven subjects in 2011/12, including Mathematics, Physics, Chemistry, Biology, Economic, Geography and ICT. The questions were categorized by year, topic, difficulty and relevancy to the New Senior Secondary (NSS) curriculum. With the flexible filtering tools and powerful analytical report, students were empowered with personalized assessment and self-evaluated learning progress. In 2011/12, the service attracted subscription from 123 secondary schools and 78 individual students, covering more than 25% of



secondary schools in Hong Kong.

- Further to being awarded with the Gold Award in “Best Lifestyle Award (Learning & Living)” in the Hong Kong ICT Awards 2011, OQB was nominated to participate in Asia Pacific ICT Awards 2011 (APICTA) and won the merit award in “Best of eLearning” among the 16 participating economies. Enhancement and system revamp of OQB platform was also done to enrich user experience and support further cooperation with other content providers in future.

4.4 Corporate Communications and promotion

- A series of marketing campaigns targeting at improving HKECL's image were rolled out to foster brand awareness and ensure HKECL's services are widely communicated to the various stakeholders. To raise public awareness of HKECL and wrap it as a regional market facilitator in education, an annual publicity plan was developed. Over the year, 112 pieces of target press clippings were achieved through 21 media interviews, and press releases. Shouldering corporate social responsibility to the community has been one of HKECL's missions. Our continuous contribution to society was widely recognized by “Web Care Award”, “Meritorious Website Award” and “Caring Company”.

- HKECL service brochures were sent to the principals, vice-principals and curriculum development officers of all schools (member and non-member). Year-end service statements and service application forms which provided them with usage information on signature services in 2011/12 school year were sent to member schools in June as well to invite them to enroll in the new school year.



- An annual online survey was conducted to understand users' satisfaction and expectation on our services for inspiration on the ways of further improvement. For the overall satisfaction with our website, the segments of teachers, students and parents scored 7.1, 6.6 and 7.5 out of 10 respectively.

5. CORPORATE GOVERNANCE

Operated largely with the support of government funds, HKECL's subvention has been renewed for a period of six years effective on 1 September 2011. HKECL aims to maintain the company operation with accountability and transparency complying with statutory requirements and upholding best practices. In 2011/12, the organization structure was refined and a few policies and guidelines were reviewed or newly established in order to enhance the operation efficiency and support new business development needs.

5.1 Governance Structure¹

The presently ten-member Board of Directors, appointed by shareholders to serve in their personal/ official capacity, is the highest body which manages the business and strategic development of the Company and ensures its operation in compliance with the statutory requirements, especially those stipulated in the Memorandum and Articles of Association. Under the Board, the Executive Committee is chaired by an official director to monitor and give advice on the company's operational matters regularly. During the period, three Board Meetings and three Executive Committee Meetings were held respectively with high participation rates of 82.2% and 78% respectively. A new director was appointed on 1 April 2012. Declaration of interest has been made by directors for the year. No director has received any remuneration during their tenure so far.

5.2 Policy Formulation

HKECL has been taking steps to streamline the existing operation workflow and create systematic workflow for new business development. In 2011/12, almost 10 policies and guidelines were revised and formulated. Salary Review Policy and Policy on Performance Incentive were revised with sound and credible salary review and incentive payment mechanisms, while the approval limit set out in the Procurement and Payment Policy was expanded to cater for the procurement needs. The supplier maintenance was also simplified to smoothen the operation flow. In order to support ecommerce development, a series of policies and operation guidelines relating to EdMall were also formulated during the year.

5.3 Human Resources

This year, HKECL placed great emphasis on redefining the divisional functions and the responsibilities of numerous positions to improve the work efficiency and

¹ Refer to Appendix 2.

productivity as well as to cater for the new business development needs. Other HR projects were also implemented with aims to build a credible compensation system, facilitate staff development, and enhance staff relation and satisfaction.

5.3.1 **Organization Re-structuring²**

- The Customer and Partner Division was renamed and repositioned as Clients and Partners Division which composed of Learning & Teaching Department (LAT) and Schools & Partners Liaison Department (SL). The functions of LAT emphasized on developing web services and resources for target users, whereas SL focused on outreaching school clients to promote HKEcity services, as well as building relationship with schools and strategic partners. Besides, the manpower resources of the Company were reallocated by expanding the Business Development Division and Corporate Marketing Division to ensure a smooth launch and operation of the EdMall business and sufficient support for centralized marketing and promotional events. The functions and size of the other two divisions namely Systems & Operation and Administration & Finance remained unchanged. During the year, the Company was steered by the Interim Executive Director seconded by EDB and maintained an average headcount of 56 out of 60 established headcounts until the new Executive Director was on board on 21 August 2012.

5.3.2 **Staff Training and Activity**

- To enrich the professional skills and knowledge of the staff members, the Company conducted various training workshops regarding writing skills, new ordinances and regulations, in particulars strengthening the front line staff with promotional and facilitation skills through a series of workshops. During the year, approximately 122 man-days were invested on staff training and the average training time per staff was about 2.1 man-days. To enhance the staff relations and morale, the Company also organized various staff activities including Christmas Party, New Year Lunch, bowling game, etc. The Company valued staff opinions and conducted employee satisfaction survey in July 2012. Employees' various expectation on how to improve HKECL as a better workplace reflected in the survey will be seriously reviewed by HKECL in the following year.

² Refer to Appendix 3

5.3.3 Staff Remuneration and Benefit

- HKECL commissioned an independent HR Consultancy firm to review the mechanisms of annual salary review and bonus payment and their recommendations on major principles and changes of policies were fully adopted and approved by the Board. The Board also approved the budget for salary increment and performance incentive for 2011/12 in accordance with Salary Review Policy and Policy on Performance Incentive. The detailed report on staff remuneration of 2011/12 has been endorsed by the Board for submission to Government.

5.4 Financial Status

The overall financial status of the Company in 2011/12 was healthy and steady. The total income and expenditure of subvented activities was HK\$29 million. As of 31 August 2012, the Company had a total non-current asset of HK\$3.9 million and current assets of HK\$8.7 million. The net assets of the Company amounted to HK\$1.5 million. The Company's liquidity was in very good condition throughout the year as cash and deposits at bank amounted to HK\$7.7 million by the end of the financial year³. The accounts of subvented and non-subvented activities were kept separately.

5.4.1 Expenditure of Subvented Activities

- Regarding the expenditure of subvented activities, the staff cost amounted to HK\$18.6 million which occupied the biggest share and accounted for 64.1% of the total expenditure. The next highest expense was the administrative expenses which accounted for 14.8%.
- For the capital expenditure, HKECL spent HK\$1.9 million for acquiring fixed assets which included computer equipment, application license and security systems. The expenditure was to set up office infrastructure for Shatin office and improve the web site performance.

5.4.2 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, HK\$4.5 million unused subvention was carried forward and kept as reserve in 2011/12. HK\$1.6 million was used for the office relocation project as approved by the

³ Refer to Appendix 4.

Board and the reserve to be carried forward to 2012/13 is estimated to be HK\$2.7 million. In addition, HKECL maintained its retained earnings of HK\$1.5 million from non-subsidized activities.

5.4.3 External Audit

- Wong Lam Leung & Kwok C.P.A. Limited was reappointed as the auditor for this fiscal year in May 2012 and the reappointment was endorsed in the Annual General Meeting. The annual stocktaking exercise for all fixed assets was completed on 30-31 August 2012. The annual external audit and compliance audit for the year-ended 31 August 2012 was completed in late November.

APPENDIX 1 - Non-subsented project: Reading Ambassador and Reading Contract Project

Recognized by the impact brought to the community in reading promotion, HKECL was awarded by SCOLAR a total of HK\$350 thousand to carry on with the Reading Project in 2011/12. Near 200 schools signed up for the reading services and were willing to promote “Read and Share” culture within their campuses. Listed below are the major services provided in the school year 2011/12:

Trial Reading (圖書試閱)

To encourage students to read online, a “trial-read” scheme was promoted at the Hong Kong Reading City website. This scheme was supported by local publishers which provided one-tenth excerpts of each book. Over 300 book titles were introduced throughout the year. Students could share and comment on the titles after reading.

Ten Book Selection (十本好讀)

An annual supporting campaign for the Trial Reading scheme. Students could vote for their 10 favourite titles and authors annually through the voting campaign held at the Hong Kong Reading City website. This year, the Scheme engaged more than 16,000 votes from over 400 schools. Many awardees cherished the honour and shared their joyful moments with students in video through the Hong Kong Reading City website, some awarded writers have included the entitled award in their personal profiles.

Online Reading Club (ORC) (網上讀書會)

An online platform was provided to schools to promote “Read and Share” culture and facilitate self-learning among students, teachers and Reading Ambassadors. Over 150 project schools and 44 Public Libraries established their ORC to share reading experiences with the communities.

Reading Contract Programme (「閱讀約章」計劃)

(a) The “School Year Reading Contract” programme was launched in December 2011 and attracted over 59,000 students. They were encouraged to commit a “reading mission”, that is, to read at least 3 books a month for at least 4 months during the school year.

(b) The “Summer Reading Contract” programme attracted over 119,000 students from 210 schools.

Reading Ambassador Programme (「閱讀大使」計劃)

Due to SCOLAR’s strategic adjustment of reading promotion projects, HKECL only maintained online services and limited extended support to project schools. Nevertheless, near 100 schools registered to join the programme in which they recruited and trained their own reading ambassadors with online video clips and operated school-based reading clubs. Training videos covering various topics, like developing reading activities, leading discussions and story-telling, were available on the Hong Kong Reading City website. Limited copies of reading club handbook and lesson plan were also provided.

World Book Day (世界閱讀日)

To motivate the community to support the World Book Day and to draw wider awareness of reading, a website was set up in March and encouraged online sharing among school principals, teachers and students. 30 writers and celebrities were invited to share their favourite books in the website.

APPENDIX 2 - List of Members of the Board, Committees, Auditors and Company Secretary (as of 31 August 2012)

Board of Directors

Prof. Roland Chin, JP (Chairman)
Dr. Chan Ka Ki*
Dr. Elizabeth Quat
Dr. John Fung
Ms. Irene Chan
Mr. Christopher Yu
Mr. Michel Chan
Mr. Leo Kung
Dr. Lee George Lam
Mr. Win Mak

Auditors

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

Company Secretary

WLLK Secretaries Limited

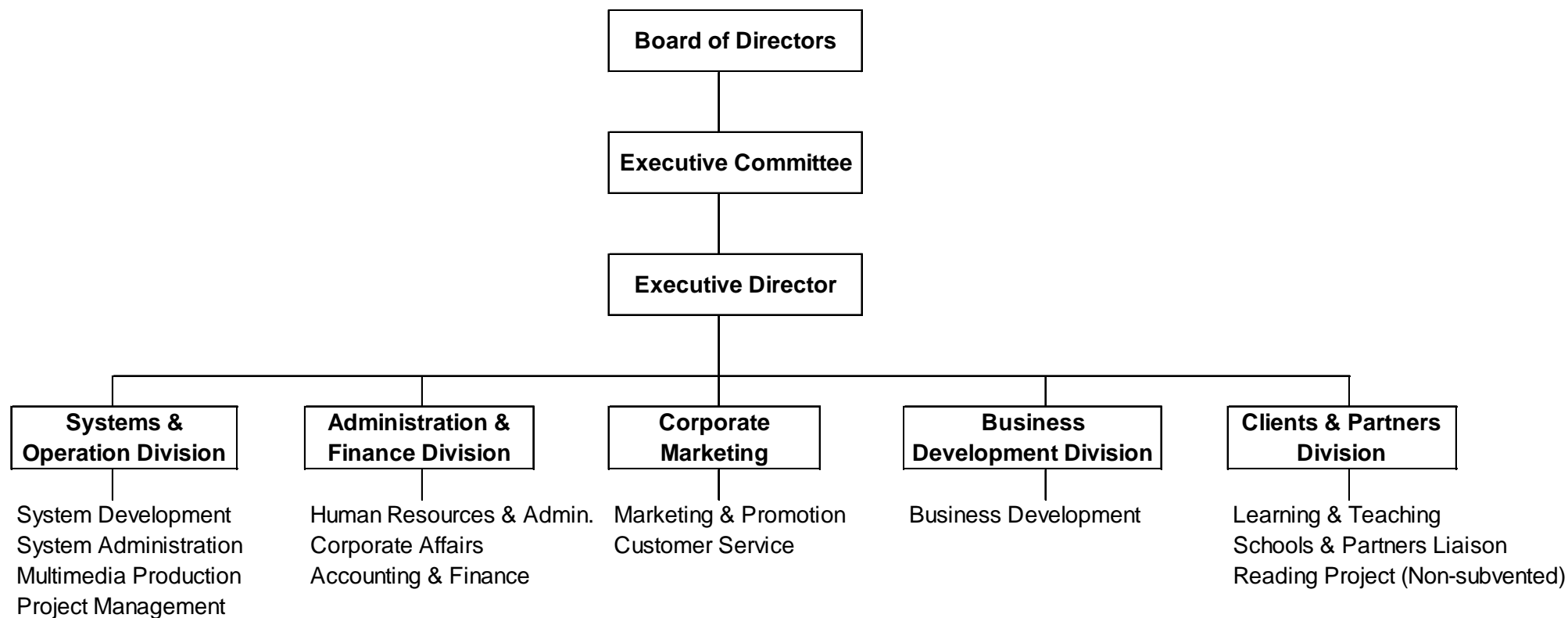
Executive Committee

Dr. Chan Ka Ki (Chairman)*
Mr. Christopher Yu
Dr. Elizabeth Quat
Mr. Victor Cheng (Executive Director)

Remark: * Official Director

APPENDIX 3 - Organization Structure

Hong Kong Education City Ltd. Organization Structure (31 Aug 2012)



APPENDIX 4 - Audit Report 2011/12 (Extract)

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

DIRECTORS' REPORT YEAR ENDED 31 AUGUST 2012

The directors have pleasure in submitting their annual report together with the audited financial statements for the year ended 31 August 2012.

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 2012 and the state of its affairs at that date are set out in the financial statements on pages 3 to 24. 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
CHIN Tai Hong, Roland
FUNG Yat Chu
HO Lai Sheung (an alternate director to Chan Ka Ki, Catherine)
KUNG Lin Cheng, Leo
LAM Lee G.
MAK Wai Kin (appointed on 1 April 2012)
QUAT Elizabeth
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.

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 at the annual general meeting and, being eligible, offer themselves for re-appointment.

FOR AND ON BEHALF OF THE BOARD



Chairman

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 ("the company") set out on pages 3 to 24, which comprise the statement of financial position as at 31 August 2012, and statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the financial statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 about whether the financial statements are free from material misstatement.

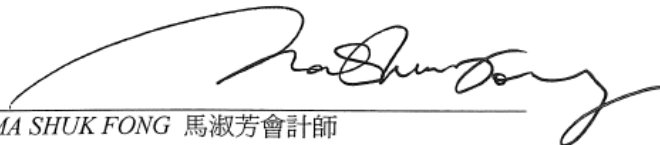
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements that give a true and fair view 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 2012 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.

WONG LAM LEUNG & KWOK C.P.A. LIMITED
黃林梁郭會計師事務所有限公司
Certified Public Accountants (Practising)



MA SHUK FONG 馬淑芳會計師
CPA (Practising), FCCA, CTA (HK)
Certified Public Accountant (Practising), Hong Kong, 30 November 2012
Practising Certificate Number : P02311

Ref : H426/VM/828/1004/486

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

STATEMENT OF COMPREHENSIVE INCOME
YEAR ENDED 31 AUGUST 2012

	<u>Notes</u>	<u>2012</u> \$	<u>2011</u> \$
Turnover	5	5,863,864	8,080,480
Project cost		(5,863,864)	(8,080,480)
		-----	-----
Gross profit		-	-
Other income	6	28,997,442	31,075,997
Administrative expenses		(28,984,265)	(31,069,364)
		-----	-----
Profit before tax	7	13,177	6,633
Income tax income	8	12,065	9,464
		-----	-----
Profit and total comprehensive income for the year		25,242	16,097
		=====	=====

HONG KONG EDUCATION CITY LIMITED

香港教育城有限公司

STATEMENT OF FINANCIAL POSITION

AT 31 AUGUST 2012

	<u>Notes</u>	<u>2012</u> \$	<u>2011</u> \$
Non-current assets			
Property, plant and equipment	10	3,886,584	3,980,399
Current assets			
Work-in-progress	11	-	155,205
Trade and other receivables			
Account receivables		235,864	18,867
Deposits and prepayments		809,507	1,102,052
Bank and cash balances	12	7,669,215	12,488,043
		8,714,586	13,764,167
Deduct:-			
Current liabilities			
Trade and other payables			
Creditors and accrued charges		764,523	1,307,266
Current portion of deferred income	14	-	35,156
Other deferred income		117,084	-
Government subvention related to income	15(a)	5,730,780	10,006,320
Current portion of Government subvention related to assets	15(b)	1,144,537	1,169,062
Current portion of non-monetary subvention related to assets	16	3,667	7,334
		7,760,591	12,525,138
Net current assets		953,995	1,239,029
		4,840,579	5,219,428
Total assets less current liabilities			
Non-current liabilities			
Deferred tax liabilities	13	387,558	399,623
Deferred income	14	-	47,127
Government subvention related to assets	15(b)	2,729,823	2,786,891
Non-monetary subvention related to assets	16	8,557	17,112
Provision for long service payments		206,624	167,656
Provision for contract end gratuity		3,460	103,343
		(3,336,022)	(3,521,752)
Net assets		1,504,557	1,697,676

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

STATEMENT OF FINANCIAL POSITION
 AT 31 AUGUST 2012
 (CONTINUED)

	<u>Notes</u>	<u>2012</u> \$	<u>2011</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		1,476,136	1,691,455
General reserve	17	28,419	6,219
		1,504,555	1,697,674
		-----	-----
Total equity		1,504,557	1,697,676
		=====	=====

APPROVED BY:-



 Director



 Director

HONG KONG EDUCATION CITY LIMITED

香港教育城有限公司

STATEMENT OF CASH FLOWS
YEAR ENDED 31 AUGUST 2012

	<u>Note</u>	<u>2012</u> \$	<u>2011</u> \$
Cash flows from operating activities			
Profit before tax		13,177	6,633
Adjustments for:			
- Depreciation		1,949,875	1,812,150
- Gain on disposal of property, plant and equipment		(6,284)	-
- Property, plant and equipment written-off		5,854	383,378
- Interest income		(86,302)	(72,670)
- Non-monetary subvention income		(12,222)	(10,476)
- Government subvention income		(27,660,384)	(28,129,147)
- IT development fund income		(82,283)	(191,484)
Increase in provision for long service payments		38,968	87,951
Increase/(decrease) in provision for contract end graduity		42,773	(534,147)
Payment of contract end graduity		(142,655)	-
		-----	-----
Operating loss before working capital changes		(25,939,483)	(26,647,812)
Increase in work-in-progress		-	(155,205)
(Increase)/decrease in account receivables		(216,997)	531,671
Decrease/(increase) in deposits and prepayments		292,545	(392,463)
(Decrease)/increase in creditors and accrued charges		(542,743)	832,113
Increase in other deferred income		117,084	-
Increase in government subvention related to income		23,166,483	34,112,083
Decrease in government subvention related to assets		(81,594)	(1,361,745)
		-----	-----
Net cash (used in)/from operating activities		(3,204,705)	6,918,642
Cash flows from investing activities			
Interest received		86,302	72,670
Purchase of property, plant and equipment		(1,727,425)	(823,307)
Sales proceeds from disposal of property, plant and equipment		27,000	-
		-----	-----
Net cash used in investing activities		(1,614,123)	(750,637)
		-----	-----
Net (decrease)/increase in cash and cash equivalents		(4,818,828)	6,168,005
Cash and cash equivalents at beginning of the year		12,488,043	6,320,038
		-----	-----
Cash and cash equivalents at end of the year	12	7,669,215	12,488,043
		=====	=====

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

INCOME AND EXPENDITURE OF SUBVENTED AND NON-SUBVENTED ACTIVITIES
(FOR MANAGEMENT PURPOSES ONLY)
YEAR ENDED 31 AUGUST 2012

	Subvented Activities HK\$	Non-subvented Activities HK\$	2012 Total HK\$
PROJECT INCOME	-	5,863,864	5,863,864
PROJECT COST	-	(5,863,864)	(5,863,864)
GROSS PROFIT	-	-	-
OTHER INCOME			
Bank interest income	73,125	13,177	86,302
Gain on disposal of fixed assets	6,284	-	6,284
Government subvention income	27,834,536	-	27,834,536
Non-monetary subvention income	12,222	-	12,222
IT development fund income	82,283	-	82,283
Sponsorship income	11,630	-	11,630
Sundry income	964,185	-	964,185
	28,984,265	13,177	28,997,442
ADMINISTRATIVE EXPENSES			
Administrative cost	4,284,010	-	4,284,010
Business development	533,132	-	533,132
Corporate promotion and activities	626,253	-	626,253
Data centre	1,805,224	-	1,805,224
Depreciation and fixed assets written off	1,873,447	-	1,873,447
IT fund expenditure	82,283	-	82,283
Office overheads	798,646	-	798,646
Staff costs	18,575,582	-	18,575,582
Web content development and activities	405,688	-	405,688
	(28,984,265)	-	(28,984,265)
PROFIT BEFORE TAX	-	13,177	13,177

Appendix 5 - Performance Pledge

HKECL is committed to providing teachers and the public with high quality services. We take great concerns on user comments and satisfaction. In order to enhance our services and satisfy the needs of users, we set out the following targets.

Category	Service	Target	Achievement
User Account Opening/Registration	<ul style="list-style-type: none"> ▪ Process user account application (online application) ▪ Review and endorsement of School Account and Principal Personal Account application (written application) ▪ Process Corporate account application 	<ul style="list-style-type: none"> ▪ within 1 working day ▪ within 10 working days upon all the required information and supporting document being received ▪ within 5 working days upon all the required information and supporting document being received 	<ul style="list-style-type: none"> ▪ 100% achieved ▪ 100% achieved ▪ 100% achieved
Web Service	<ul style="list-style-type: none"> ▪ Provide accessible and stable web service ▪ Inform user of scheduled maintenance work/service suspension of web server ▪ Resume web service in case of system failure 	<ul style="list-style-type: none"> ▪ 99.9% (every day and every week in normal operation) ▪ 14 calendar days in advance ▪ within 2 hours (excluding un-controllable external factors) 	<ul style="list-style-type: none"> ▪ 99.94% ▪ All maintenances have 14 calendars days advance notice ▪ One incident in October 2011 required 145 minutes to recover the service
Customer Service	<ul style="list-style-type: none"> ▪ Response to telephone enquiries at the hotline ▪ Handle written (including emails) enquiries ▪ Handle written complaints 	<ul style="list-style-type: none"> ▪ within 3 working days ▪ within 7 working days ▪ issue acknowledgement within 3 working days and reply within 20 working days 	<ul style="list-style-type: none"> ▪ 100% achieved ▪ 100% achieved ▪ 100% achieved
Publication	<ul style="list-style-type: none"> ▪ Publication of annual report 	<ul style="list-style-type: none"> ▪ 4 months after the end of financial year 	<ul style="list-style-type: none"> ▪ 6 months after the end of financial year*

* Due to change of Executive Director, the Annual Report 2010/11 was publicized later than scheduled in February 2012.