

Foundations

Civic Exchange
Annual Report 2004



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Message from Christine Loh Chief Executive Officer and Co-Founder

The post-SARS turnaround in 2003 was swift for Hong Kong and for Civic Exchange. The fact that our city was able to recover quickly had much to do with its strong foundations, both economically and socially. For Civic Exchange too, SARS provided an opportunity to respond in a way that utilised our ability to act as a platform for collaboration.

The SARS experience made it plain that Civic Exchange is rooted in civil society. We are here to serve the public interest and only the public interest. The publication of the book, *At the Epicentre: Hong Kong and the SARS Outbreak*, in January 2004, exemplifies who we are. Together with our research associates, we decided that as a policy think tank we had the responsibility to record and analyze this event in depth and from many perspectives. What began in Hong Kong affected not only our community, but communities abroad. Despite the outbreak having receded into people's memories, we remain concerned that the authorities have yet to release the most complete data possible so that collectively, Hong Kong and the world can deepen their understanding of the disease.

The strongest foundation for a 'thinking' organization (which organization isn't thinking?) is one built on collecting solid data, studying



reliable evidence, conducting multi-disciplinary analysis, providing access to the information, and encouraging the exchange of knowledge. It is for this reason that we continue to call on others—in particular governments and corporations—to operate in a transparent manner and to provide access to information. We believe this will make us smarter and stronger as societies because we can better focus on asking the right questions to produce improved solutions. In this light, we are proud of the air quality management research we carried out in 2003-2004 for ozone and particulates in Hong Kong and the Pearl River Delta, which added to the knowledge of the region's authorities and pointed to areas that needed further exploration. The full data is now available to anyone who wants to advance our research.

The September Legislative Council elections provided Civic Exchange with the task of explaining to the public just what was going on. We carried out numerous surveys, studies and analysis to help the community engage more effectively in the elections. In total, our work was probably the single largest collection of election-related research produced in such a short space of time in Hong Kong. We could not have done that without solid planning, strong creativity, excellent collaboration with our institutional partners, adequate resources from generous funders, tireless managers, and a lot of sleepless nights from all those who were involved. We were all driven by a sense that we were helping to build a stronger foundation in election research for Hong Kong as a whole.

This past year made us realize our research network's enormous capacity for hard work, innovation, and to provide solid quality work. Knowing our limits made us more ambitious for the coming year. We wish to thank everyone involved for their willingness to stretch themselves. The result speaks for itself.

September 2004



Message from Lisa Hopkinson Co-Founder

If there is a common cause among the various researchers, thinkers, volunteers, donors and administrators of Civic Exchange it is making a difference. While I am no longer involved on a day to day basis, it is immensely satisfying to see Civic Exchange continue to transform ideas into solutions and actions that are really making a difference.

"Think-tank" is really a limited description of what Civic Exchange does. Bringing people together, getting them to focus on key public issues and empowering them to take action is what Civic Exchange is uniquely good at. However, this works best when it is based on rock solid research that provides the insights that enable solutions to emerge. This combination of excellent research, identification of problems, signposting of solutions and subsequent action is repeated throughout the numerous projects of 2003-04. From the exciting Vision Project to the Vote 04 website, the Civic Exchange team has continued to use creative ways to engage the community on an ever-expanding portfolio of projects. This has ranged from exhibitions on potential planning improvements in Southern Hong Kong Island, to the development of electronic media to encourage young people to vote.

In the year which saw SARS, the controversy surrounding Article 23 and Lexus-gate, the issue of democratic development took centre stage. Civic Exchange's launch of a major project to enhance democratic development was a timely addition to the debate. A large part of this consisted of providing the community with the materials they needed to hold informed discussions. Project activities ranged from a series of commissioned voter surveys, educational pamphlets and a conference in China on democracy and human rights. Civic Exchange also enlisted expert political commentators to provide in-depth analysis of key issues.

Showing further evidence of its growing diversity, Civic Exchange deepened its collaboration with local and international scientists to

launch a ground-breaking cross-border air monitoring network with four stations in Guangdong and three in Hong Kong. The results of this ambitious two-year collaborative air quality monitoring project will be published in late 2004. This will not only produce important scientific results but it has also formed a model for cross-border multi-stakeholder collaboration, setting the foundation for further work to improve regional air quality.

This is just a taste of the output during 2003-04, and the diversity and quality of the work conducted is testament to the hard work of all involved. It is hard to believe that all this has been achieved in only the fourth year of the organisation. Civic Exchange now plays a unique and much-needed role in the continuing transformation of Hong Kong and the Pearl River Delta.

September 2004





Message from Kylie Uebergang Chief Financial Officer

This annual report represents the culmination of our fourth year in operation as a public policy think tank. We believe we now have a strong foundation for continued growth, especially in the areas of knowledge, collaborators and funding. Being a bean counter I am always happy to analyse and discuss our numbers, especially in terms of where our funding comes from and how we use it, so please bear with me!

Funding Sources

90% of our funding in the year 03/04 came from local sources, the largest being local business (42% of total funding), followed by the HKSAR Government (through competitively bid tenders and consultancy agreements, 19% of total), individuals (16% of total) and Hong Kong's most well known philanthropic trust, the Hong Kong Jockey Club Charities Trust (14% of total). The majority of the 10% non-local funding came from a US NGO.

Projects Focus

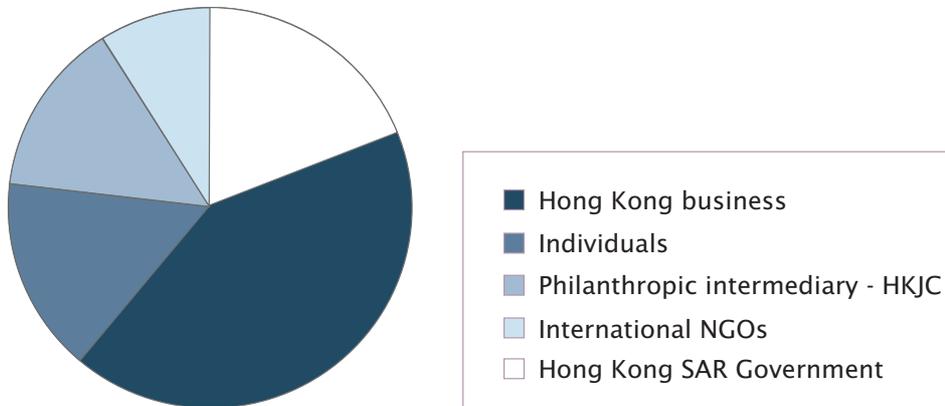
Environment and Conservation

Of the 16 or so projects funded during the year about half of them related to Environment and Conservation. Of these, most of the actual dollars funded related to air pollution studies. Civic Exchange acts as the project manager for three different air projects, including the Pilot Air Monitoring Project (see page 12); a review of local cooking emissions (undertaken on a consultancy basis for the HKSAR Government in collaboration with the Polytechnic University of Hong Kong); and a review of certain toxic pollutant standards, in collaboration with the University of Science and Technology and the Chinese University of Hong Kong (again as a consultancy study for the HKSAR Government). Our understanding of and capacity to work on air quality issues have strengthened during the past year as we have extended our network of collaborators both locally and internationally.

Social Development and Civic Participation

One quarter of our funding focussed on projects relating to social development and civic participation. The majority of this funding

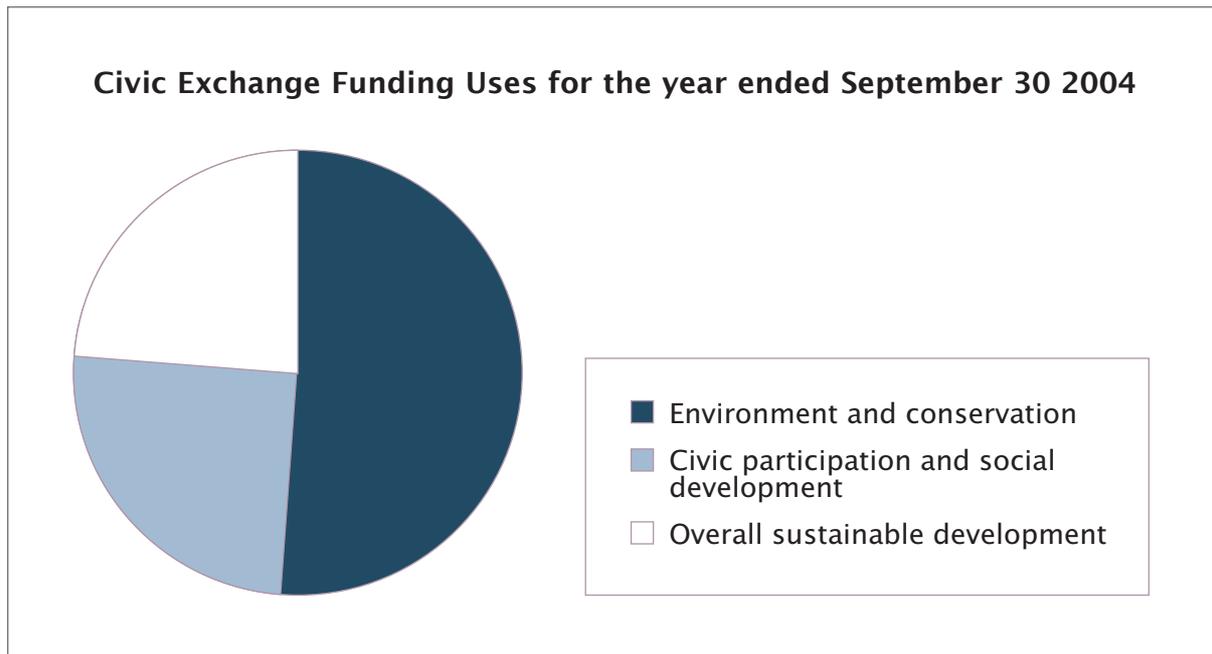
Civic Exchange Sources of Funding for the year ended September 30 2004



enabled activities under the democratic development and participation theme. With funding both from local individuals and a US NGO, the National Endowment for Democracy, we were able to explore different aspects of democratic development through cartoons, research, seminars, discussion groups, large forums and the creation of an interactive website. As further discussed on page 13, the Political Surveys 2004 project undertook 17 surveys of people's attitudes towards the 2004 Legislative Council Elections. The Vote04 website also provided a creative forum to attract young people to take an interest in local political events.

Sustainable Development

We believe that every project which we participate in actively contributes to the sustainable development of Hong Kong be it from an economic, social or environmental focus, and sometimes incorporating all three. We are therefore delighted that about a quarter of our funding this year was used for projects focussed wholly on all aspects of sustainable development. Our largest funded Sustainability project was a review of the sustainability of the proposed South Island rail line, detailing its likely economic, environmental and social impacts. Following on from this project, we put our feet deep into the community to understand people's priorities in developing their local environment. Both of these projects are further discussed on pages 14 and 15.



Another interesting project focusing on holistic sustainable development was a series of seminars to educate HKSAR Government officials on ways to achieve sustainable development through the incorporation of sustainability considerations into all policy making decision processes (further discussed on pages 12-13).

Governance

In October 2004 we were happily granted the privilege of dropping "Limited" from our name. The thorough process adopted by the Companies Registry highlighted the importance of governance, which to me means the ability to be honest and transparent in all our operations, including how we make our decisions, where we get our funds from, and how we use them.

There are many ways in which we exercise good governance, including publishing our annual report which details our project summaries, publications, sponsors and audited financial statements; naming our sponsors on our website; completing project status reports with financial summaries for individual donors; and through answering questions from the community including regulatory bodies and the media. In fact, for such a small organisation I believe that we are very open and honest about what we do and how we do it. We always aim to improve in this area in the years to come. We welcome any suggestions you may have in this regard.

September 2004

Annual Report 2004

Introduction

The skyscraper is a recognizable Hong Kong icon. From deep, solid and well-built foundations builders can reach towering heights. At Civic Exchange we aim to form the foundations from which innovative, clear and reasonable discussion can take place.

Established in 2000, Civic Exchange remains Hong Kong's only full-time independent public policy think tank. It is also a registered charity. Over the years we have built up a network of extraordinary people who help us to encourage community involvement and to increase the breadth and depth of public policy debate by contributing to thorough, objective and balanced research in Hong Kong. We help build the foundation for debate in Hong Kong, bringing together experts, researchers, facilitators and thinkers. We are able to have an impact because of the people we collaborate with.

Our primary areas of focus are:

1. Civic Participation and Social Development

We aim to broaden citizens' understanding of the issues, choices and alternatives facing them.

2. Environment and Conservation

We want to raise public awareness of the importance of resource sustainability, and the effect this has on quality of life, in relation to economic development by identifying key issues and possible solutions.

3. Integration of Economic Analysis

We seek to analyse and highlight the practical economic implications of public policy issues.



Our work gets done by our network of collaborators which expands and contracts to accommodate the projects we work on. We work with all sorts of individuals and organizations including professionals, experts, academics, businesses, government, non-governmental organisations, philanthropic groups, student interns, and community leaders. Civic Exchange excels at bringing people together. That we are able to produce useful, high-quality research is indicative of the calibre of people we are able to attract, and the dedication to and respect they have for Civic Exchange.

We used this accommodating group to work in three main ways: to increase dialogue, conduct research, and encourage public involvement. In 2003-04, the main projects which were completed fell roughly into one of these three categories:

Facilitating dialogue and the exchange of ideas through public seminars hosting local and international experts.

- sustainable development seminars
- constitutional development

Conducting studies to explore and recommend solutions to issues,

- air project
- constitutional development

Encouraging direct public involvement.

- Vote 04
 - Vision project
 - Education for Sustainability
 - International Coastal Cleanup (ICC)
-

Sustainable Development Seminars

Responding to a HKSAR Government (Sustainable Development Unit) tender, Civic Exchange successfully bid to develop and conduct three seminars "Achieving Sustainable Development" aimed at educating government officials about Sustainable Development.

The first seminar, "The Case for Sustainable Development," explored both local and global perspectives of sustainable development including the relationship between economic development and the Earth's ability to support such development, different ways to measure progress and how science can help us understand our policy options better (using air pollution as an example).

Seminar two, "Conservation and Development: turning Confrontation into Consultation" explored the need to develop win-win solutions allowing both development and conservation. Guest speakers discussed the lessons learnt from a project used here as a case study, including the importance of early and constructive consultation between all stakeholders. Participants then took part in a "fishbowl" role play where they represented the different stakeholders involved and attempted to negotiate an improved decision making processes which enabled consideration of sustainable development principles.

The final seminar, "Sustainable Development and Public Health," focused on the relationship between environmental health and public health and explored the relationship between economic growth and public health and the economics of public health. A "speakers corner" further allowed experts from scientific and public health backgrounds highlight and debate their theories on the causes and impacts of SARS and again, participants were asked to record who they agreed or disagreed with and why.



Participants in each of the seminars were monitored a number of ways, including pre- and post-seminar surveys, in-seminar feedback forms and discussion group recordings. Our aim was to understand participants' level of knowledge at the beginning of each seminar, their learning from the seminars, the areas they deemed most and least useful and an analysis of the cost effectiveness of this type of learning environment. An analysis of the overall seminar results was submitted to the SDU including Civic Exchanges recommendations for the development of future education in this area.



Air Project:

Pilot HK and PRD Air Monitoring Project

This project has enabled an international science team, along with other regional stakeholders such as local governments, industry and a local charities trust, to set up an air monitoring network and successfully measure air pollutants in both Hong Kong and Guangdong. This is the first time that such a venture has been led and funded by the private sector. In fact, this is one of the very few cross border environmental projects ever undertaken even at official government levels.

This project has provided a successful model for future cross border collaboration on air quality and other environmental issues. Civic Exchange acted as the Project Manager, co-ordinating local, regional and international scientists to handle the technical aspects of the project while three tiers of science, advisory and management committees enabled government representatives, international experts and local donors (from industry and a local charities trust) to exchange views and ideas on the planning, implementation and reporting stages of the project.

As Hong Kong's air pollution has significantly worsened in 2003 and 2004, this study's results will identify the details of pollutants in the region, including their sources. This will provide policy makers with further information to understand the type of control strategies needed to improve air quality. The air monitoring methodologies and diagnostic methods used in this project were new to the PRD region and their use built the foundations to further introduce new technologies, thus improving the region's capacity to understand and combat regional air pollution.

The projects results will be finalised and published towards the end of 2004.

Constitutional Development

Since 2003, Civic Exchange has been closely examining Hong Kong's constitutional development. As Hong Kong people become increasingly aware of public affairs, our publications have provided detailed information to facilitate important discussions, as well as encourage engagement processes such as conferences and seminars.

During 2003-04, Civic Exchange continued collaborating with other organisations to provide a platform for interested parties to deliberate constitutional development and related issues. Our most prominent events were: a day-long conference on 8 May 2004 co-organised with think tanks SynergyNet and the Hong Kong Policy Research Institute on governing Hong Kong; a seminar co-organised with JUSTICE on the SCNPC's April 2004 decision to deny Hong Kong people universal suffrage in 2007 and 2008; and a workshop co-organised with the Centre for Comparative and Public Law, Faculty of Law and Faculty of Social Sciences of the University of Hong Kong on free markets and constitutional development.

Civic Exchange also worked with SynergyNet to produce an educational pamphlet on the District Council election in October 2003 to help the public learn more about the election and how to demand more accountability and transparency. With this same goal, Civic Exchange also conducted a General Education course on the district council elections at the University of Hong Kong in the fall of 2003. Students at the University were given an opportunity to learn how elections work and what campaigning is about, in part by helping candidates campaign. This paved their way to becoming more involved in public policy.

Civic Exchange embarked on a research project on functional constituencies in 2004 to shed light on this virtually unexplored subject. Starting in the summer of 2004, we published a series of papers on functional constituencies. We will continue our research in this area through 2005 as we believe that only with solid background research can deliberation be enriched and made more meaningful.

Other than engaging people in discussion of crucial issues, Civic Exchange was also eager to find out people's attitudes towards constitutional reform, the Legislative Council election and the SCNPC's decision. Civic Exchange commissioned a total of 17 public opinion surveys between May 2004 and September 2004 to track how Hong Kong people thought about specific issues. Data collected through these surveys were useful and telling. They could help political parties chart out better strategies and thus better position themselves. The surveys on the 2004 Legislative Council election in particular generated a huge amount of media interest, and it was the first time ever in Hong Kong that rolling survey results were made available to the general public before the Election Day.

As constitutional reform will continue to be a hot topic in the city for the following years, Civic Exchange will build on its previous work and keep on facilitating the discussion in meaningful ways.



This cartoon appeared on the Vote04 pilot website in an animated form.

Vote04 Pilot Project

Inspired by bouts of electronic activism in other parts of the world, such last-minute SMS message campaign that swung the 2002 South Korean presidential election, Civic Exchange became interested technology as a medium for community-building and mass mobilization. We thus set up a pilot project geared at boosting voter turnout during the 2004 LegCo election.

Civic Exchange assembled a team of web-savvy individuals and launched Vote04.hk, a website that provided election information, rolling polls, blog commentary, flash cartoons, and most importantly, an online SMS text-message platform which politicians, activists, and members of the public alike could use to send pro-voting messages to mobile phones around the territory. We additionally conducted a mass e-mailing campaign

involving political cartoons, urging people to vote.

The project was executed not without bumps and kinks, but it provided plenty of learning opportunities to build the foundations for larger and more permanent online community-building projects in the future. The experience also introduced Civic Exchange to the possibilities offered by interactive blog software. Civic Exchange intends to be technologically well-prepared for the 2008 election.

Vision Project

In the Spring of 2004, Civic Exchange began the Vision Project. The project examined the potential positive effects that improved sustainable transport—an urban rail extension—would have on the south and west of Hong Kong Island, and encouraged grassroots participation in urban



planning. With a team of experts that included urban planners and designers, architects and academics, Civic Exchange explored Wah Fu and Wah Kwai, Aberdeen, Ap Lei Chau and Wong Chuk Hang, and Sai Ying Pun and Kennedy Town with the goal of documenting the unique features and local heritage of each area. We then produced three attractive and informative brochures which discussed developing these areas in a sustainable way while preserving and highlighting what makes them stand out in Hong Kong. This was stage one of the Project.

Stage two of the Project involved outreach to the communities to gather local opinions on the areas' proposed development. Our Project team, with the help of four secondary school interns, completed seven public exhibitions during which we interviewed stakeholders, spoke about the plans and encouraged feedback. We also set up a website, www.Civic-ExchangePlanning4Community.org, as a focal point to disseminate information regarding the Project. The response from the community has been positive and encouraging. Community members believe that they would benefit from improved transport and that this solution to their transport needs would enable the sustainable development of their neighbourhoods. The results and analysis from the interviews will be published in 2005.

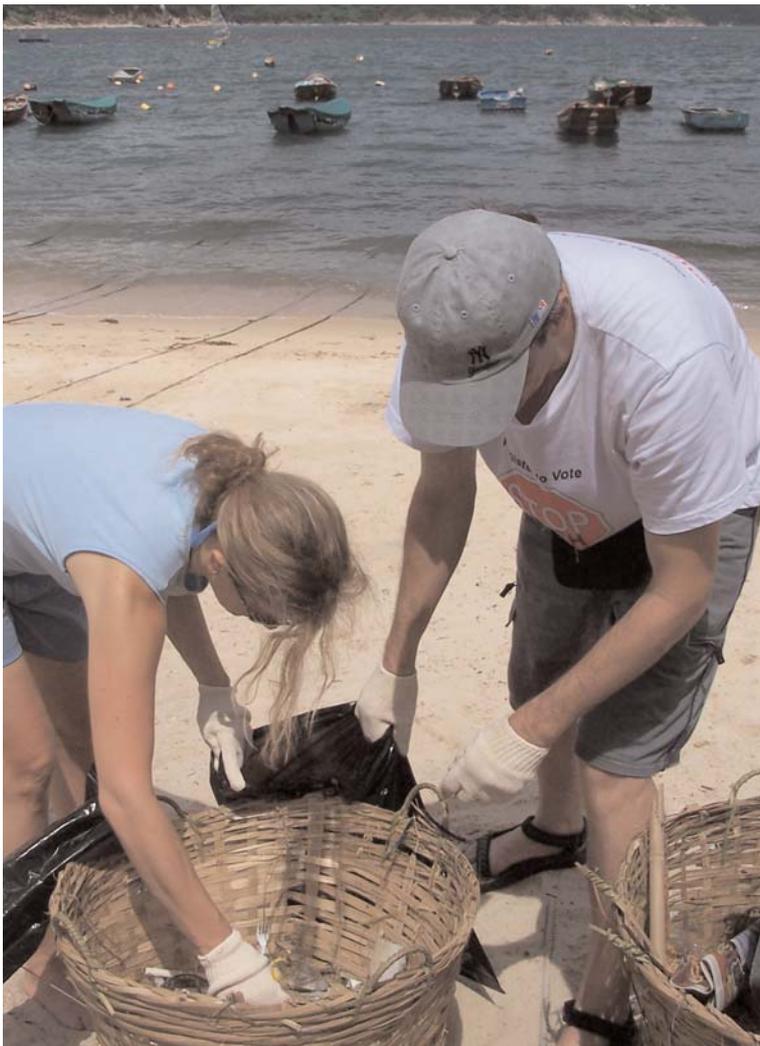
“Education for Sustainability” Schools’ Programme

The *“Education For Sustainability”* Schools' Programme (<http://www.civic-exchange.org/index.php?cat=28>) was intended to expand our education programme in response to positive feedback from schools that used our pilot teaching pack *“The Life of a Piece of Litter”* created in 2002. The programme has successfully achieved its stated objectives including the development of three sets of professional, relevant and timely teaching materials on issues pertaining to sustainability in Hong Kong. The packs are entitled:

- *Discover and Protect Hong Kong's Marine Life*
- *SARS - The Life of a Virus*
- *Sustainable Transport in Hong Kong*

More than 1,400 children have benefited from our in-school workshops and presentations and schools from all over Hong Kong have participated in our competitions which were designed to enhance awareness of issues of sustainability in Hong Kong.

The materials will continue to be of use to schools and teachers in Hong



International Coastal Cleanup

Since 2003, Civic Exchange has been acting as the official co-ordinator of International Coastal Cleanup (ICC) - Hong Kong. ICC is a global event aimed at picking up shoreline debris and recording the amount collected. The data collected is used in reports by the ICC, which have influenced public policy on waste management, spurred legislation, and convinced individuals, organizations, and communities to re-examine their waste handling practices.

Between 1999 and 2003, Hong Kong participants collected a cumulative total of 231,190 pounds (105,086.4 kg) of debris, and covered 102 miles (164.1 km) of shoreline on land and under water. In the fall of 2004, 24 Cleanup Organizers recruited 1,315 volunteers in 30 cleanups in 27 different locations, collecting over 10 metric tonnes of debris and covering more than 26 kilometres of coastlines.

Kong and will remain easily accessible from our website. In addition, we will continue to visit schools to conduct presentations and workshops while charging them only a nominal fee. Under this system, the programme's outreach work will be self-sustaining and continue to be of benefit to students and teachers in Hong Kong.

Our priority now is to reach as many schools and children as possible using the materials that have been created. This involves two elements: further marketing of the programme to schools and further development and enhancement of the Education for Sustainability section of our website, both of which would require further funding.

Two new items surfaced in the "Top Ten" types of debris collected in Hong Kong in 2004, namely beverage can pull tabs and six-pack holders. Cups, plates, forks, knives and spoons ranked first place (sixth in 2003), while plastic bags ranked second (fourth last year) in 2004. As in previous years, all "Top Ten" items found during the ICC were produced from shoreline and recreational activities.

Collaborators

Jeffrey Aranita	Esther Lam	Michael Wong
David Armstrong	Alexis Lau	TW Wong
Bill Barron	Arthur Lau	Yan-yan Yip
Michael Bergin	Anthony Law	Simon NM Young
Louis A Bradbury	Sophie le Clue	Jian Yu
Barry Brewster	Frank Lee	Jing Zhang
Stephen Brown	Sarah Lee	Yuanhang Zhang
Ian Brownlee	Gladys Li	Mei Zheng
Keera Brownlee	Ken Can-yuan Li	
William Chameides	Su Liu	Hong Kong Transition Project
Moira Chan	Christine Loh	
Thierry Tak-chuen Chan	Peter Louie	SynergyNet
Winston Chu	Sarah McGhee	
Jo Clark	Fang Ming	Hong Kong Policy Research Institute
Mark Clifford	Angel Mo	
Brad Corson	Margaret Ng	University of Hong Kong Public Opinion Programme
Jill Cottrell	TK Ng	
Richard Cullen	Simon Ng	Wirthlin Worldwide Asia
Michael DeGolyer	Stephen Ng	
Rana Dias	Partick Ng	Better Hong Kong Foundation
Richard Eastwood	Simon Ogus	
Veronica Galbraith	John Patient	Hong Kong General Chamber of Commerce
Yash Ghai	Geoffrey Rogers	
Gayle Hagler	Lynn Salmon	Hong Kong Democratic Foundation
Betty Ho	James Schauer	
Kevin Ho	Sjaak Slanina	Kowloon Chamber of Commerce
Lisa Hopkinson	Sylvia Ping Song	
Flora Kan	Alison ML Tam	Radio Television Hong Kong
Nigel Kat	Xiaoyan Tang	
Gail Kendall	Florine Tang	Commercial Radio
Margaret Kennedy	Andrew Taylor	
Lena Kennedy	Nina Trautman	Ming Pao
CSKiang	Kylie Uebergang	
Jeremy Kidner	Edward Vickers	Wen Wei Pao
Mike Kilburn	Tao Wang	
Andy Ku	David Webb	South China Morning Post
Kevin Kwong	Michele Weldon	
Carine Lai	Richard Welford	

Funders

October 1 2003-September 30 2004

Raymond Chien	Hutchison International Ltd.
Craig Ehrlich	Hutchison Whampoa
Ean Kuok	Koala Resources Ltd.
Christine Loh	Ladies Recreation Club
Mark Simon	M Restaurant Group Incorporated
Peter & Nancy Thompson	Marine Aquarium Council Inc.
Capital Research Company	MTR Corporation
China Light & Power	National Democratic Institute for International Affairs
CLSA Asia-Pacific Markets	National Endowment for Democracy
Economist Corporate Network	Netherlands Hong Kong Society
ExxonMobil Hong Kong Ltd.	Ocean Park
Flourishing International Ltd.	PCCW - HKT Ltd.
The Hong Kong & Shanghai Banking Corporation	Shell (China) Ltd.
Hong Kong Information Technology Federation Ltd.	Shui On Construction and Materials Ltd.
Hong Kong Jockey Club Charities Trust	SmarTone Mobile Telecommunications Ltd.
Hong Kong Special Administrative Region Government	Sun Hung Kai Properties Charitable Fund Ltd.
Hong Kong University of Science & Technology	Sunday
	Trans-National Research
	University of Hong Kong

Reports and Financial Statements

For the year ending September 30 2004

Civic Exchange
(formerly Civic Exchange Limited)

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Director's Report

The directors have pleasure in presenting their report together with the audited financial statements of the company for the year ended 30th September 2004.

Change of Name

By special resolution passed on 18th October 2004 the name of the company was changed from Civic Exchange Limited to Civic Exchange.

Financial Statements

The results for the year are set out in the income statement on page 23.

The state of affairs of the company at 30th September 2004 is set out in the balance sheet on page 24.

Principal Activities

The principal activities of the company are to promote civic education, public awareness and participation in governance and to undertake research and development of economic, social and political policies.

There have been no significant changes in the nature of these activities during the year.

Property, Plant and Equipment

Movements in property, plant and equipment during the year are set out in note 7 to the financial statements.

Directors

The directors during the year and up to the date of this report were:

CHU Ka Sun, Winston
Stephen James BROWN
William Francis BARRON

In accordance with the Company's Articles of Association, all directors retire, and being eligible, offer themselves for re-election.

Management Contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the company were entered into or existed during the year.

Director's Interests in Contracts

No contracts of significance, to which the company, its fellow subsidiaries or its holding company was a party and in which a director of the company had a material interest, subsisted at the end of the year or at any time during the year.

Director's Benefits from Rights to Acquire Shares or Debentures

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

Auditors

The auditors, Messrs. William Po & Co., Certified Public Accountants, retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board



.....
CHU Ka Sun, Winston
Chairman

31st January 2005

Auditors' Report

We have audited the financial statements on pages 23 to 30 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

Respective responsibilities of directors and auditors

The Companies Ordinance requires the directors to prepare financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

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

Basis of opinion

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Institute of Certified Public Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the balance sheet and notes thereon. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the balance sheet and notes thereon, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the balance sheet together with the notes thereon are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the balance sheet together with the notes thereon. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 30th September 2004 and of its results for the year then ended and have been properly prepared in accordance with the Companies Ordinance.



William Po & Co.
Certified Public Accountants

Hong Kong, 31st January 2005

Civic Exchange (formerly Civic Exchange Limited)
Income and Expenditure Account for the year ended September 30 2004

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	Notes	2004 \$HK	2003 \$HK
Income			
Project donations	3	5,702,176	6,171,416
General donations		94,198	189,874
Membership fee		300	300
Service income		253,229	146,400
Subletting income		76,289	67,754
		<u>6,126,192</u>	<u>6,575,744</u>
Less: Expenditure			
Advertising		-	200
Audit fees		12,000	12,000
Bank charges		390	380
Book purchases		3045	-
Computer costs		13,770	19,190
Consultancy fees		-	3,250
Courier and postage		11,721	4,987
Depreciation		10,501	10,501
Insurance		1,330	1,330
Internet charges		5,564	9,818
Mandatory provident fund		13,200	12,681
Membership fee		2,899	-
Office supplies		10,985	20,745
Photography		-	1,270
Printing and stationery		12,048	11,608
Project costs	4	5,434,401	6,118,321
Rates		6,300	5,100
Rent		58,438	114,000
Repairs and maintenance		2,160	4,590
Research project expenses		15,888	-
Salaries and related costs		92,400	84,000
Stamp duty on tenancy agreement		-	363
Sundry expenses		21,472	16,803
Telecommunications expenses		3,373	8,832
Translation fee		11,351	5,119
Travelling expenses		3,385	3,353
Utilities		11,381	15,112
Website expenses		1,500	-
		<u>5,759,502</u>	<u>6,483,553</u>
Surplus for the year		366,690	92,191
General fund brought forward		71,530	(20,661)
General fund carried forward		438,220	71,530

The notes on pages 24 to 30 form an intergral part of these accounts.

Civic Exchange (formerly Civic Exchange Limited)
Balance Sheet at September 30 2004

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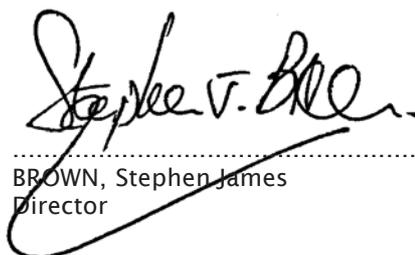
	Notes	2004 \$HK	2003 \$HK
ASSETS			
Non-current assets			
Property, plant and equipment	7	20,866	31,367
Current assets			
Accounts receivable		703,098	530,786
Prepayments and other receivables	8	69,252	27,500
Cash and cash equivalents	9	509,217	469,219
<i>Total current assets</i>		1,281,567	1,027,505
Total assets		1,302,433	1,058,872
EQUITY AND LIABILITIES			
Capital and reserves			
General fund		438,220	71,530
Current liabilities			
Accounts payable		121,923	188,949
Accruals and other payables		742,290	798,393
<i>Total current liabilities</i>		864,213	987,342
Total equity and liabilities		1,302,433	1,058,872

Approved by the board of directors on 31st January 2005

On behalf of the board:



CHU Ka-sun, Winston
 Director



BROWN, Stephen James
 Director

1. Company Limited by Guarantee

The Company has been incorporated under the Companies Ordinance as a company limited by guarantee without share capital. Under the provision of its Memorandum and Articles of Association, every member shall, in the event of the Company being wound up, contribute such amount as may be required to meet the liabilities of the Company but not exceeding the sum of HK\$100 each.

2. Principal Accounting Policies

The financial statements are prepared under the historical cost convention. The principal accounting policies which have been adopted in the preparation of the financial statements and which conform with accounting principles generally accepted in Hong Kong are as follows:

(a) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation.

The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to working condition and location for its intended use. Expenditure incurred after the property, plant and equipment have been put into operation, such as repairs and maintenance and overhaul costs, are normally charged to the income statement in the year in which they are incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the property, plant and equipment, the expenditure is capitalised as an additional cost of the property, plant and equipment.

Where assets are sold or retired, their cost and accumulated depreciation are removed from the accounts and any gain or loss resulting from their disposal is included in the income statement.

Depreciation on property, plant and equipment is provided using the straight line method at consistent rates calculated to write off the cost of the assets over their expected useful lives. The principal annual rates used for this purpose are:

Office equipment	20%
Furniture and fixtures	20%

Fully depreciated assets are retained in the accounts until they are no longer in use.

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

(b) Operating lease

Leases where substantially all the risks and rewards of ownership of assets remain with the leasing company are accounted for as operating leases. Rentals applicable to such operating leases are charged to the income statement as incurred over the lease term.

(c) Recognition of Revenue

Revenue is recognised when it is probable that the economic benefits will flow to the company and when revenue can be measured reliably, on the following bases:

- (i) on the rendering of services, based on the stage of completion of the transaction, provided that this and the costs incurred as well as the estimated costs to completion can be measured reliably. The stage of completion of a transaction associated with the rendering of services is established by reference to the costs incurred to date as compared to the total costs that would be incurred under the transaction.
- (ii) donations and membership fees are recognised when the right to receive payment is established.

(d) Employee Benefits

- (i) Salaries, annual bonuses, paid annual leave, leave passage and the cost to the company of non-monetary benefits are accrued in the year in which the associated services are rendered by employees of the company. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.
- (ii) The company operates a defined contribution Mandatory Provident Fund retirement benefits scheme ("MPF Scheme") for the employees. Contributions are made based on a percentage of the employee's basic salaries and are charged to the income statement as they become payable. The assets of the MPF Scheme are held in an independently administered fund. The company's contributions vest fully with the employees when contributed into the MPF Scheme.

3. Project Donations

	2004 \$HK	2003 \$HK
Air study - Local	650,000	-
Article 23 Survey	-	130,000
Budget & Public Finance in Hong Kong	-	64,240
Clean Environment Campaign	87,685	72,328
Clean Ngau Tau Kok	47,291	8,484
Study in Tri-partite Partnership Democracy	8,151	-
Democracy	500,600	403,162
Democracy - National Endowment of Democracy Grant 2004	512,654	-
Education for Sustainability Schools Programme	133,750	59,151
International Coastal Clean-up	57,495	31,854
Live Reef Food Fish Trade Standards Project	33,178	-
Measuring sustainability	76,446	272
PRD Environmental NGO Directory	416,367	97,238
Peak to Shore Walking Trail Project	15,098	-
Political Surveys 04	409,000	-
Third sector study	-	300,000
Hong Kong and Pearl River Delta Air Monitoring Project	1,540,674	2,920,115
RBF - Public Dialogue	-	214,562
Sustainable Development Seminars	199,726	-
Small House Policy Review	-	260,000
South Island Line Project	979,061	70,000
Understanding Competition Policy	-	1,376,730
Merger Project - MTRC & KCRC	35,000	-
Website Development and Management	-	163,280
	<hr/>	<hr/>
Total for the year	5,702,176	6,230,567
	<hr/> <hr/>	<hr/> <hr/>

3. Project Costs

	2004 \$HK	2003 \$HK
Advertising	-	400
Bank charge	2,042	4,370
Book purchases	10,196	-
Campaign expenses	4,012	-
Computer costs	-	980
Conference expenses	319,678	77,930
Courier and postage	14,549	9,973
Mandatory provident fund	12,000	5,000
Printing and stationery	266,995	283,442
Project management & research fees	4,290,924	4,933,989
Rent & Rates	85,562	42,000
Salaries	33,000	48,000
Sundry expenses	9,766	5,955
Office supplies	19,074	12,303
Telecommunications	5,896	-
Translation fees	53,904	76,378
Travelling expenses	288,622	184,206
Utilities	3,365	-
Website expenses	14,816	978
Workshop facilitation fees	-	432,417
	<hr/>	<hr/>
Total for the year	5,434,401	6,118,321
	<hr/> <hr/>	<hr/> <hr/>

5. Directors' Emoluments

During the years ended 30th September 2003 and 30th September 2004, no amounts have been paid in respect of directors' emoluments, directors' or past directors' pensions or for any compensation to directors or past directors in respect of loss of office.

6. Taxation

No provision for Hong Kong profits tax is made in the accounts as the company is an approved charitable institution, and has obtained exemption from Hong Kong profits tax.

3. Property, Plant and Equipment

	Office Equipment	Furniture and Fixtures \$HK	Total \$HK
Cost:			
At October 1 2003 and at September 30 2004	27,046	25,460	52,506
Depreciation:			
At October 1 2003	14,387	6,752	21,139
Charge for year	5,409	5,092	10,501
At September 30 2004	19,796	11,844	31,640
Net book value:			
At September 30 2004	7,250	13,616	20,866
At September 30 2003	12,659	18,708	31,367

8. Prepayments and other receivables

	2004 \$HK	2003 \$HK
Deposits	27,500	27,500
Prepayments	41,752	-
	69,252	27,500

9. Cash and cash equivalents

	2004 \$HK	2003 \$HK
Included in current assets:		
Cash at bank	508,244	469,219
Cash in hand	973	-
	509,217	469,219

10. Accruals and other payables

	2004 \$HK	2003 \$HK
Accruals	12,000	182
Receipt in advance for projects	730,290	798,211
	742,290	798,393

11. Operating lease commitments

At the balance sheet date, the total future lease payments of the company under non-cancelable operating leases are falling due as follows:

	2004 \$HK	2003 \$HK
Within one year	72,000	144,000
In the second to fifth years, inclusive	-	72,000
	<u>72,000</u>	<u>216,000</u>
	<u><u>72,000</u></u>	<u><u>216,000</u></u>

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Acknowledgement:

Many thanks to Carine Lai and Veronica Galbraith for their work in creating the content, design and layout for this annual report.