



Hong Kong Examinations and
Assessment Authority
香港考試及評核局

31 August 2015

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Independent auditor's report to the Council of Hong Kong Examinations and Assessment Authority

We have audited the financial statements of the Hong Kong Examinations and Assessment Authority (the "Authority") set out on pages 3 to 24, which comprise the balance sheet as at 31 August 2015, the statement of comprehensive income, the statement of changes in reserves and the cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information.

The Authority's responsibility for the financial statements

The Authority is 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 for such internal control as the members of the Council 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. This report is made solely to you, as a body, in accordance with section 11 of the Hong Kong Examinations and Assessment Authority 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.

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 judgement, 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 Authority, 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.



Independent auditor's report to the Council of
Hong Kong Examinations and Assessment Authority
(continued)

Opinion

In our opinion, the financial statements give a true and fair view of the state of the Authority's affairs as at 31 August 2015 and of its deficit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards.

A handwritten signature in black ink, appearing to be 'G. K. L.' or similar, written in a cursive style.

Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong
- 8 DEC 2015

Balance sheet at 31 August 2015

(Expressed in Hong Kong dollars)

	Note	2015	2014
Non-current assets			
Fixed assets	3	\$ 48,310,717	\$ 62,911,120
Current assets			
Inventories	4	\$ 1,293,347	\$ 1,024,831
Prepayments, sundry deposits and receivables	5	29,808,880	54,267,306
Cash and bank deposits	6	340,908,352	326,951,823
		\$372,010,579	\$ 382,243,960
Current liabilities			
Accounts payable and accruals		\$ 157,320,713	\$ 157,088,089
Receipts in advance	7	361,433	561,317
Deferred government grants	8(a)	15,238,602	20,751,265
		172,920,748	178,400,671
Net current assets		\$ 199,089,831	\$ 203,843,289
Total assets less current liabilities		\$ 247,400,548	\$ 266,754,409
Non-current liabilities			
Accounts payable and accruals		\$ 8,169,853	\$ 6,465,285
Deferred government grants	8(a)	8,127,723	23,040,055
		16,297,576	29,505,340
Net assets		\$ 231,102,972	\$ 237,249,069
Representing:			
Accumulated surplus		\$ 231,102,972	\$ 237,249,069

Approved and authorised for issue on behalf of the
Hong Kong Examinations and Assessment Authority

Chairman
Hong Kong, - 8 DEC 2015

The notes on pages 7 to 24 form part of these financial statements.

Statement of comprehensive income for the year ended 31 August 2015

(Expressed in Hong Kong dollars)

	Note	2015	2014
Income			
Hong Kong Diploma of Secondary Education Examination	\$ 211,274,499	\$ 229,407,194	
Hong Kong Advanced Level Examination	-	5,579	
International and professional and other local examinations	91,865,531	86,396,468	
Basic Competency Assessment	82,690,000	80,918,537	
Sale of publications	14,315,959	13,364,220	
Government grants	8(a) 28,728,482	42,262,266	
Interest income	3,251,688	2,927,099	
Sundry income	15,340,178	13,505,197	
		<u>\$ 447,466,337</u>	<u>\$ 468,786,560</u>
Expenditure			
Staff costs	10(a) \$ 219,475,938	\$ 228,447,430	
Examination personnel expenses	93,424,375	89,572,769	
Administrative and other operating expenses	112,566,989	113,874,538	
Depreciation	28,145,132	29,519,639	
		<u>453,612,434</u>	<u>461,414,376</u>
(Deficit)/surplus and total comprehensive income for the year	10	<u>\$ (6,146,097)</u>	<u>\$ 7,372,184</u>

The notes on pages 7 to 24 form part of these financial statements.

Statement of changes in reserves
for the year ended 31 August 2015
(Expressed in Hong Kong dollars)

	<i>Accumulated surplus</i>
At 1 September 2013	\$ 229,876,885
Surplus and total comprehensive income for the year	<u>7,372,184</u>
At 31 August 2014	<u>\$ 237,249,069</u>
At 1 September 2014	\$ 237,249,069
Deficit and total comprehensive income for the year	<u>(6,146,097)</u>
At 31 August 2015	<u>\$ 231,102,972</u>

The notes on pages 7 to 24 form part of these financial statements.

Cash flow statement
for the year ended 31 August 2015
(Expressed in Hong Kong dollars)

	Note	2015	2014
Operating activities			
(Deficit)/surplus for the year		\$ (6,146,097)	\$ 7,372,184
Adjustments for:			
Depreciation		28,145,132	29,519,639
Interest income		(3,251,688)	(2,927,099)
Loss on disposal of fixed assets		648,486	115
Operating surplus before changes in working capital		\$ 19,395,833	\$ 33,964,839
Increase in inventories		(268,516)	(405,150)
Decrease in prepayments, sundry deposits and receivables		24,815,611	32,132,013
Decrease in accounts payable and accruals		(828,100)	(8,185,015)
Decrease in receipts in advance		(199,884)	(347,119)
Decrease in deferred government grants		(20,424,995)	(23,025,005)
Net cash generated from operating activities		\$ 22,489,949	\$ 34,134,563
Investing activities			
Payment for the purchase of fixed assets		\$ (11,427,923)	\$ (10,758,550)
Increase in bank deposits with maturity over three months at acquisition		(108,011,932)	(83,833,829)
Interest received		2,894,503	2,383,156
Net cash used in investing activities		\$ (116,545,352)	\$ (92,209,223)
Net decrease in cash and cash equivalents		\$ (94,055,403)	\$ (58,074,660)
Cash and cash equivalents at 1 September		175,617,994	233,692,654
Cash and cash equivalents at 31 August	6	\$ 81,562,591	\$ 175,617,994

The notes on pages 7 to 24 form part of these financial statements.

Notes to the financial statements

(Expressed in Hong Kong dollars)

1 The Authority

The Hong Kong Examinations and Assessment Authority (the “Authority”) is an independent self-financing statutory body established under the Hong Kong Examinations and Assessment Authority Ordinance (Chapter 261). The principal activity of the Authority is to conduct the Hong Kong Diploma of Secondary Education Examination (“HKDSE Examination”).

2 Significant accounting policies

(a) *Statement of compliance*

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and accounting principles generally accepted in Hong Kong. A summary of the significant accounting policies adopted by the Authority is set out below.

The HKICPA has issued certain new and revised HKFRSs that are first effective for the current accounting period of the Authority. However, none of these developments are relevant to the Authority’s financial statements.

The Authority has not applied any new standard or interpretation that is not yet effective for the current accounting period (see note 16).

(b) *Basis of preparation of the financial statements*

The measurement basis used in the preparation of the financial statements is the historical cost basis.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

2 Significant accounting policies (continued)

(c) Fixed assets

Fixed assets are stated in the balance sheet at cost less accumulated depreciation and impairment losses.

Depreciation is calculated to write off the cost of items of fixed assets, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

- Leasehold improvements	Over the remaining period of the lease
- Furniture, fixtures and equipment	5 years
- Computer equipment	5 years
- Motor vehicles	5 years

Both the useful life of an asset and its residual value, if any, are reviewed annually.

The carrying amounts of fixed assets are reviewed for indications of impairment at each balance sheet date. An impairment loss is recognised in the statement of comprehensive income to the extent that the carrying amount of an asset, or the cash-generating unit to which it belongs, is more than its recoverable amount. The recoverable amount of an asset, or of the cash-generating unit to which it belongs, is the greater of its fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the assets. An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

Gains or losses arising from the retirement or disposal of an item of fixed assets are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in the statement of comprehensive income on the date of retirement or disposal.

(d) Inventories

Inventories purchased for use or resale are carried at the lower of cost and net realisable value.

Publications printed by the Authority are stated at the cost of paper consumed.

2 Significant accounting policies (continued)

(e) *Account and other receivables*

Account and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less allowance for impairment of doubtful debts, except where the effect of discounting would be immaterial. In such case, the receivables are stated at cost less allowance for impairment of doubtful debts.

Impairment losses for bad and doubtful debts are recognised when there is objective evidence of impairment and are measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the asset's original effective interest rate where the effect of discounting is material.

(f) *Account and other payables*

Account and other payables are initially recognised at fair value and thereafter stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(g) *Cash and cash equivalents*

Cash and cash equivalents comprise cash at bank and in hand and demand deposits with banks, having been within three months of maturity at acquisition.

(h) *Provisions and contingent liabilities*

Provisions are recognised for liabilities of uncertain timing or amount when the Authority has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

2 Significant accounting policies (continued)

(i) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provide it is probable that the economic benefits will flow to the Authority and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in the statement of comprehensive income as follows:

(i) Examination fees income

Examination fees are recognised as income on completion of the respective examinations and, in the case of examinations conducted for international and professional and other local examination bodies, are stated net of remittances to those examination bodies.

(ii) Income from Basic Competency Assessment

Income from Basic Competency Assessment is recognised using the percentage of completion method, measured by reference to the percentage of contract costs incurred to date to estimated total contract costs for the contract.

(iii) Interest income

Interest income is recognised as it accrues using the effective interest method.

(iv) Sale of publications

Revenue arising from the sale of publications is recognised on the transfer of risks and rewards of ownership, which generally coincides with the time of cash receipt for retail sales or the time of delivery for wholesale sales.

(v) Government grants

Government grants are recognised in the balance sheet initially as deferred income when there is reasonable assurance that they will be received and that the Authority will comply with the conditions attaching to them. Grants that compensate the Authority for expenses incurred are recognised as revenue in the statement of comprehensive income on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Authority for the cost of an asset are recognised in the statement of comprehensive income as revenue on a systematic basis over the useful life of the asset.

2 Significant accounting policies (continued)

(j) *Employee benefits*

- (i) Salaries, contract gratuities and paid annual leave are accrued in the year in which the associated services are rendered by employees.
- (ii) The Authority operates a defined contribution retirement benefit scheme registered under the Hong Kong Occupational Retirement Schemes Ordinance, the assets of which are held separately from those of the Authority. The Authority's contributions under the retirement benefit scheme are charged to the statement of comprehensive income as incurred.
- (iii) In addition, the Authority operates a basic Mandatory Provident Fund Scheme ("MPF scheme") and a top-up MPF scheme under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The basic MPF scheme is for employees not covered by the defined contribution retirement benefit scheme mentioned above. The top-up MPF scheme is for employees previously covered by the defined contribution retirement benefit scheme mentioned above but who opted to transfer to the top-up MPF scheme. Both MPF schemes are defined contribution retirement schemes administered by independent trustees. Contributions to the MPF schemes are recognised as an expense in the statement of comprehensive income as incurred.

Under the basic MPF scheme, the Authority and its employees are each required to make contributions to the scheme at 5% of the employees' relevant income, subject to a cap of monthly relevant income of \$30,000.

Under the top-up MPF scheme, the Authority is required to make contributions to the scheme at 15% of the employees' base salary or 5% of the employees' relevant income, whichever is higher. The employees are required to make contributions to the scheme at 5% of base salary or 5% of relevant income, subject to a cap of monthly relevant income of \$30,000, whichever is higher.

(k) *Translation of foreign currencies*

Foreign currency transactions during the year are translated into Hong Kong dollars at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated into Hong Kong dollars at the exchange rates ruling at the balance sheet date. Exchange gains and losses are recognised in the statement of comprehensive income.

2 Significant accounting policies (continued)

(l) *Operating lease charges*

Where the Authority has the use of assets held under operating leases, payments made under the leases are charged to the statement of comprehensive income in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in the statement of comprehensive income as an integral part of the aggregate net lease payments made. Contingent rentals are charged to the statement of comprehensive income in the accounting periods in which they are incurred.

(m) *Related parties*

- (a) A person, or a close member of that person's family, is related to the Authority if that person:
 - (i) has control or joint control over the Authority;
 - (ii) has significant influence over the Authority; or
 - (iii) is a member of the key management personnel of the Authority.
- (b) An entity is related to the Authority if any of the following conditions applies:
 - (i) The entity and the Authority are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment benefit plan for the benefit of employees of either the Authority or an entity related to the Authority.
 - (vi) The entity is controlled or jointly controlled by a person identified in (a).
 - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

3 Fixed assets

	<i>Leasehold improvements</i>	<i>Furniture, fixtures and equipment</i>	<i>Computer equipment</i>	<i>Motor vehicles</i>	<i>Total</i>
Cost:					
At 1 September 2013	\$ 89,335,580	\$ 15,870,688	\$ 158,305,430	\$ 279,428	\$ 263,791,126
Additions	382,639	661,150	8,405,805	-	9,449,594
Disposals	-	(399,714)	(1,372,378)	-	(1,772,092)
At 31 August 2014	<u>\$ 89,718,219</u>	<u>\$ 16,132,124</u>	<u>\$ 165,338,857</u>	<u>\$ 279,428</u>	<u>\$ 271,468,628</u>
At 1 September 2014	\$ 89,718,219	\$ 16,132,124	\$ 165,338,857	\$ 279,428	\$ 271,468,628
Additions	4,089,058	594,620	9,509,537	-	14,193,215
Disposals	-	(662,016)	(3,634,490)	-	(4,296,506)
At 31 August 2015	<u>\$ 93,807,277</u>	<u>\$ 16,064,728</u>	<u>\$ 171,213,904</u>	<u>\$ 279,428</u>	<u>\$ 281,365,337</u>
Accumulated depreciation:					
At 1 September 2013	\$ 59,005,710	\$ 11,978,538	\$ 109,546,170	\$ 279,428	\$ 180,809,846
Charge for the year	9,573,225	1,542,330	18,404,084	-	29,519,639
Written back on disposal	-	(399,714)	(1,372,263)	-	(1,771,977)
At 31 August 2014	<u>\$ 68,578,935</u>	<u>\$ 13,121,154</u>	<u>\$ 126,577,991</u>	<u>\$ 279,428</u>	<u>\$ 208,557,508</u>
At 1 September 2014	\$ 68,578,935	\$ 13,121,154	\$ 126,577,991	\$ 279,428	\$ 208,557,508
Charge for the year	9,997,945	1,237,800	16,909,387	-	28,145,132
Written back on disposal	-	(659,545)	(2,988,475)	-	(3,648,020)
At 31 August 2015	<u>\$ 78,576,880</u>	<u>\$ 13,699,409</u>	<u>\$ 140,498,903</u>	<u>\$ 279,428</u>	<u>\$ 233,054,620</u>
Net book value:					
At 31 August 2015	<u>\$ 15,230,397</u>	<u>\$ 2,365,319</u>	<u>\$ 30,715,001</u>	<u>\$ -</u>	<u>\$ 48,310,717</u>
At 31 August 2014	<u>\$ 21,139,284</u>	<u>\$ 3,010,970</u>	<u>\$ 38,760,866</u>	<u>\$ -</u>	<u>\$ 62,911,120</u>

Apart from the above fixed assets, on 25 April 1979, the Authority entered into an agreement with the Government of The Hong Kong Special Administrative Region ("the Government") for Grant by Private Treaty of New Kowloon Inland Lot No. 5774 (formerly the San Po Kong Government Primary School) for a term of 99 years less 3 days with effect from 1 July 1898 and that building has been used as the sub-office of the Authority since then. In March 1992, the lease term was extended to 30 June 2047 at no cost to the Authority.

4 Inventories

	2015	2014
Stationery and printing materials	\$ 54,360	\$ 53,636
Publications	1,238,987	971,195
	<u>\$ 1,293,347</u>	<u>\$ 1,024,831</u>

5 Prepayments, sundry deposits and receivables

	2015	2014
Amount due from the Education Bureau	\$ 10,711,909	\$ 27,629,492
Other receivables	6,953,770	14,183,726
Interest receivable	997,266	640,081
Prepayments and sundry deposits	11,145,935	11,814,007
	<u>\$ 29,808,880</u>	<u>\$ 54,267,306</u>

As at 31 August 2015, an amount of \$1,206,045 (2014: \$2,381,327) included within prepayments and sundry deposits in respect of rental and sundry deposits is expected to be recovered after more than one year. All of the other prepayments, sundry deposits and receivables are expected to be recovered or recognised as expense within one year.

Amount due from the Education Bureau and other receivables are normally due immediately from the date when reimbursement claimed. Further details on the Authority's credit policy are set out in note 13(a).

(a) *Impairment of receivables*

Impairment losses in respect of receivables are recorded using an allowance account unless the Authority is satisfied that the probability of recovery is remote, in which case the amount considered irrecoverable is written off against receivables directly.

At 31 August 2015 and 2014, all of the receivables were neither individually nor collectively determined to be impaired.

5 Prepayments, sundry deposits and receivables (continued)

(b) Receivables that are not impaired

The ageing analysis of amount due from Education Bureau and other receivables that are neither individually nor collectively considered to be impaired are as follows:

	2015	2014
Neither past due nor impaired	\$ 10,327,117	\$ 25,701,863
Less than 1 month past due	\$ 4,179,290	\$ 3,535,099
1 to 3 months past due	3,110,957	12,508,920
Over 3 months past due	48,315	67,336
	<u>\$ 7,338,562</u>	<u>\$ 16,111,355</u>
	<u>\$ 17,665,679</u>	<u>\$ 41,813,218</u>

Receivables that were neither past due nor impaired relate to debtors for whom there was no recent history of default.

Receivables that were past due but not impaired relate to debtors that have a good track record with the Authority. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

6 Cash and bank deposits

	2015	2014
Cash and cash equivalents		
– Cash at bank and in hand	\$ 81,562,591	\$ 175,617,994
Time deposits with maturity over three months at acquisition	<u>259,345,761</u>	<u>151,333,829</u>
	<u>\$ 340,908,352</u>	<u>\$ 326,951,823</u>

At 31 August 2015, cash and bank deposits amounting to \$71,968,978 (2014: \$71,807,443) were held by the Authority on behalf of certain international and professional examining bodies. The corresponding amounts due to these international and professional examining bodies are included in accounts payable and accruals.

The bank deposits at 31 August 2015 bear interest at rates ranging from 0.75% to 1.35% (2014: 1.65% to 1.75%) per annum.

7 Receipts in advance

Receipts in advance represents school licence fee received in advance and examination fees received in advance of examinations to be conducted after the balance sheet date.

8 Deferred government grants

(a) *Deferred government grants are analysed as follows:*

	Capital Grants (note (i))	Hong Kong Assessment Centre Grants (note (ii))	HKDSE Exam System Grants (note (iii))	2011 HKCEE and 2013 HKALE Grants (note (iv))	Total
At 1 September 2013	\$ 26,055,707	-	\$ 40,760,618	\$ -	\$ 66,816,325
Add: Grants received and receivable during the year	-	7,887,032	11,350,668	(439)	19,237,261
Less: (Recognised as Government Grant income)/reversal of Government Grants for the year	(10,662,327)	(7,887,032)	(23,713,346)	439	(42,262,266)
At 31 August 2014	\$ 15,393,380	\$ -	\$ 28,397,940	\$ -	\$ 43,791,320
At 1 September 2014	\$ 15,393,380	-	\$ 28,397,940	\$ -	\$ 43,791,320
Add: Grants received and receivable during the year	-	7,904,159	399,328	-	8,303,487
Less: Recognised as Government Grant income	(7,989,313)	(7,904,159)	(12,835,010)	-	(28,728,482)
At 31 August 2015	\$ 7,404,067	\$ -	\$ 15,962,258	\$ -	\$ 23,366,325
Amount to be recognised as income:					
At 31 August 2015					
Within one year	\$ 5,982,012	-	\$ 9,256,590	\$ -	\$ 15,238,602
After one year	1,422,055	-	6,705,668	-	8,127,723
At 31 August 2014	\$ 7,404,067	\$ -	\$ 15,962,258	\$ -	\$ 23,366,325
Within one year	\$ 7,971,856	\$ -	\$ 12,779,409	\$ -	\$ 20,751,265
After one year	7,421,524	-	15,618,531	-	23,040,055
At 31 August 2015	\$ 15,393,380	\$ -	\$ 28,397,940	\$ -	\$ 43,791,320

8 Deferred government grants (continued)

(b) Particulars of the expenditure in relation to the income recognised during the year are as follows:

	Capital Grants (note (i))	Hong Kong Assessment Centre Grants (note (ii))	HKDSE Exam System Grants (note (iii))	2011 HKCEE and 2013 HKALE Grants (note (iv))	Total
2015					
Staff costs	\$ -	\$ -	\$ 417,832	\$ -	\$ 417,832
Depreciation of fixed assets funded by Government Grants	7,989,313	-	12,344,628	-	20,333,941
Operating lease charges and rates	-	7,625,971	-	-	7,625,971
Miscellaneous expenses	-	278,188	72,550	-	350,738
	<u>\$ 7,989,313</u>	<u>\$ 7,904,159</u>	<u>\$ 12,835,010</u>	<u>\$ -</u>	<u>\$ 28,728,482</u>
2014					
Staff costs	\$ -	\$ -	\$ 10,930,812	\$ -	\$ 10,930,812
Depreciation of fixed assets funded by Government Grants	10,662,327	-	12,650,663	-	23,312,990
Operating lease charges and rates	-	7,597,832	-	-	7,597,832
Other	-	-	-	(439)	(439)
Miscellaneous expenses	-	289,200	131,871	-	421,071
	<u>\$ 10,662,327</u>	<u>\$ 7,887,032</u>	<u>\$ 23,713,346</u>	<u>\$ (439)</u>	<u>\$ 42,262,266</u>

8 Deferred government grants (continued)

Notes:

(i) Capital Grants

On 30 June 2006, the Authority entered into an agreement with the Government titled “Grant to support the modernisation and development of the examination systems of the Hong Kong Examinations and Assessment Authority”, which provides a maximum Government funding commitment to the Authority of \$198,870,000. The purpose of the Capital Grants was to provide financial resources, on a reimbursement basis, for the Authority to implement improvement measures to modernise and develop its examination systems in order to meet current and future needs and community expectations during the period from 3 December 2005 to 31 March 2011.

(ii) Hong Kong Assessment Centre Grants

On 29 January 2007, the Authority entered into two agreements with the Government titled “Grant to the Hong Kong Examinations and Assessment Authority for temporary accommodation of a centralised onscreen marking centre on Hong Kong Island” and “Grant to the Hong Kong Examinations and Assessment Authority for fitting out the temporary onscreen marking centre on Hong Kong Island” respectively (collectively referred to as “the HKAC Grants”). These agreements set out Government funding commitments to the Authority amounting to \$16,000,000 and \$5,900,000 respectively. The purpose of the HKAC Grants is to provide financial resources, on a reimbursement basis, for the Authority to lease temporary office premises (including the costs of related fitting out works) to carry out onscreen marking on Hong Kong Island for the period from September 2006 to September 2010.

On 7 March 2011, the Authority entered into another agreement with the Government for establishing and operating the temporary onscreen marking centre on Hong Kong Island. The Government will provide funding to the Authority in respect of the leasing of premises of up to \$41,150,000 on a reimbursement basis for relevant rental expenses incurred during the period from 4 December 2010 to 30 November 2015. The onscreen marking centre grant has been extended to cover the rental period of one floor level of the temporary onscreen marking centre on Hong Kong Island to 30 September 2016.

8 Deferred government grants (continued)

Notes: (continued)

(iii) HKDSE Exam System Grants

On 13 July 2009, the Authority entered into an agreement with the Government titled “Development of the Hong Kong Diploma of Secondary Education (“HKDSE”) Examinations System”, which provides a maximum Government funding commitment to the Authority of \$152,309,000. The purpose of the HKDSE Exam System Grants is to provide financial resources, on reimbursement basis, for the Authority to develop the HKDSE Examination systems as well as to enhance existing systems hardware and software facilities for the delivery of the new public examination in 2012.

(iv) 2011 HKCEE and 2013 HKALE Grants

On 9 August 2011, the Authority entered into an agreement with the Government titled “Grant for conducting the 2011 Hong Kong Certificate of Education Examination and the 2013 Hong Kong Advanced Level Examination for private candidates”, which provides a maximum Government funding commitment of \$41,810,000 and \$48,840,000 respectively to the Authority for subsidising the deficit in operating the 2011 Hong Kong Certificate of Education Examination (“HKCEE”) and the 2013 Hong Kong Advanced Level Examination (“HKALE”) for private candidates. Any unspent portion from the 2011 HKCEE’s approved budget was used for subsidising the deficit in operating the 2013 HKALE upon the approval from the Government.

9 Remuneration of key management personnel

Key management personnel of the Authority include the members of the Authority Council and its Committees, Secretary General and functional directors.

Members of the Authority Council and its Committees are not entitled to receive any remuneration, except travelling allowances.

The remuneration of the Secretary General and functional directors is as follows:

	2015	2014
Contributions to defined contribution retirement plan	\$ 333,679	\$ 573,735
Salaries and other benefits	<u>9,169,151</u>	<u>10,957,238</u>
	<u>\$ 9,502,830</u>	<u>\$ 11,530,973</u>

The number of key management personnel who are entitled to receive remuneration and their remuneration fell within the following bands:

	2015 Number	2014 Number
Less than \$500,000	-	-
\$500,001 to \$1,000,000	-	-
\$1,000,001 to \$1,500,000	-	-
\$1,500,001 to \$2,000,000	-	-
\$2,000,001 to \$2,500,000	3	4
\$2,500,001 to \$3,000,000	1	1
\$3,000,001 to \$3,500,000	<u>-</u>	<u>-</u>
	<u>4</u>	<u>5</u>

10 (Deficit)/surplus for the year

(Deficit)/surplus for the year is arrived at after charging:

	2015	2014
(a) Staff costs		
Contributions to defined contribution retirement plan	\$ 10,369,899	\$ 10,740,188
Salaries, wages and other benefits	209,106,039	217,707,242
	<u>\$ 219,475,938</u>	<u>\$ 228,447,430</u>
(b) Other items		
Auditor's remuneration	\$ 498,200	\$ 386,400
Operating lease charges in respect of:		
– office premises	13,397,659	13,075,360
– examination halls and equipment	10,112,948	10,373,435
Depreciation	28,145,132	29,519,639
Loss on disposal of fixed assets	<u>648,486</u>	<u>115</u>

11 Taxation

The Authority is exempted from Hong Kong Profits Tax under the provision of Section 88 of the Hong Kong Inland Revenue Ordinance.

12 Capital management

The Authority defines capital as its accumulated surplus as well as grants from the Government. The primary objective of the Authority's capital management is to safeguard the Authority's ability to continue as a going concern and support stable operations of the Authority. The Authority is not subject to any externally imposed requirements.

13 Financial risk management and fair values

Exposure to credit, liquidity and interest rate risks arises in the normal course of the Authority's operations. The Authority's exposure to these risks and the financial risk management policies and practices used by the Authority are described below.

13 Financial risk management and fair values (continued)

(a) Credit risk

The Authority's credit risk is primarily attributable to bank deposits, prepayments, sundry deposits and receivables. Management has a credit policy in place and exposures to these credit risks are monitored on an ongoing basis.

The Authority places its bank deposits with several listed banks in Hong Kong with high credit ratings to minimise credit risk exposure.

The Authority's exposure to credit risk is influenced mainly by the individual characteristics of each debtor. At the balance sheet date, the Authority has a concentration of credit risk as 84% (2014: 92%) of total receivables was due from the Authority's five largest debtors.

The Authority does not provide any guarantees which would expose the Authority to credit risk.

Further quantitative disclosures in respect of the Authority's exposure to credit risk arising from prepayments, sundry deposits and receivables are set out in note 5.

(b) Liquidity risk

The Authority's policy is to regularly monitor current and expected liquidity requirements and to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

The earliest settlement dates of the Authority's financial liabilities at the balance sheet date are all within one year or on demand and the contractual amounts of all the financial liabilities are equal to their carrying amounts.

(c) Interest rate risk

The Authority's exposure to changes in interest rate risk relates primarily to the Authority's bank deposits. In respect of these income-earning financial assets, their interest rates and maturity profile at the balance sheet date are disclosed in note 6.

(d) Fair values

All financial instruments are carried at amounts not materially different from their fair values as at 31 August 2015 and 2014.

14 Commitments

- (a) Capital commitments outstanding at 31 August 2015 not provided for in the financial statements were as follows:

	2015	2014
Contracted for	\$ 5,034,500	\$ 968,000
Authorised but not contracted for	19,321,155	-
	<u>\$ 24,355,655</u>	<u>\$ 968,000</u>

- (b) At 31 August 2015, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2015	2014
Within 1 year	\$ 10,008,073	\$ 10,712,670
After 1 year but within 5 years	10,390,789	4,809,353
After 5 years	1	2
	<u>\$ 20,398,863</u>	<u>\$ 15,522,025</u>

The Authority leases a number of properties under operating leases. The leases typically run for an initial period of one to three years, with an option to renew each lease upon expiry when all terms are renegotiated. None of the leases include contingent rentals.

15 Material related party transactions

Apart from the transactions and balances disclosure elsewhere in the financial statements, the Authority did not enter into any other material related party transactions.

16 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 August 2015

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments and new standards which are not yet effective for the year ended 31 August 2015 and have not been early adopted by Authority.

The Authority is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. The Authority is therefore unable to disclose the impact that adopting the amendments, new standards and interpretations will have on its financial position and the results of operations when such amendments, new standards and interpretations are adopted.

Detailed supporting schedules
to the balance sheet at 31 August 2015
(Expressed in Hong Kong dollars)

Appendix I

	2015	2014
1 Prepayments, sundry deposits and receivables		
Interest on fixed deposits and savings account to be received	\$ 997,266	\$ 640,081
Service charges and expenses receivable from other examination bodies for the conduct of examinations in Hong Kong	5,761,528	13,309,980
Prepayments and other accounts receivable	9,065,206	9,823,203
Sundry deposits	3,272,971	2,864,550
Amount due from the Education Bureau for Basic Competency Assessment	6,147,613	18,841,603
Amount due from the Education Bureau for government grants	1,603,439	7,612,558
Service charges and receivables from the Education Bureau	2,960,857	1,175,331
	<u>\$ 29,808,880</u>	<u>\$ 54,267,306</u>
2 Accounts payable and accruals		
Provision for unutilised annual leave	\$ 25,933,166	\$ 27,228,426
Provision for gratuity payments	17,454,578	18,927,945
Provision for examination personnel expenses	14,641,978	13,903,299
Amount due to The Associated Board of the Royal School of Music	67,128,902	66,769,130
Payables to fixed assets suppliers	5,034,595	2,269,303
Other accounts payable and accruals	35,297,347	34,455,271
	<u>\$ 165,490,566</u>	<u>\$ 163,553,374</u>

Detailed supporting schedules
to the statement of comprehensive income
for the year ended 31 August 2015
(Expressed in Hong Kong dollars)

Appendix II

	2015	2014
1 Income		
(a) Hong Kong Advanced Level Examination		
Rechecking fees	\$ <u>-</u>	\$ <u>5,579</u>
(b) Hong Kong Diploma Secondary Education Examination		
Examination fees	\$ 187,337,750	\$ 201,855,453
Supplementary fees	1,078,092	1,084,190
Rechecking fees	<u>22,858,657</u>	<u>26,467,551</u>
	<u>\$ 211,274,499</u>	<u>\$ 229,407,194</u>
(c) International and professional and other local examinations		
International and professional and other local examinations	\$ 80,845,418	\$ 75,556,683
Language proficiency assessment for teachers	<u>11,020,113</u>	<u>10,839,785</u>
	<u>\$ 91,865,531</u>	<u>\$ 86,396,468</u>

Detailed supporting schedules
to the statement of comprehensive income
for the year ended 31 August 2015 (continued)
(Expressed in Hong Kong dollars)

Appendix II
(continued)

	2015	2014
2 Expenditure		
(a) Staff costs		
Contract gratuities	\$ 14,000,591	\$ 14,644,129
Medical and dental	7,406,633	7,506,210
Overtime	862,506	968,394
Contributions to the retirement benefit scheme and the MPF scheme	10,369,899	10,740,188
Salaries and other allowances	173,354,944	181,032,290
Temporary staff	13,481,365	13,556,219
	<u>\$ 219,475,938</u>	<u>\$ 228,447,430</u>
(b) Examination personnel expenses		
Multiple choice item writers	\$ 118,704	\$ 139,847
Moderators/Setters/Examiners	11,066,807	10,822,296
Markers/Oral examiners	65,666,854	63,633,571
Centre supervisors and invigilators	11,368,343	9,956,079
Other examination personnel	5,203,667	5,020,976
	<u>\$ 93,424,375</u>	<u>\$ 89,572,769</u>

Detailed supporting schedules
to the statement of comprehensive income
for the year ended 31 August 2015 (continued)
(Expressed in Hong Kong dollars)

Appendix II
(continued)

	2015	2014
2 Expenditure (continued)		
(c) Administrative and other operating expenses		
Air-conditioning, electricity and water	\$ 7,259,699	\$ 7,735,853
Audit fee	498,200	386,400
Building maintenance	6,388,251	9,874,129
Computer service and maintenance	19,714,971	20,559,212
Examination materials	2,280,091	2,247,224
Furniture and equipment	1,696,546	1,083,967
Hired transport	3,785,812	3,311,389
Insurance	951,766	868,374
Legal and professional fees	4,057,818	5,121,998
Listening test recurrent expenses	357,429	453,019
Miscellaneous	3,946,262	3,511,248
Postage and air freight	1,188,293	1,175,368
Pretest/SBA training courses	124,197	126,022
Printing, publication and stationery	20,247,014	17,505,925
Rent, management fees and rates	21,177,410	19,302,551
Rental of examination halls and equipment	10,112,948	10,373,435
Scanning service charges	1,117,498	1,126,334
Securing services	3,857,291	3,520,187
Staff training and travelling	1,378,544	2,195,436
Staff welfare	330,054	428,612
Telephone, fax and internet charges	1,628,808	1,535,677
Web item production	468,087	1,432,178
	<u>\$ 112,566,989</u>	<u>\$ 113,874,538</u>

Hong Kong Examinations and Assessment Authority

Report on Activities September 2014 – August 2015

Introduction

The Year of 2014/2015 is momentous and challenging for the Hong Kong Examinations and Assessment Authority (the Authority / HKEAA). The activities of the year are wide-ranging and fruitful. This report presents the activities of the Authority on two major areas in the financial year ended 31 August 2015, including (i) corporate governance and development, and (ii) examinations and assessment, in particular the development, administration and delivery of the Hong Kong Diploma of Secondary Education Examination (HKDSE). A list of examinations conducted by the Authority is given in the

----- **Attachment.**

Part I Corporate Governance and Development

- (A) Corporate Information Updates
- (B) Mainland and Overseas Partnership
- (C) General Administration and Finance

Part II Examinations and Assessment

- (A) Implementation and Development of the HKDSE
- (B) New Initiatives in Examination Administration and Assessment
- (C) Quality Assurance and Research & Development
- (D) Diversification of Activities (International and Professional Examinations)

Part I Corporate Governance and Development

(A) Corporate Information Updates

Stakeholders' Engagement

1. The Authority held a number of open days in November 2014 at its assessment centers in Lai King and Fortress Hill and received around 850 students, teachers and parents. The programme included information seminars on the HKDSE core subjects examinations, hands on demonstration of Onscreen Marking and the Oral Recording System. A forum was held in January 2015 for representatives of school councils, education concern groups and the Federation of Parents Teachers Associations with the purpose to collect stakeholders' feedback on the policies and services of the Authority and to update them about the 2015 HKDSE, the Medium-term Review of the New Academic Structure (NAS) and the support for Special Educational Needs (SEN) candidates, the challenges faced by the Authority, and in particular the financing of public examinations. Two information seminars for more than 450 parents were held in collaboration with the Committee on Home-School Co-operation of the Education Bureau (EDB) in July and August 2015.
2. In response to the request of the Constitutional and Mainland Affairs Bureau and to further improve transparency, the Authority reviewed and updated its Code on Access to Information. The updated Code was published on the HKEAA website in November 2014.

Promoting HKDSE

3. Aiming to promote understanding of the HKDSE, representatives of the Authority attended various information seminars and briefing sessions organised by schools, Parent-teacher Associations and the EDB during the year. Representatives also attended the education fairs and seminars organised by the Institute of International Education and the British Council to update admission officers of American and British universities on the results and standard of the HKDSE.
4. As of 30 August 2015, a total of 220 overseas institutions have announced their acceptance of HKDSE.

Publications and Publicity

5. The Authority has engaged an experienced assessment expert to write a book on the management of public examinations. The book, scheduled for release by March 2016 is primarily written for teachers and principals in secondary schools, and staff members in tertiary institutions to improve professional understanding of best practices in examination management. It will also be useful for assessment literacy training.
6. During 2014/2015, the Authority published four issues of HKEAA E-News and two issues of the HKDSE Newsletter to keep readers abreast of the latest development of the Authority and the HKDSE. A series of micro films, titled *DSE Up Up Up*, were produced and screened at the HKEAA YouTube channel to promote understanding of

important examination regulations. The series, created and produced by HKDSE Applied Learning (ApL) graduates, were released in March 2015. The production and the background of the production team have drawn media attention on ApL subjects in the HKDSE.

Awards

7. In October 2014, the Authority received the runner-up in “The Ombudsman’s Awards 2014 for Public Organisations” for the first time. A staff member was honoured with the “The Ombudsman’s Awards for Officers of Public Organisations”. This award marked the third year in a row that HKEAA staff were recognised for exemplary customer services.
8. The HKDSE mobile app won the Best m-Government Award (International – Education Sector) organised by the United Arab Emirates Government in February 2015 for its efficiency and effectiveness, ease of use, and innovation. The HKEAA website received a Gold Award at the 2014 Government Web Accessibility Recognition Scheme. The 2013 HKEAA Annual Report won a Bronze Award in the overall presentation in the “Late Publishing 2013 Annual Report” category of the 2015 MerComm Annual Report Competition Awards.

Media and Communication Activities

9. During the year, the Authority organised a number of press conferences and media interviews to announce major examination policies and promote understanding of its services and development. A press conference was held on 14 July 2015 to announce the overall results of the 2015 HKDSE. Press releases, messages to the media and media interviews were arranged to provide updates on the HKDSE results and relevant arrangements in July 2015.

(B) Mainland and Overseas Partnership

Overseas Visits

10. With a view to promoting recognition of the HKDSE by Irish universities, the Secretary General (SG) joined a study tour to Ireland organised by the Irish Chinese Society Galway and the Irish International Education Centre in November 2014. Riding on the occasion, SG visited the Quality and Qualification Ireland and the State Examination Commission of Ireland to discuss and exchange views on assessment services and qualifications development, and met with admission officers of eight Irish universities which subsequently acknowledged their acceptance of the HKDSE by the end of August 2015.
11. In May 2015, an HKEAA delegation attended a workshop in Seoul on the theme of “Alignment between Curriculum, Teaching and Assessment”, organised by the Network on Education Quality Monitoring in the Asia-Pacific and the Korean Institute for Curriculum and Evaluation. The workshop provided a platform for participants to exchange ideas on teaching and learning as well as assessment development to improve the quality of education in the region. The delegation also held a briefing

session for admission officers of some Korean universities in Seoul to promote the qualification and recognition of the HKDSE.

Visits to the Authority

12. In 2014/2015, the Authority received a number of delegations including officials from the Ministry of Education, the Deputy Consul General of the Republic of Ireland, and representatives from universities in the Asia-Pacific region and Mainland China.

(C) General Administration and Finance

Consultant Service to Review Long-term Funding Model, Long-term Manpower Model and Employee Remuneration & Grading Structure

13. After the consultants' review on the Long-term Funding Model, Long-term Manpower Model and Employee Remuneration, high-level recommendations were approved by the Council in December 2014.
14. The recommendations on long-term funding and manpower models and employee remuneration were communicated to staff and the implementation plans discussed with the Leadership Team of the Authority. In the 2015/2016 budget cycle, some of the cost-saving measures have already been introduced in the manpower and expense projections, and the capital budgets have been critically reviewed and trimmed accordingly. The Authority will continue to review its operations in order to improve its efficiency while maintaining the quality of its services. At the same time it is actively seeking opportunities to generate additional revenue.
15. Review of the employee grading structure commencing in November 2014 was completed with analysis and recommendations approved by the Council in March 2015. The current grade structure has been validated to be reasonable and comparable to market practice. It provides sufficient support for the Authority's current and future operation needs as well as staff career progression and development. Recommendations on regrading of posts to better reflect the job role after evaluation by the consultant in July 2015 were/would be implemented.

Employee Code of Conduct

16. The existing version of the Employee Code of Conduct (the "Code") was reviewed. The key areas of revisions, with reference to the ICAC Model Code of Conduct, Code of Practice against Discrimination in Employment on the Ground of Sexual Orientation and Competition Ordinance as well as the aim of expanding the scope on Corporate Social Responsibility would be considered by the Council in December 2015.

San Po Kong Building Defects Rectification

17. The San Po Kong Building Defects Rectification project aiming to alleviate the water seepage problem kicked off in the last quarter of 2014. The rectification works is targeted to be completed by March 2016.

Review of Vendor Management Policy & Project Management Procedure

18. To further enhance the effectiveness of the vendor management processes, the Authority has engaged a consultant to perform a review on the existing policy, to benchmark against industry best practices where applicable and to identify potential improvement opportunities. Based on the report provided by the consultant, the Authority will adopt the recommendations and enhance the Vendor Management Policy with effect from 2015/2016.
19. In order to strengthen the project management function to effectively monitor projects on areas like project progress, measurement of project effectiveness and benefits, project funding, the Authority has conducted a review and made improvements on its existing project management policy. The revised policy will be implemented from 2015/2016.

Part II Examinations and Assessment

(A) Implementation and Development of the HKDSE

Medium-term Review of the New Academic Structure (NAS)

20. The NAS medium-term review was jointly launched by the EDB, the Curriculum Development Council (CDC), and the HKEAA in October 2013 to address curriculum and assessment issues that may require a longer time and a more holistic process of review and consultation. The first batch of recommendations involving changes in four subjects, were announced in April 2014 and implemented in schools starting from 2014/2015. The last batch of medium-term recommendations on 17 Category A subjects, ApL, and related systemic issues were endorsed by the CDC and the HKEAA Public Examinations Board (PEB) in its joint meetings in April and June 2015, and implemented in schools starting from 2015/2016.
21. As a result of the medium-term review of the NAS curriculum and assessment, changes have been made to the assessment frameworks of 8 subjects for the 2018 HKDSE. The School-based Assessment (SBA) in 7 subjects will be replaced by alternative assessment in the public examination and further streamlined in 3 subjects, while the SBA of 4 deferred subjects will be implemented at Secondary 4 in 2016/2017 for the 2019 HKDSE. In all, among the 24 Senior Secondary subjects, SBA will be or continue to be implemented in 14 subjects, but not in 10 subjects.
22. In addition, based on the existing two levels of “Attained” and “Attained with Distinction”, the reporting of students’ performance in Category B ApL subjects will be further refined to “Attained”, “Attained with Distinction (I)” and “Attained with Distinction (II)”. Performance of “Attained with Distinction (I)” is comparable to level 3, while “Attained with Distinction (II)” is comparable to level 4 or above of the Category A subjects, effective from the 2018 HKDSE.
23. A school leaders’ symposium was held on 3 July 2015 to update school leaders about the progress and results of the medium-term review, and schools were informed of the

details of the recommendations through a school circular in mid July 2015. In connection with the announcement of the last batch of recommendations, the Assessment Frameworks of all 24 Category A subjects for the 2018 HKDSE have been finalised and were uploaded to the HKEAA website in early July 2015.

Delivery of the 2015 HKDSE

24. The 2015 HKDSE was conducted smoothly from mid February to May 2015 with the cooperation and support of schools, teachers and examination personnel.
25. The candidature for the 2015 HKDSE has dropped from 79,572 to 74,131 (down by 7%). The majority of the candidates were Secondary 6 students from 498 schools who have completed the three-year senior secondary curriculum under the NAS. The number of day school candidates has decreased by 6.8% while the number of private candidates has decreased to around 12,000 (down by 8%) in the 2015 HKDSE.
26. Starting from the 2015 HKDSE, onscreen marking (OSM) has been adopted for the written papers of all Category A subjects. The marking of all papers was completed on time. With the experience gained in the past three administrations of the HKDSE, the processes of marking, mark processing and grading were completed smoothly as scheduled for the 2015 examination. Standards maintenance was carried out to ensure that the examination results are comparable across years. Reference was made to the standards in the 2012 to 2014 examinations as illustrated in the library scripts and examination statistics such as monitoring test results and General Ability Indices. Expert panel meetings for the grading of the core subjects and the elective subjects were carried out on 18 June 2015 and from 27 to 30 June 2015 respectively. The results were released on 15 July 2015 as scheduled.
27. This year, 16,618 rechecking and remarking applications were received for a total of 33,842 subject entries, a decrease of approximately 4,700 subject entries (or 12.2%) as compared to the 2014 figures. The whole process was completed smoothly and the rechecking and remarking results were released on 12 August 2015 as scheduled. The upgrade rate with respect to the number of cases remarked was 1.8%, slightly higher than that of last year.
28. The number of appeal review applications in respect of processing of examination irregularities and the process of rechecking and remarking remained small (11 and 7 cases respectively). In pursuance of Personal Data (Privacy) Ordinance, 8,110 HKDSE candidates filed Data Access Requests (DAR) for examination-related personal data, including marked examination scripts and/or speaking examination video clips before the scripts were destroyed on 9 September 2015. 33 applications have been received for review of the marking of scripts via DAR.

Provision of Support to Teachers and Students

29. To continue our support to teachers, briefing sessions on the review of the 2014 examination were held for all 24 Category A subjects and ApL subjects from September to December 2014. In these sessions, teachers were briefed on the gist of the requirements of the examination questions, marking criteria, and performance of

candidates as revealed by examination statistics and actual samples of candidates' work. Samples at different levels of performance for all Category A and B subjects were uploaded to the HKEAA website to enable teachers, students and other stakeholders to better understand the standard of the HKDSE. In addition, the 2014 *Examination Report and Question Papers* for the 24 Category A subjects were available for sale in early November 2014 for the reference of teachers and students. Each booklet comprises the 2014 question papers, marking guidelines and examination reports of an individual subject.

30. Apart from the briefing sessions, a total of about 150 training sessions and conferences were conducted in 2014/2015 for different subjects. Examples of these included teachers' conferences and experience-sharing sessions on SBA, and workshops for teachers on question-setting, marking and design of SBA tasks for particular subjects.

Assessment Literacy Training (ALT)

31. Due to the over-subscriptions of schools to the ALT programme in 2013/2014, the programme was continued in 2014/2015 and offered to 14 secondary schools between October 2014 and March 2015. The programme was jointly organised by the Assessment Development and Assessment Technology & Research Divisions. It focused on the major assessment principles and practices adopted in the HKDSE and covered four important topic areas, namely Development of Examination Papers, Marking of Examination Scripts, SBA and Standards-referenced Reporting. An introduction to the Assessment Quality-assurance Platform was also included in the programme. Over 550 school teachers attended the programme and the feedback from the participants was positive. The most popular topic areas chosen by schools were Development of Examination Papers and Standards-referenced Reporting.
32. Besides the ALT programme, assessment literacy training was conducted for the tutors of Course Providers (CPs) of ApL subjects on the basic principles of assessment. The training serves to provide support to the teaching staff of CPs who are responsible for designing and implementing assessments to senior secondary students of ApL subjects. Topics covered in the training include design principles and mode of assessment, assessment planning as well as strategies of scoring performance using appropriate assessment tools. The training was conducted on 15 October 2014 with 53 CP tutors attending.

HKDSE Computer System

33. All the HKDSE Examination system development funded by the Government capital grant was completed. System operation for the HKDSE was smooth in 2014/2015.

Registration

34. The June and September registrations for the 2015 HKDSE were successfully completed in July and October 2014 respectively. The June registration covered Category C (Other Languages – November 2014 series) subject examinations while the September registration covered Category A, Category B and Category C (June 2015 series) subject examinations. To familiarise schools with the enhanced registration

functions, two briefing sessions were held on 11 and 16 September 2014 with more than 450 school staff attending.

35. Starting from 2014/2015, schools were able to submit late Examination Fee Remission applications for eligible candidates via the Registration System during the specified submission period. This enhancement has improved the work efficiency and application data accuracy.

Examination Centre Management (ECM)

36. Enhancement work for the ECM system was deployed in October 2014. In light of the feedback from schools and the experience gained from the past administrations, the examination centre sourcing and centre allocation processes for the 2015 HKDSE became more stable. The ECM System was enhanced to enable schools to view and confirm the provisional centre usage of special centres. Through the ECM system, schools could view the provisional centre usage and confirm the final accommodation arrangements for both written and speaking examinations. Schools could also manage their options for the collection of questions papers and return of answer scripts as well as updating payment account information online.

Examination Personnel Management (EPM)

37. In response to the feedback from schools, two enhancements were made to the EPM Online Service to increase work efficiency and give more flexibility to schools for preparing nominations and managing the assignment of duties. The enhanced functions include allowing schools to create/upload EP nomination list to the system in batch mode and to download directly from the system the Invigilator's Identification Slips/Invigilator's Assignment Slips for special centres.

Results Dissemination (RD) and Application for Rechecking & Remarking (RRA)

38. The results for the 2015 HKDSE were released on 15 July 2015 for Category A and B subjects and 20 July 2015 for Category C (June 2015 series) subjects respectively. School principals and private candidates could access the results of Category A and B subjects and Category C (June 2015 series) subjects via the RD System at 7:00 am on 15 July 2015 and 8:30 am on 20 July 2015 respectively. School candidates who have entered for the Category C (June 2015 series) examination were each given a password to access the Online Results Enquiry Service and view their results online on 20 July 2015.
39. The workflow of the RRA system remained more or less the same as the 2014 HKDSE. The system only accepted single rechecking and remarking applications from individual school candidates and private candidates. Candidates had to pay the fee at any 7-Eleven or Circle K Convenience Stores within 3 calendar days after the submission of their applications. To promote better usage of the system, a briefing session on the RD and RRA Systems was arranged for schools on 10 June 2015. Extended hotline service was also provided by the Public Examinations Information Centre to answer calls from schools and private candidates.

Application for Special Examination Arrangements (SEAs)

40. School candidates sitting the 2015 and 2016 HKDSE and private candidates sitting the 2015 HKDSE submitted their applications for SEAs in September 2014. In 2014/2015, around 2,100 applications were received which represented an increase of around 17% over 2013/2014. In the 2015 HKDSE, SEAs were provided for around 1,750 candidates with special educational needs (SEN). To cater for the specific needs of SEN candidates who required ancillary equipment or a single room / invigilation by known person(s) at their own schools, 64 schools were used as home-centres for these candidates. In addition, 37 schools served as home cum district centres to accommodate their own and other candidates with similar SEAs in the same district while 32 special centres were set up to serve other SEN candidates.

Onscreen Marking (OSM) System

41. OSM System had been upgraded in early 2015 to accommodate marker's workstations with Windows XP or Windows 8 for the 2014/2015 HKDSE.
42. In view of the technology refresh requirement, the OSM System has to be revamped. Independent consultancy service was engaged for the tender evaluation and associated project risk assessment, and the recommendation for the project was concluded in August 2015. The contract work is expected to be commenced in October 2015 and to be completed by August 2018.

(B) New Initiatives in Examination Administration and Assessment

Public Examinations Communication & Support System (PECSS) and Attendance & Script Tracking System (ASTS)

43. The Authority continued to implement PECSS and ASTS to enhance the effectiveness and efficiency in the examination administration. The PECSS was implemented in all HKDSE written examinations that were held in halls while the ASTS was used in hall centres and special rooms of the listening tests. In 2015, the PECSS was also extended to the hall centres for SEN candidates. To familiarise centre supervisors, invigilators and school IT technicians with the set-up and operation of ASTS, two briefing sessions and five optional training workshops were organised for around 530 invigilation staff and school IT technicians from mid February to early March 2015. Positive feedback was received from the school participants. The implementation of PECSS and ASTS was smooth in the 2015 HKDSE and the feedback from the examination centres was encouraging. The majority of centre supervisors agreed that the PECSS facilitated the efficient handling of examination irregularities by examination centre staff. The PECSS was also used in the written assessments of the Language Proficiency Assessment for Teachers (LPAT) held on 7 and 8 February 2015.

Oral Recording System (ORS)

44. The ORS was used in the HKDSE Chinese Language and English Language speaking examinations. Ten intensive briefings and training workshops were conducted for

around 159 ORS assistants and 73 School ORS assistants. ORS training provided to oral examiners was incorporated into the oral examiners' meetings for 207 teams of HKDSE Chinese Language oral examiners and 198 teams of HKDSE English Language oral examiners.

45. As for the LPAT, the ORS was used in the Putonghua (PTH) and English Language speaking assessments as in previous years for the handling of examination irregularities and for remarking purposes.
46. Riding on the experience of the past two years, a trial run of ORS equipment at the examination centres right before the start of the HKDSE live examination period was conducted. The Chinese Language and English Language speaking examinations were successfully completed on weekday evenings from 12 to 25 March 2015 and from 4 to 14 May 2015 respectively.
47. Feedback from the oral examiners was encouraging. Around 89% of the respondents expressed satisfaction with the various aspects of the ORS including training, technical support and system effectiveness.

Use of Infra-red Transmission (IR) System in Listening Tests (LTs)

48. The project on IR system was implemented to improve the quality of broadcast of LTs in school halls with unsatisfactory radio reception. Prior to the installation of the IR system in the school halls, briefing sessions and site visits to schools were conducted to assess the suitability of installation. A total of 67 school halls/gymnasiums were installed with the IR system.
49. Fifty-six IR centres were used for the conduct of the LTs in the 2015 HKDSE. Training and familiarisation workshops were held for the school IT technicians before the examinations.

Pilot Run of the Use of USB Drive for the Broadcast of LTs in the 2015 HKDSE Chinese Language (Cantonese) Listening Test

50. The pilot run was carried out in all 43 IR centres of the 2015 HKDSE Chinese Language (Cantonese) listening test as well as the listening papers in all LPAT examination centres (i.e. 12 English centres and 9 PTH centres) for the second time. The examination operation using USB Drives was smooth in most of the centres and feedback from examination centres was positive. The scope of the use of USB Drives will be extended to both the English and Chinese Language (including PTH) listening tests in all IR centres, SEN home centres and SEN special centres for the 2016 HKDSE as well as the LPAT Listening papers.

Special Educational Needs (SEN) Research Projects

51. In a bid to enhance the provision of special examination arrangements (SEAs) for SEN candidates, the Authority has embarked on a number of research studies as follows:

- (a) A pilot study on the feasibility of allowing Specific Learning Disabilities (SLD) candidates with severe writing difficulties to use speech to text software in public examinations was completed in April 2015. The findings showed that the use of speech to text software did not pose any unfair advantage to SLD students over normal students. Though the magnitude of impact on SLD students (i.e. a small increase in performance scores) was not statistically significant, the rate of improvement could be regarded as substantial. With the support of the Task Group on SLD and the Committee on Special Needs Candidates (CSNC), the PEB endorsed at its June 2015 meeting the provision of speech to text software to eligible SLD candidates in the Liberal Studies examination starting from the 2017 HKDSE.
- (b) A case study on oral recording was conducted in July 2014 to study the feasibility and appropriateness of allowing SLD candidates to dictate the answers of essay-type questions to a digital voice recorder in public examinations. The results of the study were reviewed in December 2014. Due to the small sample size, the outcome of the study did not provide any solid evidence to suggest that oral recording is an appropriate SEA in public examinations as far as fairness to all candidates is concerned.
- (c) Candidates with physical disabilities and those applying for extra time allowance (ETA) due to physical injuries are required to take a speed test using the current computerised handwriting speed test system (CHSTS) to consider whether ETA is to be given and the amount of ETA. The enhancement and refinement of CHSTS was completed by the outsourced developers in June 2015. The results of the study will be considered by the CSNC in October 2015 for incorporation into the internal guidelines on SEAs for SEN candidates with effect from the 2016 HKDSE.
- (d) A study on the provision of processed sound tracks at slower pace in listening tests for hearing impaired (HI) candidates is in progress. Around 120 students at Secondary 4 to 5 (including mild HI, moderate HI and normal students) will be invited to participate in the test sessions to be conducted in October 2015. Besides, listening tests with additional and/or prolonged pauses have been made available to moderate HI candidates from the 2015 HKDSE and will be extended to those with mild HI from the 2016 examination.

(C) Quality Assurance and Research & Development

Quality Assurance

52. In February 2015, the ISO 9001 external surveillance audit was successfully conducted by the certification body. No non-conformity, written observations or written suggestions were raised. The Authority shall continue to strive for further enhancement of the quality management system.

Research Projects to Enhance the HKDSE

53. Research projects aiming at fine-tuning various methods in marking and grading of the HKDSE were conducted. Results of these studies were submitted to relevant committees in charge of public examinations as references for their policy formulation. In addition, a project to examine the grading standards of Chemistry was in progress as well as a research project related to the level descriptors of English Language. Proposals for other research studies were being prepared.

Quality Assessment Management Accreditation Scheme (QAMAS) and Assessment Quality-assurance Platform (AQP)

54. In the annual QAMAS Certificate Presentation Ceremony 2014, a record-breaking high of 42 schools received their certificates and among them, 24 schools were newly accredited, and 18 schools had their certificates renewed. In total, 70 schools are on the current accreditation list.
55. As more schools became familiar with using AQP to conduct post-assessment analysis, a new project was initiated to align primary schools under the management of the Catholic Education Office to set up a common item bank so that teachers could access more quality items from other network schools.

Participation in Conferences

56. Staff of the Authority continued to interact with assessment experts of the world by giving keynote speeches and/or presentations in conferences including the 40th Annual Conference of the International Association for Educational Assessment, the 3rd International Conference of Standard-Based Assessment, and the 16th Academic Forum on English Language Testing in Asia.

Basic Competency Assessments (BCA) Project

57. The BCA project was proposed by the Education Commission in its Report for the Hong Kong education system in 2000. HKEAA assisted to administer two parts, i.e. Territory-wide System Assessment (TSA) and Student Assessment (SA).

(i) TSA

58. With the collaboration and support of schools, the 2015 TSA was conducted smoothly. The written assessment was held in June 2015 while a random sample of students attempted the oral assessment held in April (Secondary 3) and May (Primary 3 & Primary 6) 2015.
59. Following the feedback from various stakeholders, the TSA frameworks have been enhanced for some subject levels including reduction of the number of items and extending the assessment time. In line with the prevailing practice, a series of seminars will be arranged after the release of 2015 results to facilitate teachers' analysis on students' performances. Together with the exemplars, teachers can acquire a better understanding of the strengths and weaknesses of their students' performances.

60. The Authority encourages every student to take part in the TSA. Therefore, we have adopted various arrangements to cope with students' special educational needs. These special arrangements have included enlarged paper printing, single-paged printing, large-space lined question booklets, extended assessment time and use of screen-reader software. We also provided facilitation measures to non-Chinese speaking students when they take the Chinese Language assessment. These measures included a bilingual version of 'instructions to students', and reading aloud of the listening and audio-visual assessment questions to allow these students to demonstrate their actual performance.
61. To follow up the major enhancement measures for the TSA as announced by the EDB in 2014 on development of an interactive online reporting platform to be implemented in phases, Phase 1 of the online item analysis report was launched in November 2014. About 72% of primary schools and 60% of secondary schools created accounts for teachers. Phase 2 of the interactive online reporting platform has been developed and will be launched in December 2015. In addition to the functions showing items and marking schemes of the sub-papers in the same interface, more functions have been developed. Teachers can view each individual item paired with its model answer on a single interface to further facilitate teachers' analysis of items. Moreover, charts will be provided showing student performance over the past three years on each BC, question intent and learning unit so as to enable schools to better understand their students' learning progress.

(ii) SA

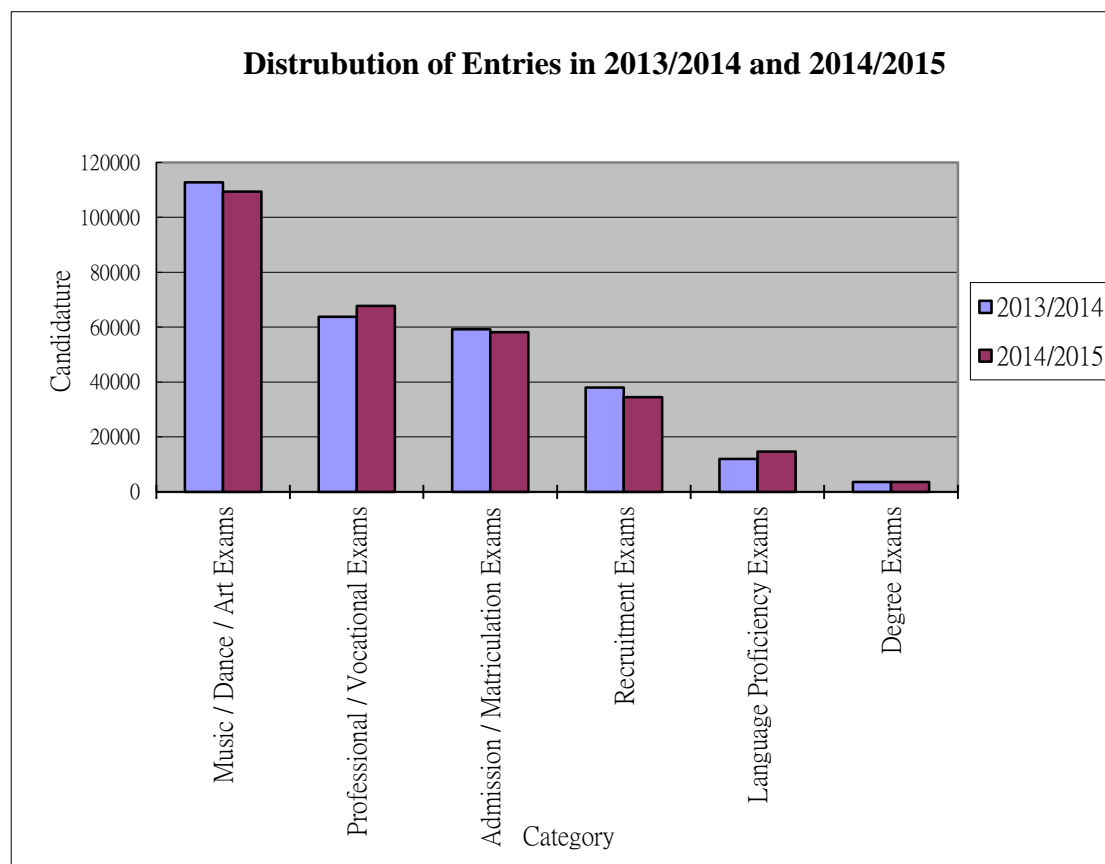
62. The last batch of 4,500 SA web items was completed by December 2014, contributing to about 37,000 web items in Chinese, English and Mathematics across key stages 1-3 in the online central item bank. To encourage more teachers to make use of the SA system to facilitate learning and teaching, the Authority organised about 90 seminars and workshops in December 2014, and ten more from January to May 2015.
63. The central item bank of SA has abundant items for schools to use in various key stages. No new items are required to be developed at this juncture. With the new 4-year BCA contract commissioned by the EDB in 2015, the Authority will continue to provide services to schools by maintaining the SA system and supporting schools on the technical aspects when using the system.

(D) Diversification of Activities (International and Professional Examinations) (IPE)

Candidatures

64. The overall candidature of IPE in 2014/2015 was close to 290,000, which is comparable to that of the previous year.
65. Amongst the various examination categories indicated in the table below, the majority of the entries came from music/dance/art examinations though the total entry of this examination category has been following a downward trend since 2012/2013 largely due to the demographic decline of the student population in Hong Kong. There were also minor setbacks in admission/matriculation examinations and recruitment

examinations with marginal growth generated by professional/vocational examinations and language examinations.



Outreach Activities

66. To sustain and expand the examination services of the Authority, a series of outreach activities were conducted during the year. To facilitate Hong Kong citizens in the Mainland to take the HKDSE, an introductory seminar was held in September 2014 in Guangzhou. Ten parents' talks were delivered in November and December 2014 to promote the Higher Ability Student Test and Computerised PTH Shuiping Ceshi Test for Young Learners. The feedback seminar for teachers on the performance of candidates in dance examinations was conducted by the Royal Academy of Dance's examiners in December 2014. A seminar for primary and secondary schools on the Pearson Test of English was held in February 2015. A workshop for teachers on GCSE Chinese was held in March 2015. The ABRSM High Achievers' Concert of the year was held in April 2015 to encourage music making.

Customer Service

67. A few major customer service initiatives introduced in the year are worth mentioning. To continuously improve and standardise as far as possible the IPE services provided to around 120 commissioning examination bodies, the Examination Operation Monitoring System was launched in February 2015. This workflow and knowledge management system has been developed to ensure examination operations are on

schedule and in compliance with all the relevant rules and regulations. An Associate Agreement with Cambridge International Examination (CIE) was signed in April 2015, which has enabled the Authority to offer a much wider range of support services to schools in respect of the CIE GCE/IGCSE examinations. The online registration and payment services of IPE has been expanded to cover a total of 14 major examinations and all supplementary/miscellaneous payments.

Secretary General
Hong Kong Examinations and Assessment Authority
December 2015

HONG KONG EXAMINATIONS AND ASSESSMENT AUTHORITY**Programme of Activities****1 September 2014 – 31 August 2015**

1. The Hong Kong Diploma of Secondary Education Examination (HKDSE) was conducted as scheduled during the period under review. The candidatures are shown below:

Candidate Category	No. Entered	No. Sat
School Candidates	62,199	61,981
Day School Candidates	61,136	60,969
Day School First Attempters	59,973	59,813
Private Candidates	11,932	10,878
All Candidates	74,131	72,859

2. **Language Proficiency Assessment for Teachers (LPAT)**

Number of Candidates Sat	<i>English Language</i>	1,625
	<i>Putonghua</i>	2,109

3. **Primary 3, 6 and Secondary 3 Territory-wide System Assessment (TSA)**

Number of Students Sat (Written Assessment)	156,000
Number of Students Sat (Oral Assessment)	64,000

4. Under approval obtained in accordance with Section 7(2)(c) of the Hong Kong Examinations and Assessment Authority Ordinance, the Authority conducted examinations on behalf of the following examining bodies:

Name of Examining Body

1. ACT, Inc.
2. American Board for Occupational Health Nurses (ABOHN)
3. American Board of Industrial Health (ABIH)
4. American Council on Education
5. American Institute for Chartered Property Casualty Underwriters/Insurance Institute of America
6. American Society for Industrial Security (ASIS)
7. Anglican Church Grammar School
8. Associated Board of The Royal Schools of Music
9. Association of American Medical Colleges (AAMC)
10. Association of Chartered Certified Accountants
11. Association of Clinical Research Professionals (ACRP)
12. Association of International Accountants
13. Athabasca University
14. Australian Council for Educational Research

15. Australian Teachers of Dancing Limited
16. BCS The Chartered Institute for IT
17. BEAM Society Limited
18. Benenden School
19. Cambridge International Examinations
20. Carleton University
21. Casualty Actuarial Society
22. Central Conservatory of Music
23. CFA Institute
24. Charles Sturt University
25. Chartered Institute of Marketing
26. Cheung Kong School of Art and Design, Shantou University
27. China Art Science Technology Research Institute
28. Chinese Institute of Certified Public Accountants
29. Chinese Medicine Council of Hong Kong
30. COMPASS (ACT)
31. Competency and Credentialing Institute (CCI)
32. Deakin University
33. Edith Cowan University
34. Educational Commission for Foreign Medical Graduates
35. Educational Records Bureau
36. Educational Testing Service
37. Electrical & Mechanical Services Department, the Government of the Hong Kong SAR
38. Estate Agents Authority
39. European Personnel Selection Office
40. Fire Services Department, the Government of the Hong Kong SAR
41. Global Association of Risk Professionals
42. Global Reporting Initiative
43. Green Building Certification Institute (GBCI)
44. Guangzhou Academy of Fine Arts
45. Home Affairs Department, the Government of the Hong Kong SAR
46. Hong Kong Ballroom Dancing Council Limited
47. Hong Kong Dance Federation
48. Hong Kong Institute of Accredited Accounting Technicians Limited
49. Hong Kong Institute of Architects
50. Hong Kong Institute of Certified Public Accountants
51. Hong Kong Institute of Chartered Secretaries
52. Hong Kong Societies of Notaries (HKSJN)
53. Hong Kong Statistical Society
54. Hongkong Post, the Government of the Hong Kong SAR

55. Human Resource Certification Institute (HRCI)
56. Information Services Department, the Government of the Hong Kong SAR
57. Institute of Applied Linguistics, Ministry of Education, PRC
58. Institute of Certified Management Accountants (ICMA)
59. Institute of Chartered Secretaries and Administrators (UK)
60. Institute of Electrical and Electronics Engineers (IEEE)
61. Institute of International Container Lessors
62. Institute of Linguists Educational Trust
63. Instrumentation Systems and Automation Society (ISA)
64. International Communications Industries Association (InfoCOMM)
65. International Council of Shopping Centres (ICSC)
66. International Facility Management Association (IFMA)
67. International Institute of Business Analysis
68. International Society for Clinical Densitometry
69. John Monash Science School
70. Lands Department, the Government of the Hong Kong SAR
71. Law School Admission Council
72. Market Technicians Association (MTA)
73. Massey University
74. McMaster University
75. Medical Council of Canada
76. Medical Dosimetrist Certification Board
77. Ministry of Justice, PRC
78. Monash University
79. Moody's Investors
80. Murdoch University
81. National Council of Architectural Registration Boards
82. National Educational Examinations Authority, PRC
83. Office of the Government Chief Information Officer, the Government of the Hong Kong SAR
84. Pearson Education Limited
85. Praxis
86. Project Management Institute (PMI)
87. Royal Academy of Dance
88. School and College Ability Test (SCAT)
89. Scots College
90. Securities and Investment Institute (SII)
91. Self-Study Examination Office The Education Examinations Authority of Guangdong Province
92. Seneca College
93. Simon Fraser University

94. Smart Education Company Limited
95. Society for Worldwide Inter Bank Financial Telecommunication (SWIFT)
96. Society of Actuaries
97. St. Swithun's School
98. Suzanne Cory High School
99. Tara Anglican School for Girls
100. The Chartered Institute of Legal Executives
101. The Chartered Insurance Institute
102. The College Board
103. The Institution of Fire Engineers
104. The Securities Analysts Association of Japan (SAAJ)
105. The Taxation Institute of Hong Kong
106. The University of Queensland
107. Transport Department, the Government of the Hong Kong SAR
108. University of British Columbia
109. University of Guelph
110. University of London International Programmes
111. University of Manitoba
112. University of Minnesota
113. University of South Australia
114. University of Southern Queensland
115. University of Toronto
116. University of Warwick
117. Victorian Selective Entry High School

5. The total candidature of examinations administered by the International and Professional Examinations Division was close to 290,000 in 2014/2015, the distribution of which is given below:

