



**Hong Kong Examinations and
Assessment Authority**

香港考試及評核局

31 August 2019

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

Opinion

We have audited the financial statements of Hong Kong Examinations and Assessment Authority ("the Authority") set out on pages 4 to 28, which comprise the balance sheet as at 31 August 2019, the statement of comprehensive income, the statement of changes in reserves and the cash flow statement for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Authority as at 31 August 2019 and of its financial performance and its cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Basis for opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSA") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Authority in accordance with the HKICPA's *Code of Ethics for Professional Accountants* ("the Code") and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Authority for the financial statements

The Authority is responsible for the preparation of the financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA 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.

In preparing the financial statements, the Council is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting.



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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. 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.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSA's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with HKSA's, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Authority's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Authority.
- Conclude on the appropriateness of the Authority's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Authority to cease to continue as a going concern.



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

Auditor's responsibilities for the audit of the financial statements (continued)

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Authority regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

A handwritten signature in black ink, appearing to be 'J. F. ...'.

Certified Public Accountants

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

10 DEC 2019

Balance sheet at 31 August 2019

(Expressed in Hong Kong dollars)

	Note	2019	2018
Non-current asset			
Fixed assets	3	\$ 53,597,643	\$ 51,692,167
Current assets			
Inventories	4	\$ 893,190	\$ 1,047,290
Prepayments, sundry deposits and receivables	5	41,183,076	34,645,680
Cash and bank deposits	6	280,890,568	261,908,587
		\$ 322,966,834	\$ 297,601,557
Current liabilities			
Accounts payable and accruals		\$ 152,541,785	\$ 153,175,387
Contract liabilities	7	829,056	-
Receipt in advance	7	-	980,992
Deferred government grants	8(a)	637,121	167,822
		154,007,962	154,324,201
Net current assets		<u>\$ 168,958,872</u>	<u>\$ 143,277,356</u>
Total assets less current liabilities		\$ 222,556,515	\$ 194,969,523
Non-current liabilities			
Accounts payable and accruals		\$ 15,103,717	\$ 9,544,788
Deferred government grants	8(a)	-	637,677
		15,103,717	10,182,465
Net assets		<u>\$ 207,452,798</u>	<u>\$ 184,787,058</u>
Representing:			
Accumulated surplus		<u>\$ 207,452,798</u>	<u>\$ 184,787,058</u>

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

Chairman
Hong Kong,

10 DEC 2019

The notes on pages 8 to 28 form part of these financial statements.

Statement of comprehensive income for the year ended 31 August 2019

(Expressed in Hong Kong dollars)

Income	Note	2019	2018
Hong Kong Diploma of Secondary Education Examination	\$ 186,677,951	\$ 187,559,958	
International and professional and other local examinations	116,689,404	115,975,833	
Territory-wide System Assessment / Basic Competency Assessment	80,108,996	75,335,000	
Sale of publications	15,950,097	15,998,694	
Government grants	50,568,378	1,966,808	
Interest income	4,068,166	2,528,520	
Sundry income	15,449,214	15,369,491	
	10	\$ 469,512,206	\$ 414,734,304
Expenditure			
Staff costs	11(a) \$ 240,492,732	\$ 229,531,099	
Examination personnel expenses	86,477,567	83,827,683	
Administrative and other operating expenses	99,433,767	91,181,262	
Depreciation	20,442,400	20,297,488	
		446,846,466	424,837,532
Surplus/(deficit) and total comprehensive income for the year	11	\$ 22,665,740	\$ (10,103,228)

The notes on pages 8 to 28 form part of these financial statements.

**Statement of changes in reserves
for the year ended 31 August 2019**
(Expressed in Hong Kong dollars)

	<i>Accumulated surplus</i>
At 1 September 2017	\$ 194,890,286
Deficit and total comprehensive income for the year	<u>(10,103,228)</u>
At 31 August 2018	<u>\$ 184,787,058</u>
At 1 September 2018	\$ 184,787,058
Surplus and total comprehensive income for the year	<u>22,665,740</u>
At 31 August 2019	<u>\$ 207,452,798</u>

The notes on pages 8 to 28 form part of these financial statements.

Cash flow statement for the year ended 31 August 2019

(Expressed in Hong Kong dollars)

	Note	2019	2018
Operating activities			
Surplus/(deficit) for the year		\$ 22,665,740	\$ (10,103,228)
Adjustments for:			
Depreciation		20,442,400	20,297,488
Interest income		(4,068,166)	(2,528,520)
Gain on disposal of fixed assets		(37,320)	(78,996)
		<u> </u>	<u> </u>
Operating surplus before changes in working capital		\$ 39,002,654	\$ 7,586,744
Decrease in inventories		154,100	311,125
Increase in prepayments, sundry deposits and receivables		(5,909,204)	(5,776,668)
Increase/(decrease) in accounts payable and accruals		8,778,061	(10,138,765)
Decrease in contract liabilities/receipt in advance		(151,936)	(2,456,397)
Decrease in deferred government grants		(168,378)	(1,966,808)
		<u> </u>	<u> </u>
Net cash generated from/(used in) operating activities		\$ 41,705,297	\$ (12,440,769)
Investing activities			
Payment for the purchase of fixed assets		\$ (26,201,790)	\$ (15,979,463)
Proceeds from disposal of fixed assets		38,500	80,500
(Increase)/decrease in bank deposits with maturity over three months at acquisition		(11,052,400)	28,285,169
Interest received		3,439,974	2,098,037
		<u> </u>	<u> </u>
Net cash (used in)/generated from investing activities		\$ (33,775,716)	\$ 14,484,243
Net increase in cash and cash equivalents		\$ 7,929,581	\$ 2,043,474
Cash and cash equivalents at 1 September		<u>101,749,987</u>	<u>99,706,513</u>
Cash and cash equivalents at 31 August	6	<u>\$ 109,679,568</u>	<u>\$ 101,749,987</u>

The notes on pages 8 to 28 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 statutory body established under the Hong Kong Examinations and Assessment Authority Ordinance (Chapter 261) ("the Ordinance"). The principal activity of the Authority is to conduct the Hong Kong Diploma of Secondary Education Examination ("HKDSE Examination").

The resources of the Authority shall mainly consist of the fees paid by candidates taking examinations or assessments, or payments received for services rendered by the Authority and in the exercise of its powers and duties, as well as subsidies made available from time to time by the Government to assist towards the cost of conducting the specified examinations. In view of the continuously declining candidature of the HKDSE Examination, approval has been sought from the Finance Committee of the Legislative Council for an interim non-recurrent four-year funding commitment of \$360.8 million in support of the Authority's operation until 2021/2022. A sum of \$50.4 million was transferred to the Authority in the fourth quarter of 2018/2019 having regard to the Authority's cash flow requirements. To sustain the operation of the Authority, a joint Task Force on the Long-term Funding of the the Authority has been set up in conjunction with the Education Bureau to explore possible long-term funding options. The Task Force aims at identifying possible options for consultation with relevant stakeholders by 2020.

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. Significant accounting policies adopted by the Authority are disclosed below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Authority. Note 2(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Authority for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

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

2 Significant accounting policies (continued)

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.

(c) Changes in accounting policies

The HKICPA has issued a number of new HKFRSs and amendments to HKFRSs that are first effective for the current accounting period of the Authority. Of these, the following developments are relevant to the Authority's financial statements:

- (i) HKFRS 9, *Financial instruments*
- (ii) HKFRS 15, *Revenue from contracts with customers*

The Authority has not applied any new standard or interpretation that is not yet effective for the current accounting period (see note 17).

(A) HKFRS 9, *Financial instruments*

HKFRS 9 replaces HKAS 39, *Financial instruments: recognition and measurement*. It sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.

(1) Classification of financial assets and financial liabilities

HKFRS 9 categorises financial assets into three principal classification categories: measured at amortised cost, at fair value through other comprehensive income ("FVOCI") and at fair value through profit or loss ("FVPL"). These supersede HKAS 39's categories of held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVPL. The classification of financial assets under HKFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics. The adoption of HKFRS 9 has no impact on the results of the Authority.

2 Significant accounting policies (continued)

(2) Credit losses

HKFRS 9 replaces the “incurred loss” model in HKAS 39 with the “expected credit loss” (“ECL”) model. The ECL model requires an ongoing measurement of credit risk associated with a financial asset and therefore recognises ECLs earlier than under the “incurred loss” accounting model in HKAS 39.

The financial assets held by the Authority that are subject to the new ECL model include cash and bank deposits and prepayments, sundry deposits and receivables.

The adoption of HKFRS 9 has no impact on the financial position and the financial result of the Authority.

(B) HKFRS 15, *Revenue from contracts with customers*

HKFRS 15 establishes a comprehensive framework for recognising revenue and some costs from contracts with customers. HKFRS 15 replaces HKAS 18, *Revenue*, which covered revenue arising from sale of goods and rendering of services, and HKAS 11, *Construction contracts*, which specified the accounting for construction contracts.

HKFRS 15 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

The Authority has elected to use the cumulative effect transition method. Therefore, comparative information has not been restated and continues to be reported under HKAS 18. As allowed by HKFRS 15, the Authority has applied the new requirements only to contracts that were not completed before 1 September 2018.

Further details of the nature and effect of the changes on previous accounting policies are set out below:

(1) Timing of revenue recognition

Previously, revenue arising from Territory-wide System Assessment / Basic Competency Assessment were recognised over time, whereas revenue from sale of publication and provision of examinations were generally recognised at a point in time when the risks and rewards of ownership of the goods or services had passed to the customers.

Under HKFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. This may be at a single point in time or over time. HKFRS 15 identifies the following three situations in which control of the promised good or service is regarded as being transferred over time:

- A. When the customer simultaneously receives and consumes the benefits provided by the Authority’s performance, as the entity performs;

2 Significant accounting policies (continued)

- B. When the Authority's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced;
- C. When the Authority's performance does not create an asset with an alternative use to the Authority and the Authority has an enforceable right to payment for performance completed to date.

If the contract terms and the Authority's activities do not fall into any of these 3 situations, then under HKFRS 15 the Authority recognises revenue for the sale of that good or service at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that is considered in determining when the transfer of control occurs.

The timing of revenue recognition is similar under HKAS 18 and HKFRS 15 on examination income, income from Territory-wide System Assessment / Basic Competency Assessment and sale of publications. Under HKFRS 15, income is recognised as follows:

- (i) Examination fees income are recognised as income on completion of the respective examinations.
- (ii) Territory-wide System Assessment / Basic Competency Assessment income 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) Sale of publications income is recognised on the transfer of control of goods.

Therefore the adoption of HKFRS 15 has no impact on the timing of revenue recognition on examination income, Territory-wide System Assessment / Basic Competency Assessment and sale of publications.

(2) Presentation of contract liabilities

Under HKFRS 15, a contract liability is recognised when a customer pays consideration, or is contractually required to pay consideration and the amount is already due, before the Authority recognises the related revenue. Such balances are recognised as contract liabilities rather than payables.

To reflect these changes in presentation, the Authority has reclassified examination fees received amounting to \$980,992 from receipts in advance to contract liabilities at 1 September 2018.

2 Significant accounting policies (continued)

(d) 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.

(e) 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.

(f) Account and other receivables

A receivable is recognised when the Authority has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the Authority has an unconditional right to receive consideration, the amount is presented as a contract asset.

2 Significant accounting policies (continued)

Receivables are stated at amortised cost using the effective interest method less allowance for credit losses as determined below:

(A) Policy applicable from 1 September 2018

The loss allowance is measured at an amount equal to lifetime ECLs, which are those losses that are expected to occur over the expected life of the account receivables. The loss allowance is estimated using the Authority's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

ECLs are remeasured at each reporting date with any changes recognised as an impairment gain or loss in profit or loss. The Authority recognises an impairment gain or loss with a corresponding adjustment to the carrying amount of account and other receivables through a loss allowance account.

The gross carrying amount of a debtor or other receivable is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Authority determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

(B) Policy applicable prior to 1 September 2018

Impairment losses were recognised when there was objective evidence of impairment and were 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 was material.

(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) **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.

(i) **Contract liabilities**

A contract liability is recognised when the customer pays non-refundable consideration before the Authority recognises the related revenue. A contract liability would also be recognised if the Authority has an unconditional right to receive non-refundable consideration before the Authority recognises the related revenue. In such cases, a corresponding receivable would also be recognised (see note 2(f)).

2 Significant accounting policies (continued)

(j) Provisions and contingent liabilities

Provisions are recognised 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.

(k) Revenue recognition and other income

Income is classified by the Authority as revenue when it arises from the sale of goods, the provision of services in the ordinary course of the Authority's business.

Revenue is recognised when control over a service is transferred to the customer at the amount of promised consideration to which the Authority is expected to be entitled, excluding those amounts collected on behalf of third parties.

Further details of the Authority's revenue recognition policies are as follows:

(i) Examination fees income

Examination fees are recognised as income on completion of the respective examinations. In the case of examinations conducted for international and professional and other local examination bodies which is held on behalf of them, the handling fee will be recognised based on the percentage of the gross examination fee on completion of the examinations.

(ii) Income from Territory-wide System Assessment / Basic Competency Assessment

Income from Territory-wide System Assessment / 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 under the effective interest method using the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of the financial asset.

2 Significant accounting policies (continued)

(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

HKDSE Exam System Grants is 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 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.

Government grants for general purposes are recognised as income when the grants have been received or are receivable.

(f) *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.

2 Significant accounting policies (continued)

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, subject to a cap of monthly relevant income of \$30,000, 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.

(m) 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.

(n) 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.

2 Significant accounting policies (continued)

(o) *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).
 - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Authority.

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 2017	\$101,790,660	\$ 16,259,338	\$207,050,142	\$ 279,428	\$325,379,568
Additions	5,024,803	1,691,600	7,906,847	-	14,623,250
Disposals	-	(1,203,695)	(18,336,601)	-	(19,540,296)
At 31 August 2018	<u>\$106,815,463</u>	<u>\$ 16,747,243</u>	<u>\$196,620,388</u>	<u>\$ 279,428</u>	<u>\$320,462,522</u>
At 1 September 2018	\$106,815,463	\$ 16,747,243	\$196,620,388	\$ 279,428	\$320,462,522
Additions	2,232,450	949,515	18,860,952	306,139	22,349,056
Disposals	-	(625,195)	(8,308,976)	-	(8,934,171)
At 31 August 2019	<u>\$109,047,913</u>	<u>\$ 17,071,563</u>	<u>\$207,172,364</u>	<u>\$ 585,567</u>	<u>\$333,877,407</u>
Accumulated depreciation:					
At 1 September 2017	\$ 93,312,536	\$ 14,158,369	\$160,261,326	\$ 279,428	\$268,011,659
Charge for the year	2,797,072	889,650	16,610,766	-	20,297,488
Written back on disposal	-	(1,203,695)	(18,335,097)	-	(19,538,792)
At 31 August 2018	<u>\$ 96,109,608</u>	<u>\$ 13,844,324</u>	<u>\$158,536,995</u>	<u>\$ 279,428</u>	<u>\$268,770,355</u>
At 1 September 2018	\$ 96,109,608	\$ 13,844,324	\$158,536,995	\$ 279,428	\$268,770,355
Charge for the year	2,728,435	1,020,770	16,642,172	51,023	20,442,400
Written back on disposal	-	(624,015)	(8,308,976)	-	(8,932,991)
At 31 August 2019	<u>\$ 98,838,043</u>	<u>\$ 14,241,079</u>	<u>\$166,870,191</u>	<u>\$ 330,451</u>	<u>\$280,279,764</u>
Net book value:					
At 31 August 2019	<u>\$ 10,209,870</u>	<u>\$ 2,830,484</u>	<u>\$ 40,302,173</u>	<u>\$ 255,116</u>	<u>\$ 53,597,643</u>
At 31 August 2018	<u>\$ 10,705,855</u>	<u>\$ 2,902,919</u>	<u>\$ 38,083,393</u>	<u>\$ -</u>	<u>\$ 51,692,167</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

	2019	2018
Stationery and printing materials	\$ 36,619	\$ 35,281
Publications	856,571	1,012,009
	<u>\$ 893,190</u>	<u>\$ 1,047,290</u>

5 Prepayments, sundry deposits and receivables

	2019	2018
Amount due from the Education Bureau	\$ 19,819,195	\$ 15,106,833
Other receivables	10,902,104	10,401,333
Interest receivable	1,534,701	906,509
Prepayments and sundry deposits	8,927,076	8,231,005
	<u>\$ 41,183,076</u>	<u>\$ 34,645,680</u>

As at 31 August 2019, an amount of \$897,530 (2018: \$125,480) 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 14(a).

6 Cash and bank deposits

	2019	2018
Cash and cash equivalents		
– Cash at bank and in hand	\$ 109,679,568	\$ 101,749,987
Time deposits with maturity over three months at acquisition	171,211,000	160,158,600
	<u>\$ 280,890,568</u>	<u>\$ 261,908,587</u>

At 31 August 2019, cash and bank deposits amounting to \$78,329,966 (2018: \$72,568,783) 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 2019 bear interest at rates ranging from 2.10% to 2.62% (2018: 0.70% to 1.84%) per annum.

7 Contract liabilities/receipt in advance

	31 August 2019	1 September 2018	31 August 2018
Receipt in advance	\$ -	\$ -	\$ 980,992
Contract liabilities	829,056	980,992	-
	<u>\$ 829,056</u>	<u>\$ 980,992</u>	<u>\$ 980,992</u>

Contract liabilities/receipt in advance represents examination fees received in advance of examinations to be conducted after the balance sheet date. As at 31 August 2019, all contract liabilities are expected to be recognised as revenue within one year.

Movements in contract liabilities

Balance at 1 September 2018	\$ 980,992
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the year	(980,992)
Increase in contract liabilities as a result of increase in examination fees received during the year	829,056
Balance at 31 August 2019	<u>\$ 829,056</u>

8 Deferred government grants

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

	<i>HKDSE Exam System Grants</i> (note (i))
At 1 September 2017	\$ 2,772,307
Less: Recognised as Government Grant income	(1,966,808)
At 31 August 2018	<u>\$ 805,499</u>
At 1 September 2018	\$ 805,499
Less: Recognised as Government Grant income	(168,378)
At 31 August 2019	<u>\$ 637,121</u>

8 Deferred government grants (continued)

Amount to be recognised as income:

	2019	2018
Within one year	\$ 637,121	\$ 167,822
After one year	-	637,677
	<u>\$ 637,121</u>	<u>\$ 805,499</u>

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

	2019	2018
Depreciation of fixed assets funded by Government Grants	<u>\$ 168,378</u>	<u>\$ 1,966,808</u>

Note:

(i) 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.

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:

	2019	2018
Contributions to defined contribution retirement plan	\$ 376,665	\$ 372,174
Salaries and other benefits	10,821,774	10,233,202
	<u>\$ 11,198,439</u>	<u>\$ 10,605,376</u>

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

	2019 Number	2018 Number
\$1,000,001 to \$1,500,000	2	-
\$1,500,001 to \$2,000,000	-	-
\$2,000,001 to \$2,500,000	-	3
\$2,500,001 to \$3,000,000	2	-
\$3,000,001 to \$3,500,000	1	1
	<u>5</u>	<u>4</u>

10 Income

	2019	2018
Income from contracts with customers within the scope of HKFRS 15		
Hong Kong Diploma of Secondary Education Examination	\$ 186,677,951	\$ 187,559,958
International and professional and other local examinations	116,689,404	115,975,833
Territory-wide System Assessment / Basic Competency Assessment	80,108,996	75,335,000
Sale of publications	15,950,097	15,998,694
Sundry income	15,449,214	15,369,491
Revenue from other sources		
Government grants		
- Four-year Non-Recurrent Government Funding (note 1)	50,400,000	-
- HKDSE Exam System Grants (note 8(a))	168,378	1,966,808
Interest income	4,068,166	2,528,520
	<u>\$ 469,512,206</u>	<u>\$ 414,734,304</u>

Revenue expected to be recognised in the future arising from contracts with customers in existence at the reporting date

As at 31 August 2019, the aggregated amount of the transaction price allocated to the remaining performance obligations under the Authority's existing Territory-wide System Assessment is \$367 million. This amount represents income expected to be recognised in the future for completion of its performance obligations, which is expected to occur over the next 4 years.

The Authority has applied the practical expedient in paragraph 121 of HKFRS 15 to its income from Hong Kong Diploma of Secondary Education Examination and International and professional and other local examinations such that the above information does not include information about income that the Authority will be entitled to when it satisfies the remaining performance obligations that had an original expected duration of one year or less.

11 Surplus/deficit for the year

Surplus/(deficit) for the year is arrived at after charging/(crediting):

	2019	2018
(a) Staff costs		
Contributions to defined contribution retirement plan	\$ 10,401,485	\$ 10,196,125
Salaries, wages and other benefits	230,091,247	219,334,974
	<u>\$ 240,492,732</u>	<u>\$ 229,531,099</u>
(b) Other items		
Auditor's remuneration	\$ 551,067	\$ 524,767
Operating lease charges in respect of:		
– office premises	7,881,667	7,613,355
– examination halls and equipment	12,120,764	11,649,058
Depreciation	20,442,400	20,297,488
Gain on disposal of fixed assets	<u>(37,320)</u>	<u>(78,996)</u>

12 Taxation

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

13 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.

14 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.

14 Financial risk management and fair values (continued)

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Authority. The Authority's credit risks are primarily attributable to prepayments, sundry deposits and receivables and cash and bank deposits. Management manages these risks as follows:

The Authority's exposure to credit risk arising from cash and bank deposits is limited because the counterparties are banks with high credit ratings, for which the Authority considers to have low credit risk.

Amounts due from Education Bureau and other receivables

Individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. 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 89% (2018: 92%) of total receivables was due from the Authority's five largest debtors.

The Authority measures loss allowances for amounts due from Education Bureau and other receivables at an amount equal to lifetime ECLs, which is calculated using the Authority's historical credit loss experience. At 31 August 2019, all amounts due from Education Bureau and other receivables, based on the invoice date (or date of revenue recognition, if earlier), are within 3 months. Given the customers of the Authority are mainly government-related bodies and reputable professional bodies and the Authority has not experienced any credit losses in the past, management considered that the allowance for expected credit loss is insignificant.

Comparative information under HKAS 39

Prior to 1 September 2018, an impairment loss was recognised only when there was objective evidence of impairment (see note 2(f) - policy applicable prior to 1 September 2018). At 31 August 2018, no account receivables were individually determined to be impaired. These receivables related to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired related to a number of independent customers that had a good track record with the authority. Based on past experience, management believed that no loss allowance was necessary in respect of these balances as there had not been a significant change in credit quality and the balances were still considered fully recoverable.

14 Financial risk management and fair values (continued)

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:

	2018
Neither past due nor impaired	\$ 14,259,693
Less than 1 month past due	\$ 5,436,005
1 to 3 months past due	5,812,468
	<u>\$ 11,248,473</u>
	<u>\$ 25,508,166</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.

(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 including government grants 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 2019 and 2018.

15 Commitments

- (a) Capital commitments outstanding at 31 August 2019 not provided for in the financial statements were as follows:

	2019	2018
Contracted for	\$ 14,960,641	\$ 10,275,339

- (b) At 31 August 2019, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2019	2018
Within 1 year	\$ 8,628,856	\$ 8,082,626
After 1 year but within 5 years	7,314,400	7,949,067
	<u>\$ 15,943,256</u>	<u>\$ 16,031,693</u>

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

16 Material related party transactions

Apart from the transactions and balances disclosed in note 5, 8, 9 and elsewhere in the financial statements, the Authority did not enter into any other material related party transactions.

17 Possible impact of amendments and new standards issued but not yet effective for the year ended 31 August 2019

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended 31 August 2019 and have not been early adopted by the Authority.

These include the following which may be relevant to the Authority.

	<i>Effective for accounting periods beginning on or after</i>
HKFRS 16, <i>Leases</i>	1 January 2019
Annual Improvements to HKFRSs 2015-2017 Cycle	1 January 2019

17 Possible impact of amendments and new standards issued but not yet effective for the year ended 31 August 2019 (continued)

The Authority is in the process of making an assessment of what the impact of these amendments, new standards and interpretations is expected to be in the period of initial application. So far the Authority has identified some aspects of HKFRS 16 which may have an impact on the financial statements. Further details of the expected impacts are discussed below.

While the assessment has been substantially completed for HKFRS 16, the actual impacts upon the initial adoption of the standard may differ as the assessment completed to date is based on the information currently available to the Authority, and further impacts may be identified before the standard is initially applied in the Authority's financial statements for the year ending 31 August 2019. The Authority may also change its accounting policy elections, including the transition options, until the standard is initially applied in financial statements.

HKFRS 16, Leases

As disclosed in note 2(n), currently the Authority classifies leases into finance leases and operating leases and accounts for the lease arrangements differently, depending on the classification of the lease.

HKFRS 16 is not expected to impact significantly on the way that the Authority's accounts for its rights and obligations under a lease when it is the lessor under the lease. However, once HKFRS 16 is adopted, the Authority will no longer distinguish between finance leases and operating leases when it is the lessee under the lease. Instead, subject to practical expedients, the Authority will be required to account for all leases of more than 12 months in a similar way to current finance lease accounting.

The application of the new accounting model is expected to lead to an increase in both assets and liabilities and to impact on the timing of the expense recognition in the statement of comprehensive income over the period of the lease.

HKFRS 16 is effective for annual periods beginning on or after 1 September 2019. The Authority plans to elect to use the modified retrospective approach for the adoption of HKFRS 16 and will recognise the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 September 2019 and will not restate the comparative information. As disclosed in note 15, at 31 August 2019 the Authority's future minimum lease payments under non-cancellable operating leases amount to \$15,943,256 for properties, part of which is payable within 5 years after the reporting date. Upon the initial adoption of HKFRS 16, the opening balances of lease liabilities and the corresponding right-of-use assets will be adjusted, after taking account the effects of discounting, as at 1 September 2019.

Detailed supporting schedules to the balance sheet at 31 August 2019

(Expressed in Hong Kong dollars)

Appendix I

2019 2018

1 Prepayments, sundry deposits and receivables

Interest on fixed deposits and savings account to be received	\$ 1,534,701	\$ 906,509
Service charges and expenses receivable from other examination bodies for the conduct of examinations in Hong Kong	9,980,020	10,064,995
Prepayments and other accounts receivable	8,951,460	7,634,343
Sundry deposits	897,700	933,000
Amount due from the Education Bureau for Basic Competency Assessment	18,639,980	11,007,964
Service charges and receivables from the Education Bureau	1,179,215	4,098,869
	<u>\$ 41,183,076</u>	<u>\$ 34,645,680</u>

2 Accounts payable and accruals

Provision for unutilised annual leave	\$ 19,852,604	\$ 21,808,908
Provision for gratuity payments	24,205,591	24,711,379
Provision for examination personnel expenses	15,906,264	12,366,010
Amount due to The Associated Board of the Royal School of Music	72,758,118	66,804,000
Payables to fixed assets suppliers	6,968,670	10,821,404
Other accounts payable and accruals	27,954,255	26,208,474
	<u>\$ 167,645,502</u>	<u>\$ 162,720,175</u>

Detailed supporting schedules
to the statement of comprehensive income
for the year ended 31 August 2019
(Expressed in Hong Kong dollars)

Appendix II

	2019	2018
1 Income		
(a) Hong Kong Diploma of Secondary Education Examination		
Examination fees	\$ 161,579,489	\$ 163,409,632
Supplementary fees	945,236	935,889
Rechecking and remarking fees	24,153,226	23,214,437
	<u>\$ 186,677,951</u>	<u>\$ 187,559,958</u>
(b) International and professional and other local examinations		
International and professional and other local examinations	\$ 104,605,122	\$ 103,967,352
Language proficiency assessment for teachers	12,084,282	12,008,481
	<u>\$ 116,689,404</u>	<u>\$ 115,975,833</u>

Detailed supporting schedules
to the statement of comprehensive income
for the year ended 31 August 2019 (continued)
(Expressed in Hong Kong dollars)

		Appendix II (continued)	
		2019	2018
2	Expenditure		
(a)	Staff costs		
	Contract gratuities	\$ 17,051,593	\$ 15,922,987
	Medical and dental	7,865,398	8,186,037
	Overtime	910,422	894,223
	Contributions to the retirement benefit scheme and the MPF scheme	10,401,485	10,196,125
	Salaries and other allowances	190,860,327	181,124,628
	Temporary staff	13,403,507	13,207,099
		<u>\$ 240,492,732</u>	<u>\$ 229,531,099</u>
(b)	Examination personnel expenses		
	Multiple choice item writers	\$ 141,899	\$ 137,559
	Moderators/Setters/Examiners	11,009,225	10,511,304
	Markers/Oral examiners	57,730,415	56,377,039
	Centre supervisors and invigilators	12,488,425	11,722,973
	Other examination personnel	5,107,603	5,078,808
		<u>\$ 86,477,567</u>	<u>\$ 83,827,683</u>

Detailed supporting schedules
to the statement of comprehensive income
for the year ended 31 August 2019 (continued)
(Expressed in Hong Kong dollars)

	Appendix II (continued)	
	2019	2018
2 Expenditure (continued)		
(c) Administrative and other operating expenses		
Air-conditioning, electricity and water	\$ 6,439,375	\$ 6,224,724
Audit fee	551,067	524,767
Barcode label and other scan cost	1,387,082	1,024,237
Building maintenance and cleaning	7,223,231	5,474,161
Computer service and maintenance	18,698,729	14,453,495
Examination materials	2,277,770	2,096,338
Furniture and equipment	976,757	1,910,716
Hired transport	4,258,483	4,345,895
Insurance	931,552	845,246
Legal consultancy and professional fees	1,658,255	1,579,354
Listening test recurrent expenses	739,930	553,617
Miscellaneous	3,038,790	2,994,207
Postage and air freight	1,065,971	1,158,504
Pretest	166,784	110,900
Printing, publication and stationery	17,550,578	16,441,009
Rent, management fees and rates	13,366,304	13,060,483
Rental of examination halls and equipment	12,120,764	11,649,058
Research project	180,913	-
Securing services	3,749,295	3,607,012
Staff training and travelling	1,353,434	1,283,592
Staff welfare	298,982	311,056
Telephone, fax and internet charges	1,399,721	1,532,891
	<u>\$ 99,433,767</u>	<u>\$ 91,181,262</u>

Hong Kong Examinations and Assessment Authority

Report on Activities September 2018 – August 2019

Introduction

The year of 2018/2019 was a progressive, exuberant yet challenging one for the Hong Kong Examinations and Assessment Authority (HKEAA). The activities of the year were multifarious and some were particularly forward-looking. This report presents the HKEAA's activities in two major areas in the financial year ending 31 August 2019, including (i) corporate governance and development, and (ii) examinations and assessments, in particular the development, administration and delivery of the Hong Kong Diploma of Secondary Education Examination (HKDSE). A list of the examinations conducted by us is given in the **Attachment**.

Part I Corporate Governance and Development

- (A) Corporate Information Updates
- (B) Local, Mainland and Overseas Partnership
- (C) General Administration, Finance and Information Technology (IT) Governance
- (D) Quality Assurance

Part II Examinations and Assessments

- (A) HKDSE and Language Proficiency Assessment for Teachers (LPAT)
- (B) New Initiatives in Examination Administration and Assessment
- (C) Research and Development
- (D) Territory-wide System Assessment (TSA)
- (E) Diversification of Activities (International and Professional Examinations) (IPes)

Part I Corporate Governance and Development

(A) Corporate Information Updates

Stakeholders' Engagement

1. In January 2019, an annual Open Day and four sessions of Information Seminars on the HKDSE Core Subjects were organised. Visits by a frequency of over 1,000 members of the public, including students and parents were recorded.
2. The Parent Seminar series aiming to raise parents' understanding about the HKDSE and other examinations suitable for secondary school leavers was scheduled for September 2018 and August 2019 respectively. The two seminar sessions attracted about 750 participants in total.
3. To enhance communication and engagement with stakeholders, a Stakeholders' Forum was held in February 2019. Over 20 representatives of school councils, education concern groups, youth groups, parent-teacher associations as well as concern groups for students with special educational needs (SEN) took part in the forum to share their views on the HKEAA's policies and services.
4. We participated in the 25th Hong Kong International Education Expo and the 26th Hong Kong International Education and Careers Expo in May and July 2019 respectively to promote the recognition of the HKDSE and understanding of various international examinations administered by the HKEAA. During the Expos, seminar sessions on 'Examination Services of the HKEAA and Multiple Pathways for Students' were attended by over 200 parents and students.
5. As a socially responsible organisation, the HKEAA donated 89 used Onscreen Marking (OSM) computers to two On-campus Assessment Centre schools for educational use in June 2019. The HKEAA is planning to donate, on a larger scale, other OSM computers to local secondary schools in the 2019/2020 school year.

Promoting the HKDSE

6. To promote recognition of the HKDSE, we gave presentations at the StudyUK Education Exhibitions held by the British Council in February and July 2019, as well as the information sessions at the EduCanada Fair ran by the Consulate General of Canada in Hong Kong in September 2018. We also participated in the briefing session at the annual Mainland Education Expo organised by the Education Bureau (EDB) and an information seminar organised for admission officers of universities in Japan in November 2018. By the end of August 2019, a total of 284 overseas higher education institutions had announced their acceptance of the HKDSE qualification for admission to their undergraduate programmes, in addition to 112 Mainland institutions and some 140 Taiwanese institutions which admit students on the basis of their HKDSE results.

Publications and Publicity

7. In the year, we published four issues of the HKEAA e-News to provide updates on our latest development, including the HKDSE and other assessment services, to local and overseas stakeholders.
8. The HKEAA launched the HKDSE Mobile Application version 8.0 in early 2019. Candidates could log in to view their examination via this version. By the end of August 2019, the HKDSE Mobile Application had recorded nearly 239,000 cumulative downloads since its launch in 2012. The *DSE Express*, a dedicated blog to provide updates on the HKDSE also recorded more than 108,000 visits in 2018/2019.

Media Relations

9. During the year, we arranged media conferences, media interviews and events as well as press releases and messages to provide the public with updates and information on the 2019 HKDSE results, assessment, examination arrangements and major policies. Press briefings were also organised to introduce international examination services and the HKEAA computer-based testing (CBT) system. From September 2018 to August 2019, about 130 media enquiries, over 70% of which concerned the HKDSE, were handled.

Awards

10. Two staff members received the ‘Ombudsman’s Awards 2018 for Officers of Public Organisations’ in recognition of their exemplary customer service. Since 2012, a total of 11 staff members have received the same award.

HKEAA Code on Access to Information (the Code)

11. In 2018/2019, a total of nine requests for information made under the Code were processed. Among them, five requests were fully complied with and one was withdrawn and the HKEAA does not have the information concerned for one request. Two requests were declined for reasons set out in Part 2 of the Code.
12. To make it more convenient for the public to submit requests, an online application form was introduced in September 2018. Since then four out of the nine requests were received through the online form in the year.

(B) Mainland and Overseas Partnership

Networking with Partners

13. The HKEAA continued its active participation in academic conferences. In the International Association for Educational Assessment (IAEA) Annual Conference in Oxford, UK in September 2018, the HKEAA representatives presented papers on five different research studies. We also sent representatives to report on our research in the 13th Cross-Strait Conference on Educational and Psychological Testing held in Taiwan in October 2018 and the Pacific Rims Objective Measurement Symposium 2019 in Surabaya, Indonesia.

14. In early November 2018, an HKEAA delegation visited the National Taichung University of Education and exchanged professional views on common topics of educational assessment, especially the Basic Competency Test and the Adaptive Learning System. The delegation also participated in a conference organised by the College Entrance Examination Center (CEEC) of Taiwan to promote the HKDSE, which was attended by over 600 participants from the Ministry of Education, universities, educational research centres, and secondary schools from different regions of Taiwan. The CEEC visited the HKEAA in April 2019 reciprocally to share experience and best practices of examinations and assessment development, in particular the scanning and OSM operations.
15. The Shanghai Municipal Educational Examinations Authority visited the HKEAA in March 2019 to learn about the latest development of the HKDSE and the administration of public examinations, particularly the scanning and OSM operations.
16. The Minister-Counsellor for Education and Research at the Australian Embassy in Beijing visited the HKEAA in March 2019. The development of the HKDSE and the recognition of the HKDSE by Australian universities for admission were discussed.
17. An HKEAA delegation visited The Education Examinations Authority of Guangdong Province in April 2019 and a Memorandum of Understanding for Collaboration would be signed for mutual collaboration and sharing of best practices in examinations and assessment development.

(C) General Administration, Finance and IT Governance

Human Resources Management

18. The HKEAA monitored staff attrition closely and made strategic use of resources earmarked to enhance market competitiveness to retain invaluable staff.
19. As a family-friendly employer, we formally rolled out ‘5-day work week’ commencing 1 September 2018 among most of our offices without increasing staff cost or affecting the current service level. To reinforce our position as ‘Employer of Choice’, we revisited our flexi-time and compensation leave clearance arrangements with appropriate changes to better meet the operation needs of various divisions/ units and also enhanced paternity and maternity leave entitlements commensurate with international labour standards with effect from 1 January 2019.
20. As an internationally recognised examinations and assessment authority, we have always attached paramount importance to staff integrity and from time to time reviewed our Employee Code of Conduct according to the prevailing focus on matters relating to legal compliance and high behavioural standards of employees. In 2018/2019, we further enhanced our Employee Code of Conduct, revamped our staff pre-departure procedure and updated our Staff Handbook.
21. To ensure the sustainable development of our workforce, we have rigorously pursued leadership development and succession planning. We rolled out Phase 2 of the Leadership Development Programme and conducted a series of high-level talent discussion for the purposes of talent management and building a sustainable talent

pipeline coupled with individualised development plans for selected staff. Our other staff training programmes were either geared towards professional knowledge/ skills or generic skills like problem solving, critical thinking, communication, project and time management, etc.

22. As an engaging employer, we have been keen on ‘employee voice’ and hence attached great importance to employee communication. In 2018/2019, a total of four sessions of All Staff Meeting were organised to share organisational updates and gauge staff feedback. To recognise staff through non-financial means, we also presented awards to some distinguished staff and the award winners of the Staff Suggestion Scheme. To promote a collaborative labour-management culture, the terms of reference of our Staff Relations and Communications Committee were revised with greater weight attached to staff representation and communication.
23. To better embrace future challenges, the HKEAA completed restructuring of the Assessment Technology and Research Division to enhance its capacity in assessment-related research and implementing initiatives pertaining to the advancement of ‘assessment for learning’. Besides, an independent consultant was commissioned to review the organisation structure of the Internal Audit Unit and the Public Affairs and Communications Unit.

Building/ Facilities Management

24. Most of our premises have aged severely. To ensure public safety and maintain our premises in usable conditions, we carried out necessary repair and maintenance works in the San Po Kong Building, including the replacement of a chiller, modernisation of the elevator and upgrading of the power system. Except for the elevator, of which modernisation will be completed in October/ November 2019, the other works were completed by the end of August 2019. To ensure the building’s usability, other maintenance plans would be phased in as necessary.
25. On a separate front, urgent repairs were arranged for the Tsuen Wan Assessment Centre (TWAC) to eliminate threats to public safety caused by the devastating Super Typhoon Mangkhut. To ensure uninterrupted operation of the scanning centre in the TWAC in the 2020 examination cycle, we have planned to re-roof the premises with a new water-proof layer.

Development of an Integrated Corporate Services System (ICSS)

26. To meet our operation needs and conduce to operation efficiency, the development of ICSS to support corporate-wide administration in respect of human resources management, financial management, document management, procurement, etc., commenced in August 2019. The development work of this first-ever multifunctional system underpinning operations on various fronts of the HKEAA will span over two years. In the course of development, multifaceted business processes will be reviewed for the sake of efficiency gain. Manpower saved from the implementation of the ICSS, if any, will be redeployed to meet new demands.

Business Process Re-engineering

27. To enhance our operation efficiency and productivity, we have from time to time reviewed various administrative and financial procedures. In 2018/2019, we explored the feasibility of combining certain examination logistics of the HKDSE for implementation in the 2020 examination and revamped respective guidelines on the processing of requests for information according to the Code and booking and using corporate car and business trip/ overseas duty visit. Besides, we decided to consolidate the processes involved in the production of this report and the HKEAA Annual Report by aligning the reporting period as 1 September 2018 – 31 August 2019.
28. On a separate front, we widened the use of cashless payment means to enhance customer service and reduce costs associated with cash handling. Credit cards of various brands, contact-less payment channels and online payment through different brands of credit cards have been accepted starting from 2018/2019, in addition to the established means of accepting payments. To cater for the use of electronic payments, a Data Access Request (DAR) e-form was implemented to support the applications for rechecking and remarking (RR) operation of the HKDSE in 2019, which also eased the bottleneck in processing DAR applications by spreading them more evenly throughout the application period. In light of the rewarding experience, we have also kick-started a study on the use of the Fast Payment System (or more widely known as 'FPS') to facilitate transactions.
29. To support the Government's budget initiative of paying HKDSE fees for school candidates in 2019, we streamlined our registration and related processes of the HKDSE in consultation with the EDB and the school sector so as to facilitate the implementation of the initiative and reduce administrative workload on the part of schools simultaneously.

Tackling Financial Difficulties

30. In 2018/2019, with the EDB's support, the Finance Committee of the Legislative Council approved the non-recurrent four-year funding commitment of \$360.8 million in support of the HKEAA's operation until 2021/2022. A sum of \$50.4 million was transferred to the HKEAA in the fourth quarter of 2018/2019 having regard to the HKEAA's cash flow requirements.
31. To tackle the structural deficit problem of the HKDSE operation resulting from demographic changes, a joint Task Force on the Long-term Funding of the HKEAA has been set up in conjunction with the EDB to explore possible funding options.
32. As a publicly accountable statutory organisation, the HKEAA has redoubled efforts in cost reduction/ containment in 2018/2019. Measures taken or to be taken include: widening the use of electronic means of payment, reducing the frequency of internal despatch and the use of hired transport, switching to the mailing/ courier service of the Hong Kong Post rather than in-person delivery of meeting documents, choosing a lower-cost solution for ICSS development, deferring hiring to reduce staff costs, implementing paperless meetings on a trial basis, switching to networked photocopiers for desktop printing as opposed to using individual desktop laser printers, streamlining the process of collecting answer scripts of SEN candidates, reducing power consumption by reviewing the fittings of light bulbs/ fluorescent tubes, adopting the international versions of the Hindi and Urdu examinations of Cambridge Assessment International

Education for Category C subjects effective from the 2020 HKDSE, etc. Efforts on driving down operation costs will continue.

Enhanced IT Governance and Information Security

33. Since our examination operations are largely technology-driven, we are committed to achieving the best level of information security and system reliability. Stringent measures have been in place to ensure seamless operation of various its systems. At the same time, we crafted for implementation in June 2019 a guideline on handling breaches of personal data security to better equip our staff with necessary alertness and knowledge.
34. Apart from the usual compliance audits of ISO 27001 Information Security Management System and ISO 20000 Information Technology Service Management, we also engaged an independent consultant to study the enterprise-wide information security of the HKEAA. Initial findings would be available around the end of 2019.
35. To enhance our capacity of handling IT incidents, we have established partnership with the Cyber Security and Technology Crime Bureau of the Hong Kong Police Force to conduct a drill exercise by simulating cyber-attacks on an annual basis. The first-ever drill took place in May 2019 and the theme was ‘Combating DDoS Attacks’.
36. The installation of Windows 10 was completed on all workstations in 2018/2019 and the security loophole caused by the end of support to the older versions of Windows was then closed.

(D) Quality Assurance

The ISO 9001 Quality Management System (QMS) Audit

37. The HKEAA is committed to providing fair and reliable examinations and assessment services in a professional, efficient and effective manner. To achieve this, we have implemented the ISO9001 QMS since 2005. After obtaining the certification for fulfilment of the ISO 9001:2015 International Standard in May 2018, the HKEAA continued with process enhancement for achieving an effective QMS. To fulfil the certification requirement, an annual surveillance audit was successfully conducted in late February 2019, with no non-conformity noted by the certification body.

Risk Management and Internal Audit

38. We have continued to oversee the risk assessment and review the internal control of the HKEAA independently. A risk-based audit approach was adopted. Internal audits, such as budgetary control; staff recruitment, selection and appointment; HKDSE examination irregularities and complaint handling; marking and remarking process of the HKDSE; physical count of the 2019 HKDSE surplus question papers and checking against its usage records; and review of the IPE Systems had been conducted. No significant control deficiencies were noted.
39. In light of the social movements all over the territory commencing June 2019, we rigorously stepped up vigilance to ensure safety and security of our staff and property.

Besides, a contingency plan was devised in case our operations in Southorn Centre and Sunlight Tower were badly disrupted, to that core functions of the affected divisions/units could be maintained with minimised impact on public service.

Internal Control Self-assessment

40. An online survey on internal control self-assessment was conducted recently to collect staff views about the internal control within their divisions, including the ethical practices, the management philosophy and the operational processes. The result confirmed that there was adequate internal control within the HKEAA.

Part II Examinations and Assessments

(A) HKDSE and LPAT

2019 HKDSE

41. The June and September registrations for the 2019 HKDSE were successfully completed in July and October 2018 respectively, recording a total of 56,159 candidates, of whom 7,854 were private candidates. The June registration covered Category C (Other Languages) subject examinations while the September registration covered Category A and Category B subject examinations. To familiarise schools with the enhanced registration functions of the HKDSE System, two briefing sessions attracting a total attendance of more than 400 school staff were held in September 2018.
42. The 2019 HKDSE was conducted from mid-February to May 2019 with the cooperation and support of schools, teachers and examination personnel. Additional measures were instituted in the examination centre allocation process to ensure the proper allocation of candidates to examination centres in the 2019 HKDSE. The final allocation was completed satisfactorily as scheduled.
43. The written examinations were scheduled between end-March and end-April, while the Chinese Language and English Language speaking examinations were held on weekday evenings from 12 to 21 March and from 29 April to 9 May 2019 respectively. Compared with the previous year, the candidature went down by 4.8% (from 59,000 to 56,159). The majority of the candidates were Secondary 6 students from 482 schools, who had completed the three-year senior secondary curriculum. The number of day school candidates decreased by 7%, while the number of private candidates increased from 7,364 to 7,854 (increased by 6.7%).
44. As part of the Medium-term Review of curriculum and assessment, Chinese Literature, Literature in English, Health Management and Social Care, and Technology and Living implemented School-based Assessment (SBA) for the first time in the 2019 HKDSE. As a result, SBA is implemented in a total of 14 subjects starting from the 2019 HKDSE. On the whole, the submission of marks and samples by schools in early 2019, and the subsequent SBA mark moderation were smoothly and duly completed as scheduled.
45. The updated version of the OSM system, i.e. OSM2, has been fully implemented for the marking of all the written papers of Category A subjects. The marking of the four core

subjects was smoothly completed in late May 2019 and that of the elective subjects in early June as planned.

46. Different processes, such as equating and SBA mark submission and moderation, were completed smoothly as scheduled for the 2019 examination. Standards maintenance was carried out to ensure that the grades awarded are comparable across years. Expert panel meetings for the grading of the core subjects and the elective subjects were held in June and the results were released on 10 July as scheduled.
47. The appeal review applications in respect of processing of examination irregularities, the process of RR and the marking of scripts after access to scripts after DARs recorded 10, 3 and 42 cases respectively. In accordance with the *Personal Data (Privacy) Ordinance*, 10,047 HKDSE candidates filed DARs for examination-related personal data, including marked examination scripts and/ or speaking examination video clips, before the scripts were destroyed.

Special Examination Arrangements for SEN Candidates

48. In 2018/2019, 3,329 applications for special examination arrangements (SEAs) for the 2019 and 2020 HKDSE were received, which represented an increase of approximately 5% over 2017/2018. In the 2019 HKDSE, SEAs were provided for 3,084 SEN candidates. In written examinations, 144 home centres were set up to cater to their specific needs for ancillary equipment (including the provision of speech-to-text software) and/ or familiar environment at their own schools. In addition, 99 schools served as home-cum-district centres to accommodate their own and other candidates with similar SEAs in the same district, while 20 special centres were set up to serve other SEN candidates. To enhance operational efficiency, the speaking examinations for SEN candidates were conducted from 14 to 17 May 2019, immediately following the English Language speaking examinations.
49. As a whole, about 6,600 special question papers were produced for SEN candidates, with marked increases in screen reader question papers and question papers with plain text labels/ descriptions, both of which require much effort to prepare. Measures were taken to handle the increasing number of special question papers required. Various types of special question papers were smoothly produced to support the administration of the examinations for SEN candidates.

Provision of Support to Teachers and Students

50. To enhance transparency and teachers' understanding of the examination, briefing sessions on the review of the 2018 examination were held for all 24 Category A subjects and Applied Learning (ApL) subjects from September to November 2018. Samples at different levels of performance for these subjects were also uploaded to the HKEAA website to enable teachers, students and other stakeholders to better understand the standard of the HKDSE. In addition, the 2018 HKDSE Question Papers for the 24 Category A subjects have been available for sale since early November 2018 for the reference of teachers and students.
51. Over 170 briefing sessions, training sessions, workshops and conferences sessions were conducted in 2018/2019 for different subjects. Examples of these included workshops

on question-setting and marking in written examinations, teachers' conferences and experience-sharing sessions on SBA, and training sessions on designing SBA tasks and developing assessment rubrics for specific subjects.

Assessment Literacy Training (ALT)

52. Four ALT courses were continued to be conducted in February and March 2019 for secondary school teachers. The major assessment principles and practices adopted in the HKDSE were used as the context and the programme covered three major areas, namely Basic Understanding of Assessment, Quality Assurance in Public Assessment (examination paper production, marking and grading), and Assessment for Learning. More than 100 school teachers from 66 schools participated in the programme. Teachers found the programme useful and their feedback was positive.
53. Besides the ALT for secondary school teachers, assessment literacy training sessions were conducted in September and October 2018 for tutors of the Course Providers (CPs) of Category B ApL Chinese and ApL subjects respectively. Three training sessions were conducted to a total of over 110 CP representatives.
54. Riding on the positive feedback from participants in the previous two years, the Course on English Language Assessment, a 10-session training course, was conducted again for 20 secondary school teachers from October to December 2018, enabling them to acquire a deeper understanding of key areas of English language testing.
55. We also conducted ALT for other institutions / professional bodies such as the Hong Kong Police College, the Hong Kong Construction Industry Council, the Employees Retraining Board, the Hong Kong Customs and Excise Department and the Hong Kong Fire Services Department. Six training sessions were conducted for a total of about 320 personnel involved in assessment design and/ or implementation.

HKDSE School Statistical Report

56. The HKDSE School Statistical Report has been provided to schools since 2012. This is a school-specific report showing results statistics of the school compared to the overall statistics of all day schools. Three types of reports are available, viz. the school report, the class report, and the teaching group report. For continuous enhancements, the report is complemented with the refinement of the reporting of students' performance in Category B ApL subjects, i.e. from the existing two levels of 'Attained' and 'Attained with Distinction' to 'Attained', 'Attained with Distinction (I)' and 'Attained with Distinction (II)'. Considering some suggestions from schools, the report is enriched with detailed item-level statistics for the practical papers of Visual Arts and Music, and new question-level statistics for all subjects. Starting from the 2019 HKDSE, the reports will be produced in softcopy (i.e. CD-ROM) only.

Payment of Examination Fees for the 2020 HKDSE School Candidates by the Government

57. In light of the rewarding experience in the 2019 HKDSE, streamlined processes of registration and direct settlement of fee payments with the EDB will continue for the 2020 examination.

Refresh of the HKDSE System

58. To tackle the ‘end-of-service-life’ issue, the project to refresh the HKDSE system, formally kick-started in April 2018, continued throughout 2018/2019. Through internal re-deployment of resources and hiring of time-limited project staff, both hardware and software would be refreshed in different phases according to the annual examination schedule. As a result of the extremely tight labour market of the IT sector, there had been a shortage of project manpower, which caused a delay in the completion time of the project by four months. We have flexibly deployed manpower and taken appropriate measures to retain staff. As such, the entire project is expected to be completed by December 2021.

LPAT

59. The 2019 LPAT was successfully conducted from mid-February to March 2019. A total of 1,495 candidates sat the English Language papers while 1,749 sat the Putonghua papers. The results were released on 23 May 2019 as scheduled. A total of 137 applications for RR were received. The RR results were released on 27 June 2019. The Assessment Reports, which provide the chief examiners’ observations on candidates’ performance, including their strengths and areas for improvement, were released in July 2019 through the websites of the HKEAA and the EDB for the reference of candidates, schools and teacher education institutions.

(B) New Initiatives in Examination Administration and Assessment

Second Generation Public Examination Support System (PESS2) Project

60. PESS2, with the adoption of smartphones for conducting the HKDSE English Language speaking examination, continued to support the 2019 HKDSE with extended coverage of the HKDSE Chinese Language and the LPAT speaking examinations. We are now exploring the feasibility of using smartphones to support examination operations customised for SEN candidates in 2020.

(C) Research and Development

HKDSE Predicted Level Study

61. A record high of 166 schools with a total of 19,506 candidates took part in the HKDSE predicted level study in 2018. In other words, this study represented about one-third of the day school first-attempter candidature. The results of data analysis continued to show a consistent pattern of having a more accurate prediction for the subjects of English Language and Mathematics (Compulsory Part) than Chinese Language and Liberal Studies. A briefing session was held on 14 November 2018 to share key findings with representatives of participating schools. The principal of a school achieving good predictions was invited to share experience in learning, teaching and internal assessments in the school.

Research and Development Projects for HKDSE

62. A number of research projects related to the HKDSE language subjects were completed and their initial findings pointed to new directions for further studies. For better assessment designs and more efficient use of resources, a study on the factor structure of HKDSE English Language examination was conducted using the 2017 examination data to investigate the relationship between the four components, namely, reading, writing, listening and speaking of the examination. A factor structure analysis was also conducted to quantify the relationships and relative importance of each of the four papers, namely, Reading, Writing, Listening & Integrated Skills, and Speaking in the 2017 Chinese Language examination.
63. A study on double marking was conducted using the HKDSE 2018 Chinese Language writing examination data. The results were reassuring that double marking helped to screen out some unreliable marks. It was also found that the current performance rating is a good indicator of the markers' marking accuracy.
64. The benchmarking study between the HKDSE English Language examination and the IELTS reported some promising progress. Sufficient samples were collected for statistical analysis.
65. In 2018/2019, eight research projects have been kick-started focusing on seven Category A subjects. These projects would be completed in one to two years.
66. In addition to exploring the feasibility of computer-delivered speaking examinations, the HKEAA is proactively studying the possibility of introducing computer-based tests and using artificial intelligence (AI) in marking. In this connection, two technology companies were approached in July and August 2018 respectively to understand their products and explore their feasibility for use in the HKDSE.

A Project to Develop an HKDSE School Feedback System (SFS)

67. To promote assessment for learning in schools, a project to develop an HKDSE SFS was initiated in August 2019. Apart from providing schools with examination statistics of their students in the current HKDSE School Statistical Report, this system will provide diagnostic feedback reports, which will highlight the strengths and weaknesses of their students with respect to different learning domains, or skill sets.

Quality Assessment Management Accreditation Scheme (QAMAS) Certificate Presentation Ceremony

68. Over 100 principals and teachers attended the QAMAS ceremony held on 17 November 2018, where 13 primary and secondary schools received their accreditation certificates in recognition of their commitment to quality examination and assessment management. The event also featured a sharing session in which teachers from two QAMAS member schools talked about their experience in implementing the electronic marking at school. The QAMAS team presented a new accreditation framework that puts more emphasis on communication with parents and other stakeholders and risk management.

Assessment Quality-assurance Platform (AQP)

69. Enhanced features of the AQP were launched in September 2018. Major changes included a new analysis result summary and more practical examples in the FAQs section. To encourage more teachers to use AQP, an electronic marking module is under construction. The prototype of the tablet application had been completed and teachers were invited to try out the functions. The feedback was generally positive.

Research Forum

70. The HKEAA organised its inaugural Research Forum on the theme of ‘Using Assessment Data for Better Learning and Teaching’ on 31 October 2018, in collaboration with the EDB. More than 400 participants, including teachers, school leaders, and academics joined this forum.

Promotion of Research Collaboration

71. The HKEAA has been supporting a number of research projects by providing HKDSE data and AQP as a data analysis tool to researchers in several universities. The focus of studies includes dyslexic students’ performance in Chinese Language writing examination, performance difference between candidates taking the Chinese and English versions of Biology and Geography examinations, etc. Researchers will be invited to share their findings in future Research and Development Committee meetings of the HKEAA.
72. To promote further research collaboration with universities and schools, the HKEAA is updating relevant webpages for teachers and educators to get information about HKEAA’s research activities more easily. A new page for the AQP was set up where viewers might download the latest version of the promotion leaflet and access some frequently asked questions about the AQP.

(D) TSA

73. Since 2018, the Territory-wide System Assessment (TSA) of Primary 3 (P3), Primary 6 (P6) and Secondary 3 (S3) have been implemented under different modes. The P3 TSA is conducted on a sampling basis and an opt-in mode on a voluntary basis. At the territory-wide level, students are sampled to participate in the P3 TSA every year. Schools may choose if they want all their P3 students to participate in the TSA and obtain school reports from the HKEAA. The P6 TSA is conducted only in odd numbered years but implemented on a voluntary basis in even numbered years. The implementation of the S3 TSA with full participation of S3 students remains unchanged.
74. The results of P3 and S3 TSA 2018 were released on 23 October 2018. Students’ performance remained steady. The HKEAA provided schools with four kinds of school reports, namely Existing version, Simplified version, Integrated version and Information Analysis Report. In addition, from 2018 and onwards, five special reports on Non-Chinese Speaking (NCS) students’ performance in English Language and Mathematics and reports on the performance of students with SEN in Chinese Language, English Language and Mathematics, are available.
75. To facilitate teachers’ better understanding of students’ overall performance, a total of 12 seminars covering different subjects and class levels were held by the HKEAA in

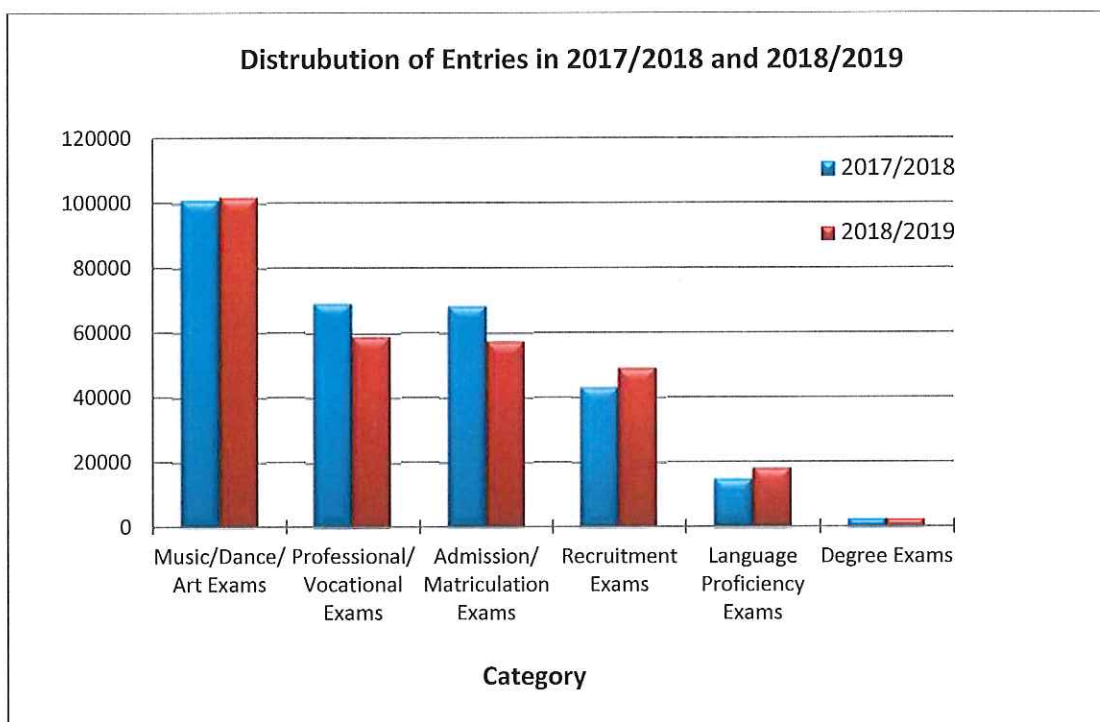
November 2018. The HKEAA also organised seminars on the overall performance of NCS and SEN students in the TSA for the teachers at primary level.

76. The oral assessments for P3, P6, and S3, as well as the Chinese audio-visual (CAV) assessments of the P3 and P6 TSA 2019 were conducted in late April and May 2019. The written assessment of the 2019 TSA was conducted smoothly in June 2019. The P3 TSA was conducted on a sampling basis and an opt-in mode on a voluntary basis while the P6 and S3 TSA were implemented in a full participation mode.
77. To enhance school teachers' assessment literacy, four item writing workshops were organised in June 2019 by the HKEAA. Teachers of Chinese Language, English Language and Mathematics subjects participated in the workshops. Positive feedback from participants was received.
78. The HKEAA continues to collect views from different stakeholders to enhance the assessment design and operation of the TSA. In January 2019, a Focus Group Meeting (FGM) was organised for schools who participated in the P3 TSA voluntarily to collect their views on the school reports. Teacher representatives of the above three subjects from four different districts attended the meetings. Most of the teacher representatives welcomed the provision of the different kinds of reports. In July 2019, six FGMs on Chinese Language, English Language and Mathematics at P3 were organised. A total of 342 teacher representatives from 112 primary schools attended these FGMs. In addition, as in previous years, FGMs for marking personnel were held in mid-July, with more than 300 marking personnel participating in them. On the whole, positive feedback on the quality of assessment items and assessment administration was received.

(E) Diversification of Activities (IPEs)

Candidate Entries

79. The total candidature of international and professional examinations (IPEs) in 2018/2019 was 288,284, representing a decline of around 3.6% on last year mainly due to the loss of service agreement involving a professional qualification examination and a slowdown of growth in the candidatures of a few major examinations. However, there were growths in candidature in Music, Recruitment and Language Examinations.



Outreach Activities

80. A media briefing was held jointly with Associate Board of the Royal Schools of Music (ABRSM) on 30 November 2018 to announce a new qualification, the ARSM¹ Diploma. An ABRSM representative delivered a presentation on ARSM, and two young musicians who had been awarded distinction in recent ARSM examinations were invited to share experience on their music making journeys.
81. A promotion seminar was held in conjunction with the Central Conservatory of Music and Chinese Folk Dance Graded Test Centre on 14 December 2018 to promote a basket of singing and dancing examinations targeting to assist children at a tender age to develop their artistic potentials. Singing and dancing experts from both examination boards came all the way from the Mainland to deliver presentations on their respective qualifications. Experienced teachers were invited to share how these qualifications could help inspire young children.
82. To keep in pace with the latest trend of increasing use of computers in examinations across the globe, the HKEAA has redeveloped its CBT system to enhance the robustness, security, maintainability and expandability of its international and professional examinations. The salient advantages of the new CBT system were introduced to the media on 29 January 2019.
83. A talk was delivered on 23 March 2019 introducing various international examinations, including IAL², GCE³, IGCSE⁴ and GCSE⁵ examinations. The talk also covered the subsidisation scheme of examination fees for Chinese language examinations for eligible NCS school candidates, which was offered by the Education Bureau. The event was organised for NCS Parents and Students by the HKEAA in conjunction with the Committee on Home-School Co-operation, the Hong Kong Institute of Vocational

Education, the Hong Kong Police Force and the Salesians of Don Bosco Ng Siu Mui Secondary School. An introduction on the HKDSE was also delivered.

84. Similar to previous years, support was provided to ABRSM to organise the Diploma Awards Ceremony and Appreciation Luncheon for Practical Examination Studio Proprietors of ABRSM on 7 April and 8 April 2019 respectively.
85. Representatives of the HKEAA attended the Pearson Qualifications Awards Presentation Ceremony 2019 on 8 June 2019, and presented prizes to the awardees with outstanding performance in Pearson Edexcel IGCSE, IAL, GCE and GCSE in 2018.

Enhancement of Customer Service

86. In order to accommodate the introduction of more CBT as a trend, an examination room in the San Po Kong Building was selected to pilot run the setup of dual-purpose rooms catered for the conduct of both paper-based and computer-based tests. The project was completed by April 2019 and candidates sitting examinations of both test formats expressed highly positive feedback in the subsequent customer satisfaction surveys.
87. The IPEs System Migration Project commencing in March 2016 was completed in August 2019. A series of enhanced IPEs online services followed, including online despatch of admission tickets, release of examination results, re-scheduling of examination timeslots, etc. The revamped IPEs system has increased our capacity and efficiency in operation as well as enhanced customer experience.

New Examinations Introduced in 2018/2019

88.	Examination Body	Examination Name	Examination Format	Place of Origin
	Paragon Testing Enterprises Inc.	Canadian English Language Proficiency Index Program Canadian Academic English Language test	Computer-based	Canada
	National Dental Examining Board of Canada	Dental Specialty Core Knowledge Examination Assessment of Clinical Judgement Virtual Objective Structured Clinical Examination Assessment of Fundamental Knowledge	Computer-based	Canada
	ACTION Certification LLC	ACTION Certified Personal Trainer Examination	Computer-based	USA
	Society of Human Resources Management	SHRM Certified Professional Examination	Computer-based	USA

	SHRM Senior Certified Professional Examination		
Electrical and Mechanical Services Department, the Government of the Hong Kong SAR	Examination for Registration as a Grade C Electrical Worker	Paper-based	HKSAR

Notes

¹ ARSM: Associate of the Royal School of Music

² IAL: International Advanced Levels

³ GCE: General Certificate of Education

⁴ IGCSE: International General Certificate of Secondary Education

⁵ GCSE: General Certificate of Secondary Education

Secretary General
Hong Kong Examinations and Assessment Authority
December 2019

HONG KONG EXAMINATIONS AND ASSESSMENT AUTHORITY
Programme of Activities
1 September 2018 – 31 August 2019

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	48,305	47,897
Day School Candidates	47,005	46,717
Day School First Attempters	46,768	46,483
Private Candidates	7,854	6,745
All Candidates	56,159	54,642

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

Number of Candidates Sat	English Language	1,495
	Putonghua	1,749

3. 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. ABRSM
2. ACT, Inc.
3. American Board of Industrial Hygiene (ABIH)
4. American Institute for Chartered Property Casualty Underwriters/Insurance Institute of America
5. American Society for Quality (ASQ)
6. ASIS International
7. Association of American Medical Colleges (AAMC)
8. Athabasca University
9. Australian Council for Educational Research
10. Australian Teachers of Dancing International Pty. Ltd.
11. BEAM Society Limited
12. Beijing Dance Academy
13. Board of Pharmacy Specialties (BPS)

14. British Columbia Institute of Technology (BCIT)
15. Cambridge Assessment International Education
16. Cambridge Boxhill Language Assessment
17. Carleton University
18. Central Conservatory of Music
19. CFA Institute
20. Charles Sturt University
21. Chartered Institute of Legal Executives (CILEx)
22. Chartered Institute of Linguists
23. Chartered Institute of Marketing
24. Cheung Kong School of Art and Design, Shantou University
25. China Art Science Technology Research Institute
26. China Legal Service (H.K.) Ltd.
27. Chinese Medicine Council of Hong Kong
28. Civil Aviation Department, the Government of the Hong Kong SAR
29. Customs & Excise Department, the Government of the Hong Kong SAR
30. Deakin University
31. Edith Cowan University (ECU)
32. Educational Commission for Foreign Medical Graduates
33. Educational Records Bureau
34. Educational Testing Service
35. Electrical & Mechanical Services Department, the Government of the Hong Kong SAR
(Electricity Legislation Division)
36. Estate Agents Authority
37. Financial Industry Regulatory Authority (FINRA)
38. Fire Services Department, the Government of the Hong Kong SAR
39. Global Association of Risk Professionals
40. Governance Institute of Australia
41. Government Flying Service, the Government of the Hong Kong SAR
42. Guangzhou Academy of Fine Arts
43. Hong Kong Ballroom Dancing Council
44. Hong Kong Dance Federation
45. Hong Kong Institute of Accredited Accounting Technicians Limited
46. Hong Kong Institute of Architects
47. Hong Kong Institute of Certified Public Accountants
48. Hong Kong Institute of Chartered Secretaries
49. Hong Kong Societies of Notaries (HKSN)
50. Hongkong Post, the Government of the Hong Kong SAR
51. ICSA: The Chartered Governance Institute

52. Information Services Department, the Government of the Hong Kong SAR
53. Institute of Applied Linguistics, Ministry of Education
54. Institute of Certified Management Accountants (ICMA)
55. Institute of Financial Planners of Hong Kong
56. Institution of Fire Engineers (IFE)
57. Internal Revenue Service (IRS)
58. International Facility Management Association (IFMA)
59. International Institute of Business Analysis
60. Johns Hopkins Center for Talented Youth
61. Kambala
62. Lands Department, the Government of the Hong Kong SAR
63. Law School Admission Council
64. Massey University
65. Ministry of Justice, PRC
66. Monash University
67. Moody's Investors Service
68. Murdoch University
69. National Board of Public Health Examiners (NBPHE)
70. National Educational Examinations Authority, PRC
71. Office of the Government Chief Information Officer, the Government of the Hong Kong SAR
72. Office of the Government Economist, the Government of the Hong Kong SAR
73. Pearson Edexcel
74. Pearson Language Tests
75. Praxis
76. Professional Liability Underwriting Society (PLUS)
77. Project Management Institute (PMI)
78. Royal Academy of Dance
79. Self-Study Examination Office, The Education Examinations Authority of Guangdong Province
80. Society of Actuaries
81. SWIFT
82. The American Petroleum Institute (API)
83. The Association of Chartered Certified Accountants (ACCA)
84. The Association of Clinical Research Professionals (ACRP)
85. The Association of International Accountants
86. The Casualty Actuarial Society
87. The Chartered Institute for Securities and Investment (CISI)
88. The Chartered Insurance Institute
89. The Chartered Market Technicians Association (CMTA)
90. The Chinese Folk Dance Grade Test Center, China Education Federation of the Arts

91. The College Board
92. The Commonwealth Society of Teachers of Dancing (CSTD)
93. The Enrollment Management Association
94. The European Personnel Selection Office
95. The Green Business Certification Inc. (GBCI)
96. The Medical Council of Canada (MCC)
97. The National Council of Architectural Registration Boards
98. The Open University
99. The Securities Analysts Association of Japan (SAAJ)
100. The Taxation Institute of Hong Kong
101. The University of British Columbia
102. The University of Warwick
103. The University of Wisconsin–Madison
104. University of Georgia
105. University of Guelph
106. University of London
107. University of South Australia
108. University of Southern Queensland
109. University of Toronto
110. Victorian Selective Entry High School

4. The total candidature of examinations administered by the International and Professional Examinations Division was close to 290,000 in 2018/2019, the distribution of which is given below:

