

Independent Auditor's Report



Independent Auditor's Report

Independent auditor's report to the Hong Kong Tourism Board

(Established under the Hong Kong Tourist Association Ordinance and reconstituted under the Hong Kong Tourist Association (Amendment) Ordinance 2001 and the Hong Kong Tourism Board Ordinance)

Opinion

We have audited the consolidated financial statements of the Hong Kong Tourism Board ("the Board") and its subsidiary (together "the Group") set out on pages 99 to 136, which comprise the consolidated and the Board statements of financial position as at 31 March 2018, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in reserves and the consolidated statement of cash flows for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Board and of the Group as at 31 March 2018 and of the Group's consolidated financial performance and its consolidated 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 consolidated financial statements* section of our report. We are independent of the Group 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 Board members for the consolidated financial statements

The members of the Board are responsible for the preparation of the consolidated 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 Board determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the members of the Board are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the members of the Board either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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, 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 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 consolidated financial statements.

Auditor's responsibilities for the audit of the consolidated financial statements

(continued)

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

- Identify and assess the risks of material misstatement of the consolidated 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the members of the Board.
- Conclude on the appropriateness of the Board members' 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 Group'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 consolidated 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 Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee 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.

KPMG

Certified Public Accountants

8th Floor, Prince's Building

10 Chater Road

Central, Hong Kong

17 August 2018

Consolidated income statement

for the year ended 31 March 2018 (Expressed in Hong Kong dollars)

	Note	2018	2017
General Fund			
<i>Principal source of income</i>	3		
Government subvention for the year		948,478,819	879,162,844
Other revenue			
Interest income		3,838,998	2,164,472
Realisation of deferred income - office premises	12	10,000,000	10,000,000
Sponsorships		53,148,914	31,565,765
Promotion and advertising income		13,999,561	13,950,509
Sundry income		36,425,389	27,943,953
		117,412,862	85,624,699
Other net loss			
Loss on disposal of fixed assets		(608)	(7,755)
Total income		1,065,891,073	964,779,788
Promotional, advertising and literature expenses		420,507,920	451,170,624
Research and product development		15,834,871	14,435,850
Local services and events		299,457,421	178,645,996
Staff costs	5(a)	255,254,094	246,722,438
Rent, rates and management fees		15,183,940	15,038,854
Depreciation	7(a)	16,306,318	15,267,061
Auditor's remuneration		501,715	490,670
Other operating expenses		35,652,772	26,947,075
Total expenditure		1,058,699,051	948,718,568
Surplus before tax for the year	5	7,192,022	16,061,220
Income tax	4	(39,803)	(111,754)
Surplus for the year		7,152,219	15,949,466

The notes on pages 105 to 136 form part of these financial statements.

Consolidated statement of comprehensive income

for the year ended 31 March 2018 (Expressed in Hong Kong dollars)

	Note	2018	2017
Surplus for the year		7,152,219	15,949,466
Other comprehensive income for the year:			
Item that will not be reclassified to the income statement:			
- Remeasurement of net defined benefit retirement plan asset	13(a)(v)	11,812,000	7,511,000
Total comprehensive income for the year		18,964,219	23,460,466

The notes on pages 105 to 136 form part of these financial statements.

Consolidated statement of financial position

as at 31 March 2018 (Expressed in Hong Kong dollars)

	Note	2018	2017
Non-current assets			
Fixed assets	7(a)	23,826,669	33,600,887
Defined benefit retirement plan asset	13(a)(i)	65,106,000	53,947,000
		88,932,669	87,547,887
Current assets			
Debtors, deposits and payments in advance	9	22,045,992	19,749,962
Tax recoverable		17,049	-
Deposits with banks and financial institutions	10	394,968,876	372,324,095
Cash at banks and in hand	10	7,802,934	7,696,658
		424,834,851	399,770,715
Current liabilities			
Receipts in advance		65,543,073	48,480,079
Accounts payable and accruals	11	214,837,497	214,314,611
Deferred income	12	10,000,000	10,000,000
Current taxation		-	101,181
		290,380,570	272,895,871
Net current assets		134,454,281	126,874,844
Non-current liability			
Deferred income	12	1,666,667	11,666,667
NET ASSETS		221,720,283	202,756,064
Represented by:			
RESERVE			
General Fund	14	221,720,283	202,756,064

Approved and authorised for issue on 17 August 2018.

Anthony Lau
Executive Director

Dr Peter Lam, GBS
Chairman of the Board

The notes on pages 105 to 136 form part of these financial statements.

Statement of financial position

as at 31 March 2018 (Expressed in Hong Kong dollars)

	Note	2018	2017
Non-current assets			
Fixed assets	7(b)	23,812,459	33,582,347
Defined benefit retirement plan asset	13(a)(i)	65,106,000	53,947,000
Interests in a subsidiary	8	551,876	551,876
		89,470,335	88,081,223
Current assets			
Debtors, deposits and payments in advance	9	21,615,434	19,127,887
Deposits with banks and financial institutions	10	394,968,876	372,324,095
Cash at banks and in hand	10	7,600,135	7,522,949
		424,184,445	398,974,931
Current liabilities			
Amount due to a subsidiary	8	2,361,977	2,411,969
Receipts in advance		65,543,073	48,480,079
Accounts payable and accruals	11	212,373,923	211,750,375
Deferred income	12	10,000,000	10,000,000
		290,278,973	272,642,423
Net current assets		133,905,472	126,332,508
Non-current liability			
Deferred income	12	1,666,667	11,666,667
NET ASSETS		221,709,140	202,747,064
Represented by:			
RESERVE			
General Fund	14	221,709,140	202,747,064

Approved and authorised for issue on 17 August 2018.

Anthony Lau
Executive Director

Dr Peter Lam, GBS
Chairman of the Board

The notes on pages 105 to 136 form part of these financial statements.

Consolidated statement of changes in reserves

for the year ended 31 March 2018 (Expressed in Hong Kong dollars)

	Note	2018	2017
General fund at the beginning of the year		202,756,064	179,295,598
Surplus for the year		7,152,219	15,949,466
Other comprehensive income for the year		11,812,000	7,511,000
Total comprehensive income for the year		18,964,219	23,460,466
General fund at the end of the year		221,720,283	202,756,064

The notes on pages 105 to 136 form part of these financial statements.

Consolidated statement of cash flows

for the year ended 31 March 2018 (Expressed in Hong Kong dollars)

	Note	2018	2017
Operating activities			
Surplus before tax for the year		7,192,022	16,061,220
Adjustments for:			
Interest income		(3,838,998)	(2,164,472)
Depreciation		16,306,318	15,267,061
Loss on disposal of fixed assets		608	7,755
Realisation of deferred income - office premises		(10,000,000)	(10,000,000)
Operating surplus before changes in working capital		9,659,950	19,171,564
Amount in defined benefit retirement plan asset recognised in the consolidated income statement	13(a)(v)	653,000	1,139,000
(Increase)/decrease in debtors, deposits and payments in advance		(1,625,895)	2,677,526
Increase in receipts in advance, accounts payable and accruals		13,666,052	71,100,750
Cash generated from operation		22,353,107	94,088,840
Overseas tax (paid)/refunded		(158,033)	1,293
Net cash generated from operating activities		22,195,074	94,090,133
Investing activities			
Interest received		3,168,863	1,743,208
Purchase of fixed assets		(2,615,137)	(3,324,753)
Proceeds from disposal of fixed assets		2,257	-
Increase in deposits with banks with maturity of more than 3 months		(100,917,710)	(51,210,721)
Net cash used in investing activities		(100,361,727)	(52,792,266)
Net (decrease)/increase in cash and cash equivalents		(78,166,653)	41,297,867
Cash and cash equivalents at the beginning of the year	10	258,232,228	216,934,361
Cash and cash equivalents at the end of the year	10	180,065,575	258,232,228

The notes on pages 105 to 136 form part of these financial statements.

Notes to the financial statements

(Expressed in Hong Kong dollars unless otherwise indicated)

1 Status of the Board

The Hong Kong Tourism Board (“the Board”) is a subvented body corporate established in 1957 under the Hong Kong Tourist Association Ordinance and reconstituted under the Hong Kong Tourist Association (Amendment) Ordinance 2001 and the Hong Kong Tourism Board Ordinance. Its registered office and principal place of operation is 11th Floor, Citicorp Centre, 18 Whitfield Road, North Point, Hong Kong.

The principal activities of the Board are to market and promote Hong Kong as a world-class tourist destination.

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 Group 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 Group and the Board. 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 Group for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 March 2018 comprise the Board and its subsidiary (together referred to as “the Group”).

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

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

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

2 Significant accounting policies (continued)

(c) Changes in accounting policies

The HKICPA has issued a number of amendments to HKFRSs that are first effective for the current accounting period of the Group. However, none of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period (note 18).

(d) Films, publicity and advertising materials

Films, publicity and advertising materials are charged to the income statement on purchase, and no account is taken of stocks on hand at the end of the reporting period.

(e) Investment in a subsidiary

A subsidiary is an entity controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

In the Board's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 2(l)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

(f) Fixed assets

Fixed assets are stated in the statement of financial position at cost less accumulated depreciation and impairment losses (see note 2(l)).

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

2 Significant accounting policies (continued)

(g) Depreciation

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

- Leasehold properties 25 years
- Leasehold improvements Over the shorter of the fixed lease term and 5 years
- Motor vehicles 4 years
- Furniture, fixtures and other equipment 3 - 5 years
- Computer hardware, software and system development 3 years

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

(h) Debtors, deposits and payments in advance

Debtors, deposits and payments in advance are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less impairment losses for bad and doubtful debts, except where the effect of discounting would be immaterial. In such cases, the debtors, deposits and payments in advance are stated at cost less impairment losses for bad and doubtful debts.

Impairment losses for bad and doubtful debts are measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets) where the effect of discounting is material. Objective evidence of impairment includes observable data that comes to the attention of the Group about events that have an impact on the asset's estimated future cash flows such as significant financial difficulty of the debtors.

Impairment losses for trade debtors included within debtors, deposits and payment in advance whose recovery is considered doubtful but not remote are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in the income statement.

2 Significant accounting policies *(continued)*

(i) Accounts payable and accruals

Accounts payable and accruals are initially recognised at fair value and subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(j) Cash and cash equivalents

Cash and cash equivalents comprise cash at banks and in hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

(k) Provisions and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing or amount when the Group 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.

(l) Impairment of assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that fixed assets and investment in a subsidiary may be impaired or an impairment loss previously recognised no longer exists or may have decreased. If any such indication exists, the asset's recoverable amount is estimated.

The recoverable amount of an asset is the greater of its fair value less costs of disposal 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 asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

2 Significant accounting policies (continued)

(l) Impairment of assets (continued)

An impairment loss is recognised in income statement if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units to reduce the carrying amount of the assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. A reversal of impairment losses is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to the income statement in the year in which the reversals are recognised.

(m) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in the income statement except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

2 Significant accounting policies *(continued)*

(n) Revenue recognition

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

- (i) Government subvention to finance the general recurrent activities of the Group is recognised as revenue in the income statement of the year in respect of which it becomes receivable.
- (ii) Government subvention to finance Meetings, Incentives, Conventions and Exhibitions (“MICE”) bidding activities of the Group is recognised as revenue to the extent of the related expenditure incurred during the year, with the unutilised balance included in receipts in advance.
- (iii) Government subvention to finance the non-recurrent activities of the Group is recognised as revenue to the extent of the related expenditure incurred during the year, with the unutilised balance included in receipts in advance.
- (iv) Government subvention received for the purchase of office premises of the Group is included in the statement of financial position as deferred income and is credited to the income statement by instalments over the expected useful life of the related asset on a basis consistent with the depreciation policy (note 2(g)).
- (v) Subscription fees are recognised on a time-apportioned basis.
- (vi) Interest income is recognised as it accrues using the effective interest method.
- (vii) Sponsorship income for the events is recognised in the income statement upon the completion date of the respective events.
- (viii) Promotion and advertising income are accounted for on the accrual basis.

(o) 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 foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in the income statement.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

2 Significant accounting policies *(continued)*

(p) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Classification of assets leased to the Group

Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases, except where land is held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease. In such cases, it is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease. For these purposes, the inception of the lease is the time that the lease was first entered into by the Group, or taken over from the previous lessee, or at the date of construction of those buildings, if later.

(ii) Operating lease charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to the income statement 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 income statement as an integral part of the aggregate net lease payments made.

(q) Employee benefits

(i) Salaries, annual bonuses, annual leave, and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees of the Group.

(ii) The Group operates a defined benefit and a defined contribution staff retirement scheme for the Hong Kong office, and defined contribution staff retirement schemes for certain overseas offices. Contributions made under the schemes applicable to each year are charged to the income statement for the year. Contributions for the defined benefit scheme of the Hong Kong office are made in accordance with the recommendations made by the actuary. Assets of the schemes, are held separately from those of the Group.

(iii) Contributions to Mandatory Provident Fund as required under the Hong Kong Mandatory Provident Fund Schemes Ordinance, are recognised as an expense in the income statement as incurred.

2 Significant accounting policies (continued)

(q) Employee benefits (continued)

- (iv) The Group's net obligation in respect of defined benefit retirement plan is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine the present value and the fair value of any plan assets is deducted. The calculation is performed by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Group, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan.

Service cost and net interest expenses (income) on the net defined benefit liability (asset) are recognised in the income statement as part of "staff costs". Current service cost is measured as the increase in the present value of the defined benefit obligation resulting from employee service in the current period. When the benefits of a plan are changed, or when a plan is curtailed, the portion of the changed benefit related to past service by employees, or the gain or loss on curtailment, is recognised as an expense in the income statement at the earlier of when the plan amendment or curtailment occurs and when related restructuring costs or termination benefits are recognised. Net interest expense (income) for the period is determined by applying the discount rate used to measure the defined benefit obligation at the beginning of the reporting period of the net defined benefit liability (asset). The discount rate is the yield at the end of the reporting period on high quality corporate bonds that have maturity dates approximating the terms of the Group's obligations.

Remeasurements arising from defined benefit retirement plan are recognised in the other comprehensive income and reflected immediately in general fund. Remeasurements comprise actuarial gains and losses, the return on plan assets (excluding amounts included in net interest on the net defined benefit liability (asset)) and any change in the effect of the asset ceiling (excluding amounts included in net interest on the net defined benefit liability (asset)).

- (v) Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when it recognises restructuring costs involving the payment of termination benefits when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

2 Significant accounting policies *(continued)*

(r) Related parties

- (a) A person, or a close member of that person's family, is related to the Group if that person:
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or the Group's parent.
- (b) An entity is related to the Group if any of the following conditions applies:
 - (i) The entity and the Group 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 Group or an entity related to the Group.
 - (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 Group or to the Group's parent.

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 Principal source of income

The Group

The principal source of income is the subvention from the Government of the Hong Kong Special Administrative Region (“Government”) for the year which is determined with regard to the needs of the Board as presented in its annual business plan of budget and proposed programme of activities. The amount of the subvention recognised as revenue during the year is analysed as follows:

	2018	2017
Recurrent		
-Subvention for the year	631,664,190	632,060,299
Non-recurrent		
Meetings, Incentives, Conventions and Exhibitions Promotion/ Image Booster Campaign/Support Light Shows/Quality & Honest Promotion/Tencent Strategic Cooperation/Matching Fund for Overseas Tourism Promotion/Celebration of the 20th Anniversary of HKSAR/Quality Tourism Services Scheme/Waive the Local Traders’ Participation Fees for Overseas Promotion Fairs/Funding Support for Small & Medium-Sized MIC Groups/Fly-cruise Promotion/Participate in HKTDC’s Overseas Promotion Events/Additional Manpower Resources for Taking Forward the Initiatives/Cruise Deployment Fund/Step up Promotion of Home-Grown Mega Events/Enhance Promotion and Contents of Mega Events/Support Events Driving High-yield Visitors for Overseas & Local Promotion/Pilot Scheme to Promote Green Tourism/Support Trade Partners in Developing Land Excursion Products for Cruise Passengers/Collaborate with Cruise Liners to open up more Source Markets/Step up Promotion of Hong Kong’s Positive Image in the Mainland/Pilot Scheme to Provide Promotional Offers to Attract Transit Visitors/Administration Cost for Funding Schemes/Symphony of Lights Enhancement/e-Sport & Music Festival/New VIS Centre/District Promotion Revamp/Enhancing the Scale of HKTDC’s Mega Events and Promotion of Other Mega Events in Town/Production of Promotion Videos and Promotion Costs/ Launching a Retail Booster Campaign/Wine and Dine Festival/Great Outdoors Hong Kong	316,814,629	247,102,545
	948,478,819	879,162,844

4 Income tax

Income tax in the consolidated income statement represents:

	2018	2017
Current tax - Overseas		
Provision for the year	39,803	111,754

No provision for Hong Kong Profits Tax has been made in the financial statements as the Board has been granted exemption from all Hong Kong taxes by the Inland Revenue Department under Section 87 of the Inland Revenue Ordinance. Taxation in respect of the Taiwan operation of HKTB Limited, a subsidiary of the Group, is charged at 17% of its estimated assessable profits (2017: 17%).

5 Surplus before tax for the year

The Group

(a) Staff costs

	2018	2017
Contributions to defined contribution retirement plan	10,347,881	9,953,839
Amounts recognised in respect of defined benefit retirement plan (note 13(a)(v))	653,000	1,139,000
Retirement costs	11,000,881	11,092,839
Salaries and other benefits	244,253,213	235,629,599
	255,254,094	246,722,438

(b) Other item

	2018	2017
Net foreign exchange loss	7,521,000	150,835

6 Senior executives' pay and allowances

The Group

The senior executives of the Group include the Executive Director, Deputy Executive Director, General Managers and Regional Directors, and their total pay and allowances during the year were as follows:

	2018		
	Executive Director	Other senior executives	Total
Basic salaries	4,547,000	23,904,000	28,451,000
Discretionary performance pay	748,000	2,273,000	3,021,000
Retirement benefit expenses, contract gratuities and other allowances	704,000	4,433,000	5,137,000
	5,999,000	30,610,000	36,609,000

	2017		
	Executive Director	Other senior executives	Total
Basic salaries	4,406,000	23,438,000	27,844,000
Discretionary performance pay	619,000	1,841,000	2,460,000
Retirement benefit expenses, contract gratuities and other allowances	701,000	4,228,000	4,929,000
	5,726,000	29,507,000	35,233,000

6 Senior executives' pay and allowances (continued)

The Group (continued)

The salaries and discretionary performance pay (excluding retirement benefit expenses, contract gratuities and other allowances) for all senior executive positions of the Group fell within the following pay ranges:

Pay ranges	2018 No. of senior executive positions	2017 No. of senior executive positions
1 - \$500,001 to \$1,000,000 (note (a))	1	2
2 - \$1,000,001 to \$1,500,000 (note (a)(i) & (a)(ii))	4	2
3 - \$1,500,001 to \$2,000,000 (note (a)(iii))	2	3
4 - \$2,000,001 to \$2,500,000 (note (b))	1	3
5 - \$2,500,001 to \$3,000,000 (note (b))	4	2
6 - \$3,000,001 to \$3,500,000	-	-
7 - \$3,500,001 to \$4,000,000	1	1
8 - \$4,000,001 to \$4,500,000	-	-
9 - \$4,500,001 to \$5,000,000	-	-
10 - \$5,000,001 to \$5,500,000	1	1
	14	14

(a) Senior executive position under Pay range 1 decreased by 1 due to the following movements:

- (i) one senior executive position moved from Pay range 1 to Pay range 2 due to higher in foreign exchange rate for Hong Kong Dollar equivalent;
- (ii) one senior executive position moved from Pay range 1 to Pay range 2 due to vacant position was filled in the first half of 2017/18; and
- (iii) one senior executive position moved from Pay range 3 to Pay range 1 due to the position being vacant in the second half of 2017/18.

(b) Two senior executive positions moved from Pay range 4 to Pay range 5 due to annual salary increases.

6 Senior executives' pay and allowances (continued)

The Group (continued)

During the year, the Chairman and members of the Board did not receive any remuneration for their services rendered to the Board.

After deliberation and endorsement by the Staff and Finance Committee which comprises non-executive Board members and an officer of the Tourism Commission, the remuneration, terms and conditions of employment of the senior executives were approved by the Board. In accordance with the Hong Kong Tourism Board Ordinance, the appointment and terms and conditions of employment of the Executive Director and the Deputy Executive Director are subject to the approval of the Chief Executive of Hong Kong Special Administrative Region.

The senior executives receive a basic salary and a performance-based variable pay. With effect from 2007/08, the performance evaluation of senior executives is determined by a Performance Management System and assessment criteria, including Key Performance Indicators, Goals and Competencies. Their performance is referenced against a set of objectives set out in the annual business plan. The performance of the Executive Director is assessed by the Chairman of the Board while the performance of the Deputy Executive Director, General Managers and Regional Directors are assessed by the Executive Director. The variable pay of all the senior executives is approved by the Remuneration Review Committee comprising the Chairman of the Board and the Staff and Finance Committee.

The amount of discretionary performance pay for the Executive Director disclosed above represents the variable pay amount of \$748,000 for the year ended 31 March 2018 (2017: \$619,000).

The remuneration of other senior executive positions for the year ended 31 March 2018 represents compensation for the Deputy Executive Director, seven General Manager positions (2017: seven General Manager positions) and five Regional Director positions (2017: five Regional Director positions).

7 Fixed assets

(a) The Group

	Leasehold properties	Leasehold improvements	Motor vehicles	Furniture, fixtures and other equipment	Computer hardware, software and system development	Work in progress	Total
Cost:							
At 1 April 2017	252,855,009	10,512,661	333,411	11,830,265	27,114,954	-	302,646,300
Additions	-	1,018,256	-	1,363,858	1,912,380	2,240,471	6,534,965
Disposals	-	-	-	(431,188)	(1,293,263)	-	(1,724,451)
At 31 March 2018	252,855,009	11,530,917	333,411	12,762,935	27,734,071	2,240,471	307,456,814
Accumulated depreciation:							
At 1 April 2018	230,940,903	8,215,541	333,411	10,303,874	19,251,684	-	269,045,413
Charge for the year	10,114,200	878,439	-	722,800	4,590,879	-	16,306,318
Disposals	-	-	-	(430,076)	(1,291,510)	-	(1,721,586)
At 31 March 2018	241,055,103	9,093,980	333,411	10,596,598	22,551,053	-	283,630,145
Net book value:							
At 31 March 2018	11,799,906	2,436,937	-	2,166,337	5,183,018	2,240,471	23,826,669

7 Fixed assets (continued)

(a) The Group (continued)

	Leasehold properties	Leasehold improvements	Motor vehicles	Furniture, fixtures and other equipment	Computer hardware, software and system development	Work in progress	Total
Cost:							
At 1 April 2016	252,855,009	9,797,735	333,411	11,533,057	23,757,852	908,160	299,185,224
Additions	-	717,013	-	747,449	3,292,184	-	4,756,646
Transfer from work in progress	-	-	-	-	908,160	(908,160)	-
Disposals	-	(2,087)	-	(450,241)	(843,242)	-	(1,295,570)
At 31 March 2017	252,855,009	10,512,661	333,411	11,830,265	27,114,954	-	302,646,300
Accumulated depreciation:							
At 1 April 2016	220,826,703	7,490,493	298,680	10,251,115	16,199,176	-	255,066,167
Charge for the year	10,114,200	727,135	34,731	498,210	3,892,785	-	15,267,061
Disposals	-	(2,087)	-	(445,451)	(840,277)	-	(1,287,815)
At 31 March 2017	230,940,903	8,215,541	333,411	10,303,874	19,251,684	-	269,045,413
Net book value:							
At 31 March 2017	21,914,106	2,297,120	-	1,526,391	7,863,270	-	33,600,887

Leasehold properties are all held on long term leases in Hong Kong.

7 Fixed assets (continued)

(b) The Board

	Leasehold properties	Leasehold improvements	Motor vehicles	Furniture, fixtures and other equipment	Computer hardware, software and system development	Work in progress	Total
Cost:							
At 1 April 2017	252,855,009	10,512,661	333,411	11,786,811	27,104,187	-	302,592,079
Additions	-	1,018,256	-	1,356,574	1,912,380	2,240,471	6,527,681
Disposals	-	-	-	(431,188)	(1,293,263)	-	(1,724,451)
At 31 March 2018	252,855,009	11,530,917	333,411	12,712,197	27,723,304	2,240,471	307,395,309
Accumulated depreciation:							
At 1 April 2017	230,940,903	8,215,541	333,411	10,276,634	19,243,243	-	269,009,732
Charge for the year	10,114,200	878,439	-	713,512	4,588,553	-	16,294,704
Disposals	-	-	-	(430,076)	(1,291,510)	-	(1,721,586)
At 31 March 2018	241,055,103	9,093,980	333,411	10,560,070	22,540,286	-	283,582,850
Net book value:							
At 31 March 2018	11,799,906	2,436,937	-	2,152,127	5,183,018	2,240,471	23,812,459

7 Fixed assets (continued)

(b) The Board (continued)

	Leasehold properties	Leasehold improvements	Motor vehicles	Furniture, fixtures and other equipment	Computer hardware, software and system development	Work in progress	Total
Cost:							
At 1 April 2016	252,855,009	9,797,735	333,411	11,490,792	23,747,085	908,160	299,132,192
Additions	-	717,013	-	741,843	3,292,184	-	4,751,040
Transfer from work in progress	-	-	-	-	908,160	(908,160)	-
Disposals	-	(2,087)	-	(445,824)	(843,242)	-	(1,291,153)
At 31 March 2017	252,855,009	10,512,661	333,411	11,786,811	27,104,187	-	302,592,079
Accumulated depreciation:							
At 1 April 2016	220,826,703	7,490,493	298,680	10,226,071	16,193,052	-	255,034,999
Charge for the year	10,114,200	727,135	34,731	491,597	3,890,468	-	15,258,131
Disposals	-	(2,087)	-	(441,034)	(840,277)	-	(1,283,398)
At 31 March 2017	230,940,903	8,215,541	333,411	10,276,634	19,243,243	-	269,009,732
Net book value:							
At 31 March 2017	21,914,106	2,297,120	-	1,510,177	7,860,944	-	33,582,347

Leasehold properties are all held on long term leases in Hong Kong.

8 Interests in a subsidiary and amount due to a subsidiary

The Board

	2018	2017
<i>Interests in a subsidiary</i>		
Unlisted share, at cost	1	1
Capital contribution	31,527,724	31,527,724
Less: impairment loss	(30,975,849)	(30,975,849)
	551,876	551,876
<i>Amount due to a subsidiary</i>	2,361,977	2,411,969

As at 31 March 2018, the Board assessed the interests in the subsidiary and no additional impairment loss was recognised during the year (2017: Nil).

The amounts due to a subsidiary are unsecured, interest free and have no fixed terms of repayment.

Details of the Board's wholly-owned subsidiary are set out below:

Name of company	Principal activities	Place of incorporation
HKTB Limited	Marketing and promoting Hong Kong	Hong Kong

Auditor's remuneration and other operating expenses of \$53,105 for the year ended 31 March 2018 (2017: \$50,655) in respect of the subsidiary were borne by the Board which has waived its right of recovery thereof.

9 Debtors, deposits and payments in advance

	The Group		The Board	
	2018	2017	2018	2017
Debtors	2,679,227	2,596,578	2,679,227	2,596,578
Less: Provision for impairment loss of debtors	(19,117)	(19,117)	(19,117)	(19,117)
	2,660,110	2,577,461	2,660,110	2,577,461
Deposits and payments in advance	19,385,882	17,172,501	18,955,324	16,550,426
	22,045,992	19,749,962	21,615,434	19,127,887

Included in debtors, deposits and payments in advance are the following amounts denominated in major currencies other than the Group's and the Board's functional currency:

Exposure to foreign currencies (expressed in Hong Kong dollars)

	The Group		The Board	
	2018	2017	2018	2017
Australian Dollars	451,330	280,874	451,330	280,874
Chinese Yuan	2,346,216	992,806	2,346,216	992,806
Euros	652,661	660,004	652,661	660,004
Great Britain Pounds	767,391	2,650,226	767,391	2,650,226
Japanese Yen	3,621,965	3,440,250	3,621,965	3,440,250
Korean Won	238,226	209,817	238,226	209,817
New Taiwan Dollars	430,082	546,495	-	-
United States Dollars	291,868	654,252	291,868	654,252

The gross amount of debtors, deposits and payments in advance at 31 March 2018 that is expected to be recovered after more than one year for the Group is \$4,297,584 and the Board is \$4,069,544 (2017: the Group is \$3,078,958 and the Board is \$3,078,958).

9 Debtors, deposits and payments in advance (continued)

(a) Impairment of debtors

Impairment loss in respect of debtors are recorded using an allowance account unless the Board is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against debtors directly (see note 2(h)).

The movement in the provision for impairment loss of debtors during the year is as follows:

	The Group		The Board	
	2018	2017	2018	2017
At 1 April	19,117	19,117	19,117	19,117
Impairment loss recognised	-	-	-	-
At 31 March	19,117	19,117	19,117	19,117

At 31 March 2017 and 2018, provision for impairment loss of \$19,117 was recognised for the Group and the Board.

(b) Debtors that are not impaired

The ageing analysis of debtors that are neither individually nor collectively considered to be impaired are as follows:

	The Group		The Board	
	2018	2017	2018	2017
Neither past due nor impaired	1,380,541	487,076	1,380,541	487,076
Less than 1 month past due	248,201	1,221,747	248,201	1,221,747
1 to 3 months past due	244,718	394,473	244,718	394,473
More than 3 months but less than 1 year past due	35,413	385,282	35,413	385,282
1 year or more than 1 year past due	751,237	88,883	751,237	88,883
	1,279,569	2,090,385	1,279,569	2,090,385
	2,660,110	2,577,461	2,660,110	2,577,461

10 Cash and cash equivalents

	The Group		The Board	
	2018	2017	2018	2017
Deposits with banks and financial institutions	394,968,876	372,324,095	394,968,876	372,324,095
Cash at banks and in hand	7,802,934	7,696,658	7,600,135	7,522,949
Cash and cash equivalents in the statement of financial position	402,771,810	380,020,753	402,569,011	379,847,044
Less: Deposits with banks and financial institutions with maturity of more than three months at acquisition	(222,706,235)	(121,788,525)		
Cash and cash equivalents in the consolidated cash flow statement	180,065,575	258,232,228		

Included in cash and cash equivalents are the following amounts denominated in major currencies other than the Group's and the Board's functional currency:

Exposure to foreign currencies (expressed in Hong Kong dollars)

	The Group		The Board	
	2018	2017	2018	2017
Australian Dollars	492,515	365,463	492,515	365,463
Canadian Dollars	108,068	118,110	108,068	118,110
Chinese Yuan	220,613	301,291	220,613	301,291
Euros	242,645	451,547	242,645	451,547
Great Britain Pounds	602,628	654,055	602,628	654,055
Japanese Yen	109,138	68,412	109,138	68,412
Korean Won	298,876	23,893	298,876	23,893
New Taiwan Dollars	180,959	136,732	-	-
United States Dollars	347,306	183,431	347,306	183,431

Deposits with banks and financial institutions bear fixed interest rates with the effective interest rates per annum at the end of the reporting period for the Group and the Board ranging from 0.02% to 1.6% (2017: the Group and the Board ranging from 0.02% to 1.5%).

11 Accounts payable and accruals

	The Group		The Board	
	2018	2017	2018	2017
Accounts payable	168,445,963	172,560,384	167,079,862	171,069,878
Other payables and sundry creditors	46,391,534	41,754,227	45,294,061	40,680,497
	214,837,497	214,314,611	212,373,923	211,750,375

Included in accounts payable and accruals are the following amounts denominated in major currencies other than the Group and the Board's functional currency:

	Exposure to foreign currencies (expressed in Hong Kong dollars)			
	The Group		The Board	
	2018	2017	2018	2017
Australian Dollars	6,257,980	5,399,533	6,257,295	5,399,533
Canadian Dollars	974,773	1,192,089	974,773	1,192,089
Chinese Yuan	8,442,444	9,992,298	8,442,444	9,992,298
Euros	3,802,223	3,342,446	3,802,223	3,342,446
Great Britain Pounds	5,466,103	3,644,500	5,466,103	3,644,500
Indian Rupee	1,062,175	617,991	1,062,175	617,991
Japanese Yen	6,195,748	3,299,835	6,186,278	3,299,835
Korean Won	4,481,736	3,361,333	4,471,231	3,361,333
Singapore Dollars	3,555,440	4,087,735	3,550,217	4,087,735
New Taiwan Dollars	2,551,999	1,769,139	98,792	-
United States Dollars	5,526,250	6,512,135	5,526,250	6,512,135

The gross amount of accounts payable and accruals at 31 March 2018 that is expected to be settled after more than one year for the Group is \$8,259,375 and the Board is \$8,177,844 (2017: the Group is \$7,632,620 and the Board is \$7,632,620).

12 Deferred income

	The Group and the Board	
	2018	2017
Government subvention granted - 1994/95	250,000,000	250,000,000
Aggregate realisation: At 1 April	228,333,333	218,333,333
Realised during the year	10,000,000	10,000,000
At 31 March	238,333,333	228,333,333
Balance at 31 March	11,666,667	21,666,667
Less: Amount included in "current liabilities"	10,000,000	10,000,000
Amount included in "non-current liability"	1,666,667	11,666,667

13 Employee retirement benefits

The Group and the Board

(a) Defined benefit retirement plan

The Board makes contributions to a defined benefit retirement scheme registered under the Hong Kong Occupational Retirement Schemes Ordinance. The scheme covers approximately 8% (2017: 10%) of the Board's employees based in Hong Kong. The scheme is administered by an independent trustee, and the assets are held in a trust separately from those of the Board.

- (i) The amounts recognised in the consolidated and the Board statements of financial position are as follows:

	2018	2017
Present value of wholly or partly funded obligations	(26,047,000)	(31,682,000)
Fair value of plan assets	91,153,000	85,629,000
Defined benefit retirement plan asset	65,106,000	53,947,000

A portion of the above assets are expected to be recovered after more than one year. However, it is not practicable to segregate this amount from the amounts recoverable in the next twelve months, as future contributions will also relate to future services rendered and future changes in actuarial assumptions and market conditions. The Board expects no contributions to the defined benefit retirement plan in the year ending 31 March 2018 since the Board has taken the contribution holiday recommended by an independent actuary, Willis Towers Watson ("Towers Watson").

13 Employee retirement benefits (continued)

The Group and the Board (continued)

(a) Defined benefit retirement plan (continued)

(ii) Plan assets consist of the following:

	2018	2017
Equity securities		
- Pacific Basin	20,476,000	20,685,000
- Europe	11,447,000	9,117,000
- Americas	17,637,000	17,840,000
	49,560,000	47,642,000
Bond		
- Global Bond	40,166,000	38,434,000
Cash at banks	1,427,000	675,000
Benefit payable	-	(1,122,000)
	91,153,000	85,629,000

(iii) Movement in the present value of the defined benefit obligations:

	2018	2017
At 1 April	31,682,000	37,141,000
Remeasurements:		
- Actuarial gains arising from changes in liability experience	(1,150,000)	(935,000)
- Actuarial gains arising from changes in financial assumptions	(407,000)	(412,000)
- Actuarial losses arising from demographic assumptions	1,000	1,000
	(1,556,000)	(1,346,000)
Benefits paid by the plan	(5,833,000)	(6,089,000)
Current service costs	1,354,000	1,615,000
Interest cost	400,000	361,000
	(4,079,000)	(4,113,000)
At 31 March	26,047,000	31,682,000

The weighted average duration of the defined benefit obligation is 3.9 years (2017: 4.3 years).

13 Employee retirement benefits (continued)

The Group and the Board (continued)

(a) Defined benefit retirement plan (continued)

(iv) Movements in fair value of plan assets:

	2018	2017
At 1 April	85,629,000	84,716,000
Benefits paid by the plan	(5,833,000)	(6,089,000)
Interest income	1,101,000	837,000
Return on plan assets, excluding interest income	10,256,000	6,165,000
At 31 March	91,153,000	85,629,000

(v) Amounts recognised in the consolidated income statement and other comprehensive income are as follows:

	2018	2017
Current service cost	1,354,000	1,615,000
Net interest on net defined benefit asset	(701,000)	(476,000)
Total amounts recognised in the consolidated income statement	653,000	1,139,000
Actuarial gains	(1,556,000)	(1,346,000)
Return on plan assets, excluding interest income	(10,256,000)	(6,165,000)
Total amounts recognised in other comprehensive income	(11,812,000)	(7,511,000)
Total defined benefit costs	(11,159,000)	(6,372,000)

The retirement expense is recognised under staff costs in the consolidated income statement.

13 Employee retirement benefits (continued)

The Group and the Board (continued)

(a) Defined benefit retirement plan (continued)

(vi) The principal actuarial assumptions used as at 31 March 2018 (expressed as weighted averages) and sensitivity analysis are as follows:

	2018	2017
Discount rate	1.70%	1.30%
Future salary increases	4.50%	4.50%

The below analysis shows how the defined benefit obligation as at 31 March 2018 would have increased/(decreased) as a result of 0.25 percentage points change in the significant actuarial assumptions:

	2018		2017	
	Increase in 0.25 percentage points \$'000	Decrease in 0.25 percentage points \$'000	Increase in 0.25 percentage points \$'000	Decrease in 0.25 percentage points \$'000
Discount rate	(249)	253	(337)	343
Future salary increases	242	(240)	333	(329)

The above sensitivity analysis is based on the assumption that changes in actuarial assumptions are not correlated and therefore it does not take into account the correlations between the actuarial assumptions.

(b) Defined contribution retirement plan

The Board makes contributions to a defined contribution plan ("Choice Plan") in accordance with the terms stated in the Trust Deed. Under the Choice Plan, the employer is required to make 8% - 15% (2017: 8% - 15%) contributions of the employees' relevant income. Employees are not required to make contribution to the Choice Plan.

The Board also operates a Mandatory Provident Fund Scheme ("the MPF scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance and not previously covered by the Choice Plan. The MPF scheme is a defined contribution retirement scheme administered by independent trustees. Under the MPF scheme, the employer 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. Contributions to the scheme vest immediately.

14 Reserve

	The Group		The Board	
	2018	2017	2018	2017
General fund at the beginning of the year	202,756,064	179,295,598	202,747,064	179,289,058
Surplus for the year	7,152,219	15,949,466	7,150,076	15,947,006
Other comprehensive income for the year	11,812,000	7,511,000	11,812,000	7,511,000
Total comprehensive income for the year	18,964,219	23,460,466	18,962,076	23,458,006
General fund at the end of the year	221,720,283	202,756,064	221,709,140	202,747,064

General Fund

The General Fund represents the Group's and the Board's unallocated balances and surpluses. The use of the unallocated balances or surpluses requires prior approval from the Board and the Government.

Based on the understanding between the Government and the Board, the level of reserves held by the Group may increase to a level equivalent to four months of gross expenditure.

15 Commitments

At 31 March 2018, the Group and the Board had commitments in respect of the following:

The total future minimum lease payments under non-cancellable operating leases are payable as follows:

	The Group		The Board	
	2018	2017	2018	2017
Within 1 year	12,774,899	10,876,245	11,931,503	10,649,710
After 1 year but within 5 years	10,495,699	9,089,225	10,386,445	9,063,224
	23,270,598	19,965,470	22,317,948	19,712,934

The Group and the Board lease a number of properties and office equipment under operating leases. The leases typically run for an initial period from one to ten years, with an option to renew the leases when all terms are renegotiated for properties lease. None of the leases includes contingent rentals.

16 Financial instruments

Exposure to credit, liquidity, interest rate and foreign currency risks arises in the normal course of the Group's operations. These risks are limited by the Group's financial risk management policies and practices described below.

(a) Credit risk

The Group's credit risk is primarily attributable to deposits with banks and financial institutions, cash at banks and debtors. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

The Group's deposit placements with banks and financial institutions are with financial institutions based in Hong Kong and overseas with sound credit rating.

(b) Liquidity risk

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

The following tables detail the remaining contractual maturities at the end of the reporting period of the Group's and the Board's financial liabilities, which are based on contractual undiscounted cash flows and the earliest date the Group and the Board can be required to pay:

The Group

	2018				
	Carrying amount/ total contractual undiscounted cashflow	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years
Receipts in advance	65,543,073	65,543,073	-	-	-
Accounts payable and accruals	214,837,497	206,578,122	3,305,647	2,196,514	2,757,214
	280,380,570	272,121,195	3,305,647	2,196,514	2,757,214
	2017				
	Carrying amount/ total contractual undiscounted cashflow	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years
Receipts in advance	48,480,079	48,480,079	-	-	-
Accounts payable and accruals	214,314,611	206,681,991	3,816,714	1,606,499	2,209,407
	262,794,690	255,162,070	3,816,714	1,606,499	2,209,407

16 Financial instruments (continued)

(b) Liquidity risk (continued)

The Board

	2018				
	Carrying amount/ total contractual undiscounted cashflow	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years
Receipts in advance	65,543,073	65,543,073	-	-	-
Accounts payable and accruals	212,373,923	204,196,079	3,303,250	2,117,380	2,757,214
	277,916,996	269,739,152	3,303,250	2,117,380	2,757,214

	2017				
	Carrying amount/ total contractual undiscounted cashflow	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years
Receipts in advance	48,480,079	48,480,079	-	-	-
Accounts payable and accruals	211,750,375	204,117,755	3,816,714	1,606,499	2,209,407
	260,230,454	252,597,834	3,816,714	1,606,499	2,209,407

(c) Interest rate risk

The Group has no financing from external parties other than Government subvention and the Group is not exposed to interest rate risk on financing.

Note 10 contains information about the effective interest rates of the Group's income-earning financial instruments at the end of the reporting period.

(d) Foreign currency risk

Exposure to currency risk

The Group incurs expenses that are denominated in currencies other than Hong Kong Dollars ("HKD"), the functional currency of the Group, for the operations of the overseas offices. The currencies giving rise to this risk are primarily United States Dollars ("USD"), Japanese Yen, Australian Dollars, Canadian Dollars, Euros, Great Britain Pounds, Chinese Yuan, Singapore Dollars, New Taiwan Dollars and Korean Won.

16 Financial instruments (continued)

(d) Foreign currency risk (continued)

Sensitivity analysis

The following table indicated the instantaneous change in the Group's surplus after tax and general fund that would arise if foreign exchange rates to which the Group has significant exposure at the end of the reporting period had changed at that date, assuming all other risk variables remained constant. In this respect, it is assumed that the pegged rate between the HKD and the USD would be materially unaffected by any change in movement in value of the USD against other currencies.

	2018		2017	
	Increase/ (decrease) in foreign exchange rates	Effect on surplus after tax and general fund	Increase/ (decrease) in foreign exchange rates	Effect on surplus after tax and general fund
Australian Dollars	5% (5)%	(265,672) 265,672	5% (5)%	(237,660) 237,660
Canadian Dollars	5% (5)%	(39,119) 39,119	5% (5)%	(52,400) 52,400
Chinese Yuan	5% (5)%	(293,781) 293,781	5% (5)%	(434,910) 434,910
Euros	5% (5)%	(145,346) 145,346	5% (5)%	(111,545) 111,545
Great Britain Pounds	5% (5)%	(204,804) 204,804	5% (5)%	(17,011) 17,011
Japanese Yen	5% (5)%	(122,756) 122,756	5% (5)%	(10,441) 10,441
Singapore Dollars	5% (5)%	(170,897) 170,897	5% (5)%	(192,392) 192,392
New Taiwan Dollars	5% (5)%	(97,048) 97,048	5% (5)%	(54,296) 54,296
Korean Won	5% (5)%	(196,706) 196,706	5% (5)%	(156,381) 156,381

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the Group entities' surplus after tax and general fund measured in the respective functional currencies, translated into Hong Kong dollars at the exchange rate ruling at the end of the reporting period for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of the reporting period. The analysis excludes differences that would result from the translation of the financial statements of foreign operations into the Group's presentation currency. The analysis is performed on the same basis for 2017.

16 Financial instruments (continued)

(e) Fair values

All financial instruments are carried at amounts not materially different from their fair values as at 31 March 2018 and 2017.

17 Material related party transactions

Other than those disclosed elsewhere in the financial statements, no other material related party transactions were carried out in the normal course of the Group's business during the current and prior financial years.

18 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 March 2018

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments and new standards which are not yet effective for the year ended 31 March 2018 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
HKFRS 15, <i>Revenue from contracts with customers</i>	1 January 2018
HKFRS 9, <i>Financial instruments</i>	1 January 2018
HKFRS 16, <i>Leases</i>	1 January 2019

The Group is in the process of making an assessment of what the impact of these new issues or amendments is expected to be in the period of initial application. So far, the Group considers that the adoption of them is unlikely to have a significant impact on the Group's financial statements, except for HKFRS 16, *Leases*.

The application of HKFRS 16, *Leases*, is expected to lead to an increase in both assets and liabilities and to impact on the timing of the expense recognition in the income statement over the period of the lease.

The Group's operating lease commitments are disclosed in note 15, some of these amounts may therefore need to be recognised as lease liabilities, with corresponding right-of-use assets, once HKFRS 16 is adopted.

The Group will need to perform a more detailed analysis to determine the amounts of new assets and liabilities arising from operating lease commitments on adoption of HKFRS 16, after taking into account the applicability of the practical expedient and adjusting for any leases entered into or terminated between now and the adoption of HKFRS 16 and the effects of discounting.