





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 94 to 130, which comprise the consolidated and the Board statements of financial position as at 31 March 2017, 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 2017 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 ("HKSAAs") 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 HKSAAs 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 HKSAs, 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

27 July 2017

Consolidated Income Statement

for the year ended 31 March 2017 (Expressed in Hong Kong dollars)

	Note	2017	2016
General Fund			
Principal source of income	3		
Government subvention for the year		879,162,844	779,363,649
Other revenue			
Interest income		2,164,472	1,447,458
Realisation of deferred income – office premises	12	10,000,000	10,000,000
Sponsorships		31,565,765	28,503,043
Promotion and advertising income		13,950,509	12,457,542
Sundry income		27,943,953	26,315,132
		85,624,699	78,723,175
Other net loss			
Loss on disposal of fixed assets		(7,755)	(268,936)
Total income		964,779,788	857,817,888
Promotional, advertising and literature expenses		451,170,624	370,396,388
Research and product development		14,435,850	14,545,828
Local services and events		178,645,996	155,451,680
Staff costs	5(a)	246,722,438	237,711,095
Rent, rates and management fees		15,038,854	16,334,583
Depreciation	7(a)	15,267,061	13,553,419
Auditor's remuneration		490,670	475,268
Other operating expenses		26,947,075	12,466,624
Total expenditure		948,718,568	820,934,885
Surplus before tax for the year	5	16,061,220	36,883,003
Income tax	4	(111,754)	(28,781)
Surplus for the year		15,949,466	36,854,222

The notes on pages 100 to 130 form part of these financial statements.

Consolidated Statement of Comprehensive Income

for the year ended 31 March 2017 (Expressed in Hong Kong dollars)

	2017	2016
Surplus for the year	15,949,466	36,854,222
Other comprehensive income for the year:		
Items that will not be reclassified to the income statement:		
– Remeasurement of net assets of defined benefit plans	7,511,000	(3,202,000)
Total comprehensive income for the year	23,460,466	33,652,222

The notes on pages 100 to 130 form part of these financial statements.

Consolidated Statement of Financial Position

as at 31 March 2017 (Expressed in Hong Kong dollars)

	Note	2017	2016
Non-current assets			
Fixed assets	7(a)	33,600,887	44,119,057
Defined benefit retirement plan asset	13(a)(i)	53,947,000	47,575,000
		87,547,887	91,694,057
Current assets			
Debtors, deposits and payments in advance	9	19,749,962	22,006,223
Tax recoverable		-	11,866
Deposits with banks and financial institutions	10	372,324,095	281,763,109
Cash at banks and in hand	10	7,696,658	5,749,056
		399,770,715	309,530,254
Current liabilities			
Receipts in advance		48,480,079	35,165,382
Accounts payable and accruals	11	214,314,611	155,096,664
Deferred income	12	10,000,000	10,000,000
Current taxation		101,181	-
		272,895,871	200,262,046
		126,874,844	109,268,208
Net current assets			
Non-current liability			
Deferred income	12	11,666,667	21,666,667
		202,756,064	179,295,598
NET ASSETS			
Represented by:			
RESERVES			
General Fund	14	202,756,064	179,295,598

Approved and authorised for issue on 27 July 2017.

Anthony Lau

Executive Director

Dr Peter Lam, GBS

Chairman of the Board

The notes on pages 100 to 130 form part of these financial statements.

Statement of Financial Position

as at 31 March 2017 (Expressed in Hong Kong dollars)

	Note	2017	2016
Non-current assets			
Fixed assets	7(b)	33,582,347	44,097,193
Defined benefit retirement plan asset	13(a)(i)	53,947,000	47,575,000
Interests in a subsidiary	8	551,876	551,876
		88,081,223	92,224,069
Current assets			
Debtors, deposits and payments in advance	9	19,127,887	21,148,860
Deposits with banks and financial institutions	10	372,324,095	281,763,109
Cash at banks and in hand	10	7,522,949	5,230,679
		398,974,931	308,142,648
Current liabilities			
Amount due to a subsidiary	8	2,411,969	229,340
Receipts in advance		48,480,079	35,165,382
Accounts payable and accruals	11	211,750,375	154,016,270
Deferred income	12	10,000,000	10,000,000
		272,642,423	199,410,992
		126,332,508	108,731,656
Net current assets			
Non-current liability			
Deferred income	12	11,666,667	21,666,667
		202,747,064	179,289,058
NET ASSETS			
Represented by:			
RESERVES			
General Fund	14	202,747,064	179,289,058

Approved and authorised for issue on 27 July 2017.

Anthony Lau

Executive Director

Dr Peter Lam, GBS

Chairman of the Board

The notes on pages 100 to 130 form part of these financial statements.

Consolidated Statement of Changes in Reserves

for the year ended 31 March 2017 (Expressed in Hong Kong dollars)

	2017	2016
General fund at the beginning of the year	179,295,598	145,643,376
Surplus for the year	15,949,466	36,854,222
Other comprehensive income for the year	7,511,000	(3,202,000)
Total comprehensive income for the year	23,460,466	33,652,222
General fund at the end of the year	202,756,064	179,295,598

The notes on pages 100 to 130 form part of these financial statements.

Consolidated Statement of Cash Flows

for the year ended 31 March 2017 (Expressed in Hong Kong dollars)

	Note	2017	2016
Operating activities			
Surplus before tax for the year		16,061,220	36,883,003
Adjustments for:			
Interest income		(2,164,472)	(1,447,458)
Depreciation		15,267,061	13,553,419
Loss on disposal of fixed assets		7,755	268,936
Realisation of deferred income – office premises		(10,000,000)	(10,000,000)
Operating surplus before changes in working capital		19,171,564	39,257,900
Amount in defined benefit retirement plan asset recognised in the consolidated income statement	13(a)(v)	1,139,000	1,095,000
Decrease in debtors, deposits and payments in advance		2,677,526	1,791,352
Increase in receipts in advance, accounts payable and accruals		71,100,750	20,486,606
Cash generated from operation		94,088,840	62,630,858
Overseas tax refunded/(paid)		1,293	(42,464)
Net cash generated from operating activities		94,090,133	62,588,394
Investing activities			
Interest received		1,743,208	1,398,470
Purchase of fixed assets		(3,324,753)	(7,488,912)
Proceeds from disposal of fixed assets		-	281,203
Increase in deposit with bank with maturity of more than 3 months		(51,210,721)	(70,577,804)
Net cash used in investing activities		(52,792,266)	(76,387,043)
Net increase/(decrease) in cash and cash equivalents		41,297,867	(13,798,649)
Cash and cash equivalents at the beginning of the year	10	216,934,361	230,733,010
Cash and cash equivalents at the end of the year	10	258,232,228	216,934,361

The notes on pages 100 to 130 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 2017 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 payment in advance

Debtors, deposits and payment 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 payment 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 asset) 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.

(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. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows.

2 Significant accounting policies (continued)

(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).

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.

2 Significant accounting policies (continued)

(m) Income tax (continued)

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.

(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.

2 Significant accounting policies (continued)

(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.

(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 plans 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 plans 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:

	2017	2016
Recurrent		
– Subvention for the year	632,060,299	706,143,517
Non-recurrent		
– Meetings, Incentives, Conventions and Exhibitions Promotion/Wine and Dine Festival/Image Booster Campaign/3D Projection Mapping/Enhancement of Digital Offer Project/Enhancement of CNY Program/New Year Countdown/Cruise Tourism Promotion in South China, Taiwan & India/Quality & Honest Promotion/Tencent Strategic Cooperation/Matching Fund for Overseas Tourism Promotion/Celebration of the 20th Anniversary of HKSAR/Production of Promotion Videos and Promotion Costs/Quality Tourism Services Scheme/Enhancing the Scale of HKTB's Mega Events and Promotion of Other Mega Events in Town/Waiving Participation Fees of the Travel Trade in Joining Promotion Missions/Funding Support for Small & Medium-Sized MIC Groups/Fly-cruise Promotion/Launching a Retail Booster Campaign/Supporting HKTDC's two Mega Overseas Promotion Events to be held in Bangkok and Frankfurt/Great Outdoors Hong Kong/Additional Manpower Resources for taking forward the Initiatives/Cruise Deployment Fund	247,102,545	73,220,132
	879,162,844	779,363,649

4 Income tax

Income tax in the consolidated income statement represents:

	2017	2016
Current tax – Overseas		
Provision for the year	111,754	28,781

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 (2016: 17%).

5 Surplus before tax for the year

The Group

(a) Staff costs

	2017	2016
Contributions to defined contribution retirement plans	9,953,839	7,945,852
Amounts recognised in respect of defined benefits retirement plans (note 13(a)(v))	1,139,000	1,095,000
Retirement costs	11,092,839	9,040,852
Salaries and other benefits	235,629,599	228,670,243
	246,722,438	237,711,095

(b) Other item

	2017	2016
Net foreign exchange loss/(gain)	150,835	(3,211,981)

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:

	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)

	2016		
	Executive Director	Other senior executives	Total
Basic salaries	4,157,000	21,865,000	26,022,000
Discretionary performance pay	587,000	1,740,000	2,327,000
Retirement benefit expenses, contract gratuities and other allowances	640,000	4,272,000	4,912,000
	5,384,000	27,877,000	33,261,000

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	2017 No. of senior executive positions	2016 No. of senior executive positions
1 – \$500,001 to \$1,000,000 (note (a))	2	1
2 – \$1,000,001 to \$1,500,000 (note (b))	2	3
3 – \$1,500,001 to \$2,000,000 (note (c))	3	1
4 – \$2,000,001 to \$2,500,000 (note (d))	3	5
5 – \$2,500,001 to \$3,000,000 (note (d)(iii))	2	1
6 – \$3,000,001 to \$3,500,000 (note (e))	–	1
7 – \$3,500,001 to \$4,000,000 (note (e))	1	–
8 – \$4,000,001 to \$4,500,000	–	–
9 – \$4,500,001 to \$5,000,000 (note (f))	–	1
10 – \$5,000,001 to \$5,500,000 (note (f))	1	–
	14	13

Notes: One senior executive position was vacant in 2015/16.

6 Senior executives' pay and allowances (continued)

The Group (continued)

The salaries of senior executives were subject to annual review during the year. Such salary increases were approved by the Remuneration Review Committee accordingly.

- (a) Senior executive position under Pay range 1 increased by 1 due to the vacant position in 2015/16 was filled.
- (b) One senior executive position moved from pay range 2 to pay range 4 due to full year impact in 2016/17.
- (c) Senior executive position under Pay range 3 increased by 2 due to the following movements:
 - (i) one senior executive position moved from Pay range 4 to Pay range 3 due to lower in foreign exchange rate for Hong Kong Dollar equivalent; and
 - (ii) one senior executive position moved from Pay range 4 to Pay range 3 due to overlapping period of position in 2015/16.
- (d) Senior executive position under Pay range 4 decreased by 2 due to the following movements:
 - (i) one senior executive position moved from pay range 2 to pay range 4 as described in (b) above;
 - (ii) two senior executive positions moved from Pay range 4 to Pay range 3 as described in (c) above; and
 - (iii) one senior executive position moved from Pay range 4 to Pay range 5 due to annual salary increases.
- (e) One senior executive position moved from Pay range 6 to Pay range 7 due to annual salary increases.
- (f) One senior executive position moved from Pay range 9 to Pay range 10 due to annual salary increases.

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 \$619,000 for the year ended 31 March 2017 (2016: \$587,000).

The remuneration of other senior executive positions for the year ended 31 March 2017 represents compensation for the Deputy Executive Director, seven General Manager positions (2016: six General Manager positions) and five Regional Director positions (2016: 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 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

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 2015	252,855,009	8,298,254	1,187,199	11,482,501	20,771,366	2,376,680	296,971,009
Additions	-	2,459,298	-	742,756	3,869,298	417,560	7,488,912
Transfer from work in progress	-	-	-	-	1,886,080	(1,886,080)	-
Disposals	-	(959,817)	(853,788)	(692,200)	(2,768,892)	-	(5,274,697)
At 31 March 2016	252,855,009	9,797,735	333,411	11,533,057	23,757,852	908,160	299,185,224
Accumulated depreciation:							
At 1 April 2015	210,712,503	7,550,453	1,013,366	10,486,825	16,474,159	-	246,237,306
Charge for the year	10,114,200	419,949	120,519	456,490	2,442,261	-	13,553,419
Disposals	-	(479,909)	(835,205)	(692,200)	(2,717,244)	-	(4,724,558)
At 31 March 2016	220,826,703	7,490,493	298,680	10,251,115	16,199,176	-	255,066,167
Net book value:							
At 31 March 2016	32,028,306	2,307,242	34,731	1,281,942	7,558,676	908,160	44,119,057

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 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

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 2015	252,855,009	8,298,254	1,187,199	11,455,836	20,760,599	2,376,680	296,933,577
Additions	-	2,459,298	-	727,156	3,869,298	417,560	7,473,312
Transfer from work in progress	-	-	-	-	1,886,080	(1,886,080)	-
Disposals	-	(959,817)	(853,788)	(692,200)	(2,768,892)	-	(5,274,697)
At 31 March 2016	252,855,009	9,797,735	333,411	11,490,792	23,747,085	908,160	299,132,192
Accumulated depreciation:							
At 1 April 2015	210,712,503	7,550,453	1,013,366	10,463,288	16,470,458	-	246,210,068
Charge for the year	10,114,200	419,949	120,519	454,983	2,439,838	-	13,549,489
Disposals	-	(479,909)	(835,205)	(692,200)	(2,717,244)	-	(4,724,558)
At 31 March 2016	220,826,703	7,490,493	298,680	10,226,071	16,193,052	-	255,034,999
Net book value:							
At 31 March 2016	32,028,306	2,307,242	34,731	1,264,721	7,554,033	908,160	44,097,193

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

	2017	2016
<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>	2,411,969	229,340

As at 31 March 2017, the Board assessed the interests in the subsidiary and no additional impairment loss was recognised during the years ended 31 March 2017 and 2016.

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 \$50,655 for the year ended 31 March 2017 (2016: \$51,155) 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	
	2017	2016	2017	2016
Debtors	2,596,578	3,985,691	2,596,578	3,985,691
Less: Provision for impairment loss of debtors	(19,117)	(19,117)	(19,117)	(19,117)
	2,577,461	3,966,574	2,577,461	3,966,574
Deposits and payments in advance	17,172,501	18,039,649	16,550,426	17,182,286
	19,749,962	22,006,223	19,127,887	21,148,860

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	
	2017	2016	2017	2016
Australian Dollars	280,874	355,752	280,874	355,752
Chinese Yuan	992,806	957,312	992,806	957,312
Euros	660,004	536,215	660,004	536,215
Great British Pounds	2,650,226	1,351,860	2,650,226	1,351,860
Japanese Yen	3,440,250	3,012,279	3,440,250	3,012,279
Korean Won	209,817	202,701	209,817	202,701
New Taiwan Dollars	546,495	895,393	-	-
United States Dollars	654,252	533,357	654,252	533,357

The gross amount of debtors, deposits and payments in advance at 31 March 2017 that is expected to be recovered after more than one year for the Group is \$3,078,958 and the Board is \$3,078,958 (2016: the Group is \$4,417,274 and the Board is \$4,212,991).

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	
	2017	2016	2017	2016
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 2016 and 2017, the Group's and the Board's debtors of \$108,000 was determined to be impaired. The impairment loss relating to a customer that was in dispute, was partially set off against \$88,883 being amount due to the same customer. Consequently, a provision for the net impairment loss of \$19,117 was recognised.

(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	
	2017	2016	2017	2016
Neither past due nor impaired	487,076	250,423	487,076	250,423
Less than 1 month past due	1,221,747	1,586,910	1,221,747	1,586,910
1 to 3 months past due	394,473	938,673	394,473	938,673
More than 3 months but less than 12 months past due	385,282	1,101,685	385,282	1,101,685
1 year or more than 1 year past due	88,883	-	88,883	-
	2,090,385	3,627,268	2,090,385	3,627,268
	2,577,461	3,877,691	2,577,461	3,877,691

10 Cash and cash equivalents

	The Group		The Board	
	2017	2016	2017	2016
Deposits with banks and financial institutions	372,324,095	281,763,109	372,324,095	281,763,109
Cash at banks and in hand	7,696,658	5,749,056	7,522,949	5,230,679
Cash and cash equivalents in the statement of financial position	380,020,753	287,512,165	379,847,044	286,993,788
Less: Deposits with banks and financial institutions with maturity of more than three months at acquisition	(121,788,525)	(70,577,804)		
Cash and cash equivalents in the consolidated cash flow statement	258,232,228	216,934,361		

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	
	2017	2016	2017	2016
Australian Dollars	365,463	342,549	365,463	342,549
Canadian Dollars	118,110	37,443	118,110	37,443
Chinese Yuan	301,291	405,592	301,291	405,592
Euros	451,547	340,938	451,547	340,938
Great British Pounds	654,055	400,978	654,055	400,978
Singapore Dollars	189,719	111,027	189,719	111,027
New Taiwan Dollars	136,732	394,248	-	-
United States Dollars	183,431	199,930	183,431	199,930

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 1.5% (2016: the Group and the Board ranging from 0.013% to 1.1%).

11 Accounts payable and accruals

	The Group		The Board	
	2017	2016	2017	2016
Accounts payable	172,560,384	108,196,215	171,069,878	107,904,327
Other payables and sundry creditors	41,754,227	46,900,449	40,680,497	46,111,943
	214,314,611	155,096,664	211,750,375	154,016,270

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	
	2017	2016	2017	2016
Australian Dollars	5,399,533	2,127,950	5,399,533	2,127,950
Chinese Yuan	9,992,298	6,068,386	9,992,298	6,068,386
Euros	3,342,446	2,659,166	3,342,446	2,659,166
Great British Pounds	3,644,500	1,951,938	3,644,500	1,951,938
Japanese Yen	3,299,835	5,345,439	3,299,835	5,345,439
Korean Won	3,361,333	3,530,478	3,361,333	3,530,478
Singapore Dollars	4,087,735	3,816,452	4,087,735	3,816,452
United States Dollars	6,512,135	1,811,901	6,512,135	1,811,901

The gross amount of accounts payable and accruals at 31 March 2017 that is expected to be settled after more than one year for the Group is \$7,632,620 and the Board is \$7,632,620 (2016: the Group is \$6,927,927 and the Board is \$6,798,205).

12 Deferred income

	The Group and The Board	
	2017	2016
Government subvention granted		
– 1994/95	250,000,000	250,000,000
Aggregate realisation:		
At 1 April	218,333,333	208,333,333
Realised during the year	10,000,000	10,000,000
At 31 March	228,333,333	218,333,333
Balance at 31 March	21,666,667	31,666,667
Less: Amount included in “current liabilities”	10,000,000	10,000,000
Amount included in “non-current liability”	11,666,667	21,666,667

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 10% (2016: 11%) 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:

	2017	2016
Present value of wholly or partly funded obligations	(31,682,000)	(37,141,000)
Fair value of plan assets	85,629,000	84,716,000
Defined benefit retirement plan asset	53,947,000	47,575,000

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 2017 since the Board has taken the contribution holiday recommended by an independent actuary, Towers Watson Hong Kong Limited ("Towers Watson").

(ii) Plan assets consist of the following:

	2017	2016
Equity securities		
– Pacific Basin	20,685,000	12,708,000
– Europe	9,117,000	11,078,000
– Americas	17,840,000	18,005,000
	47,642,000	41,791,000
Bond		
– Global Bond	38,434,000	42,168,000
Cash at banks	675,000	757,000
Benefit payable	(1,122,000)	–
	85,629,000	84,716,000

13 Employee retirement benefits (continued)

The Group and the Board (continued)

(a) Defined benefit retirement plan (continued)

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

	2017	2016
At 1 April	37,141,000	36,153,000
Remeasurements:		
– Actuarial (gains)/losses arising from changes in liability experience	(935,000)	712,000
– Actuarial (gains)/losses arising from changes in financial assumptions	(412,000)	364,000
– Actuarial losses arising from demographic assumptions	1,000	–
	(1,346,000)	1,076,000
Benefits paid by the plans	(6,089,000)	(2,239,000)
Current service costs	1,615,000	1,718,000
Interest cost	361,000	433,000
	(4,113,000)	(88,000)
At 31 March	31,682,000	37,141,000

The weighted average duration of the defined benefit obligation is 4.3 years (2016: 5 years).

(iv) Movements in fair value of plan assets:

	2017	2016
At 1 April	84,716,000	88,025,000
Benefits paid by the plan	(6,089,000)	(2,239,000)
Interest income	837,000	1,056,000
Return on plan assets, excluding interest income	6,165,000	(2,126,000)
At 31 March	85,629,000	84,716,000

13 Employee retirement benefits (continued)

The Group and the Board (continued)

(a) Defined benefit retirement plan (continued)

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

	2017	2016
Current service cost	1,615,000	1,718,000
Net interest on net defined benefit asset	(476,000)	(623,000)
Total amounts recognised in the consolidated income statement	1,139,000	1,095,000
Actuarial (gains)/losses	(1,346,000)	1,076,000
Return on plan assets, excluding interest income	(6,165,000)	2,126,000
Total amounts recognised in other comprehensive income	(7,511,000)	3,202,000
Total defined benefit costs	(6,372,000)	4,297,000

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

(vi) The principal actuarial assumptions used as at 31 March 2017 (expressed as weighted averages) and sensitivity analysis are as follows:

	2017	2016
Discount rate	1.30%	1.00%
Future salary increases	4.50%	4.50%

The below analysis shows how the defined benefit obligation as at 31 March 2017 would have increased/(decreased) as a result of 0.25 percentage points change in the significant actuarial assumptions:

	2017		2016	
	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	(337)	343	(455)	464
Future salary increases	333	(329)	456	(450)

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.

13 Employee retirement benefits (continued)

The Group and the Board (continued)

(b) Defined contribution retirement plans

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% (2016: 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 Reserves

	The Group		The Board	
	2017	2016	2017	2016
General fund at the beginning of the year	179,295,598	145,643,376	179,289,058	145,639,941
Surplus for the year	15,949,466	36,854,222	15,947,006	36,851,117
Other comprehensive income for the year	7,511,000	(3,202,000)	7,511,000	(3,202,000)
Total comprehensive income for the year	23,460,466	33,652,222	23,458,006	33,649,117
General fund at the end of the year	202,756,064	179,295,598	202,747,064	179,289,058

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 2017, 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	
	2017	2016	2017	2016
Within 1 year	10,876,245	11,542,812	10,649,710	11,328,855
After 1 year but within 5 years	9,089,225	11,539,423	9,063,224	11,500,429
	19,965,470	23,082,235	19,712,934	22,829,284

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.

16 Financial instruments (continued)

(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

	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

	2016				
	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	35,165,382	35,165,382	-	-	-
Accounts payable and accruals	155,096,664	148,168,737	3,052,103	1,592,626	2,283,198
	190,262,046	183,334,119	3,052,103	1,592,626	2,283,198

16 Financial instruments (continued)

(b) Liquidity risk (continued)

The Board

	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

	2016				
	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	35,165,382	35,165,382	-	-	-
Accounts payable and accruals	154,016,270	147,218,065	2,922,381	1,592,626	2,283,198
	189,181,652	182,383,447	2,922,381	1,592,626	2,283,198

(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.

	2017		2016	
	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)%	(237,660) 237,660	5% (5)%	(71,482) 71,482
Canadian Dollars	5% (5)%	(52,400) 52,400	5% (5)%	(19,269) 19,269
Chinese Yuan	5% (5)%	(434,910) 434,910	5% (5)%	(235,274) 235,274
Euro	5% (5)%	(111,545) 111,545	5% (5)%	(89,101) 89,101
Great Britain Pounds	5% (5)%	(17,011) 17,011	5% (5)%	(9,955) 9,955
Japanese Yen	5% (5)%	(10,441) 10,441	5% (5)%	(113,753) 113,753
Singapore Dollars	5% (5)%	(192,392) 192,392	5% (5)%	(176,413) 176,413
New Taiwan Dollars	5% (5)%	(54,296) 54,296	5% (5)%	42,124 (42,124)
Korean Won	5% (5)%	(156,381) 156,381	5% (5)%	(166,345) 166,345

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 2016.

(e) Fair values

All financial instruments are carried at amounts not materially different from their fair values as at 31 March 2017 and 2016.

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 2017

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 2017 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
Amendments to HKAS 7, <i>Statement of cash flows: Disclosure initiative</i>	1 January 2017
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 profit and loss account 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.

With respect to HKFRS 16, given the Group has not completed its assessment of their full impact on the Group, their possible impact on the Group's results of operations and financial position has not been quantified.