

Report of the Board of Directors

The directors submit their annual report and audited financial statements of the Council for the year ended 30th June, 2020.

PRINCIPAL ACTIVITIES

The principal activities of the Council are to serve as a regulatory body of travel agents, which are registered members of the Council, as well as tour escorts and tourist guides in Hong Kong. The Council also conducts activities relating to maintaining a high professional standard within the industry and protecting the interests of travellers and the industry.

RESULTS

The results of the Council for the year ended 30th June, 2020 are set out in the statement of profit or loss and other comprehensive income on page 7. The state of affairs of the Council as at 30th June, 2020 is set out in the statement of financial position on page 8.

SHARE CAPITAL

The Council is limited by guarantee and does not have a share capital.

MEMBERS

The roll of members as at 30th June, 2020 is as follows:

Association Members	Ordinary Members	Affiliate Members
8	1,678	69

BOARD OF DIRECTORS

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

Mr. WONG Chun Tat, Jason <i>JP</i>	-	Chairman
Mrs. HSU Wong Mei Kiu, Gianna	-	Deputy Chairman
Mr. SHUM Jiu Sang, Jason	-	Deputy Chairman
Mr. LEUNG Ka Kui, Johnny* <i>JP</i>	-	Hon. Secretary
Mr. LO Kai Pong, Roy	-	Hon. Treasurer
Mrs. CHAN WONG Shui, Pamela* <i>BBS, JP</i>		
Mr. CHAN Kam Chuen, Denny		
Ms. CHAU Suet Fung, Dilys*		
Mr. CHUI Ting Pong		
Dr. LAU Chin Keung, Brandon		
Mr. LEUNG Fu Wah* <i>BBS, MH, JP</i>		
Mr. LEUNG Kwong Hing, Fred		
Mr. LEUNG Yiu Lam, Paul <i>MH</i>		
Mr. LI Kwok Ying* <i>BBS, MH, JP</i>		
Mr. LIU Kin Sing, Alex*		
The Hon. MA Fung Kwok* <i>SBS, JP</i>		
Mr. MA Ho Fai* <i>GBS, JP</i>		
Mr. NG Hi On <i>MH</i>		
Mr. NG Lo Ngai, Roy		
Mr. POON Wing Fai, Jimmy* <i>MH</i>		
Mr. SY Chun Ming, Steve		

Appointed on 3rd December 2019

Mr. TAM Kwong Shun, Tommy	
Ms. TANG Man Wai, Karen	
Mr. TSE Kam Shan, Ricky	
Dr. TSE Sze Ming, Tony*	
Mr. WONG Kit Hin, Peter*	
Ms. WONG Sok Man	Appointed on 28th November 2019
Mr. WU Keng Hou, Ronald	
Mr. YANG Chuen Liang, Charles* <i>BBS, JP</i>	
Mr. LO Fai Wah, Larry	Retired on 25th November 2019
Mr. YIU Pak Leung, Perry <i>MH</i>	Retired on 28th November 2019

* Independent directors

In accordance with Article 50 of the Council's Articles of Association, an elected director shall hold office until the conclusion of the second Annual General Meeting after the Annual General Meeting at which he is elected. Mr CHAN Kam Chuen, Denny, Mr LEUNG Kwong Hing, Fred, Mr LEUNG Yiu Lam, Paul *MH* and Mr LO Kai Pong, Roy are retiring at the forthcoming Annual General Meeting.

DIRECTORS' INTERESTS

No contract of significance in relation to the Council's business to which the Council was a party and in which a director of the Council had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

At no time during the year was the Council a party to any arrangements to enable the directors of the Council to acquire benefits by means of the acquisition of shares in, or debentures of, the Council or any other body corporate.

PERMITTED INDEMNITY PROVISION

Article 76 of the Council's Articles of Association provides that every Member of the Board of Directors, any member of any committee of the Board of Directors, and every Officer for the time being of the Council shall be indemnified out of the funds of the Council against all liabilities and obligations which they, or any of them, may incur in good faith in the proper and reasonable performance or purported performance of their duties in relation to the Council other than any liability which attaches to them by law in respect of any negligence, default, breach of duty or breach of trust. Further they shall be indemnified from the funds of the Council against any liability incurred by them in defending any proceedings, whether civil or criminal, in which judgement is given in their favour or in which they are acquitted or in connection with any application under section 358 of the predecessor Companies Ordinance (corresponding to sections 902 to 904 of the Companies Ordinance) in which relief is granted to them by the Court: Provided that none of the funds of the Council shall be applied in payment of the whole or part of any fine or penalty imposed upon any person by sentence or order of a Court of Justice. This permitted indemnity provision is in force during the financial year and at the time of approval of this report.

MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the business of the Council was entered into or existed during the year.

BUSINESS REVIEW

(a) A fair review of the Council's business

The Council was incorporated and registered under the Companies Ordinance as a company limited by guarantee in 1988 and became a public body for the purpose of the Prevention of Bribery Ordinance in 1990. Its objectives are:

- To maintain a high professional standard within the industry; and
- To protect the interests of travellers and the industry.

The Council is an integral part of the two-tier regulatory system established by the Travel Agents Ordinance (TAO) and is entrusted with the responsibility to regulate outbound and inbound travel agents under the TAO. Under the provisions of the TAO, any person who carries on inbound or outbound travel business in Hong Kong is required to obtain a travel agent's licence, the requisite for which is Council membership.

The Council's operation includes (i) regulating travel agents, tourist guides and tour escorts, and handling traveller complaints; and (ii) representing and promoting trade interests, and organising fellowship functions and training activities for members.

The aim of the Council's operation is sustainability rather than profitability. It has used the following financial ratios as key performance indicators (KPIs) to assess its operational sustainability:

- Net (deficit)/surplus as a percentage of total income is reviewed to measure the Council's effectiveness in managing its operation and its expenses.
- Current ratio (Current assets/Current liabilities) is used to measure the Council's ability to pay off short term obligations with its short term assets. The Council aims at maintaining a higher and more healthy current ratio because it shows that the Council can more easily make current debt payments.
- Debt ratio (Total liabilities/Total assets) is used to measure the Council's ability to pay off its liabilities with its assets and financial leverage. The Council aims at maintaining a lower debt ratio so as to achieve stability in its operation.

The net (deficit)/surplus as a percentage of total income, current ratio and debt ratio of the Council for the fiscal years 2019/2020 and 2018/2019 are as follows:

<u>Financial ratio</u>	<u>2019-2020</u>	<u>2018-2019</u>
Net (deficit)/ surplus ratio	(42.79%)	4.27%
Current ratio	1.11	1.31
Debt ratio	0.81	0.68

BUSINESS REVIEW- CONTINUED

(b) A description of the principal risks and uncertainties facing the Council

The principal risks and uncertainties faced by the Council are as follows:

The social unrest in the first half of the financial year has led to a substantial drop in inbound tour registration fee income. The COVID-19 pandemic in the second half of the financial year has resulted in not only a continued loss of inbound tour registration fee income but also a sharp decrease in levy income. The risks and uncertainties posed by the pandemic on these two major sources of the Council's income are expected to continue into at least the first half of 2020/2021.

In addition, the Council will cease to be a self-regulatory body after the Travel Industry Authority commences operation. The principal risks and uncertainties faced by the Council are as follows:

- Loss of levy income and inbound tour registration fee income;
- Loss of experienced and competent staff even before the end of the transition period.

(c) An indication of possible future development in the Council's business

As mentioned in (b) above, the Council will change from a self-regulatory body to a trade association, and the focus of its work will shift from self-regulation to the promotion of trade interests and fellowship among members, as well as provision of services and training for members.

EQUITY-LINKED ARRANGEMENTS

During the financial year, the Council did not enter into any equity-linked agreement.

At the end of the financial year, no equity-linked agreement subsisted.

DIVIDENDS

Dividends are not permitted pursuant to Clause 4 of the Council's Memorandum of Association.

DONATIONS

During the financial year, the Council made no donation.

AUDITORS

The financial statements have been audited by Charles H. C. Cheung & CPA Limited, Certified Public Accountants (Practising), who now retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board of Directors

Mr. WONG Chun Tat, Jason *JP*
Chairman

Hong Kong, 8th September 2020