

Statement of profit or loss and other comprehensive income

For the year ended 30th June, 2020

	<u>NOTE</u>	<u>2020</u> HK\$	<u>2019</u> HK\$
INCOME			
Levy income	6(a)	14,767,405	28,294,801
Training course and examination income	6(b)	2,266,265	2,777,180
Membership fee income	6(c)	2,393,700	2,518,400
Inbound tour registration fee income	6(d)	390,090	2,604,860
Tour Escort Pass and Tourist Guide Pass income		1,448,356	1,524,783
Shop registration fee income		18,000	242,500
Airport service counter income		182,400	273,600
Bank interest income	7	775,173	762,546
Other operating income		534,925	453,089
Government grants	8	1,934,653	2,082,360
		<u>24,710,967</u>	<u>41,534,119</u>
EXPENDITURE			
Staff costs		21,851,801	23,564,383
Mandatory provident fund and provident fund contributions		1,389,299	1,447,097
Public and member relations		2,733,483	3,739,186
Training course and examination expenses		824,541	980,668
Legal and professional fees		318,845	742,620
General and administration		956,925	1,207,217
Refund of membership subscription fee		1,991,800	-
Refund of inbound tour registration fee		71,610	-
Rental, building management fee and related expenses		2,628,112	2,593,615
Maintenance fees of e-levy system / franking machines		587,656	1,031,254
Tour Escort Pass and Tourist Guide Pass expenses		79,714	56,707
Airport service counter operating expenses		169,801	221,195
Inspection expenses		184,379	578,518
Planning, research and development expenses		239	2,016,932
Director's fees, emoluments and travelling allowances	9	64,000	96,000
Auditor's remuneration		77,600	85,400
Depreciation	10	744,757	278,599
Interest expenses		192,396	170,871
Greater Bay Area cities visits expenses		364,011	836,162
		<u>35,230,969</u>	<u>39,646,424</u>
(Deficit)/ surplus before taxation	10	(10,520,002)	1,887,695
Income tax	11(b)	(54,798)	(116,125)
(Deficit)/ surplus for the year		(10,574,800)	1,771,570
Other comprehensive income for the year, net of tax		-	-
Total comprehensive (loss)/ income for the year		<u>(10,574,800)</u>	<u>1,771,570</u>

The notes on pages 11 to 26 form an integral part of these financial statements.

Statement of financial position

As at 30th June, 2020

	NOTE	2020 HK\$	2019 HK\$
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	12	12,479,633	11,499,713
Deferred taxation	11(c)	-	45,731
		<u>12,479,633</u>	<u>11,545,444</u>
CURRENT ASSETS			
Sundry deposits, prepayments and temporary payments		1,446,181	2,211,128
Security deposits from Affiliate Members	13	5,300,000	4,950,000
Deposits with bank in trust for IATA	14	11,799,570	11,587,174
Deposits with bank for web-based tourism resource platform funding	15	714,463	1,427,502
Deposits with bank for SME Development Fund	16	-	50
Deposits with bank for Pilot Information Technology Development Matching Fund Scheme for Travel Agents	17	30,112,201	34,488,786
Deposits with bank for Travel Industry Training Fund	18	4,086,264	4,637,753
Deposits with bank for Travel Agents Incentive Scheme (outbound)	19	36,765,951	-
Accounts receivable		1,210,337	497,719
Interest receivable		84,728	344,993
Cash and bank balances	20	23,688,808	38,561,915
		<u>115,208,503</u>	<u>98,707,020</u>
CURRENT LIABILITIES			
Accounts payable and accruals		4,608,542	6,018,733
Levy received in advance		3,894,621	5,511,204
Course fees received in advance		574,885	768,280
Membership fees received in advance		955,900	1,977,000
Pass fees received in advance		1,907,169	2,000,815
Other payable to Travel Industry Training Fund	18	4,086,264	4,637,753
Other payable to Pilot Information Technology Development Matching Fund Scheme for Travel Agents	17	29,647,201	33,425,267
Other payable to IATA	14	11,799,570	11,587,174
Deferred government grant - SME Development Fund	16	-	50
Deferred government grant to web-based tourism resources platform funding	15	2,007,405	2,881,308
Deferred government grant to Pilot Information Technology Development Matching Fund Scheme for Travel Agents	17	975,000	1,063,519
Deferred government grant to Travel Agents Incentive Scheme (outbound)	19	36,765,951	-
Security deposits from Affiliate Members	13	5,300,000	4,950,000
Provision for taxation		219	219
Provision for severance and long service payment		990,000	690,000
		<u>103,512,727</u>	<u>75,511,322</u>
NET CURRENT ASSETS		<u>11,695,776</u>	<u>23,195,698</u>
OTHER LIABILITIES			
Deferred tax liability	11(c)	9,067	-
TOTAL NET ASSETS		<u>24,166,342</u>	<u>34,741,142</u>
ACCUMULATED FUND			
Accumulated surplus carried forward	21	24,166,342	34,741,142

The financial statements on pages 7 to 26 were approved and authorised for issue by the Board of Directors on 8th September 2020 and signed on its behalf by:

Mr. WONG Chun Tat, Jason *JP*
Chairman

Mr. LO Kai Pong, Roy
Hon. Treasurer

The notes on pages 11 to 26 form an integral part of these financial statements.

Statement of changes in accumulated fund

For the year ended 30th June, 2020

	<u>2020</u> HK\$	<u>2019</u> HK\$
Accumulated surplus at the beginning of the year	34,741,142	32,969,572
Total comprehensive (loss)/ income for the year	<u>(10,574,800)</u>	<u>1,771,570</u>
Accumulated surplus at the end of the year	<u>24,166,342</u>	<u>34,741,142</u>

Statement of cash flows

For the year ended 30th June, 2020

	<u>NOTE</u>	<u>2020</u> HK\$	<u>2019</u> HK\$
Cash flows from operating activities			
(Deficit)/ surplus before taxation		(10,520,002)	1,887,695
Adjustments for:			
Depreciation		744,757	278,599
Bank interest income		(582,777)	(591,675)
Bank interest income – deposits with bank for IATA		(192,396)	(170,871)
Interest expenses payable to IATA		192,396	170,871
		<u> </u>	<u> </u>
Operating (deficit)/ surplus before working capital changes		(10,358,022)	1,574,619
(Increase) in accounts receivable		(712,618)	(237,409)
Decrease/ (increase) in interest receivable		260,265	(151,099)
Decrease/ (increase) in prepayments and deposits		764,947	(400,397)
(Decrease)/ increase in accounts payable and accruals		(1,410,191)	575,257
(Decrease)/ increase in levy received in advance		(1,616,583)	748,993
Increase in provision for severance and long service payment		300,000	30,000
(Decrease) in membership fees received in advance		(1,021,100)	(11,800)
(Decrease)/ increase in course fees received in advance		(193,395)	390,890
(Decrease) in pass fees received in advance		(93,646)	(131,563)
Net changes in Pilot Information Technology			
Development Matching Fund Scheme for Travel Agents		510,000	-
Net changes in web-based tourism resource platform funding		(160,864)	1,453,806
		<u> </u>	<u> </u>
Cash (outflow)/ inflow from operating activities		(13,731,207)	3,841,297
Income tax rebate		-	-
		<u> </u>	<u> </u>
Net cash (outflow)/ inflow from operating activities		<u>(13,731,207)</u>	<u>3,841,297</u>
Cash flows from investing activities			
Purchase of property, plant and equipment		(1,724,677)	(197,372)
Bank interest income		582,777	591,675
Bank interest income – deposits with bank for IATA		192,396	170,871
		<u> </u>	<u> </u>
Net cash (outflow)/ inflow from investing activities		<u>(949,504)</u>	<u>565,174</u>
Net cash (outflow)/ inflow before financing activities		<u>(14,680,711)</u>	<u>4,406,471</u>
Financing activities			
Interest expenses payable to IATA		(192,396)	(170,871)
		<u> </u>	<u> </u>
Net cash outflow from financing activities		(192,396)	(170,871)
		<u> </u>	<u> </u>
Net (decrease)/ increase in cash and cash equivalents		(14,873,107)	4,235,600
Cash and cash equivalents at the beginning of the year		<u>38,561,915</u>	<u>34,326,315</u>
Cash and cash equivalents at the end of the year	20	<u><u>23,688,808</u></u>	<u><u>38,561,915</u></u>

The notes on pages 11 to 26 form an integral part of these financial statements.

Notes to the financial statements

For the year ended 30th June, 2020

1. CORPORATE INFORMATION

The Council was incorporated in Hong Kong with liability limited by guarantee under the Companies Ordinance. The address of its registered office and principal place of business is Rooms 1706-1709, Fortress Tower, 250 King's Road, North Point, Hong Kong. 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.

2. STATEMENT OF COMPLIANCE

a. Statement of compliance

These financial statements comply with all of the requirements of each applicable standard and each applicable interpretation in HKFRSs effective at the beginning of the reporting period and have been prepared under the accrual basis of accounting and on the basis that the Council is a going concern.

b. Basis of measurement

The measurement bases used in preparing these financial statements are set out in note 3 to financial statements.

3. ADOPTION OF NEW ACCOUNTING STANDARDS

The following HKFRS and HK(IFRIC)-Int, newly issued or revised as indicated, and their amendments become effective mandatorily in the year.

HKFRS 16: Leases

HK(IFRIC)-Int 23: Uncertainty over Income Tax Treatments

Except as described below, the application of the new and amendments to HKFRSs in the current year has had no material impact on the Council's financial position and performance for the current and prior years and/or on the disclosures set out in these financial statements.

HKFRS 16 supersedes former HKAS 17: Leases on the recognition, measurement, presentation and disclosures of lease contracts or contracts containing leases. On lessee side, HKFRS 16 requires a lessee to recognise right-of-use assets and lease liabilities for the rights and obligations created by all leases. A lessee may elect to recognise the lease payments associated with short-term leases and leases for which the underlying asset is of low value as an expense on either a straight-line basis over lease term or another systematic basis. On lessor side, HKFRS 16 substantially carries forward the accounting requirements in the HKAS 17; accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

As a lessee

The Council applies the short-term lease recognition exemption to leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on short term leases are recognised as expense on a straight-line basis over the lease term.

The Council has also elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Council has not reassessed contracts which already existed prior to the date of initial application

3. ADOPTION OF NEW ACCOUNTING STANDARDS – continued

Right-of-use assets

Except for short-term leases and leases of low value assets, the Council recognises right-of use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use assets includes:

- the amount of the initial measurement of the lease liability
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Council; and
- an estimate of costs to be incurred by the Council in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets in which the Council is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term is depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Council presents right-of-use assets as a separate line item on the statement of financial position.

Lease liabilities

At the commencement date of a lease, the Council recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Council uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable; and
- payments of penalties for terminating a lease, if the lease term reflects the Council exercising the option to terminate.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expense that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Council and the cost of the item can be measured reliably. All other repairs and maintenance are expensed in the statement of profit or loss and other comprehensive income during the financial year in which they are incurred.

Depreciation of plant and equipment is calculated using the straight line method to allocate cost to their residual values over their estimated useful lives, as follows:

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

a. Property, plant and equipment – continued

Office equipment and computer	20% - 33.33%
Furniture and fixtures	20%
Tourism resource platform	41.38%
Buildings	Depreciated over 41 years
Leasehold land	Over the unexpired term of the lease

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of the reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Buildings held for use in the production or supply of goods and services, or for administrative purposes, are stated in the statement of financial position at cost less accumulated depreciation and accumulated impairment losses.

Depreciation on buildings is provided to write off the cost over their estimated economic lives using the straight line method.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the statement of profit or loss and other comprehensive income in the year in which the item is derecognised.

b. Income recognition

Income is recognised when it is probable that the economic benefits will flow to the Council and when the income can be measured reliably.

- Membership fee income is recognised over the term of the membership.
- Levy income is recognised when the levy stamp has been franked or printed on the tour receipt.
- Inbound tour registration fee income is recognised when the Council receives payment.
- Income from seminars and courses is recognised in the period when the services are rendered.
- Bank interest income is accrued on a time proportion basis on the principal outstanding and at the interest rate applicable.
- Airport service counter income is recognised when the relevant services are rendered.
- Other operating income is recognised when received.

c. Government grants

Government grants that compensate the Council for expenses incurred are recognised as revenue in the statement of profit or loss and other comprehensive income on a systematic basis in the same period in which the expenses are incurred. Grants that compensate the Council for the cost of an asset are regarded as deferred income and credited to the statement of profit or loss and other comprehensive income on a straight-line basis over the same period in which the related assets are depreciated.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

d. Income tax

Income tax represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable surplus for the year. Taxable surplus differs from surplus reported in the statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Council's liability for current tax is calculated using tax rates that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, if the deferred tax arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable surplus or loss, it is not accounted for. Deferred income tax is determined using tax rates that have been enacted or substantively enacted at the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that future taxable surplus will be available against which the temporary differences can be utilised.

e. Related parties

A party is considered to be related to the Council if:

- (a) A person or a close member of that person's family is related to the Council if that person:
 - (i) has control or joint control over the Council;
 - (ii) has significant influence over the Council; or
 - (iii) is a member of the key management personnel of the Council or of a parent of the Council;
- (b) An entity is related to the Council if any of the following conditions applies:
 - (i) The entity and the Council 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 of a member of a council of which the other entity is a member).
 - (iii) Both entities are joint ventures of a third entity.
 - (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 Council or an entity related to the Council. If the Council is itself such a plan, the sponsoring employers are also related to the plan.
 - (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).

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

f. Provisions

Provisions are recognised when the Council has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

g. Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Council. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably. A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Council. A contingent asset is not recognised but is disclosed in the notes to the financial statements when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

h. Current assets and liabilities

Current assets are expected to be realised within 12 months of the end of the reporting period or in the normal course of the Council's operating cycle. Current liabilities are expected to be settled within 12 months of the end of the reporting period or in the normal course of the Council's operating cycle.

i. Pension costs

The Council operates two defined contribution retirement benefits schemes under the Mandatory Provident Fund Schemes Ordinance for certain employees. Contributions are made based on a percentage of the eligible employees' salaries and are charged to the statement of profit or loss and other comprehensive income as they become payable in accordance with the rules of the schemes. The assets of the schemes are held separately from those of the Council in independently administered funds. With respect to the Mandatory Provident Fund retirement benefits scheme, the Council's employer contributions vest fully with the employees when contributed into the scheme.

j. Operating leases

Leases where substantially all the risks and rewards of ownership of assets remain with the lessor are accounted for as operating leases. Rentals payable under the operating leases are recognised as an expense in the statement of profit or loss and other comprehensive income on the straight-line basis over the lease terms.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

k. Financial instruments

Financial assets

The Council's financial assets are classified into loans and receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At the end of the reporting period subsequent to initial recognition, loans and receivables (including accounts receivables) are carried at amortised cost using the effective interest rate method, less any identified impairment losses. An impairment loss is recognised in the statement of profit or loss and other comprehensive income when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity

Financial liabilities and equity instruments issued by an entity are classified according to the substance of the contractual arrangement entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Council after deducting all of its liabilities. The Council's financial liabilities (including amount due to the Travel Industry Compensation Fund and accounts payable) are subsequently measured at amortised cost, using the effective interest rate method.

l. Derecognition of financial assets and financial liabilities

Financial assets are derecognised when the rights to receive cash flows from the assets have expired; or when the Council has transferred its contractual rights to receive the cash flows of the financial assets and has transferred substantially all the risks and rewards of ownership; or where control is not retained.

Financial liabilities are derecognised when they are extinguished, i.e., when the obligation is discharged, cancelled or expires.

m. Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand, time deposits with banks and other short-term highly liquid investments with original maturities of three months or less and bank overdrafts.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

n. Impact of issued but not yet effective HKFRS

The Hong Kong Institute of Certified Public Accountants has issued the following HKFRS, newly issued or revised as indicated, that is relevant to the business of the Council and will become effective from the accounting periods beginning on or after the mandatory effective date set out below:

Title	Mandatory Effective date
HKFRS 17: Insurance contracts	1st January, 2021

The Council is expected to initially adopt the above in the first accounting period beginning on or after its mandatory effective date. The Council has already commenced an assessment of the impact of the adoption but is not yet in a position to state whether there would be a significant impact on its financial statements in the period of initial application.

5. FINANCIAL RISK MANAGEMENT

Financial instruments

The principal financial assets of the Council are annual fee receivable from members, sundry deposits, prepayments, temporary payments, bank balances, deposits and cash. The principal financial liabilities of the Council include membership fees received in advance, other payables, course fees received in advance, pass fees received in advance, levy received in advance, security deposits received from Affiliate Members, accounts payable and accruals. The Council did not hold or issue any financial instruments for trading purposes or any positions in derivative contracts during the year ended 30th June, 2020.

a. Foreign currency risk

Substantially all the revenue-generating operations of the Council were transacted in the Hong Kong dollar during the year ended 30th June, 2020, which is the functional and presentation currency of the Council. The Council therefore does not have significant foreign exchange risk.

b. Credit risk

Credit risk is the risk that a counterparty will be unable to pay amounts in full when due. The Council's "receivables" are very short-term in nature and the associated risk is minimal. Subscriptions, fees, income from courses, rental income and other activities are collected in advance. As at 30th June, 2020, the Council has no significant concentration of credit risk and all balances of accounts receivable are neither past due nor impaired and relate to a large number of diversified debtors for whom there was no recent history of default.

5. FINANCIAL RISK MANAGEMENT - continued

c. Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Council is subject to the risk due to fluctuation in the prevailing levels of market interest rates on its cash and bank balances.

The interest rate risk exposure of the Council is set out below:

	<u>2020</u> HK\$	<u>2019</u> HK\$
Time deposits	21,202,455	34,183,826
Savings accounts	1,256,693	3,178,325
Current accounts and cash in hand	1,229,660	1,199,764
	<u>23,688,808</u>	<u>38,561,915</u>

	Percentage per annum	Percentage per annum
Effective interest rate of time deposits	0.25%-2.57%	0.50%-2.40%
Effective interest rate of savings accounts	<i>0.01%</i>	<i>0.01%</i>

d. Liquidity risk

The Council is exposed to minimal liquidity risk as the Council closely monitors its cash flow position.

The maturity profile of the Council's financial liabilities at the reporting date, based on the contractual undiscounted payments, is as follows:

	<u>2020</u>				Total HK\$
	On demand HK\$	Less than 3 months HK\$	3 months to 1 year HK\$	1 to 5 years HK\$	
Accounts payable and accruals	-	2,805,246	1,599,632	203,664	4,608,542
Levy received in advance	-	3,894,621	-	-	3,894,621
Provision for severance and long service payment	-	-	-	990,000	990,000
	<u>-</u>	<u>6,699,867</u>	<u>1,599,632</u>	<u>1,193,664</u>	<u>9,493,163</u>

	<u>2019</u>				Total HK\$
	On demand HK\$	Less than 3 months HK\$	3 months to 1 year HK\$	1 to 5 years HK\$	
Accounts payable and accruals	-	4,443,733	950,000	625,000	6,018,733
Levy received in advance	-	5,511,204	-	-	5,511,204
Provision for severance and long service payment	-	-	-	690,000	690,000
	<u>-</u>	<u>9,954,937</u>	<u>950,000</u>	<u>1,315,000</u>	<u>12,219,937</u>

6. INCOME

a. Levy income

Levy income represents the Council levy stipulated under Section 32(I) of the Travel Agents Ordinance.

b. Training course and examination income

Training course and examination income includes the course fees charged for the tour escort certificate course and examination, the tourist guide training course and examination and other training courses.

c. Membership fee income

	<u>2020</u> HK\$	<u>2019</u> HK\$
Membership subscriptions	2,099,000	2,176,000
Entrance fee	217,800	252,000
Charges for changes of members' particulars	76,900	90,400
	<u>2,393,700</u>	<u>2,518,400</u>

d. Inbound tour registration fee income

Inbound tour registration fee income is registration charges for mainland China's inbound tours received from inbound travel agents.

7. BANK INTEREST INCOME

Bank interest income in the statement of profit or loss and other comprehensive income represents:

	<u>2020</u> HK\$	<u>2019</u> HK\$
Bank interest income - deposits	582,777	591,675
Bank interest income - deposits with bank for IATA	192,396	170,871
	<u>775,173</u>	<u>762,546</u>

8. GOVERNMENT GRANTS

Government grants recognised in the statement of profit or loss represents:

	<u>2020</u> HK\$	<u>2019</u> HK\$
Subsidies from SME Development Fund	-	738,000
Subsidies from Travel Industry Training Fund	104,788	147,416
Subsidies for Greater Bay Area city visits	364,011	760,464
Subsidies for exploring further means to foster adoption of information technology by the travel trade	88,520	436,480
Subsidies from Employment Support Scheme	502,970	-
Subsidies for development of web-based tourism resource platform	874,364	-
	<u>1,934,653</u>	<u>2,082,360</u>

9. DIRECTORS' BENEFIT AND INTEREST

Remuneration of the directors of the Council disclosed pursuant to section 383(1) of the Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation is as follows:

a. Directors' emoluments

The directors of the Council are not permitted to receive any remuneration or other benefit in money or money's worth pursuant to Clause 4 of the Council's Memorandum of Association.

Travelling allowances paid or receivable in respect of a person's services as a director of the Council pursuant to Article 55(4) of the Council's Articles of Association:

	<u>2020</u> HK\$	<u>2019</u> HK\$
Mr. WONG Chun Tat, Jason <i>JP</i> (Chairman)	<u>64,000</u>	<u>96,000</u>

b. The directors of the Council are not permitted to receive any retirement and termination benefits paid pursuant to Clause 4 of the Memorandum of Association of the Council during the year (2019: Nil).

c. There were no loans, quasi-loans and other dealings in favour of directors, their controlled bodies corporate and their connected entities made during the year (2019: Nil).

10. (DEFICIT)/ SURPLUS BEFORE TAXATION

(Deficit)/ surplus before taxation is arrived at after charging:

	<u>2020</u> HK\$	<u>2019</u> HK\$
Auditor's remuneration	77,600	85,400
Depreciation	744,757	278,599
Director's fees, emoluments and travelling allowances	64,000	96,000
Defined contribution retirement benefits schemes		
- Mandatory provident fund and provident fund contributions	1,389,299	1,447,097
Interest expenses		
- payable to IATA	<u>192,396</u>	<u>170,871</u>

11. TAXATION

- a. Income tax in the statement of profit or loss and other comprehensive income represents:

	<u>2020</u> HK\$	<u>2019</u> HK\$
Current tax	-	219
Profit tax rebate	-	-
Deferred tax	<u>54,798</u>	<u>115,906</u>
	<u>54,798</u>	<u>116,125</u>

- b. The following is a reconciliation of income tax calculated at the applicable tax rate of 8.25% on assessable profits up to \$2,000,000; and 16.5% on any part of assessable profits over \$2,000,000 (2019: 8.25%) with income tax expense:

	<u>2020</u> HK\$	<u>2019</u> HK\$
(Deficit)/ surplus from ordinary activities before taxation	<u>(10,520,002)</u>	<u>1,887,695</u>
Expected Hong Kong profits tax at applicable tax rate	(867,900)	155,735
Tax effect of loss not allowed	1,024,246	-
Utilisation of deferred tax liability	54,798	-
Tax reduction for provisional tax assessed in previous year of assessment	-	(657)
Tax effects of:		
- Tax effect of unrecognised temporary differences	(118,128)	-
- Non-taxable income	(48,079)	(48,814)
- Non-deductible expenses	<u>9,861</u>	<u>9,861</u>
Tax expense for the year	<u>54,798</u>	<u>116,125</u>

- c. Analysis of deferred tax assets

	<u>Accelerated tax Depreciation</u> HK\$	<u>Tax losses</u> HK\$	<u>Total</u> HK\$
At 30th June, 2018	76,118	85,519	161,637
Charged to income for the year	<u>(30,387)</u>	<u>(85,519)</u>	<u>(115,906)</u>
At 30th June, 2019	45,731	-	45,731
Charged to income for the year	<u>(54,798)</u>	<u>-</u>	<u>(54,798)</u>
At 30th June, 2020	<u>(9,067)</u>	<u>-</u>	<u>(9,067)</u>

Provision for taxation in the statement of financial position represents Hong Kong profits tax provided at the rate of 8.25% on the estimated assessable surplus for the year less the amount of provisional Hong Kong profits tax paid.

12. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Leasehold land	Furniture and fixtures	Office equipment and computers	Tourism resource platform*	Total
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
COST						
At 1.7.2018	13,182,783	13,182,783	3,068,278	2,023,410	-	31,457,254
Additions	-	-	20,872	176,500	-	197,372
At 30.6.2019 and 1.7.2019	13,182,783	13,182,783	3,089,150	2,199,910	-	31,654,626
Additions	-	-	1,319	10,958	1,712,400	1,724,677
At 30.6.2020	13,182,783	13,182,783	3,090,469	2,210,868	1,712,400	33,379,303
ACCUMULATED DEPRECIATION						
At 1.7.2018	12,415,581	2,577,077	3,036,360	1,847,296	-	19,876,314
Charge for the year	47,951	99,118	11,910	119,620	-	278,599
At 30.6.2019 and 1.7.2019	12,463,532	2,676,195	3,048,270	1,966,916	-	20,154,913
Charge for the year	47,951	99,118	12,459	112,843	472,386	744,757
At 30.6.2020	12,511,483	2,775,313	3,060,729	2,079,759	472,386	20,899,670
NET BOOK VALUE						
At 30.6.2020	671,300	10,407,470	29,740	131,109	1,240,014	12,479,633
At 30.6.2019	719,251	10,506,588	40,880	232,994	-	11,499,713

* Tourism resource platform is stated at historical cost less accumulated depreciation and any accumulated impairment losses. The Council had capitalised and recognised as fixed assets HK\$1,712,400 of the web-based tourism resource platform during the year. The details are set out in note 15 to these financial statements.

The Council's interest in leasehold land is analysed as follows:

	2020 HK\$	2019 HK\$
In Hong Kong, held on:		
- Long-term leases	5,451,570	5,550,688
- Medium-term leases	4,955,900	4,955,900
	<u>10,407,470</u>	<u>10,506,588</u>

13. SECURITY DEPOSITS FROM AFFILIATE MEMBERS

The Council holds bank deposits as security deposits from Affiliate Members in accordance with the agreement between the Council and Affiliate Members. The amounts were shown respectively under current assets and current liabilities in accordance with HKAS 1.

14. DEPOSITS WITH BANK IN TRUST FOR IATA

The Council holds bank deposits in trust for the International Air Transport Association (IATA) in accordance with the mutual understanding between the two parties. The amounts were shown respectively under current assets and current liabilities in accordance with HKAS 1. Interest income therefrom is accrued to the balances with IATA.

15. DEPOSITS WITH BANK FOR WEB-BASED TOURISM RESOURCE PLATFORM FUNDING

The Government of the Hong Kong Special Administrative Region (HKSAR) committed funding of HK\$3,000,000 to support the Council to develop a web-based tourism resource platform about the counties/regions along the Belt and Road and the cities in the Greater Bay Area, so as to provide relevant information about and facilitate the trade's development of more tourism products. The Council holds bank deposits in trust for the Government in accordance with the Agreement for the Web-Based Tourism Resource Platform about Belt and Road Countries/Regions and [Greater] Bay Area Cities between the two parties. The amounts were shown respectively under current assets and current liabilities in accordance with HKAS 1. Interest income therefrom is accrued to the balances with the funding.

16. DEPOSITS WITH BANK FOR SME DEVELOPMENT FUND

The Trade and Industry Department approved in principle an amount of not more than HK\$738,000 under Small and Medium Enterprises (SME) Development Fund for the Council to carry out the project "Enhancing the capability of outbound SME travel agents for service innovation and value creation, responding to the new business challenge". The Council holds bank deposits in trust for the Government in accordance with the SME Development Fund Agreement between the two parties. The amounts were shown respectively under current assets and current liabilities in accordance with HKAS 1. Interest income therefrom is accrued to the balances with the SME Development Fund.

17. DEPOSITS WITH BANK FOR PILOT INFORMATION TECHNOLOGY DEVELOPMENT MATCHING FUND SCHEME FOR TRAVEL AGENTS

The Government of the HKSAR committed funding of HK\$40,000,000 to support the small- and medium-sized travel agents in utilising and developing information technology for business development on a matching basis. A Pilot Information Technology Development Matching Fund Scheme for Travel Agents ("Pilot Scheme"), which is administrated by the Council, was thus established. The Council holds bank deposits in trust for the Government in accordance with the Agreement for the Provision of Services for Implementation of Pilot Information Technology Development Matching Fund Scheme for Travel Agents between the two parties. The amounts were shown respectively under current assets and current liabilities in accordance with HKAS 1. Interest income therefrom is accrued to the balances with the Pilot Scheme.

18. DEPOSITS WITH BANK FOR TRAVEL INDUSTRY TRAINING FUND

The Government of the HKSAR provided funding of HK\$5,000,000 to support the training of members of the travel industry through the Council to enhance service quality of the industry. A Travel Industry Training Fund (“Training Fund”), which is administrated by the Council, was thus established. The Council holds bank deposits in trust for the Government in accordance with the Travel Industry Training Fund Agreement between the two parties. The amounts were shown respectively under current assets and current liabilities in accordance with HKAS 1. Interest income therefrom is accrued to the balances with the Training Fund.

19. DEPOSITS WITH BANK FOR TRAVEL AGENTS INCENTIVE SCHEME (OUTBOUND)

The Government of the HKSAR committed funding to provide cash incentives for travel agents based on the number of outbound and inbound overnight travellers they serve, with the maximum number of eligible outbound and inbound travellers per travel agent being 1,000. The Council holds bank deposits in trust for the Government in accordance with the Agreement of the Provision of Services for Implementation of Travel Agents Incentive Scheme (outbound) between the two parties. The amounts were shown respectively under current assets and current liabilities in accordance with HKAS 1. Interest income therefrom is accrued to the balances with the Travel Agents Incentive Scheme.

20. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash in hand and balance with banks. Cash and cash equivalents at the end of the reporting period as shown in the statement of cash flows can be reconciled to the amounts in the statement of financial position as follows:

	<u>2020</u> HK\$	<u>2019</u> HK\$
Time deposits	21,202,455	34,183,826
Savings accounts	1,256,693	3,178,325
Current accounts and cash in hand	1,229,660	1,199,764
	<u>23,688,808</u>	<u>38,561,915</u>

Cash at bank earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and twelve months depending on the immediate cash requirements of the Council, and earn interest at the respective short term time deposit rates. The bank balances and time deposits are deposited with creditworthy banks with no recent history of default.

21. ACCUMULATED FUND

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

Every member of the Council undertakes to contribute to the assets of the Council in the event of its being wound up while he is a member or within one year after he ceases to be a member, for payment of the debts and liabilities of the Council contracted before he ceases to be a member, and of the costs, charges and expenses of winding up, and for the adjustment of the rights of the contributories among themselves, such amount as may be required not exceeding HK\$100 in aggregate.

22. COMMITMENTS AND CONTINGENCIES

The Council as lessee:

	<u>2020</u> HK\$	<u>2019</u> HK\$
Minimum lease payments paid under operating leases for premises:	<u>1,775,973</u>	<u>1,565,888</u>

The Council had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	<u>2020</u> HK\$	<u>2019</u> HK\$
Within one year	474,240	831,009
In the second to fifth years inclusive	-	31,600
	<u>474,240</u>	<u>862,609</u>

The Council as lessor:

The total amount of rental income from sub-leasing of the airport service counter and other rental income earned:

	<u>2020</u> HK\$	<u>2019</u> HK\$
Sub-leasing of the airport service counter	182,400	273,600
Other rental income	-	-
	<u>182,400</u>	<u>273,600</u>

The total amount of rent receivable from sub-leasing of the airport service counter and other rental income under non-cancellable operating leases are as follows:

	<u>2020</u> HK\$	<u>2019</u> HK\$
Within one year	273,600	165,000
In the second to fifth years inclusive	-	-
	<u>273,600</u>	<u>165,000</u>

23. KEY MANAGEMENT PERSONNEL'S REMUNERATION

The key management personnel received HK\$3,842,308 (2019: HK\$3,746,472) in employee benefits, being HK\$3,563,870 (2019: HK\$3,474,332) in salaries and HK\$278,438 (2019: HK\$272,140) in retirement benefit.

24. RELATED PARTY TRANSACTIONS

During the year, the Council has no transactions with its related parties.

25. CAPITAL MANAGEMENT

The Council's primary objectives when managing accumulated surplus are to safeguard the Council's ability to continue as a going concern, so that it can continue 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. The Council actively and regularly reviews and manages its accumulated surplus to ensure adequacy for operational needs.

26. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENT

The preparation of financial statements in conformity with HKFRSs requires the management to make judgments, 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 judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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