

TRAVEL INDUSTRY COUNCIL OF HONG KONG

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30TH JUNE, 2021

	NOTE	2021 HK\$	2020 HK\$
INCOME			
Levy income	6(a)	(457,969)	14,767,405
Training course and examination income	6(b)	817,150	2,266,265
Membership fee income	6(c)	1,192,700	2,393,700
Inbound tour registration fee income	6(d)	-	390,090
Tour Escort Pass and Tourist Guide Pass income		1,281,381	1,448,356
Shop registration fee income		-	18,000
Airport service counter income		-	182,400
Bank interest income	7	108,912	775,173
Fine & appeal fees		153,800	312,250
Other income		739,775	222,675
Government grants	8	4,525,807	1,934,653
		<u>8,361,556</u>	<u>24,710,967</u>
EXPENDITURE			
Staff costs		14,824,345	21,851,801
Mandatory provident fund and provident fund contributions		857,545	1,389,299
Public and member relations		1,721,072	2,733,483
Training course and examination expenses		331,571	824,541
Legal and professional fees		39,770	318,845
General and administration		697,790	956,925
Refund of membership subscription fee		-	1,991,800
Refund of inbound tour registration fee		-	71,610
Rental, building management fee and related expenses		1,546,802	2,628,112
Maintenance fees of e-levy system		-	587,656
Tour Escort Pass and Tourist Guide Pass expenses		-	79,714
Airport service counter operating expenses		49,819	169,801
Inspection expenses		54,032	184,379
Planning, research and development expenses		-	239
Director's fees, emoluments and travelling allowances	9	-	64,000
Auditor's remuneration		85,000	77,600
Depreciation	10	967,401	744,757
Interest expenses		1,832	192,396
Greater Bay Area cities visits expenses		-	364,011
		<u>21,176,979</u>	<u>35,230,969</u>
Deficit before taxation	10	(12,815,423)	(10,520,002)
Income tax	11(b)	-	(54,798)
Deficit for the year		(12,815,423)	(10,574,800)
Other comprehensive income for the year, net of tax		-	-
Total comprehensive loss for the year		<u>(12,815,423)</u>	<u>(10,574,800)</u>

The notes on pages 12 to 27 form an integral part of these financial statements.

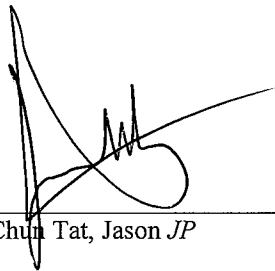
TRAVEL INDUSTRY COUNCIL OF HONG KONG
STATEMENT OF FINANCIAL POSITION
AS AT 30TH JUNE, 2021

	<u>NOTE</u>	<u>2021</u> HK\$	<u>2020</u> HK\$
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	12	11,512,232	12,479,633
		<u>11,512,232</u>	<u>12,479,633</u>
CURRENT ASSETS			
Sundry deposits, prepayments and temporary payments		2,326,341	1,446,181
Security deposits from Affiliate Members	13	5,150,000	5,300,000
Deposits with bank in trust for IATA	14	-	11,799,570
Deposits with bank for web-based tourism resource platform funding	15	967	714,463
Deposits with bank for Green Lifestyle Local Tour Incentive Scheme	16	89,294,792	-
Deposits with bank for Pilot Information Technology Development Matching Fund Scheme for Travel Agents	17	23,146,310	30,112,201
Deposits with bank for Travel Industry Training Fund	18	4,517,549	4,086,264
Deposits with bank for Travel Agents Incentive Scheme (outbound)	19	30,566,628	36,765,951
Accounts receivable		172,211	1,210,337
Interest receivable		737	84,728
Cash and bank balances	21	9,894,696	23,688,808
		<u>165,070,231</u>	<u>115,208,503</u>
CURRENT LIABILITIES			
Accounts payable and accruals		3,252,949	4,608,542
Levy received in advance		4,240,949	3,894,621
Course fees received in advance		111,020	574,885
Membership fees received in advance		1,766,600	955,900
Pass fees received in advance		1,612,398	1,907,169
Other payable to Development Fund for the Travel Industry		8,862	-
Other payable to Travel Industry Training Fund	18	4,517,549	4,086,264
Other payable to Pilot Information Technology Development Matching Fund Scheme for Travel Agents	17	22,681,310	29,647,201
Other payable to IATA	14	-	11,799,570
Other payable to Green Lifestyle Local Tour Incentive Scheme	16	89,294,792	-
Deferred government grant to web-based tourism resources platform funding	15	532,401	2,007,405
Deferred government grant to Job Creation Scheme	20	481,800	-
Deferred government grant to Pilot Information Technology Development Matching Fund Scheme for Travel Agents	17	975,000	975,000
Deferred government grant to Travel Agents Incentive Scheme (outbound)	19	30,566,628	36,765,951
Security deposits from Affiliate Members	13	5,150,000	5,300,000
Provision for taxation		219	219
Provision for severance and long service payment		30,000	990,000
		<u>165,222,477</u>	<u>103,512,727</u>
NET CURRENT (LIABILITIES)/ ASSETS		<u>(152,246)</u>	<u>11,695,776</u>


TRAVEL INDUSTRY COUNCIL OF HONG KONG
STATEMENT OF FINANCIAL POSITION - CONTINUED
AS AT 30TH JUNE, 2021

	<u>2021</u> HK\$	<u>2020</u> HK\$
OTHER LIABILITIES		
Deferred tax liability	9,067	9,067
TOTAL NET ASSETS	<u>11,350,919</u>	<u>24,166,342</u>
ACCUMULATED FUND		
Accumulated surplus carried forward	22 <u>11,350,919</u>	<u>24,166,342</u>

The financial statements on pages 7 to 27 were approved and authorised for issue by the Board of Directors on 12th October 2021 and signed on its behalf by:



Mr. WONG Chun Tat, Jason *JP*
Chairman



Mr. LO Kai Pong, Roy
Hon. Treasurer

The notes on pages 12 to 27 form an integral part of these financial statements.

TRAVEL INDUSTRY COUNCIL OF HONG KONG
STATEMENT OF CHANGES IN ACCUMULATED FUND
FOR THE YEAR ENDED 30TH JUNE, 2021

	<u>2021</u> HK\$	<u>2020</u> HK\$
Accumulated surplus at the beginning of the year	24,166,342	34,741,142
Total comprehensive loss for the year	<u>(12,815,423)</u>	<u>(10,574,800)</u>
Accumulated surplus at the end of the year	<u>11,350,919</u>	<u>24,166,342</u>

TRAVEL INDUSTRY COUNCIL OF HONG KONG

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30TH JUNE, 2021

	<u>NOTE</u>	<u>2021</u> HK\$	<u>2020</u> HK\$
Cash flows from operating activities			
Deficit before taxation		(12,815,423)	(10,520,002)
Adjustments for:			
Depreciation		967,401	744,757
Bank interest income		(107,080)	(582,777)
Bank interest income – deposits with bank for IATA		(1,832)	(192,396)
Interest expenses payable to IATA		1,832	192,396
Operating deficit before working capital changes		(11,955,102)	(10,358,022)
Decrease/ (increase) in accounts receivable		1,038,126	(712,618)
Decrease in interest receivable		83,991	260,265
Decrease in prepayments and deposits		53,418	764,947
Decrease in accounts payable and accruals		(2,289,171)	(1,410,191)
Increase/ (decrease) in levy received in advance		346,328	(1,616,583)
(Decrease)/ increase in provision for severance and long service payment		(960,000)	300,000
Increase/ (decrease) in membership fees received in advance		810,700	(1,021,100)
Decrease in course fees received in advance		(463,865)	(193,395)
Decrease in pass fees received in advance		(294,771)	(93,646)
Net changes in Development Fund for the Travel Industry		8,862	-
Net changes in Job Creation Scheme		481,800	-
Net changes in Pilot Information Technology Development Matching Fund Scheme for Travel Agents		-	510,000
Net changes in web-based tourism resource platform funding		(761,508)	(160,864)
Cash outflow from operating activities		(13,901,192)	(13,731,207)
Income tax rebate		-	-
Net cash outflow from operating activities		<u>(13,901,192)</u>	<u>(13,731,207)</u>
Cash flows from investing activities			
Purchase of property, plant and equipment		-	(1,724,677)
Bank interest income		107,080	582,777
Bank interest income – deposits with bank for IATA		1,832	192,396
Net cash inflow/ (outflow) from investing activities		<u>108,912</u>	<u>(949,504)</u>
Net cash outflow before financing activities		<u>(13,792,280)</u>	<u>(14,680,711)</u>
Financing activities			
Interest expenses payable to IATA		(1,832)	(192,396)
Net cash outflow from financing activities		<u>(1,832)</u>	<u>(192,396)</u>
Net decrease in cash and cash equivalents		(13,794,112)	(14,873,107)
Cash and cash equivalents at the beginning of the year		<u>23,688,808</u>	<u>38,561,915</u>
Cash and cash equivalents at the end of the year	21	<u>9,894,696</u>	<u>23,688,808</u>

The notes on pages 12 to 27 form an integral part of these financial statements.

TRAVEL INDUSTRY COUNCIL OF HONG KONG

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30TH JUNE, 2021

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.

Amendment to HKFRS 16, Covid-19-related rent concessions

None of these developments have had a material effect on how the Council's results and financial position for the current or prior periods have been prepared or presented. The Council has not applied any new standard or interpretation that is not yet effective for the current accounting period.

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:

TRAVEL INDUSTRY COUNCIL OF HONG KONG

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

FOR THE YEAR ENDED 30TH JUNE, 2021

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	Depreciated over 30 months
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.

TRAVEL INDUSTRY COUNCIL OF HONG KONG

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

FOR THE YEAR ENDED 30TH JUNE, 2021

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).

TRAVEL INDUSTRY COUNCIL OF HONG KONG

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

FOR THE YEAR ENDED 30TH JUNE, 2021

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.

TRAVEL INDUSTRY COUNCIL OF HONG KONG

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

FOR THE YEAR ENDED 30TH JUNE, 2021

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.

TRAVEL INDUSTRY COUNCIL OF HONG KONG

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

FOR THE YEAR ENDED 30TH JUNE, 2021

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
HKAS 16: Property, plant and equipment	1st January, 2022

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, 2021.

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, 2021, 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, 2021, 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.

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.

TRAVEL INDUSTRY COUNCIL OF HONG KONG

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

FOR THE YEAR ENDED 30TH JUNE, 2021

5. FINANCIAL RISK MANAGEMENT - CONTINUED

c. Interest rate risk - Continued

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

	<u>2021</u> HK\$	<u>2020</u> HK\$
Time deposits	8,148,026	21,202,455
Savings accounts	1,035,087	1,256,693
Current accounts and cash in hand	711,583	1,229,660
	<u>9,894,696</u>	<u>23,688,808</u>

	Percentage per annum	Percentage per annum
Effective interest rate of time deposits	0.01%-2.10%	0.25%-2.57%
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>2021</u>				<u>Total</u> HK\$
	<u>On demand</u> HK\$	<u>Less than 3</u> <u>months</u> HK\$	<u>3 months to</u> <u>1 year</u> HK\$	<u>1 to 5 years</u> HK\$	
Accounts payable and accruals	-	590,094	1,015,249	714,028	2,319,371
Levy received in advance	-	4,240,949	-	-	4,240,949
Provision for severance and long service payment	-	-	-	30,000	30,000
	<u>-</u>	<u>4,831,043</u>	<u>1,015,249</u>	<u>744,028</u>	<u>6,590,320</u>

	<u>2020</u>				<u>Total</u> HK\$
	<u>On demand</u> HK\$	<u>Less than 3</u> <u>months</u> HK\$	<u>3 months to</u> <u>1 year</u> HK\$	<u>1 to 5 years</u> 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>

TRAVEL INDUSTRY COUNCIL OF HONG KONG

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

FOR THE YEAR ENDED 30TH JUNE, 2021

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>2021</u> HK\$	<u>2020</u> HK\$
Membership subscriptions	995,400	2,099,000
Entrance fee	121,800	217,800
Charges for changes of members' particulars	75,500	76,900
	<u>1,192,700</u>	<u>2,393,700</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>2021</u> HK\$	<u>2020</u> HK\$
Bank interest income - deposits	107,080	582,777
Bank interest income - deposits with bank for IATA	1,832	192,396
	<u>108,912</u>	<u>775,173</u>

8. GOVERNMENT GRANTS

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

	<u>2021</u> HK\$	<u>2020</u> HK\$
Subsidies from Travel Industry Training Fund	-	104,788
Subsidies for Greater Bay Area city visits*	-	364,011
Subsidies from Job Creation Scheme	535,950	-
Subsidies for exploring further means to foster adoption of information technology by the travel trade	-	88,520
Subsidies from Employment Support Scheme	2,514,850	502,970
Subsidies for development of web-based tourism resource platform	1,475,007	874,364
	<u>4,525,807</u>	<u>1,934,653</u>

TRAVEL INDUSTRY COUNCIL OF HONG KONG

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

FOR THE YEAR ENDED 30TH JUNE, 2021

8. GOVERNMENT GRANTS-CONTINUED

- * The Government earmarked HK\$4,000,000 to support the TIC in promoting business co-operation through trade forums and exchange visits to Belt and Road related countries and regions and Guangdong-Hong Kong-Macao Greater Bay Area (GBA) cities for the years 2019/2020 and 2020/2021, with funding to be disbursed on a reimbursement basis. Due to the COVID-19 epidemic, no visit activity was organised in 2020/2021 and upon the expiry of the agreement with the Government on 31st March 2021, the unutilised funding of HK\$3,635,989 was lapsed without recognising as revenue in the statement of profit and loss and other comprehensive income.

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>2021</u> HK\$	<u>2020</u> HK\$
Mr. WONG Chun Tat, Jason <i>JP</i> (Chairman)	-	64,000

- 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 (2020: 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 (2020: Nil).

10. DEFICIT BEFORE TAXATION

Deficit before taxation is arrived at after charging:

	<u>2021</u> HK\$	<u>2020</u> HK\$
Auditor's remuneration	85,000	77,600
Depreciation	967,401	744,757
Director's fees, emoluments and travelling allowances	-	64,000
Defined contribution retirement benefits schemes		
- Mandatory provident fund and provident fund contributions	857,545	1,389,299
Interest expenses		
- payable to IATA	1,832	192,396

TRAVEL INDUSTRY COUNCIL OF HONG KONG

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

FOR THE YEAR ENDED 30TH JUNE, 2021

11. TAXATION

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

	<u>2021</u> HK\$	<u>2020</u> HK\$
Current tax	-	-
Profit tax rebate	-	-
Deferred tax	-	54,798
	<u>-</u>	<u>54,798</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 (2020: 8.25%) with income tax expense:

	<u>2021</u> HK\$	<u>2020</u> HK\$
Deficit from ordinary activities before taxation	<u>(12,815,423)</u>	<u>(10,520,002)</u>
Expected Hong Kong profits tax at applicable tax rate	(1,057,272)	(867,900)
Tax effect of loss not allowed	1,022,261	1,024,246
Utilisation of deferred tax liability	-	54,798
Utilization of deferred tax asset	-	-
Tax effects of:		
- Tax effect of unrecognised temporary differences	33,984	(118,128)
- Non-taxable income	(8,834)	(48,079)
- Non-deductible expenses	<u>9,861</u>	<u>9,861</u>
Tax (income)/ expense for the year	<u>-</u>	<u>54,798</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.

TRAVEL INDUSTRY COUNCIL OF HONG KONG

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

FOR THE YEAR ENDED 30TH JUNE, 2021

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 1.7.2019	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 and 1.7.2020	13,182,783	13,182,783	3,090,469	2,210,868	1,712,400	33,379,303
Additions	-	-	-	-	-	-
At 30.6.2021	13,182,783	13,182,783	3,090,469	2,210,868	1,712,400	33,379,303
ACCUMULATED DEPRECIATION						
At 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 and 1.7.2020	12,511,483	2,775,313	3,060,729	2,079,759	472,386	20,899,670
Charge for the year	47,951	99,118	11,933	99,820	708,579	967,401
At 30.6.2021	12,559,434	2,874,431	3,072,662	2,179,579	1,180,965	21,867,071
NET BOOK VALUE						
At 30.6.2021	623,349	10,308,352	17,807	31,289	531,435	11,512,232
At 30.6.2020	671,300	10,407,470	29,740	131,109	1,240,014	12,479,633

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

	2021 HK\$	2020 HK\$
In Hong Kong, held on:		
- Long-term leases	5,352,452	5,451,570
- Medium-term leases	4,955,900	4,955,900
	<u>10,308,352</u>	<u>10,407,470</u>

TRAVEL INDUSTRY COUNCIL OF HONG KONG

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

FOR THE YEAR ENDED 30TH JUNE, 2021

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 has been holding bank deposits in trust for the Industry Trust Fund (ITF) since 1997 in accordance with an agreement with the International Air Transport Association (IATA). The ITF was suspended in May 2019 and all travel agents concerned have been refunded their contributions by September 2020. As agreed in the Agency Programme Joint Council (APJC) Hong Kong meeting held in June 2020, agent representatives of the APJC will work with the Council on how to utilise the residue amount in the bank account, being interest accumulated over the years. The amounts were shown respectively under current assets and current liabilities in accordance with HKAS 1.

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 Belt and Road related countries and regions and the Guangdong-Hong Kong-Macao Greater Bay Area cities, so as to provide relevant information about and facilitate the trade's development of more tourism products. The Council developed the platform 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 platform was launched in October 2019 and the development cost of the platform, recognised as deferred income, is being amortised over the useful life of platform. Grants that compensated the Council for expenses incurred are recognised as revenue in the statement of profit or loss and other comprehensive income in the same period in which the expenses are incurred. The relevant funding 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 GREEN LIFESTYLE LOCAL TOUR INCENTIVE SCHEME

The Government of the HKSAR launched the Green Lifestyle Local Tour Incentive Scheme ("GLIS") in January 2020 to provide cash incentives for travel agents based on the number of green lifestyle local tour participants they serve, with the maximum number of eligible tour participants per travel agent being 1,000. The Council was engaged by the Government on 17th January 2020 to administer the GLIS in accordance with the terms of implementation, including holding bank deposits in trust for the Government in accordance with the Agreement of the Provision of Services for Implementation of Green Lifestyle Local Tour Incentive Scheme 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 GLIS.

The Council is responsible for (i) overall planning of the GLIS; (ii) receiving and processing the applications; (iii) assessing the eligibility of the applications; (iv) approving the applications; and (v) and disbursing the grant to successful applicants. Applications are reviewed by designated staff according to the conditions for exemption of local tours under the group gathering restrictions and those for providing cash incentives under the GLIS. Recommendations on approval or disapproval are submitted together with a detailed report to the Government for endorsement on a monthly basis. The Government will allocate from the total funding for the GLIS as an implementation fee for supporting part of TIC's administrative overheads in its implementation of the GLIS.

TRAVEL INDUSTRY COUNCIL OF HONG KONG

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

FOR THE YEAR ENDED 30TH JUNE, 2021

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

The Government of the HKSAR allocated a funding of HK\$40,000,000 in two instalments for the Pilot Information Technology Development Matching Fund Scheme for Travel Agents (“Pilot Scheme”), which aims to support the small- and medium-sized travel agents in utilising and developing information technology for business development on a matching basis. The Council was engaged on 27th June 2016 to administer the Pilot Scheme in accordance with the terms of implementation, including holding 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.

The Council is responsible for overall planning; management and coordination of the Pilot Scheme; and disbursing the grant to successful applicants. A Vetting Committee has been set up to (i) consider and approve applications for Grants; (ii) provide advice and suggestions to the Council in relation to the criteria and procedures of application, the vetting criteria, and the terms and conditions of Grants. Applications are screened according to the conditions for Grants under the Pilot Scheme by designated staff, before submission to the Vetting Committee for consideration. The Council is also responsible for monitoring the progress of the approved projects, conducting random site inspections and examining documents submitted by the applicants before disbursing the Grants. Part of the total funding of the Pilot Scheme is allocated to the Council for (i) engaging additional staff for implementing the Pilot Scheme and exploring further means to foster adoption of information technology by the travel trade; and (ii) revamping the official website of TICHK for the purpose of fostering adoption of information technology by the travel trade.

18. DEPOSITS WITH BANK FOR TRAVEL INDUSTRY TRAINING FUND

The Government of the HKSAR allocated HK\$5,000,000 to support the training of members of the travel industry through the Council to enhance service quality of the industry in the Government Budget for 2017/2018. A Travel Industry Training Fund (“Training Fund”), which is administrated by the Council, was thus established. The Council was engaged to administer the Training Programme Subsidy Scheme (“Training Scheme”) under the Training Fund on 16th October 2017 in accordance with the terms of implementation, including holding 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.

The Council is responsible for overall planning, management and coordination of the Training Scheme; and disbursing the grant to successful applicant organisations. A Vetting Committee has been set up to (i) consider and approve applications for grants by eligible organisations; (ii) provide advice and suggestions to the Council in relation to the criteria and procedures of application, the vetting criteria, and the terms and conditions of Grants. Applications are screened by designated staff according to the conditions for Grants under the Training Scheme before submitting to the Vetting Committee for consideration. The Council is also responsible for examining documents submitted by the applicant organisations before disbursing the Grants. Part of the total funding for the Training Scheme is allocated to the Council for engaging additional staff for implementing the Training Scheme.

TRAVEL INDUSTRY COUNCIL OF HONG KONG

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

FOR THE YEAR ENDED 30TH JUNE, 2021

18. DEPOSITS WITH BANK FOR TRAVEL INDUSTRY TRAINING FUND-CONTINUED

To assist tourist guides in countering the austere economic environment and enhance their service quality, the ambit of the Training Scheme was expanded in October 2019 to subsidise tourist guides in completing the Continuing Professional Development Scheme (CPD Scheme) for tourist guides for renewing their Tourist Guide Passes. The Council is responsible for (i) receiving and processing the applications; (ii) assessing the eligibility of the applications; (iii) approving the applications; and (iv) disbursing the grants to successful applicants. This part of the Training Scheme will last until 31 March 2022. HK\$2,000,000 from the Government Budget for 2019/2020 earmarked for enhancing the industry training and service quality is injected into the Training Scheme.

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

The Government of the HKSAR launched the Travel Agents Incentive Scheme (“TAIS”) in November 2019 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 was engaged by the Government on 15th November 2019 to administer the TAIS in respect of outbound travellers in accordance with the terms of implementation, including holding bank deposits in trust for the Government in accordance with the Agreement of the Provision of Services for Implementation of Travel Agents Incentive Scheme 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.

The Council is responsible for (i) overall planning of the TAIS (outbound); (ii) receiving and processing the applications; (iii) assessing the eligibility of the applications; (iv) approving the applications; and (v) and disbursing the grant to successful applicants. Applications are reviewed by designated staff according to the conditions for providing cash incentives under the TAIS.

20. DEPOSITS WITH BANK FOR JOB CREATION SCHEME

The Government of the HKSAR has earmarked funding under the Anti-epidemic Fund for creating time-limited jobs in two phases in the public and private sectors under the Job Creation Scheme (“JCS”). The Government had earmarked fifteen positions under the JCS to support the Council’s daily operation including work on trade regulation, so as to facilitate the smooth transition to the new regulatory regime. The Council will receive subsidy from the Government by instalments for covering the staff costs of the positions created under the JCS. The amounts were shown respectively under current assets and current liabilities in accordance with HKAS 1.

21. 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>2021</u>	<u>2020</u>
	HK\$	HK\$
Time deposits	8,148,026	21,202,455
Savings accounts	1,035,087	1,256,693
Current accounts and cash in hand	711,583	1,229,660
	<u>9,894,696</u>	<u>23,688,808</u>

TRAVEL INDUSTRY COUNCIL OF HONG KONG

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

FOR THE YEAR ENDED 30TH JUNE, 2021

21. CASH AND CASH EQUIVALENTS-CONTINUED

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.

22. 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.

23. COMMITMENTS AND CONTINGENCIES

The Council as lessee:

	<u>2021</u> HK\$	<u>2020</u> HK\$
Minimum lease payments paid under operating leases for premises:	<u>963,031</u>	<u>1,775,973</u>

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

	<u>2021</u> HK\$	<u>2020</u> HK\$
Within one year	148,596	474,240
In the second to fifth years inclusive	-	-
	<u>148,596</u>	<u>474,240</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>2021</u> HK\$	<u>2020</u> HK\$
Sub-leasing of the airport service counter	-	182,400
Other rental income	-	-
	<u>-</u>	<u>182,400</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>2021</u> HK\$	<u>2020</u> HK\$
Within one year	-	273,600
In the second to fifth years inclusive	-	-
	<u>-</u>	<u>273,600</u>

TRAVEL INDUSTRY COUNCIL OF HONG KONG

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

FOR THE YEAR ENDED 30TH JUNE, 2021

24. KEY MANAGEMENT PERSONNEL'S REMUNERATION

The key management personnel received HK\$3,143,230 (2020: HK\$3,842,308) in employee benefits, being HK\$2,977,450 (2020: HK\$3,563,870) in salaries and HK\$165,780 (2020: HK\$278,438) in retirement benefit.

25. RELATED PARTY TRANSACTIONS

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

26. 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.

27. 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 periods.