

TRAVEL INDUSTRY COUNCIL OF HONG KONG

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30TH JUNE, 2022

	<u>NOTE</u>	<u>2022</u> HK\$	<u>2021</u> HK\$
<b>INCOME</b>			
Levy income	6(a)	519,031	(457,969)
Training course and examination income	6(b)	1,204,870	817,150
Membership fee income	6(c)	1,983,800	1,192,700
Tour Escort Pass and Tourist Guide Pass income		1,170,074	1,281,381
Bank interest income	7	6,535	108,912
Fine & appeal fees		211,200	153,800
Service income from government projects	8	18,925,905	-
Other income		222,875	739,775
Government grants	9	12,138,722	4,525,807
		<u>36,383,012</u>	<u>8,361,556</u>
<b>EXPENDITURE</b>			
Staff costs		19,641,637	14,824,345
Mandatory provident fund and provident fund contributions	11	544,715	857,545
Public and member relations		757,063	1,721,072
Training course and examination expenses		577,761	331,571
Legal and professional fees		20,150	39,770
General and administration		3,325,939	697,790
Rental, building management fee and related expenses		936,589	1,546,802
Tour Escort Pass and Tourist Guide Pass expenses		29,890	-
Airport service counter operating expenses		-	49,819
Inspection expenses		81,557	54,032
Director's fees, emoluments and travelling allowances	10	48,000	-
Auditor's remuneration		61,300	85,000
Depreciation	11	965,468	967,401
Depreciation – right-of-use assets	11	356,222	-
Interest expenses	11	25,531	1,832
Strengthening of the web-based tourism resource platform about Belt and Road countries and regions and Bay Area Cities	16	40,400	-
Development of e-learning platform		3,320	-
		<u>27,415,542</u>	<u>21,176,979</u>
Surplus/(deficit) before taxation	11	8,967,470	(12,815,423)
Income tax	12(b)	-	-
Surplus/(deficit) for the year		8,967,470	(12,815,423)
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income/(loss) for the year		<u>8,967,470</u>	<u>(12,815,423)</u>

The notes on pages 13 to 33 form an integral part of these financial statements.

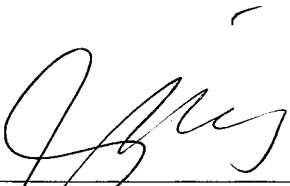
TRAVEL INDUSTRY COUNCIL OF HONG KONG  
STATEMENT OF FINANCIAL POSITION  
AS AT 30TH JUNE, 2022


	<u>NOTE</u>	<u>2022</u> HK\$	<u>2021</u> HK\$
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	13	12,170,318	11,512,232
Right-of-use assets	14	593,704	-
		<u>12,764,022</u>	<u>11,512,232</u>
<b>CURRENT ASSETS</b>			
Sundry deposits, prepayments and temporary payments		2,111,020	2,326,341
Security deposits from Affiliate Members	15	5,000,000	5,150,000
Deposits with bank for web-based tourism resource platform funding	16	9,222,117	967
Deposits with bank for Green Lifestyle Local Tour Incentive Scheme	17	3,530,314	89,294,792
Deposits with bank for Pilot Information Technology Development Matching Fund Scheme for Travel Agents	18	14,822,107	23,146,310
Deposits with bank for Travel Industry Training Fund	19	3,034,061	4,517,549
Deposits with bank for Travel Agents Incentive Scheme (outbound)	20	43,456,961	30,566,628
Deposits with bank for Training Enhancement for Travel Industry	21	3,560,733	-
Accounts receivable		1,214,384	172,211
Interest receivable		-	737
Cash and bank balances	23	20,466,821	9,894,696
		<u>106,418,518</u>	<u>165,070,231</u>
<b>CURRENT LIABILITIES</b>			
Accounts payable and accruals		4,064,845	3,252,949
Levy received in advance		3,962,864	4,240,949
Course fees received in advance		952,155	111,020
Membership fees received in advance		1,716,800	1,766,600
Pass fees received in advance		1,575,115	1,612,398
Security deposits from Affiliate Members	15	5,000,000	5,150,000
Deferred government grant to web-based tourism resources platform funding	16	9,613,048	532,401
Other payable to Green Lifestyle Local Tour Incentive Scheme	17	3,530,314	89,294,792
Deferred government grant to Pilot Information Technology Development Matching Fund Scheme for Travel Agents	18	812,500	975,000
Other payable to Pilot Information Technology Development Matching Fund Scheme for Travel Agents	18	14,822,107	22,681,310
Other payable to Travel Industry Training Fund	19	3,034,111	4,517,549
Other payable to other projects		1,511,700	8,862
Deferred government grant to Travel Agents Incentive Scheme (outbound)	20	43,456,961	30,566,628
Deferred government grant to Training Enhancement for Travel Industry	21	3,995,830	-
Deferred government grant to Job Creation Scheme	22	181,540	481,800
Current lease liability	24	472,993	-
Provision for taxation		219	219
Provision for severance and long service payment		30,000	30,000
		<u>98,733,102</u>	<u>165,222,477</u>
<b>NET CURRENT ASSETS/(LIABILITIES)</b>		<u>7,685,416</u>	<u>(152,246)</u>

TRAVEL INDUSTRY COUNCIL OF HONG KONG  
STATEMENT OF FINANCIAL POSITION - CONTINUED  
AS AT 30TH JUNE, 2022

		<u>2022</u> HK\$	<u>2021</u> HK\$
OTHER LIABILITIES			
Long term lease liability	24	121,982	-
Deferred tax liability		9,067	9,067
		<hr/>	<hr/>
TOTAL NET ASSETS		20,318,389	11,350,919
ACCUMULATED FUND			
Accumulated surplus carried forward	25	20,318,389	11,350,919
		<hr/>	<hr/>

The financial statements on pages 7 to 33 were approved and authorised for issue by the Board of Directors on 11<sup>th</sup> October 2022 and signed on its behalf by:

  
 \_\_\_\_\_  
 Mrs. HSU Wong, Gianna  
 Chairman

  
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 Mr. LO Kai Pong, Roy MH  
 Hon. Treasurer

The notes on pages 13 to 33 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, 2022

	<u>2022</u> HK\$	<u>2021</u> HK\$
Accumulated surplus at the beginning of the year	11,350,919	24,166,342
Total comprehensive income/(loss) for the year	<u>8,967,470</u>	<u>(12,815,423)</u>
Accumulated surplus at the end of the year	<u><u>20,318,389</u></u>	<u><u>11,350,919</u></u>

TRAVEL INDUSTRY COUNCIL OF HONG KONG

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30TH JUNE, 2022

	<u>NOTE</u>	<u>2022</u> HK\$	<u>2021</u> HK\$
<b>Cash flows from operating activities</b>			
Surplus/(deficit) before taxation		8,967,470	(12,815,423)
Adjustments for:			
Depreciation		965,468	967,401
Depreciation - Right-of-use assets		356,222	-
Bank interest income		(6,535)	(107,080)
Bank interest income – deposits with bank for IATA		-	(1,832)
Interest expenses payable to IATA		-	1,832
Operating surplus/(deficit) before working capital changes		10,282,625	(11,955,102)
(Increase)/decrease in accounts receivable		(1,042,173)	1,038,126
Decrease in interest receivable		737	83,991
Decrease in prepayments and deposits		215,321	53,418
Increase/(decrease) in accounts payable and accruals		811,896	(2,289,171)
(Decrease)/increase in levy received in advance		(278,085)	346,328
Decrease in provision for severance and long service payment		-	(960,000)
(Decrease)/increase in membership fees received in advance		(49,800)	810,700
Increase/(decrease) in course fees received in advance		841,135	(463,865)
Decrease in pass fees received in advance		(37,283)	(294,771)
Increase in lease liabilities		594,975	-
Increase in other payable to other projects		1,502,838	-
Net changes in Development Fund for the Travel Industry		-	8,862
Net changes in Travel Industry Training Fund		50	-
Net changes in Job Creation Scheme		(300,260)	481,800
Net changes in Pilot Information Technology Development Matching Fund Scheme for Travel Agents		302,500	-
Net changes in web-based tourism resource platform funding		(140,503)	(761,508)
Net changes in Training Enhancement for the Travel Industry		435,097	-
Cash inflow/(outflow) from operating activities		13,139,070	(13,901,192)
Income tax rebate		-	-
<b>Net cash inflow/(outflow) from operating activities</b>		<u>13,139,070</u>	<u>(13,901,192)</u>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(1,623,554)	-
Increase in right-of-use assets		(949,926)	-
Bank interest income		6,535	107,080
Bank interest income – deposits with bank for IATA		-	1,832
<b>Net cash (outflow)/ inflow from investing activities</b>		<u>(2,566,945)</u>	<u>108,912</u>
<b>Net cash inflow/(outflow) before financing activities</b>		<u>10,572,125</u>	<u>(13,792,280)</u>
<b>Financing activities</b>			
Interest expenses payable to IATA		-	(1,832)
<b>Net cash outflow from financing activities</b>		<u>-</u>	<u>(1,832)</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<u>10,572,125</u>	<u>(13,794,112)</u>

TRAVEL INDUSTRY COUNCIL OF HONG KONG

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30TH JUNE, 2022

	<u>NOTE</u>	<u>2022</u> HK\$	<u>2021</u> HK\$
<b>Cash and cash equivalents at the beginning of the year</b>		<u>9,894,696</u>	<u>23,688,808</u>
<b>Cash and cash equivalents at the end of the year</b>	23	<u>20,466,821</u>	<u>9,894,696</u>

The notes on pages 13 to 33 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, 2022

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 were 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 conducts activities relating to maintaining a high professional standard within the industry and protecting the interests of travellers and the industry until the Travel Industry Authority's taking over of the trade regulatory functions upon the full implementation of the new regulatory regime of the travel industry on 1<sup>st</sup> September 2022.

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

In the current year, the Council has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") for the first time, which are mandatorily effective for the annual periods beginning on or after 1<sup>st</sup> April 2021 for the preparation of the financial statements.

Amendment to HKFRS 16	Covid-19-Related Rent Concessions
Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 <sup>th</sup> June 2021
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2

The application of the amendments to HKFRSs in the current year has had no material impact on the Council's financial performance and positions for the current and prior years and/or on the disclosures set out in these financial statements.

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.

TRAVEL INDUSTRY COUNCIL OF HONG KONG

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

FOR THE YEAR ENDED 30TH JUNE, 2022

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

a. Property, plant and equipment – continued

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:

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

The Council recognises revenue from contracts with customers when (or as) the Council satisfies a performance obligation by transferring a promised good or service (i.e. an asset) to a customer. An asset is transferred when (or as) the customer obtains control of that asset. When (or as) a performance obligation is satisfied, the Council recognized as revenue the amount of the transaction price (which excludes estimates of variable consideration that are constrained in accordance with HKFRS 15) that is allocated to that performance obligation. Further details of the Council's revenue and other income recognition policies are as follows:

- 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.
- 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.
- Service income from the government projects is recognised when the relevant services are rendered.
- Other operating income is recognised when received.



TRAVEL INDUSTRY COUNCIL OF HONG KONG

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

FOR THE YEAR ENDED 30TH JUNE, 2022

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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.

d. Income tax

Income tax for the year includes current tax and deferred tax. Current tax and deferred tax are recognised in profit or loss, except to the extent that the tax arises from a transaction or event which is recognised directly in equity. In the case if the tax relates to items that are recognised directly to equity, current tax and deferred tax are also recognised directly to equity.

Current tax liabilities are measured at the amount expected to be paid to or recovered from the taxation authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. Current tax is the amount of income taxes payable or recoverable in respect of the taxable profit or loss for a period.

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

A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of an asset or liability in a transaction which is not a business combination; and at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised, unless the deferred tax assets arises from the initial recognition of an asset or liability in a transaction that is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

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;

TRAVEL INDUSTRY COUNCIL OF HONG KONG

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

FOR THE YEAR ENDED 30TH JUNE, 2022

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

e. Related parties - continued

(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 the 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).

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.

TRAVEL INDUSTRY COUNCIL OF HONG KONG

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

FOR THE YEAR ENDED 30TH JUNE, 2022

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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. Leases

When the Council acts as a lessee, the Council assesses at inception of a contract whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For a contract that contains a lease components and one or more additional lease or non-lease components, the Council elect, by class of underlying asset, not to separate non-lease components from lease components, and instead account for each lease component and any associated non-lease components as a single lease component.

At the commencement date, the Council recognises a right-of-use asset and a lease liability for the rights and obligations created all leases, except for leases that have a lease term of 12 months or less ("short-term leases") and leases for which the underlying asset is of low value. The Council recognise the lease payments associated with those short-term leases and leases for which the underlying asset is of low value an expense on a straight-line basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

TRAVEL INDUSTRY COUNCIL OF HONG KONG

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

FOR THE YEAR ENDED 30TH JUNE, 2022

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

j. Leases - continued

The right-of-use asset is recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Council's estimate of the amount expected to be payable under a residual value guarantee, or there is change arising from the reassessment of whether the Council will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Council presents right-of-use assets that meet the definition of investment property in investment property, presents right-of-use assets that do not meet the definition of investment property in property, plant and equipment, and presents lease liabilities separately in the statement of financial position.

When the Council acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to the ownership of an underlying assets to the lease. If this is not the case, the lease is classified as an operating lease.

Rental income from operating lease is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Variable lease payments that do not depend on an index or a rate are recognised as income when they arise.

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.

TRAVEL INDUSTRY COUNCIL OF HONG KONG

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

FOR THE YEAR ENDED 30TH JUNE, 2022

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

k. Financial instruments - Continued

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 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. Impairment of investments and other financial assets – after the adoption of HKFRS 9

The Council recognized loss allowances for expected credit loss on the financial instrument that are not measured at fair value through profit or loss. The Council considers the probability of default upon initial recognition of financial assets and assesses whether there has been a significant increase in credit risk on an ongoing basis.

The Council considers the credit risk on a financial instrument is low if the financial instrument has a low risk of default, the debtor has a strong capacity to meet its contractual cash flow obligations in the near term and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the debtor to fulfil its contractual cash flow obligations.

The carrying amount of the receivables is reduced through the use of the receivable impairment charges account. Changes in the carrying amount of the receivable impairment charges account are recognized in profit or loss. The receivable is written off against the receivable impairment charges account when the Council has no reasonable expectations of recovering the receivable.

If, in a subsequent period, the amount of expected credit losses decrease, the reversal would be adjusted to the receivable impairment charges account at the reporting date. The amount of any reversal is recognized in profit or loss.

TRAVEL INDUSTRY COUNCIL OF HONG KONG

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

FOR THE YEAR ENDED 30TH JUNE, 2022

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

n. 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.

o. Trade and other receivables, contract assets and contract liabilities

A receivable is recognised when the Council's right to consideration is unconditional. A right to consideration is unconditional if only the passage of time is required before payment of that consideration is due. Receivables are stated at amortised cost using the effective interest method less allowance for credit losses.

A contract asset is recognized when the Council recognizes revenue before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for expected credit losses in accordance with the policy and are classified to receivables when the right to the consideration has become unconditional. A contract liability is recognized when the customer pays consideration, or has an unconditional right to consideration, before the Council recognises the related revenue.

p. Accounts payable and accruals

Accounts payable are initially measured at fair value and, after initial recognition, at amortised cost, except for payables with no stated interest rate and the effect of discounting being immaterial, that are measured at their original invoice amount.

TRAVEL INDUSTRY COUNCIL OF HONG KONG

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

FOR THE YEAR ENDED 30TH JUNE, 2022

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

q. Impact of issued but not yet effective HKKAS/HKFRS

The Council has not early adopted the following new and revised HKFRSs that have been issued but are not yet effective.

HKFRS 17	Insurance contracts and the related amendments <sup>2</sup>
Amendments to HKFRS Standards	Annual Improvements to HKFRS Standards 2018-2020 <sup>1</sup>
Amendments to HKFRS 3	Reference to the Conceptual Framework <sup>1</sup>
Amendments to HKFRS 3, HKAS 16 and HKAS 37	Narrow-scope Amendments <sup>1</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture <sup>4</sup>
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current <sup>2</sup>
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies <sup>2</sup>
Amendments to HKAS 8	Definition of Accounting Estimates <sup>2</sup>
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a single transaction <sup>2</sup>
Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before Intended Use <sup>1</sup>
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract <sup>1</sup>
Accounting Guideline 5 (Revised)	Merger Accounting for Common Control Combination <sup>3</sup>

Notes:

1. Effective for annual periods beginning on or after 1<sup>st</sup> January 2022.
2. Effective for annual periods beginning on or after 1<sup>st</sup> January 2023.
3. Effective for business combinations/common control combinations for which the acquisition date/combination date is on or after the beginning of the first annual period on or after 1<sup>st</sup> January 2022.
4. Effective for annual periods beginning on or after a date to be determined.

The Council is in the process of making an assessment of what the impact of these new and revised HKFRSs is to be expected in the period of initial application. The Council anticipates that the adoption of them will not have any significant impact on the Council's results of operations and financial position.

TRAVEL INDUSTRY COUNCIL OF HONG KONG

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

FOR THE YEAR ENDED 30TH JUNE, 2022

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 30<sup>th</sup> June, 2022.

a. Foreign currency risk

Substantially all the revenue-generating operations of the Council were transacted in the Hong Kong dollar during the year ended 30<sup>th</sup> June, 2022, 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 30<sup>th</sup> June, 2022, 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, 2022

5. FINANCIAL RISK MANAGEMENT - CONTINUED

c. Interest rate risk - Continued

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

	<u>2022</u> HK\$	<u>2021</u> HK\$
Time deposits	-	8,148,026
Savings accounts	12,247,595	1,035,087
Current accounts and cash in hand	8,219,226	711,583
	<u>20,466,821</u>	<u>9,894,696</u>

	Percentage per annum	Percentage per annum
Effective interest rate of time deposits	0.01%-0.16%	0.01%-2.10%
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>2022</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	-	2,999,667	100,000	965,178	4,064,845
Levy received in advance	-	3,962,864	-	-	3,962,864
Provision for severance and long service payment	-	-	-	30,000	30,000
	<u>-</u>	<u>6,962,531</u>	<u>100,000</u>	<u>995,178</u>	<u>8,057,709</u>

	<u>2021</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	-	590,094	1,015,249	1,647,606	3,252,949
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>1,677,606</u>	<u>7,523,898</u>

TRAVEL INDUSTRY COUNCIL OF HONG KONG

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

FOR THE YEAR ENDED 30TH JUNE, 2022

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>2022</u> HK\$	<u>2021</u> HK\$
Membership subscriptions	1,809,300	995,400
Entrance fee	93,000	121,800
Charges for changes of members' particulars	81,500	75,500
	<u>1,983,800</u>	<u>1,192,700</u>

7. BANK INTEREST INCOME

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

	<u>2022</u> HK\$	<u>2021</u> HK\$
Bank interest income - deposits	6,535	107,080
Bank interest income - deposits with bank for IATA	-	1,832
	<u>6,535</u>	<u>108,912</u>

8. SERVICE INCOME FROM GOVERNMENT PROJECTS

	<u>2022</u> HK\$	<u>2021</u> HK\$
StayHomeSafe Schemes	18,127,280	-
Travel Agents Incentive Scheme (Outbound)	268,004	-
Green Lifestyle Local Tour Incentive Scheme	530,621	-
	<u>18,925,905</u>	<u>-</u>

9. GOVERNMENT GRANTS

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

	<u>2022</u> HK\$	<u>2021</u> HK\$
Financial assistance from the Government	6,775,484	-
Subsidies from Job Creation Scheme	4,368,719	535,950
Subsidies from Employment Support Scheme	256,000	2,514,850
Subsidies for development and enhancement of web-based tourism resource platform	571,834	1,475,007
Subsidies for other projects	166,685	-
	<u>12,138,722</u>	<u>4,525,807</u>

TRAVEL INDUSTRY COUNCIL OF HONG KONG

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

FOR THE YEAR ENDED 30TH JUNE, 2022

10. 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>2022</u> HK\$	<u>2021</u> HK\$
Mrs. HSU Wong, Gianna (Chairman)	<u>48,000</u>	<u>-</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 (2021: 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 (2021: Nil).
- d. The directors were of the opinion that no transaction, arrangements and contracts of significance in relation to the Council's business to which the Council was a party and in which a director of the Council had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year and the previous year (2021: Nil).

TRAVEL INDUSTRY COUNCIL OF HONG KONG

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

FOR THE YEAR ENDED 30TH JUNE, 2022

11. SURPLUS/(DEFICIT) BEFORE TAXATION

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

	<u>2022</u> HK\$	<u>2021</u> HK\$
Auditor's remuneration	61,300	85,000
Depreciation	965,468	967,401
Depreciation – Right of use Asset	356,222	-
Director's fees, emoluments and travelling allowances	48,000	-
Defined contribution retirement benefits schemes		
- Mandatory provident fund and provident fund contributions	544,715	857,545
Interest expenses		
- Lease interest expense	25,531	-
- Payable to IATA	-	1,832
Lease expenses – leasehold land and building	67,900	-
	<u>67,900</u>	<u>-</u>

12. TAXATION

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

	<u>2022</u> HK\$	<u>2021</u> HK\$
Current tax	-	-
Profit tax rebate	-	-
Deferred tax	-	-
	<u>-</u>	<u>-</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 (2021: 8.25%) with income tax expense:

	<u>2022</u> HK\$	<u>2021</u> HK\$
Surplus/(deficit) from ordinary activities before taxation	<u>8,967,470</u>	<u>(12,815,423)</u>
Expected Hong Kong profits tax at applicable tax rate	739,816	(1,057,272)
Tax effect of loss not allowed	(580,637)	1,022,261
Utilisation of deferred tax liability	-	-
Utilization of deferred tax asset	-	-
Tax effects of:		
- Tax effect of unrecognised temporary differences	(80,124)	33,984
- Non-taxable income	(79,055)	(8,834)
- Non-deductible expenses	-	9,861
	<u>-</u>	<u>-</u>
Tax (income)/ expense for the year	<u>-</u>	<u>-</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.

The Council has not recognised deferred tax assets in respect of deductible temporary differences of \$1,967,451 (2021: \$2,046,506) and unused tax losses of \$23,847,896 (2021: \$24,806,141) and there is no expiry date for these items.

TRAVEL INDUSTRY COUNCIL OF HONG KONG

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

FOR THE YEAR ENDED 30TH JUNE, 2022

13. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Leasehold land	Furniture and fixtures	Office equipment and computers	Tourism resource platform	Total
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
<b>COST</b>						
At 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 and 1.7.2021	13,182,783	13,182,783	3,090,469	2,210,868	1,712,400	33,379,303
Additions	-	-	-	173,554	1,450,000	1,623,554
At 30.6.2022	13,182,783	13,182,783	3,090,469	2,384,422	3,162,400	35,002,857
<b>ACCUMULATED DEPRECIATION</b>						
At 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 and 1.7.2021	12,559,434	2,874,431	3,072,662	2,179,579	1,180,965	21,867,071
Charge for the year	47,951	99,118	8,955	36,342	773,102	965,468
At 30.6.2022	12,607,385	2,973,549	3,081,617	2,215,921	1,954,067	22,832,539
<b>NET BOOK VALUE</b>						
At 30.6.2022	575,398	10,209,234	8,852	168,501	1,208,333	12,170,318
At 30.6.2021	623,349	10,308,352	17,807	31,289	531,435	11,512,232

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

	2022 HK\$	2021 HK\$
In Hong Kong, held on:		
- Long-term leases	5,302,893	5,352,452
- Medium-term leases	4,906,341	4,955,900
	<u>10,209,234</u>	<u>10,308,352</u>

TRAVEL INDUSTRY COUNCIL OF HONG KONG

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

FOR THE YEAR ENDED 30TH JUNE, 2022

14. RIGHT-OF-USE ASSETS

	<u>Buildings</u> HK\$	<u>Total</u> HK\$
COST		
At 1.7.2020, 30.6.2021 and 1.7.2021	-	-
Additions	<u>949,926</u>	<u>949,926</u>
At 30.6.2022	<u>949,926</u>	<u>949,926</u>
ACCUMULATED DEPRECIATION		
At 1.7.2020, 30.6.2021 and 1.7.2021	-	-
Charge for the year	<u>356,222</u>	<u>356,222</u>
At 30.6.2022	<u>356,222</u>	<u>356,222</u>
NET BOOK VALUE		
At 30.6.2022	<u>593,704</u>	<u>593,704</u>
At 30.6.2021	<u>-</u>	<u>-</u>

The Council leases buildings for its operations. Lease contracts are entered into for fixed term from 1<sup>st</sup> October 2021 to 30<sup>th</sup> September 2023. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

In determining the lease term and assessing the length of the non-cancellable period, the Council applies the definition of a contract and determines the period for which the contract is enforceable.

As at 30<sup>th</sup> June 2022, the portfolio of short-term leases to which the short-term lease expense was recognized and as disclosed in Note 11.

The cash outflow for leases is disclosed in Note 24.

15. 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.

TRAVEL INDUSTRY COUNCIL OF HONG KONG

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

FOR THE YEAR ENDED 30TH JUNE, 2022

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

The Government of the Hong Kong Special Administrative Region (HKSAR) committed funding of HK\$10,000,000 to support the Council to enhance the existing 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. 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.

17. 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 in Phase I (20<sup>th</sup> January 2020 to 31<sup>st</sup> March 2022) and 1,000 in Phase II (21<sup>st</sup> April 2022 to 20<sup>th</sup> April 2023). The Council was engaged by the Government on 17<sup>th</sup> 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) 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, 2022

18. 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 27<sup>th</sup> 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.

The development cost of the revamped official website is capitalized as assets, and amortized over its estimated useful life from 1<sup>st</sup> January 2022.

19. 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 16<sup>th</sup> 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.



TRAVEL INDUSTRY COUNCIL OF HONG KONG

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

FOR THE YEAR ENDED 30TH JUNE, 2022

19. 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<sup>st</sup> October 2022. HK\$2,000,000 from the Government Budget for 2019/2020 earmarked for enhancing the industry training and service quality was injected into the Training Scheme.

20. 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 15<sup>th</sup> 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.

21. DEPOSITS WITH BANK FOR TRAINING ENHANCEMENT FOR TRAVEL INDUSTRY

To enhance the service quality of the tourism industry, the Financial Secretary announced in the Budget Speech for 2020-21 the earmarking of HK\$4 million to provide funding support for the Travel Industry Council of Hong Kong (TICHK) to enhance the training of the travel industry including development of e-learning.

The Council is responsible implementing the training enhancement through the development of an online training platform and conduct of training activities.

The development of e-learning platform started in February 2022 and the development cost of the platform, recognised as deferred asset. 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.

TRAVEL INDUSTRY COUNCIL OF HONG KONG

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

FOR THE YEAR ENDED 30TH JUNE, 2022

22. DEFERRED GOVERNMENT GRANT TO JOB CREATION SCHEME

The Government of the HKSAR has earmarked funding under the Anti-epidemic Fund for creating time-limited jobs in the public and private sectors under the second phase of Job Creation Scheme (“JCS”). The Government had earmarked twenty 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.

23. 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>2022</u> HK\$	<u>2021</u> HK\$
Time deposits	-	8,148,026
Savings accounts	12,247,595	1,035,087
Current accounts and cash in hand	8,219,226	711,583
	<u>20,466,821</u>	<u>9,894,696</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.

24. LEASE LIABILITIES

Year 2022

	Present value HK\$	Finance charge HK\$	Total HK\$
Not later than one year	472,993	19,007	492,000
In the second to fifth years inclusive	121,982	1,018	123,000
Later than five years	-	-	-
	<u>594,975</u>	<u>20,025</u>	<u>615,000</u>

Year 2021

	Present value HK\$	Finance charge HK\$	Total HK\$
Not later than one year	-	-	-
In the second to fifth years inclusive	-	-	-
Later than five years	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>

TRAVEL INDUSTRY COUNCIL OF HONG KONG

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

FOR THE YEAR ENDED 30TH JUNE, 2022

25. 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.

26. KEY MANAGEMENT PERSONNEL'S REMUNERATION

The key management personnel received HK\$1,168,954 (2021: HK\$3,143,230) in employee benefits, being HK\$1,150,954 (2021: HK\$2,977,450) in salaries and HK\$18,000 (2021: HK\$165,780) in retirement benefit.

27. RELATED PARTY TRANSACTIONS

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

28. 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 undertake regulation of the travel trade (including travel agents, which are registered members of the Council, as well as tour escorts and tourist guides in Hong Kong), while at the same time maintain 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.

29. 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.