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EGL Holdings Company Limited
東瀛遊控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 6882)

ANNOUNCEMENT OF ANNUAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2020

	For the year ended 31 December		
	2020	2019	Change in
	HK\$'000	HK\$'000	%
Revenue	249,771	1,728,328	-85.5%
Gross profit	30,338	312,493	-90.3%
(Loss)/Profit attributable to owners of the Company	(108,760)	14,001	-876.8%
(Loss)/Earnings per share			
Basic and diluted (HK cents)	(21.65)	2.79	
Dividend per share	Nil	Nil	
Profit margin			
Gross profit margin	12.1%	18.1%	
Operating profit margin	-57.1%	1.1%	
Net profit margin	-43.5%	0.8%	
Return on equity attributable to owners of the Company	-43.1%	4.0%	
Gearing ratio			
Total borrowings over total assets	64.2%	34.1%	
Net debts over equity	252.3%	66.9%	

The board (the “Board”) of directors (the “Directors”) of EGL Holdings Company Limited (the “Company”) announces the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2020 (the “Year”) together with comparative figures of 2019 as follows:

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME**
FOR THE YEAR ENDED 31 DECEMBER 2020

	<i>Notes</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Revenue	5	249,771	1,728,328
Cost of sales		<u>(219,433)</u>	<u>(1,415,835)</u>
Gross profit		30,338	312,493
Other income and gain, net	5	14,452	4,479
Selling expenses		(38,625)	(83,683)
Administrative expenses		(147,719)	(216,697)
Share of results of associates		(1,053)	2,198
Finance costs	6	<u>(6,992)</u>	<u>(7,042)</u>
(Loss)/Profit before income tax	6	(149,599)	11,748
Income tax credit	7	<u>39,925</u>	<u>2,877</u>
(Loss)/Profit for the year		<u>(109,674)</u>	<u>14,625</u>
Other comprehensive income, that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		10,171	957
Share of exchange differences on translation of foreign associates		674	(437)
Reclassification of exchange difference on deregistration of foreign operation		(789)	–
Effect on cash flow hedge, net of tax		<u>459</u>	<u>1,180</u>
Other comprehensive income for the year, net of tax		<u>10,515</u>	<u>1,700</u>
Total comprehensive income for the year, net of tax		<u>(99,159)</u>	<u>16,325</u>

	2020	2019
<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
(Loss)/Profit for the year attributable to:		
Owners of the Company	(108,760)	14,001
Non-controlling interests	(914)	624
	<u>(109,674)</u>	<u>14,625</u>
Total comprehensive income attributable to:		
Owners of the Company	(97,994)	15,660
Non-controlling interests	(1,165)	665
	<u>(99,159)</u>	<u>16,325</u>
(Loss)/Earnings per share for (loss)/profit attributable to owners of the Company		
– Basic and diluted (HK cents)	8 <u>(21.65)</u>	<u>2.79</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020

	<i>Notes</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		704,150	456,324
Right-of-use assets		41,201	67,081
Construction in progress		–	129,864
Interests in associates		11,993	12,371
Deferred tax assets		54,331	14,561
Deposits	<i>11</i>	2,301	814
		813,976	681,015
Current assets			
Inventories		1,331	1,855
Trade receivables	<i>10</i>	1,709	7,144
Deposits, prepayments and other receivables	<i>11</i>	120,659	181,028
Amount due from an associate		7,022	6,163
Tax recoverable		1,449	1,854
Pledged bank deposits		8,578	6,702
Cash at banks and on hand		98,787	206,119
		239,535	410,865
Current liabilities			
Trade payables	<i>12</i>	4,950	47,295
Accruals and other payables	<i>13</i>	40,703	57,394
Contract liabilities		18,215	185,080
Amounts due to associates		79	3,732
Loans from a related company		200,000	–
Lease liabilities		41,137	47,257
Provision for taxation		385	1,306
Bank borrowings	<i>14</i>	50,362	37,620
		355,831	379,684
Net current (liabilities)/assets		(116,296)	31,181
Total assets less current liabilities		697,680	712,196
Non-current liabilities			
Provision		820	782
Bank borrowings	<i>14</i>	426,434	335,255
Lease liabilities		18,151	20,569
Deferred tax liabilities		–	1,265
Derivative financial instruments		642	1,304
		446,047	359,175
Net assets		251,633	353,021
EQUITY			
Capital and reserves attributable to owners of the Company			
Share capital	<i>15</i>	50,245	50,245
Reserves		202,338	300,332
		252,583	350,577
Non-controlling interests		(950)	2,444
Total equity		251,633	353,021

NOTES TO THE FINANCIAL INFORMATION

FOR THE YEAR ENDED 31 DECEMBER 2020

1. GENERAL

EGL Holdings Company Limited (the “Company”) was incorporated in the Cayman Islands on 24 July 2014 as an exempted company with limited liability. The address of its registered office is Windward 3, Regatta Office Park, PO Box 1350, Grand Cayman KY1-1108, Cayman Islands. Its principal place of business is located at 15/F, EGL Tower, 83 Hung To Road, Kwun Tong, Kowloon, Hong Kong.

The Company’s shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 28 November 2014.

The principal activity of the Company is investment holding and the principal activities of the subsidiaries are provision of package tours, free independent travellers (“FIT”) packages, individual travel elements (together with FIT packages referred to as “FIT Products”) and ancillary travel related products and services as well as the ownership, development and management of hotel business.

The Company’s immediate and ultimate holding company is Evergloss Management Group Company Limited, incorporated in the British Virgin Islands (the “BVI”).

2. BASIS OF PREPARATION

(a) Statement of compliance

The financial information has been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”), which collective terms include all applicable individual HKFRSs, Hong Kong Accounting Standards (“HKASs”) and interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). The financial information also includes the applicable disclosure requirements of Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the Stock Exchange.

(b) Basis of measurement and going concern assumption

The financial information has been prepared under historical cost basis, except for a derivative financial instrument, which is measured at fair value as explained in the accounting policies set out below.

The coronavirus (“COVID-19”) pandemic began in early 2020 still has a profound negative impact on the Group’s financial performance and financial position for the year ended 31 December 2020 and the first quarter of 2021, in particular for the Group’s business in Japan given the Japanese government has recently announced that the Tokyo Olympic and Paralympic Games will take place without any overseas spectators.

The Group incurred a loss of approximately HK\$109,674,000 for the year ended 31 December 2020 and as of that date, its current liabilities exceed its current assets by approximately HK\$116,296,000. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group’s ability to continue as a going concern and therefore, it may be unable to realise its assets and discharge its liabilities in the normal course of business.

In the opinion of the Board, the Group will have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due in the foreseeable future, based on the cash flow projections of the Group covering a period up to 30 June 2022 (the “Forecasted Period”) after taking into the following considerations:

- (a) The management of the Group has been endeavoring to improve the Group’s operating cash flows through implementing various cost control measures, including restructuring of workforce, implementing salary reduction for employees and the directors of the Company, staff layoff, closures of under-performed branches, seeking rent concession from landlords on the lease of certain branches;
- (b) Great Port Limited (“Great Port”), a related company, agreed to arrange additional credit facilities totalling HK\$140.0 million upon request from the Group in the Forecasted Period; and
- (c) The management of the Group keeps endeavoring to seek additional sources of finance.

Notwithstanding the above, significant uncertainties exist as to whether the Board will be able to achieve its plans and measures as described above, including whether the Group is able to successfully implement various control measures, arrange the additional credit facilities from the related company and source additional sources of finance when it is needed.

Should the Group be unable to continue in business as a going concern, adjustments would have to be made in the financial information to write down the values of the assets to their net realisable amounts, to provide for any further liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The effect of such adjustments has not been reflected in the financial information.

(c) Functional and presentation currency

The financial information is presented in Hong Kong dollars (“HK\$”), which is the same as the functional currency of the Company.

3. ADOPTION OF HKFRSs

(a) Adoption of new or amended HKFRSs – effective 1 January 2020

In the current year, the Group has applied for the first time the following new or amended HKFRSs issued by the HKICPA which are relevant to and effective for the Group's financial statements for the annual period beginning on or after 1 January 2020:

- Amendments to HKFRS 16, COVID-19-Related Rent Concessions (early adopted)
- Amendments to HKAS 39, HKFRS 7 and HKFRS 9, Interest Rate Benchmark Reform
- Amendments to HKFRS 3, Definition of a Business
- Amendments to HKAS 1 and HKAS 8, Definition of Material

Except for the early adoption of the amendment to HKFRS 16, the Group has not early adopted any other new standards and interpretations that are not yet effective for the current accounting period.

Amendment to HKFRS 16, COVID-19-Related Rent Concessions

HKFRS 16 was amended to provide a practical expedient to lessees in accounting for rent concessions arising as a result of the COVID-19 pandemic, by including an additional practical expedient in HKFRS 16 that permits entities to elect not to account for rent concessions as modifications. The practical expedient applies only to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if all of the following criteria are satisfied:

- (a) The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- (b) The reduction in lease payments affects only payments originally due on or before 30 June 2021; and
- (c) There is no substantive change to other terms and conditions of the lease.

Rent concessions that satisfy these criteria may be accounted for in accordance with this practical expedient, which means the lessee does not need to assess whether the rent concession meets the definition of lease modification. Lessees shall apply other requirements of HKFRS 16 in accounting for the rent concession.

Accounting for rent concessions as lease modifications would have resulted in the Group remeasuring the lease liability to reflect the revised consideration using a revised discount rate, with the effect of the change in the lease liability recorded against the right-of-use asset. By applying the practical expedient, the Group is not required to determine a revised discount rate and the effect of the change in the lease liability is reflected in profit or loss in the period in which the event or condition that triggers the rent concession occurs.

The Group has elected to utilise the practical expedient for all rent concessions that meet the criteria. In accordance with the transitional provisions, the Group has applied the amendment retrospectively, and has not restated prior period figure. As the rent concessions have arisen during the current financial period, there is no retrospective adjustment to opening balance of retained earnings at 1 January 2020 on initial application of the amendment.

Amendments to HKAS 39, HKFRS 7 and HKFRS 9, Interest Rate Benchmark Reform

The amendments address issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative risk-free rate (“RFR”). The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the introduction of the alternative RFR. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties.

The Group has applied the temporary reliefs to continue its existing interest rate hedging relationships.

Except as described above, the application of the new or amended HKFRSs below had no material impact on the financial information.

Amendments to HKFRS 3, Definition of a Business

The amendments clarify the definition of a business and introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The election to apply the concentration test is made for each transaction. The concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. If the concentration test is met, the set of activities and assets is determined not to be a business. If the concentration test is failed, the acquired set of activities and assets is further assessed based on the elements of a business.

Amendments to HKAS 1 and HKAS 8, Definition of Material

The amendments provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information, or both.

(b) New or amended HKFRSs that have been issued but are not yet effective

The following new or amended HKFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group:

- Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16, Interest Rate Benchmark Reform – Phase 2¹
- Annual Improvements to HKFRSs 2018-2020²
- Amendments to HKAS 16, Proceeds before Intended Use²
- Amendments to HKAS 37, Onerous Contracts – Cost of Fulfilling a Contract²
- Amendments to HKFRS 3, Reference to the Conceptual Framework³
- Amendments to HKAS 1, Classification of Liabilities as Current or Non-current and HK Interpretation 5 (2020), Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause⁴
- Amendments to HKFRS 10 and HKAS 28, Sale or Contribution of Assets between an Investor and its Associate or Joint Venture⁵

¹ *Effective for annual periods beginning on or after 1 January 2021.*

² *Effective for annual periods beginning on or after 1 January 2022.*

³ *Effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022.*

⁴ *Effective for annual periods beginning on or after 1 January 2023.*

⁵ *The amendments shall be applied prospectively to the sale or contribution of assets occurring in annual periods beginning on or after a date to be determined.*

Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16, Interest Rate Benchmark Reform – Phase 2

The amendments address issues that might affect financial reporting when a company replaces the old interest rate benchmark with an alternative benchmark rate as a result of the interest rate benchmark reform (the “Reform”). The amendments complement those issued in November 2019 and relate to (a) changes to contractual cash flows in which an entity will not have to derecognise or adjust the carrying amount of financial instruments for changes required by the Reform, but will instead update the effective interest rate to reflect the change to the alternative benchmark rate; (b) hedge accounting in which an entity will not have to discontinue its hedge accounting solely because it makes changes required by the Reform, if the hedge meets other hedge accounting criteria; and (c) disclosures in which an entity will be required to disclose information about new risks arising from the Reform and how it manages the transition to alternative benchmark rates.

Annual Improvements to HKFRSs 2018-2020

The annual improvements amend a number of standards, including:

- HKFRS 1, First-time Adoption of Hong Kong Financial Reporting Standards, which permits a subsidiary that applies paragraph D16(a) of HKFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent’s date of transition to HKFRSs.
- HKFRS 9, Financial Instruments, which clarifies the fees included in the ‘10 per cent’ test in paragraph B3.3.6 of HKFRS 9 in assessing whether to derecognise a financial liability, explaining that only fees paid or received between the entity and the lender, including fees paid or received by either the entity or the lender on other’s behalf are included.
- HKFRS 16, Leases, which amends Illustrative Example 13 to remove the illustration of reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example.
- HKAS 41, Agriculture, which removes the requirement to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique.

Amendments to HKAS 16, Proceeds before Intended Use

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, the proceeds from selling such items, and the cost of producing those items, is recognised in profit or loss.

Amendments to HKAS 37, Onerous Contracts – Cost of Fulfilling a Contract

The amendments specify that the ‘cost of fulfilling’ a contract comprises the ‘costs that relate directly to the contract’. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (e.g. direct labour and materials) or an allocation of other costs that relate directly to fulfilling contracts (e.g. the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

Amendments to HKFRS 3, Reference to the Conceptual Framework

The amendments update HKFRS 3 so that it refers to the revised Conceptual Framework for Financial Reporting 2018 instead of the version issued in 2010. The amendments add to HKFRS 3 a requirement that, for obligations within the scope of HKAS 37, an acquirer applies HKAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of HK(IFRIC)-Int 21 Levies, the acquirer applies HK(IFRIC)-Int 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date. The amendments also add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

Amendments to HKAS 1, Classification of Liabilities as Current or Non-current and HK Interpretation 5 (2020), Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability and explain that rights are in existence if covenants are complied with at the end of the reporting period. The amendments also introduce a definition of ‘settlement’ to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

HK Int 5 (2020) was revised as a consequence of the Amendments to HKAS 1 issued in August 2020. The revision to HK Int 5 (2020) updates the wordings in the interpretation to align with the Amendments to HKAS 1 with no change in conclusion and do not change the existing requirements.

Amendments to HKFRS 10 and HKAS 28, Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments clarify with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. When the transaction with an associate or joint venture that is accounted for using the equity method, any gains or losses resulting from the loss of control of a subsidiary that does not contain a business are recognised in the profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, any gains or losses resulting from the remeasurement of retained interest in any former subsidiary (that has become an associate or a joint venture) to fair value are recognised in the profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The Group is not yet in a position to state whether these new pronouncements will result in substantial changes to the Group's accounting policies and financial statements.

4. SEGMENT REPORTING

The Group has identified its operating segments based on the regular internal financial information reported to the chief operating decision-makers about allocation of resources to assess the performance of the Group's business.

The Group has two reportable segments. The segments are managed separately as each business offers different products and services and requires different business strategies. The following summary describes the operations in each of the Group's reportable segments:

- Travel and travel related services business ("Travel Related Business")
- Hotel operation ("Hotel Business")

Management assesses the performance of the operating segments based on the measure of segment results which represents the net of revenue, cost of sales, other income and gain, selling expenses, administrative expenses, share of results of associates and finance costs directly attributable to each operating segment. Central administrative costs are not allocated to the operating segments as they are not included in the measure of the segment results that are used by the chief operating decision-makers for assessment of segment performance.

Segment assets include all assets with exception of corporate assets, including cash at banks and on hand, and certain prepayments and other receivables which are not directly attributable to the business activities of operating segments as these assets are managed on a group basis. Likewise, segment liabilities exclude loans from a related company and corporate liabilities, such as certain other payables, which are not directly attributable to the business activities of any operating segments and not allocated to segments.

(a) **Business segments**

	Travel Related Business HK\$'000	Hotel Business HK\$'000	Total HK\$'000
For the year ended 31 December 2020:			
Revenue			
From external customers	243,498	6,273	249,771
Inter-segment revenue	(3,133)	3,133	–
Reportable segment revenue	240,365	9,406	249,771
Reportable segment loss	(89,957)	(57,702)	(147,659)
Depreciation on property, plant and equipment	(9,199)	(45,339)	(54,538)
Depreciation on right-of-use assets	(53,176)	–	(53,176)
Share of results of associates	(1,053)	–	(1,053)
Finance costs	(3,329)	(3,663)	(6,992)
Income tax credit	20,455	19,527	39,982
Reportable segment assets	282,834	767,424	1,050,258
Reportable segment liabilities	125,752	473,210	598,962
Additions to non-current assets	29,580	140,205	169,785
Share of net assets of associates	11,993	–	11,993
For the year ended 31 December 2019:			
Revenue			
From external customers	1,682,389	45,939	1,728,328
Inter-segment revenue	(25,836)	25,836	–
Reportable segment revenue	1,656,553	71,775	1,728,328
Reportable segment profit/(loss)	29,444	(14,003)	15,441
Depreciation on property, plant and equipment	(9,866)	(37,379)	(47,245)
Depreciation on right-of-use assets	(77,285)	–	(77,285)
Share of results of associates	2,198	–	2,198
Finance costs	(3,483)	(3,559)	(7,042)
Income tax (expense)/credit	(1,279)	4,183	2,904
Reportable segment assets	477,572	612,652	1,090,224
Reportable segment liabilities	356,447	379,901	736,348
Additions to non-current assets	43,752	152,296	196,048
Share of net assets of associates	12,371	–	12,371

(b) **Reconciliation of reportable segment revenue, profit or loss, assets and liabilities**

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Revenue		
Reportable segment revenue	<u>249,771</u>	<u>1,728,328</u>
Consolidated revenue	<u><u>249,771</u></u>	<u><u>1,728,328</u></u>
	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
(Loss)/profit before income tax		
Reportable segment (loss)/profit	(147,659)	15,441
Other gain and loss	1,307	1
Unallocated corporate expenses	<u>(3,247)</u>	<u>(3,694)</u>
Consolidated (loss)/profit before income tax	<u><u>(149,599)</u></u>	<u><u>11,748</u></u>
	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Assets		
Reportable segment assets	1,050,258	1,090,224
Unallocated corporate assets	<u>3,253</u>	<u>1,656</u>
Consolidated total assets	<u><u>1,053,511</u></u>	<u><u>1,091,880</u></u>
	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Liabilities		
Reportable segment liabilities	598,962	736,348
Unallocated corporate liabilities	<u>202,916</u>	<u>2,511</u>
Consolidated total liabilities	<u><u>801,878</u></u>	<u><u>738,859</u></u>

(c) **Geographic information**

The following table provides an analysis of the Group's revenue from external customers and non-current assets other than financial assets and deferred tax assets ("Specified non-current assets"):

	Revenue from external customers (by customer location)		Specified non-current assets (by physical location)	
	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Hong Kong and Macau (place of domicile)	238,254	1,647,231	46,775	76,586
Japan	11,340	78,199	698,594	577,010
Others	177	2,898	11,975	12,044
	<u>249,771</u>	<u>1,728,328</u>	<u>757,344</u>	<u>665,640</u>

The place of domicile is determined by referring to the place the Group regards as its hometown, has the majority of operation and centre of management.

(d) **Information about a major customer**

The Group did not have any single customer contributed more than 10% of the Group's revenue during the year ended 31 December 2020 (2019: Nil).

(e) **Disaggregation of revenue**

	Travel Related Business		Hotel Business		Total	
	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Primary geographical markets						
Hong Kong and Macau (place of domicile)	238,254	1,647,231	-	-	238,254	1,647,231
Japan	1,934	6,424	9,406	71,775	11,340	78,199
Others	177	2,898	-	-	177	2,898
	<u>240,365</u>	<u>1,656,553</u>	<u>9,406</u>	<u>71,775</u>	<u>249,771</u>	<u>1,728,328</u>
Timing of revenue recognition						
At a point in time	24,119	188,828	-	-	24,119	188,828
Transferred over time	216,246	1,467,725	9,406	71,775	225,652	1,539,500
	<u>240,365</u>	<u>1,656,553</u>	<u>9,406</u>	<u>71,775</u>	<u>249,771</u>	<u>1,728,328</u>

5. REVENUE AND OTHER INCOME AND GAIN, NET

Revenue includes the net invoiced value of package tours, ancillary travel related products, and hotel room rental and ancillary services; the net proceeds from FIT Products and ancillary travel related services. The amounts of each significant category of revenue recognised during the year are as follows:

	2020	2019
	HK\$'000	HK\$'000
Revenue		
Package tours	216,246	1,467,725
FIT Products (<i>note</i>)	3,064	17,827
Ancillary travel related products and services (<i>note</i>)	21,055	171,001
Hotel room rental and ancillary services	9,406	71,775
	<u>249,771</u>	<u>1,728,328</u>

Note: The Group's revenue from FIT Products and certain ancillary travel related services is considered as cash collected on behalf of principals as an agent, and thus recorded on a net basis. The gross proceeds received and receivable are as follows:

	2020	2019
	HK\$'000	HK\$'000
Gross proceeds received and receivable	<u>29,834</u>	<u>286,975</u>

The following table provides information about trade receivables and contract liabilities from contracts with customers:

	As at	As at
	31 December	31 December
	2020	2019
	HK\$'000	HK\$'000
Trade receivables (<i>note 10</i>)	1,709	7,144
Contract liabilities	<u>18,215</u>	<u>185,080</u>

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Other income and gain, net		
Exchange gain, net	5,155	2,437
Handling income	502	555
Interest income on bank deposits	108	222
Rebate from a supplier	–	351
Sundry income	1,041	914
Gain on rental concession of lease	4,007	–
Government sponsor income	3,094	–
Gain on modification of loan payment	252	–
Gain on deregistration of a subsidiary	293	–
	<u>14,452</u>	<u>4,479</u>

6. (LOSS)/PROFIT BEFORE INCOME TAX

(Loss)/profit before income tax is arrived at after charging/(crediting):

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Auditors' remuneration	1,618	2,288
Bad debts written off in respect of prepayments and other receivables	770	74
Bad debts written off in respect of trade receivables	556	–
Cost of inventories recognised as expenses	2,817	13,598
Depreciation on property, plant and equipment	54,538	47,245
Depreciation on right-of-use assets	53,176	77,285
Loss on disposal of property, plant and equipment, net	17	57
Gain on termination of lease	(66)	(4)
Finance costs		
– Interest expense incurred on lease liabilities	2,575	3,355
– Interest expense incurred on derivative financial instruments	419	462
– Interest expense incurred on bank borrowings	4,951	3,583
– Less: Imputed interest capitalised into construction in progress (note 14)	(953)	(358)
	<u>6,992</u>	<u>7,042</u>
Employee costs (including directors' emoluments):		
– Salaries and other benefits in kind	66,485	135,236
– Retirement scheme contributions	4,289	5,941
	<u>70,774</u>	<u>141,177</u>

7. INCOME TAX CREDIT

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Current tax – Hong Kong Profits Tax		
– Tax for the year	31	1,974
– Over-provision in respect of prior year	<u>(30)</u>	<u>(1,436)</u>
	<u>1</u>	<u>538</u>
Current tax – Macau Complementary Tax		
– Tax for the year	<u>–</u>	<u>37</u>
Current tax – Taiwan Profit – Seeking Enterprise Income Tax		
– Tax for the year	<u>–</u>	<u>236</u>
Current tax – Japan Profits Tax		
– Tax for the year	–	2,528
– Under-provision in respect of prior year	<u>60</u>	<u>–</u>
	<u>60</u>	<u>2,528</u>
Deferred tax		
– Credit to profit or loss for the year	<u>(39,986)</u>	<u>(6,216)</u>
	<u>(39,925)</u>	<u>(2,877)</u>

The group entities incorporated in the Cayman Islands and the BVI are tax-exempted as no business is carried out in the Cayman Islands and the BVI under the laws of the Cayman Islands and the BVI respectively.

Hong Kong Profits Tax is calculated at 8.25% on the first HK\$2.0 million of estimated assessable profits and at 16.5% for the portion of the estimated assessable profits above HK\$2.0 million for the years ended 31 December 2020 and 2019. The profit of group entities not qualifying for the two-tiered profits tax rates regime continued to be taxed at 16.5% for both years.

Macau Complementary Tax is calculated at 12% (2019: 12%) on the estimated assessable profit of a subsidiary operating in Macau for the year ended 31 December 2020. The Group has no estimated assessable profit arising from the subsidiary operating in Macau for the year ended 31 December 2020.

PRC Enterprise Income Tax is calculated at 25% (2019: 25%) on the estimated assessable profit of a subsidiary operating in the PRC for the year. The Group has no estimated assessable profit arising from the subsidiary operating in the PRC for the year ended 31 December 2020 (2019: Nil).

Taiwan Profit – Seeking Enterprise Income Tax is calculated at 20% (2019: 20%) on the estimated assessable profit of a subsidiary operating in Taiwan for the year ended 31 December 2020. The Group has no estimated assessable profit arising from the subsidiary operating in Taiwan for the year ended 31 December 2020.

Subsidiaries operating in Japan are subject to corporate income tax, prefectural and municipal inhabitant taxes and business tax (hereinafter collectively referred to as “Japan Profits Tax”) in Japan, which, in aggregate, resulted in effective statutory income tax rates ranging from approximately 30.6% to approximately 34.6% (2019: approximately 30.6% to approximately 34.6%) for the year ended 31 December 2020 based on the existing legislation, interpretations and practices in respect thereof. The Group has no estimated assessable profit arising from the subsidiaries operating in Japan for the year ended 31 December 2020.

8. (LOSS)/EARNINGS PER SHARE

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
(Loss)/earnings		
(Loss)/profit attributable to owners of the Company	<u><u>(108,760)</u></u>	<u><u>14,001</u></u>
	2020 <i>'000</i>	2019 <i>'000</i>
Number of shares		
Number of ordinary shares	<u><u>502,450</u></u>	<u><u>502,450</u></u>

Diluted (loss)/earnings per share were the same as the basic (loss)/earnings per share as the Company had no dilutive potential shares during the years ended 31 December 2020 and 2019.

9. DIVIDENDS

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
2018 final dividends of HK4 cents per share paid	<u>–</u>	<u>20,098</u>
	<u><u>–</u></u>	<u><u>20,098</u></u>

The directors do not recommend payment of any dividend for the year ended 31 December 2020 (2019: Nil).

10. TRADE RECEIVABLES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Trade receivables	<u>1,709</u>	<u>7,144</u>

The ageing analysis of the Group's gross trade receivables as at the end of the reporting period, based on invoice date, is as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
0 – 90 days	1,359	7,081
91 – 180 days	331	63
181 – 365 days	19	–
Over 365 days	–	–
	<u>1,709</u>	<u>7,144</u>

The Group has a policy of granting trade customers with credit terms of generally 10 days to 90 days. The ageing analysis of the Group's gross trade receivables, based on due date, is as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Not yet past due	9	1,371
Past due within three months	1,565	5,723
Past due more than three months but within six months	116	50
Past due more than six months but within one year	19	–
	<u>1,709</u>	<u>7,144</u>

The maximum exposure to credit risk as at 31 December 2020 was the carrying amount mentioned above. Trade receivables that not yet past due related to a large number of independent customers that had a good track record of credit with the Group. In general, the Group does not hold any collateral or other credit enhancements over these balances.

The Group applies the simplified approach to provide for expected credit losses (“ECLs”) prescribed by HKFRS 9, which permit the use of lifetime ECL provision for all trade receivables. To measure the ECLs, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The ECLs also incorporate forward-looking information. As at 31 December 2020, the directors of the Company consider ECLs against the gross amounts of trade receivables are immaterial.

11. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Non-current asset		
Deposits (<i>note a</i>)	<u>2,301</u>	<u>814</u>
Current assets		
Other receivables (<i>note b</i>)	37,845	25,151
Deposits (<i>note a</i>)	7,160	11,155
Prepayments	<u>75,654</u>	<u>144,722</u>
	<u>120,659</u>	<u>181,028</u>

The maximum exposure to credit risk at the reporting date is the carrying amounts of each class of receivables mentioned above. The Group does not hold any collateral as security.

Note:

- a) The amount included rental deposits paid to a related company, Great Port, of approximately HK\$2,117,000 (2019: HK\$2,117,000). The amount due is unsecured, interest-free and repayable at the end of the rental periods.
- b) The amount included the receivable from a former non-controlling interest in respect of deregistration of a subsidiary in an amount of approximately HK\$3,311,000 (2019: Nil).

12. TRADE PAYABLES

The credit terms of trade payables vary according to the terms agreed with different suppliers, which normally range from 1 day to 30 days. Based on the receipts of services and goods, which normally coincided with the invoice dates, the ageing analysis of the Group's trade payables as at the end of the reporting period is as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
0 – 90 days	1,447	43,217
91 – 180 days	51	2,238
181 – 365 days	1,320	1,818
Over 365 days	<u>2,132</u>	<u>22</u>
	<u>4,950</u>	<u>47,295</u>

13. ACCRUALS AND OTHER PAYABLES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Accrued expenses	11,586	13,303
Other payables	29,117	44,091
	<u>40,703</u>	<u>57,394</u>

14. BANK BORROWINGS

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Current		
Bank borrowings, secured	50,362	37,620
Non-current		
Bank borrowings, secured	426,434	335,255
	<u>476,796</u>	<u>372,875</u>

As at 31 December 2020, the bank borrowings of approximately HK\$476,796,000 (2019: HK\$372,875,000) were secured by charges over certain property, plant and equipment and pledged bank deposits with aggregate carrying amounts of approximately HK\$563,319,000 (2019: HK\$386,103,000) and approximately HK\$4,889,000 (2019: HK\$309,000) respectively. In addition, among these bank borrowings, an amount of approximately HK\$3,870,000 (2019: HK\$4,862,000) was also secured by a property of a former non-controlling shareholder of a subsidiary in Japan.

Some of the Group's facilities letters are subjected to covenant clauses, whereby the Group is required to meet certain key financial ratios and covenants. The Group did not fulfil the financial covenants as required in the contract with a bank for a credit line of approximately HK\$48,300,000, of which the Group had an outstanding loan amount of HK\$10,000,000 as at 31 December 2020. Due to this breach of the covenant clause, the bank is contractually entitled to request for immediate repayment of the outstanding loan amount of HK\$10,000,000. The outstanding balance is presented as a current liability as at 31 December 2020.

The terms of the bank facilities were subsequently revised and a renewed facilities letter dated 19 February 2021 was signed which has the next renewal date as at 31 December 2021.

The bank borrowings are initially measured at fair value, net of directly attributable costs incurred and subsequently measured at amortised cost using the effective interest method.

The bank borrowings are subsequently measured at amortised cost using effective interest rate of 0.81% to 2.94% (2019: 0.79% to 1.67%) per annum and imputed interest of approximately HK\$953,000 (2019: HK\$358,000) was capitalised into the construction in progress during the year.

At the end of each reporting period, total bank borrowings were scheduled to repay as follows:

	2020	2019
	HK\$'000	HK\$'000
Analysed into (note):		
Within one year or on demand	50,362	37,620
Over one year, but within two years	40,588	34,844
Over two years, but within five years	116,087	101,664
Over five years	269,759	198,747
	476,796	372,875

Note: The amounts due shown in the repayment schedule are based on the scheduled repayment dates set out in the loan agreements.

Details of the bank borrowings as at 31 December 2020 are stated below:

	Principal amount <i>HK\$'000</i>	Interest rate	Repayment terms
Loan denominated in Japanese Yen (“JPY”)	245,255	3-month Tokyo Interbank Offered Rate + 1.0% per annum	Payable within 12 years
Loan denominated in JPY	3,870	Fixed rate 1.2% per annum	Payable within 5 years
Loan denominated in JPY	217,671	3-month Tokyo Interbank Offered Rate + 0.5% per annum	Payable within 26 years
Loan denominated in Hong Kong Dollar	10,000	1-month HIBOR + 1.5% per annum	Payable within 90 days
	=====	=====	=====

Details of the bank borrowings as at 31 December 2019 are stated below:

	Principal amount <i>HK\$'000</i>	Interest rate	Repayment terms
Loan denominated in JPY	248,172	3-month Tokyo Interbank Offered Rate + 1.0% per annum	Payable within 12 years
Loan denominated in JPY	4,862	Fixed rate 1.2% per annum	Payable within 5 years
Loan denominated in JPY	119,841	3-month Tokyo Interbank Offered Rate + 0.5% per annum	Payable within 26 years
	=====	=====	=====

15. SHARE CAPITAL

	Number <i>'000</i>	Amount <i>HK\$'000</i>
Authorised		
<i>Ordinary shares of HK\$0.1 each</i>		
At 1 January 2019, 31 December 2019 and 2020	<u>1,000,000</u>	<u>100,000</u>
	Number <i>'000</i>	Amount <i>HK\$'000</i>
Ordinary shares, issued and fully paid		
At 1 January 2019, 31 December 2019 and 2020	<u>502,450</u>	<u>50,245</u>

16. EVENTS AFTER THE REPORTING DATE AND EFFECT OF THE COVID-19 PANDEMIC

- a) From 1 January to 26 March 2021, the Group agreed to additional rent concessions with lessors relating to rental in Hong Kong. These rent concessions resulted in a total reduction in lease liabilities of approximately HK\$608,000.
- b) On 19 January 2021, the Group implemented the termination arrangement of employment contracts with 125 escort guides of the Group. On the same date, the board of directors of EGL Tours Company Limited approved a compensatory arrangement for these escort guides which provides for certain payments, including cash severance payment and long service payment totalling approximately HK\$20 million.
- c) The directors of the Company are continuing to assess the implications of the COVID-19 pandemic to the business in which the Group operates. Depending on the duration of the COVID-19 pandemic and continued negative impact on economic activity, the Group might experience further negative results and liquidity restraints and incur additional impairments on its assets in 2021. However, the exact impact of the COVID-19 pandemic in the remainder of 2021 and thereafter cannot be predicted.

MANAGEMENT DISCUSSION AND ANALYSIS

GROUP OVERVIEW

Under the adverse impact of the COVID-19 pandemic, the Group's travel and its related business came to a halt since mid-March 2020 and the hotel business was suspended almost throughout the Year. Despite the Group implemented various cost-saving measures to reduce operational costs and received subsidies from the Hong Kong Government and overseas governments on tourism industry relief, the Group is inevitably facing a very challenging and unprecedented scenario.

During the Year, revenue of the Group decreased to approximately HK\$249.8 million (2019: HK\$1,728.3 million), representing a decrease of 85.5%. Gross profit and gross profit margin decreased by 90.3% and 6.0 percentage points respectively. Loss attributable to owners of the Company was approximately HK\$108.8 million (2019: profit attributable to owners of the Company of approximately HK\$14.0 million).

Basic loss per share for loss attributable to owners of the Company for 2020 was HK21.65 cents (2019: basic earnings per share of HK2.79 cents).

BUSINESS OVERVIEW

The principal activities of the Group comprise provision of package tours, free independent travellers ("FIT") packages, individual travel elements (together with FIT packages referred to as "FIT Products") and ancillary travel related products and services as well as the ownership, development and management of hotel business.

Revenue and gross profit from various business segments for the years are set out as follows:

	2020			2019		
	Revenue <i>HK\$'000</i>	Gross profit <i>HK\$'000</i>	Gross profit margin %	Revenue <i>HK\$'000</i>	Gross profit <i>HK\$'000</i>	Gross profit margin %
Package tours						
– Japan	137,009	3,626	2.6	900,682	124,231	13.8
– Non-Japan	79,237	9,957	12.6	567,043	67,425	11.9
Total package tours	216,246	13,583	6.3	1,467,725	191,656	13.1
FIT Products and ancillary travel related products and services	24,119	11,882	49.3	188,828	68,770	36.4
Hotel operation	9,406	4,873	51.8	71,775	52,067	72.5
Total	249,771	30,338	12.1	1,728,328	312,493	18.1

PACKAGE TOURS

Revenue from package tours are mainly tour fees received from customers for outbound package tours. The main source of the Group's revenue is derived from package tours, which contributed 86.6% to the Group's total revenue during the Year (2019: 84.9%).

During the Year, Japan-bound package tours remained the major source of the Group's revenue, which contributed 54.9% (2019: 52.1%) to the Group's total revenue. With the severe impact of the COVID-19 pandemic, number of customers dropped sharply to 12,169 (2019: 91,718). Revenue decreased to approximately HK\$137.0 million (2019: HK\$900.7 million), representing a decrease of 84.8%. Gross profit and gross profit margin decreased by 97.1% and 11.2 percentage points respectively as compared to 2019.

The adverse impact of the COVID-19 pandemic swept across the travel related business, the performance of non-Japan-bound package tours was no exception. During the Year, non-Japan-bound package tours contributed 31.7% (2019: 32.8%) to the Group's total revenue. Number of customers for non-Japan-bound package tours decreased to 8,347 (2019: 77,900). Revenue decreased to approximately HK\$79.2 million (2019: HK\$567.0 million), representing a decrease of 86.0%. Gross profit decreased by 85.2% and gross profit margin increased by 0.7 percentage points as compared to 2019.

FIT PRODUCTS AND ANCILLARY TRAVEL RELATED PRODUCTS AND SERVICES

Revenue from FIT Products and ancillary travel related products and services mainly represents income from sale of air tickets, hotel accommodation, public transportation tickets, theme park admission tickets, commission income from travel insurance services and handling fees from remittance services provided to souvenir and merchandise suppliers in Japan. Revenue also includes income from the brand-new online shopping platform, “EGL Market”, which was launched in the second quarter of 2020. This shopping platform generates a new stream of income to the Group despite the fact that it only contributes a relatively small percentage to the Group’s total revenue at current stage.

Most sales of FIT Products and ancillary travel related products and services were brought to a stop because of travel restrictions and border measures imposed by many countries. During the Year, FIT Products and ancillary travel related products and services contributed 9.7% (2019: 10.9%) to the Group’s total revenue. Revenue decreased to approximately HK\$24.1 million (2019: HK\$188.8 million), representing a decrease of 87.2%. Gross profit decreased by 82.7% and gross profit margin increased by 12.9 percentage points as compared to 2019.

HOTEL OPERATION

Osaka Hinode Hotel, the Group’s first hotel, provides quality hospitality services for guests from all over the world. The hot spring bath building adjacent to the Osaka Hinode Hotel has been in operation since April 2019. The building enables guests to enjoy relaxing hot spring in the hotel’s vicinity. Impacted by the outbreak of the COVID-19 pandemic, the Group’s hotel business was suspended from mid-March to September and in December 2020. The hotel room occupancy rate dropped to 8.0% (2019: 69.3%) for the Year.

Okinawa Hinode Resort & Hot Spring Hotel, the Group’s second hotel, started its operation in December 2020. It provides quality hospitality services for guests from all over the world and has a capacity of 201 rooms which can accommodate 480 guests with various facilities ranging from outdoor hot spring to swimming pool. With only one month of operation, its revenue only amounted to approximately HK\$0.9 million.

Revenue from hotel operation mainly represents income generated from letting the hotel rooms, which contributed 3.8% (2019: 4.2%) to the Group’s total revenue. Revenue decreased to approximately HK\$9.4 million (2019: HK\$71.8 million), representing a decrease of 86.9%. Gross profit and gross profit margin decreased by 90.6% and 20.7 percentage points respectively as compared to 2019.

FINANCIAL REVIEW

KEY FINANCIAL RATIOS

	2020	2019
Gross profit margin	12.1%	18.1%
Operating profit margin	-57.1%	1.1%
Net profit margin*	-43.5%	0.8%
Interest coverage ratio	-20.4 times	2.7 times
Return on total assets*	-10.3%	1.3%
Return on equity attributable to owners of the Company*	-43.1%	4.0%
Current ratio	0.7 time	1.1 times
Gearing ratio		
Total borrowings over total assets	64.2%	34.1%
Net debts over equity	252.3%	66.9%

* Profit/loss in calculation refers to the profit/loss attributable to owners of the Company.

REVENUE AND GROSS PROFIT

Please refer to the discussion on the Group's revenue and gross profit in the sub-section headed "Management Discussion and Analysis – Business Overview" above.

SELLING EXPENSES

Frontline employee costs, advertising and promotion expenses of travel related business and those from hotel business contributed the majority of selling expenses of the Group. Selling expenses decreased to approximately HK\$38.6 million (2019: HK\$83.7 million), representing a decrease of 53.8%. Such decreases were primarily due to the decrease in media advertising and promotion expenses and frontline employee costs.

ADMINISTRATIVE EXPENSES

Employee costs, directors' remuneration, rent and rates, management fee and depreciation on property, plant and equipment contributed the majority of administrative expenses of the Group. Administrative expenses decreased to approximately HK\$147.7 million (2019: HK\$216.7 million), representing a decrease of 31.8%. Such decreases were primarily due to the decrease in business volume and implementation of cost-saving measures.

FINANCE COSTS

Imputed interests of approximately HK\$1.0 million (equivalent to approximately JPY13.3 million) incurred on the bank borrowings for construction of a hotel building in Okinawa were capitalised into construction in progress in 2020. Upon the completion of the hotel building in October 2020, these imputed interests were transferred thereupon to property, plant and equipment (2019: HK\$358,000 (equivalent to approximately JPY5.0 million) incurred on the bank borrowings for construction of the hot spring bath building in Osaka and the hotel building in Okinawa were capitalised into construction in progress. Upon the completion of the hot spring bath building construction in March 2019, imputed interests on construction of hot spring bath building were transferred thereupon to property, plant and equipment).

Upon capitalisation of the above imputed interests, finance costs of approximately HK\$4.0 million (2019: HK\$3.2 million) was incurred on the bank borrowings which were used to finance the construction and decoration of hotel buildings and hot spring bath building, acquisition of travel buses and daily operations of travel related business.

Followed by the Group's adoption of HKFRS 16 "Leases" on 1 January 2019, finance costs incurred on lease liabilities during the Year amounted to approximately HK\$2.6 million (2019: HK\$3.4 million).

INCOME TAX CREDIT

The income tax credit of the Group during the Year amounted to approximately HK\$39.9 million (2019: HK\$2.9 million). Such increase was resulted from the decrease in income tax expense of approximately HK\$3.2 million and the increase in deferred tax credit of approximately HK\$33.8 million.

INTEREST COVERAGE RATIO

Interest coverage ratio of the Group was -20.4 times in 2020 (2019: 2.7 times). The main factor of the decrease was the results before finance costs and taxation turned from a profit in 2019 to a loss in 2020. Such change was due to the same elements which caused the drastic decrease in revenue and gross profit discussed in the sub-section headed “Management Discussion and Analysis – Business Overview” above.

Interest coverage ratio is re-defined to be dividing profit/loss before finance costs and taxation by finance costs. Comparative figure was therefore re-calculated accordingly.

GROSS PROFIT MARGIN, OPERATING PROFIT MARGIN AND NET PROFIT MARGIN

For the decrease in gross profit margin, operating profit margin and net profit margin, please refer to the factors discussed in the sub-section headed “Management Discussion and Analysis – Business Overview” above.

Operating profit/loss is re-defined to be profit/loss before finance costs and taxation for calculating operating profit margin. Comparative figure was therefore re-calculated accordingly.

CURRENT RATIO

As at 31 December 2020, the Group’s current ratio was 0.7 time (As at 31 December 2019: 1.1 times). The decrease in current ratio was mainly attributable to the increase in loans from a related company of approximately HK\$200.0 million, decrease in cash at banks and on hand of approximately HK\$107.3 million and the decrease in deposits, prepayments and other receivables of approximately HK\$60.4 million, offset by the decrease in contract liabilities of approximately HK\$166.9 million and the decrease in trade payables of approximately HK\$42.3 million.

GEARING RATIO

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>	Increase/ (Decrease) <i>HK\$'000</i>
Gearing ratio – Total borrowings over total assets			
Bank borrowings	476,796	372,875	103,921
Loans from a related company	<u>200,000</u>	<u>–</u>	<u>200,000</u>
Total borrowings (<i>note a</i>)	<u>676,796</u>	<u>372,875</u>	<u>303,921</u>
Total assets	<u>1,053,511</u>	<u>1,091,880</u>	<u>(38,369)</u>
Gearing ratio	64.2%	34.1%	30.1 percentage points
Gearing ratio – Net debts over equity			
Total borrowings (<i>note a</i>)	676,796	372,875	303,921
Lease liabilities	<u>59,288</u>	<u>67,826</u>	<u>(8,538)</u>
Total debts (<i>note b</i>)	736,084	440,701	295,383
Less: Cash at banks and on hand	<u>(98,787)</u>	<u>(206,119)</u>	<u>107,332</u>
	<u>637,297</u>	<u>234,582</u>	<u>402,715</u>
Equity (<i>note c</i>)	<u>252,583</u>	<u>350,577</u>	<u>(97,994)</u>
Gearing ratio	252.3%	66.9%	185.4 percentage points

Notes:

- (a) Total borrowings comprise bank borrowings and loans from a related company.
- (b) Total debts comprise bank borrowings, loans from a related company and lease liabilities.
- (c) Equity comprises all capital and reserves attributable to owners of the Company.

The increase in gearing ratio was mainly attributable to the increase of bank borrowings as the Group had further drawn down the bank borrowings for the purpose of constructing a hotel building in Okinawa and for travel related business operation. The increase was also caused by the loans drawn down from a related company.

RETURN ON TOTAL ASSETS AND RETURN ON EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY

Return on total assets and return on equity attributable to owners of the Company during the Year were -10.3% (2019: 1.3%) and -43.1% (2019: 4.0%) respectively. The decrease in return on total assets and return on equity were mainly due to the fact that the results attributable to owners of the Company changed from a profit in 2019 to a loss in 2020.

CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES

To finance the construction of the hotel building in Okinawa, the Group had drawn down bank borrowings of approximately JPY1,265.0 million (equivalent to approximately HK\$91.3 million) in 2020 (2019: JPY1,735.0 million (equivalent to approximately HK\$122.4 million)). The construction was completed in October 2020. The carrying amount of the bank borrowings as at 31 December 2020 amounted to approximately JPY2,913.9 million (equivalent to approximately HK\$217.7 million) (as at 31 December 2019: JPY1,682.9 million (equivalent to approximately HK\$119.8 million)).

Regarding to the construction of hot spring bath building completed in March 2019, the carrying amount of the bank borrowings as at 31 December 2020 amounted to approximately JPY446.7 million (equivalent to approximately HK\$33.3 million) (as at 31 December 2019: JPY471.5 million (equivalent to approximately HK\$33.6 million)).

Regarding to the construction of Osaka Hinode Hotel completed in 2017, the carrying amount of the bank borrowings as at 31 December 2020 amounted to approximately JPY2,836.5 million (equivalent to approximately HK\$211.9 million) (as at 31 December 2019: JPY3,013.6 million (equivalent to approximately HK\$214.6 million)).

For acquisition of five travel buses in 2017, the carrying amount of the bank borrowing as at 31 December 2020 amounted to approximately JPY51.8 million (equivalent to approximately HK\$3.9 million) (as at 31 December 2019: JPY68.3 million (equivalent to approximately HK\$4.9 million)).

To meet the needs of working capital for travel related business operation, the Group had drawn down bank borrowings of HK\$50.0 million during the Year. Subsequent to the repayment of HK\$40.0 million, the carrying amount as at 31 December 2020 was HK\$10.0 million (as at 31 December 2019: Nil). Furthermore, three interest-free and unsecured loans totalling HK\$200.0 million were obtained from the related company, Great Port, during the Year and remained outstanding as at 31 December 2020 (as at 31 December 2019: Nil). On 18 March 2021, Great Port issued waiver letters in respect of demand clauses in these loan agreements. Thus, these loans have been reclassified as non-current liabilities thereafter.

Other than the above, the Group financed its operation with its own capital, with the total equity attributable to owners of the Company as at 31 December 2020 amounted to approximately HK\$252.6 million (as at 31 December 2019: HK\$350.6 million). As at 31 December 2020, the Group's cash at banks and on hand amounted to approximately HK\$98.8 million (as at 31 December 2019: HK\$206.1 million). Cash at banks and on hand were mainly denominated in HKD accounting for approximately 55.8% (as at 31 December 2019: 53.4%), MOP accounting for approximately 1.1% (as at 31 December 2019: 10.3%), Euro accounting for approximately 1.5% (as at 31 December 2019: 7.2%), Renminbi accounting for approximately 2.1% (as at 31 December 2019: 2.0%) and JPY accounting for approximately 31.0% (as at 31 December 2019: 17.7%).

Taking into account the future impacts of the COVID-19 pandemic into the Group's forecasts for its business and financial performance, the Board believes that the Group will have sufficient working capital to finance its operations in 2021, whilst actual impacts of the COVID-19 pandemic may differ from these forecasts due to high degree of uncertainties associated with the duration of the outbreak and measures imposed by each travel destination such that the effects from these aspects are unforeseeable. Nevertheless, the Group will continue to pay its best effort by carrying out preventive measures in work environment and developing contingency plans for its operation. On the other hand, the Group will continuously monitor the travel restrictions, traveller quarantine arrangements and other precautionary measures in order to proactively comply with the applicable regulations and rules.

PLEDGE OF ASSETS

As at 31 December 2020, the Group had pledged bank deposits of approximately HK\$8.6 million (as at 31 December 2019: HK\$6.7 million), majority of which were pledged to certain licensed banks in Hong Kong and Macau to secure letters of guarantees issued to certain third parties on behalf of the Group. Together with corporate guarantee provided by the Company and undertakings provided by the executive Directors to maintain the control over the management and business of the Group, the Group's total guarantees amounted to approximately HK\$16.9 million (as at 31 December 2019: HK\$22.5 million), which were mainly issued to the Group's suppliers, such as air transport association, airlines and hotels, to guarantee the Group's trade payable balances due to the suppliers.

Also, as at 31 December 2020, property, plant and equipment of Osaka Hinode Hotel together with the hot spring bath building, Okinawa Hinode Resort & Hot Spring Hotel and travel buses, and certain pledged bank balances in Japan of approximately HK\$565.9 million in total (as at 31 December 2019: HK\$386.4 million) were pledged for the bank borrowings in Japan as mentioned in the sub-section headed "Management Discussion and Analysis – Financial Review – Capital Structure, Liquidity and Finance Resources".

Save as disclosed above, the Group had no other pledge of assets as at 31 December 2020 (as at 31 December 2019: Nil).

CAPITAL COMMITMENTS AND FUTURE CAPITAL EXPENDITURES

As at 31 December 2020, the Group had capital commitment of approximately HK\$1.0 million (as at 31 December 2019: HK\$1.2 million) to acquire property, plant and equipment for its travel related business.

After the completion of construction work for hotel development in Okinawa, the Group had no capital commitments in respect of construction work for hotel development (as at 31 December 2019: HK\$134.9 million (equivalent to approximately JPY1.9 billion)).

For future capital expenditures other than above-mentioned, the Group currently intends to finance such expenses by internal resources.

CONTINGENT LIABILITIES

The Directors considered that there were no material contingent liabilities as at 31 December 2020 (as at 31 December 2019: Nil).

FOREIGN CURRENCY EXCHANGE RISK AND TREASURY POLICIES

Foreign currency exchange risk exposure is encountered by the Group to the extent that receipt from customers and payments to suppliers may not be reconciled, subject to prevailing foreign currency fluctuations. As at 31 December 2020, the Group had one floating to fixed interest rate swap contract with a bank in Japan to hedge its exposure to interest rate risk and cash flow changes of its floating-rate bank borrowings. Other than the aforesaid swap contract, the Group did not rely on hedging arrangements. The Group had implemented foreign exchange risk management procedures to closely monitor the risk exposure. The procedures were established to prevent carrying excessive cash balance in foreign currencies, of which the purchase amounts were limited to the corresponding costs of travel elements based on estimated sales amount for one week, to cover the foreign exchange risk exposure in connection. The objective of our foreign exchange risk management procedures is to cover the foreign exchange risk exposure in connection with those costs of travel elements denominated in foreign currencies to be incurred for one week. The procedures do not allow us to exercise any judgement over the future direction of foreign exchange fluctuation and are strict procedural steps for our operational staff to follow. The Group will review the procedures from time to time and make appropriate changes when necessary. Other than the transactional foreign currency exchange risk, assets and liabilities of the group entities are mainly denominated in its respective functional currency. The Group's treasury management policy is to place surplus cash into bank deposits with licensed banks in mainly Hong Kong, Macau and Japan. Also, working capital are centrally managed to ensure proper and efficient collection and deployment of funds, and sufficient funds to settle liabilities when they fall due. Net exchange gain of approximately HK\$5.2 million was recorded during the Year (2019: HK\$2.4 million).

HUMAN RESOURCES AND EMPLOYEES' REMUNERATION

As at 31 December 2020, the Group had a total workforce of 482 employees (as at 31 December 2019: 625), of which 182 (as at 31 December 2019: 196) were full-time escort guides. Employees' remuneration packages are determined with reference to the market information and individual performance and will be reviewed on a regular basis. The remuneration policy will be reviewed by the Board from time to time. Emoluments of Directors are determined by the remuneration committee of the Board after considering the Group's operating results, individual performance and comparing with market conditions. In addition to basic remuneration, the Group also provides medical insurance, provident funds and other benefits in kind to the employees. To intensify personnel training and development, the Group provides a series of employee training programmes, which aims to accelerate professional growth and identify competences and talents of diversified teams. Through operating talent development scheme and also Youth Upward Mobility Mentorship Program, the Group has successfully extended the recruitment channels and enhanced the opportunities on the hiring of high quality and suitable staff. High potential staff will be groomed and developed intensively according to the promotion plan towards the management level. To attract and retain the suitable personnel for the development of the Group, the Group has adopted a share option scheme since November 2014. Pursuant to the share option scheme, share options may be granted to eligible employees of the Group as a long-term incentive. No share options were granted, cancelled, lapsed or exercised in 2020 (2019: Nil). During the Year, due to the adverse impact of the COVID-19 pandemic, no-pay leaves have been arranged for employees and manpower have been adjusted. Other than that, there was no significant change in the remuneration policies, bonus, share option scheme and training scheme of the Group (2019: Nil).

OUTLOOK

We are thankful for the construction of Okinawa Hinode Resort & Hot Spring Hotel to be completed as scheduled and has been put into operation in the Year. Even tourism slump is not yet over, we are pinning our hopes on the availability of effective vaccine to stop the crisis in the near future.

We are well-positioned in the market on providing quality services and products, we are confident in Hong Kong's economic recovery and strengthen ourselves to regain our momentum step by step and to rekindle Hong Kong people's interest for the return of tourism after getting through this hard time.

CORPORATE GOVERNANCE PRACTICES

The Company recognises the importance of corporate transparency and accountability. The Company is committed to achieving a high standard of corporate governance and leading the Group to attain better results and improve its corporate image with effective corporate governance procedures. During the Year, the Board is of opinion that the Company has complied with all the applicable code provisions as set out in the Corporate Governance Code contained in Appendix 14 to the Rules (the “Listing Rules”) Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the Directors. Having made specific enquiry of the Directors, all the Directors confirmed that they have complied with the required standard set out in the Model Code throughout the year ended 31 December 2020.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES

During the Year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities.

SCOPE OF WORK OF BDO LIMITED

The financial figures contained in this announcement in respect of the Group’s results for the Year have been agreed by the Company’s external auditor, BDO Limited, as to the amounts set out in the Group’s audited consolidated financial statements for the Year. The work performed by BDO Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA, and consequently no assurance has been expressed by BDO Limited on this announcement.

REVIEW BY AUDIT COMMITTEE

The annual results of the Group for the Year have been reviewed by the audit committee of the Board.

AUDIT OPINION

BDO Limited issued an opinion with an emphasis of matter on the consolidated financial statements of the Group for the financial year 2020. An extract of the independent auditor's report is set out in the section headed "EXTRACT OF THE INDEPENDENT AUDITOR'S REPORT" below.

EXTRACT OF THE INDEPENDENT AUDITOR'S REPORT

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSA") issued by the HKICPA. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with the HKICPA's "Code of Ethics for Professional Accountants" (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to note 2(b) to the consolidated financial statements, which indicates that the Group incurred a loss of approximately HK\$109,674,000 for the year ended 31 December 2020 and as of that date, its current liabilities exceeded its current assets by approximately HK\$116,296,000. These conditions, together with the matters set forth in note 2(b) to the consolidated financial statements, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

DIVIDEND

The Board does not recommend the payment of final dividend for the year ended 31 December 2020 (2019: Nil).

ANNUAL GENERAL MEETING

The forthcoming annual general meeting of the Company (the “AGM”) will be held on Friday, 28 May 2021. For details of the AGM, please refer to the Notice of AGM which is expected to be published in late April 2021.

CLOSURE OF REGISTER OF MEMBERS

For the purposes of determining shareholders’ eligibility to attend and vote at the AGM, the register of members of the Company will be closed on the dates as set out below:

Latest time to lodge transfer documents for
registration with the Company’s registrar At 4:30 p.m. on
Monday, 24 May 2021

Closure of register of members of the Company Tuesday, 25 May 2021 to
Friday, 28 May 2021
(both days inclusive)

During the above closure period of the register of members of the Company, no transfer of shares will be registered. To be eligible to attend and vote at the AGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company’s registrar, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong, for registration not later than the aforementioned latest time.

PUBLICATION OF THE RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This results announcement is published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.egltours.com/travel/pages/investor_relations/#eng.

The annual report of the Company for the Year will be despatched to the shareholders of the Company and published on the above websites in late April 2021.

On behalf of the Board
EGL Holdings Company Limited
Yuen Man Ying
Chairman and Executive Director

Hong Kong, 26 March 2021

As at the date of this announcement, the Board comprises four Executive Directors, namely Mr. Yuen Man Ying (Chairman), Mr. Huen Kwok Chuen, Mr. Leung Shing Chiu and Ms. Lee Po Fun, and three Independent Non-executive Directors, namely Mr. Chan Kim Fai, Mr. Tang Koon Hung Eric and Ms. Wong Lai Ming.