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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 INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2021

GROUP FINANCIAL HIGHLIGHTS

	Six months ended 30 June 2021	2020 (Restated)	Change in %
	HK\$'000	HK\$'000	
Revenue	17,626	236,417	-92.5%
Gross (loss)/profit ⁽¹⁾	(19,077)	15,953	-219.6%
Loss attributable to owners of the Company	(69,078)	(66,169)	4.4%
Loss per share Basic and diluted (HK cents)	(13.75)	(13.17)	
Profit margin			
Gross profit margin ⁽²⁾	-108.2%	6.7%	
Operating profit margin ⁽²⁾	-457.4%	-31.1%	
Net profit margin	-391.9%	-28.0%	
Return on equity attributable to owners of the Company	-33.4%	-23.3%	
	As at 30 June 2021	As at 31 December 2020	
Gearing ratio			
Total borrowings over total assets	68.2%	64.2%	
Net debts over equity	284.0%	252.3%	

⁽¹⁾ Comparative figure has been reclassified to conform to the presentation of the current period.

⁽²⁾ Certain comparative figures have been reclassified to conform to the presentation of the current period and the corresponding ratios were re-calculated accordingly.

The board (the “**Board**”) of directors (the “**Directors**”) of EGL Holdings Company Limited (the “**Company**”) announces the unaudited condensed consolidated results of the Company and its subsidiaries (the “**Group**”) for the six months ended 30 June 2021 (the “**Period**”) together with comparative figures for the corresponding period in 2020 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2021

		Six months ended 30 June	
	<i>Notes</i>	2021	2020
		(Unaudited)	(Unaudited)
			(Restated, <i>Note 18</i>)
		HK\$'000	HK\$'000
Revenue	6	17,626	236,417
Cost of sales		(36,703)	(220,464)
Gross (loss)/profit		(19,077)	15,953
Other income, gains and losses, net	6	5,874	3,595
Selling expenses		(16,551)	(28,338)
Administrative expenses		(50,443)	(64,380)
Share of results of associates		(419)	(355)
Finance costs	7	(6,337)	(3,711)
Loss before income tax	7	(86,953)	(77,236)
Income tax credit	8	17,485	10,769
Loss for the period		(69,468)	(66,467)
Other comprehensive income, that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		(20,321)	206
Share of exchange differences on translation of foreign associates		(491)	(352)
Effect on cash flow hedge, net of tax		417	266
Other comprehensive income for the period, net of tax		(20,395)	120
Total comprehensive income for the period, net of tax		(89,863)	(66,347)

		Six months ended 30 June	
	<i>Notes</i>	2021	2020
		(Unaudited)	(Unaudited)
			(Restated, <i>Note 18</i>)
		<i>HK\$'000</i>	<i>HK\$'000</i>
Loss for the period attributable to:			
Owners of the Company		(69,078)	(66,169)
Non-controlling interests		(390)	(298)
		<u>(69,468)</u>	<u>(66,467)</u>
Total comprehensive income for the period attributable to:			
Owners of the Company		(89,563)	(66,084)
Non-controlling interests		(300)	(263)
		<u>(89,863)</u>	<u>(66,347)</u>
Loss per share for loss attributable to owners of the Company			
– Basic and diluted (HK cents)	<i>10</i>	<u>(13.75)</u>	<u>(13.17)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2021

	<i>Notes</i>	As at 30 June 2021 (Unaudited) HK\$'000	As at 31 December 2020 (Audited) HK\$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		622,041	704,150
Right-of-use assets		29,885	41,201
Interests in associates		10,296	11,993
Deferred tax assets		68,835	54,331
Derivative financial instruments		31	–
Deposits	<i>12</i>	2,135	2,301
		733,223	813,976
Current assets			
Inventories		1,819	1,331
Trade receivables	<i>11</i>	1,984	1,709
Deposits, prepayments and other receivables	<i>12</i>	81,588	120,659
Amounts due from associates		6,515	7,022
Tax recoverable		1,921	1,449
Pledged bank deposits		8,387	8,578
Cash at banks and on hand		98,831	98,787
		201,045	239,535
Current liabilities			
Trade payables	<i>13</i>	5,626	4,950
Accruals and other payables	<i>14</i>	20,879	40,703
Contract liabilities		15,571	18,215
Amounts due to associates		–	79
Loans from a related company		–	200,000
Lease liabilities		36,325	41,137
Provision for taxation		299	385
Bank borrowings	<i>15</i>	47,355	50,362
		126,055	355,831
Net current assets/(liabilities)		74,990	(116,296)
Total assets less current liabilities		808,213	697,680

		As at 30 June 2021 (Unaudited) HK\$'000	As at 31 December 2020 (Audited) HK\$'000
	<i>Notes</i>		
Non-current liabilities			
Provision		759	820
Bank borrowings	15	390,673	426,434
Loans from a related company		198,712	–
Lease liabilities		12,687	18,151
Derivative financial instruments		–	642
		<u>602,831</u>	<u>446,047</u>
Net assets		<u>205,382</u>	<u>251,633</u>
EQUITY			
Capital and reserves attributable to owners of the Company			
Share capital	16	50,245	50,245
Reserves		<u>156,387</u>	<u>202,338</u>
		206,632	252,583
Non-controlling interests		<u>(1,250)</u>	<u>(950)</u>
Total equity		<u>205,382</u>	<u>251,633</u>

NOTES TO THE INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2021

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**”), ancillary travel related products and services and sales of merchandises as well as the ownership, development and management of hotel business.

2. BASIS OF PREPARATION AND PRESENTATION

The interim financial information has been prepared in accordance with Hong Kong Accounting Standard 34 (“**HKAS 34**”), issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and the applicable disclosure provisions of Main Board Rules Governing the Listing of Securities on the Stock Exchange.

The interim financial information has been prepared with the same accounting policies adopted in the 2020 annual financial statements, except for those relate to new or revised standards and interpretations effective for the first time for periods beginning on or after 1 January 2021. Details of any changes in accounting policies are set out in note 4.

The preparation of the interim financial information in compliance with HKAS 34 requires the use of certain judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

The interim financial information is presented in Hong Kong Dollars (“**HK\$**”), unless otherwise stated. The interim financial information contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2020 annual financial statements. The interim financial information and notes do not include all of the information required for a complete set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards (the “**HKFRSs**”) and should be read in conjunction with the 2020 annual financial statements.

The coronavirus disease 2019 (“**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 six months ended 30 June 2021, in particular for the Group’s business in Japan given there has been a considerable number of reported cases of infection recently.

The Group incurred a gross loss of approximately HK\$19,077,000 and a loss of approximately HK\$69,468,000 for the six months ended 30 June 2021. 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 of directors of the Company (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 31 December 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) As at the date of approval of the interim financial information, the Group had the available credit facilities totalling HK\$115.0 million from Great Port Limited (“**Great Port**”); 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. The Board is satisfied that it is appropriate to prepare the condensed consolidated financial statements on a going concern basis.

Should the Group be unable to continue in business as a going concern, adjustments would have to be made in the interim 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 interim financial information.

The interim financial information is unaudited, but has been reviewed by BDO Limited in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA.

3. SIGNIFICANT EVENTS

As a result of the outbreak of COVID-19 pandemic in the beginning of the year 2020, the Group has cancelled and suspended package tours to, and FIT Products for, different countries and territories from sale since mid-March 2020. Such arrangements have halted the operation of the Group's travel business and hotel business and adversely impacted the Group's revenue and financial performance for the six months ended 30 June 2021.

The significant events and transactions occurred since 31 December 2020 that relate to the effects of the pandemic on the Group's interim financial information for the six months ended 30 June 2021 are summarised as follows:

(a) Decrease in sales and operating cash inflows which may trigger impairment of non-financial assets

As disclosed in note 6, most revenue streams have experienced significant reductions since the pandemic's effects became widespread. The Group considered the reduced sales and reductions in budgeted revenue as indicators of impairment, and therefore determined the recoverable amount for all of its cash generating units. The recoverable amount is the higher of fair value less costs of disposal and value-in-use. The recoverable amounts were higher than the carrying amounts of the respective cash generating units. There was no impairment of non-financial assets recognised during the six months ended 30 June 2021.

(b) Rent concessions received from lessors

The Group has received rent concessions from lessors including:

- Rent forgiveness; and
- Deferrals of rent

As discussed in note 4, the Group has elected to apply the practical expedient introduced by the amendments to HKFRS 16 to all rent concessions that satisfy the criteria. Substantially all of the rent concessions entered into during the six months ended 30 June 2021 satisfy the criteria to apply the practical expedient.

The application of the practical expedient has resulted in the reduction of total lease liabilities of approximately HK\$2,173,000. The effect of this reduction has been recorded in profit or loss in the period in which the event or condition that triggers those reduction in payments occurs.

The Group has engaged in further negotiations with lessors subsequent to 30 June 2021.

(c) Government grants

The Group applied for various government support programs introduced in response to the global pandemic.

Included in profit or loss is approximately HK\$5,325,000 of government grants obtained relating to supporting the operation of the Group as disclosed in note 6. The Group does not have any unfulfilled obligations relating to these programs.

4. ADOPTION OF HKFRSs

The Group has applied the following new or amended HKFRSs issued by the HKICPA for the Group's financial statements in the current accounting period:

- Amendments to HKAS 39, HKFRS 7, HKFRS 9 and HKFRS 16, Interest Rate Benchmark Reform – Phase 2
- Amendments to HKFRS 16, COVID-19-Related Rent Concessions
- Amendments to HKFRS 16, COVID-19-Related Rent Concessions beyond 30 June 2021 (early adopted)

The new or amended HKFRSs that are effective from 1 January 2021 did not have any significant impact on the Group's accounting policies.

Except for the early adoption of the amendments to HKFRS 16, COVID-19-Related Rent Concessions beyond 30 June 2021, the Group has not early adopted any other new standards and interpretations that are not yet effective for the current accounting period.

Amendments to HKFRS 16: COVID-19-Related Rent Concessions beyond 30 June 2021

Effective 1 April 2021, HKFRS 16 was amended to provide a practical expedient for lessees accounting for rent concessions that arise as a direct consequence of the COVID-19 pandemic and satisfy the following criteria:

- (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) Any reduction in lease payments affects only payments originally due on or before 30 June 2022; 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 the practical expedient, which means the lessee does not need to assess whether the rent concession meets the definition of a lease modification. Lessees apply other requirements in HKFRS 16 in accounting for the concession.

The Group has elected to utilise the practical expedient for all rent concessions that meet the criteria. The practical expedient has been applied retrospectively, meaning it has been applied to all rent concessions that satisfy the criteria, which in the case of the Group, occurred from January 2021 to June 2021.

Accounting for the 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. There is no impact on the opening balance of equity at 1 January 2021. The effect of applying the practical expedient is disclosed in note 3(b).

5. 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.

During the six months ended 30 June 2021, the Group changed its identification of reportable segments. The Group separates "Sale of Merchandises Business" from "Travel Related Business". In the opinion of the Board, the revised basis of segment identification provides a more appropriate presentation of the segment information. Prior year segment information is restated for comparative purpose.

The Group has three 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**")
- Sale of merchandises ("**Sale of Merchandises 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, tax recoverable 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 accrued expenses and 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	Sale of Merchandises Business HK\$'000	Hotel Business HK\$'000	Total HK\$'000
For six months ended 30 June 2021 (unaudited):				
Revenue				
From external customers	5,346	6,710	5,570	17,626
Reportable segment revenue	<u>5,346</u>	<u>6,710</u>	<u>5,570</u>	<u>17,626</u>
Reportable segment (loss)/profit	<u>(43,952)</u>	<u>690</u>	<u>(39,475)</u>	<u>(82,737)</u>
Depreciation on property, plant and equipment	(3,792)	(11)	(28,434)	(32,237)
Depreciation on right-of-use assets	(12,169)	–	–	(12,169)
Share of results of associates	(419)	–	–	(419)
Finance costs	(902)	–	(2,792)	(3,694)
Income tax credit	8,120	–	9,387	17,507
For six months ended 30 June 2020 (unaudited and restated):				
Revenue				
From external customers	229,332	2,166	4,919	236,417
Inter-segment revenue	(3,133)	–	3,133	–
Reportable segment revenue	<u>226,199</u>	<u>2,166</u>	<u>8,052</u>	<u>236,417</u>
Reportable segment (loss)/profit	<u>(49,849)</u>	<u>326</u>	<u>(25,983)</u>	<u>(75,506)</u>
Depreciation on property, plant and equipment	(4,667)	–	(19,527)	(24,194)
Depreciation on right-of-use assets	(31,787)	–	–	(31,787)
Share of results of associates	(355)	–	–	(355)
Finance costs	(2,034)	–	(1,677)	(3,711)
Income tax credit	2,253	–	8,528	10,781

	Travel Related Business HK\$'000	Sale of Merchandises Business HK\$'000	Hotel Business HK\$'000	Total HK\$'000
As at 30 June 2021 (unaudited):				
Reportable segment assets	223,825	3,417	678,507	905,749
Reportable segment liabilities	96,873	1,067	429,297	527,237
Additions to non-current assets	1,556	224	929	2,709
Share of net assets of associates	10,296	–	–	10,296
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
As at 31 December 2020 (audited and restated):				
Reportable segment assets	280,800	2,034	767,424	1,050,258
Reportable segment liabilities	125,361	391	473,210	598,962
Additions to non-current assets	29,569	11	140,205	169,785
Share of net assets of associates	11,993	–	–	11,993
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

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

	Six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Revenue		
Reportable segment revenue	<u>17,626</u>	<u>236,417</u>
Consolidated revenue	<u>17,626</u>	<u>236,417</u>
	Six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Loss before income tax		
Reportable segment loss	<u>(82,737)</u>	<u>(75,506)</u>
Unallocated corporate expenses	<u>(4,216)</u>	<u>(1,730)</u>
Consolidated loss before income tax	<u>(86,953)</u>	<u>(77,236)</u>

	As at 30 June 2021 (Unaudited) <i>HK\$'000</i>	As at 31 December 2020 (Audited) <i>HK\$'000</i>
Assets		
Reportable segment assets	905,749	1,050,258
Unallocated corporate assets	<u>28,519</u>	<u>3,253</u>
Consolidated total assets	<u>934,268</u>	<u>1,053,511</u>
	As at 30 June 2021 (Unaudited) <i>HK\$'000</i>	As at 31 December 2020 (Audited) <i>HK\$'000</i>
Liabilities		
Reportable segment liabilities	527,237	598,962
Unallocated corporate liabilities	<u>201,649</u>	<u>202,916</u>
Consolidated total liabilities	<u>728,886</u>	<u>801,878</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) Six months ended 30 June		Specified non-current assets (by physical location) As at	
	2021 (Unaudited) <i>HK\$'000</i>	2020 (Unaudited) <i>HK\$'000</i>	30 June 2021 (Unaudited) <i>HK\$'000</i>	31 December 2020 (Audited) <i>HK\$'000</i>
Hong Kong and Macau (place of domicile)	11,639	227,488	34,742	46,775
Japan	5,987	8,752	617,139	698,594
Others	<u>–</u>	<u>177</u>	<u>10,341</u>	<u>11,975</u>
	<u>17,626</u>	<u>236,417</u>	<u>662,222</u>	<u>757,344</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 six months ended 30 June 2021 (six months ended 30 June 2020: Nil).

(e) Disaggregation of revenue

	Travel Related Business		Sale of Merchandises Business		Hotel Business		Total	
	Six months ended 30 June		Six months ended 30 June		Six months ended 30 June		Six months ended 30 June	
	2021	2020	2021	2020	2021	2020	2021	2020
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Primary geographical markets								
Hong Kong and Macau (place of domicile)	4,929	225,322	6,710	2,166	–	–	11,639	227,488
Japan	417	700	–	–	5,570	8,052	5,987	8,752
Others	–	177	–	–	–	–	–	177
	<u>5,346</u>	<u>226,199</u>	<u>6,710</u>	<u>2,166</u>	<u>5,570</u>	<u>8,052</u>	<u>17,626</u>	<u>236,417</u>
Timing of revenue recognition								
At a point in time	1,998	12,950	6,710	2,166	–	–	8,708	15,116
Transferred over time	3,348	213,249	–	–	5,570	8,052	8,918	221,301
	<u>5,346</u>	<u>226,199</u>	<u>6,710</u>	<u>2,166</u>	<u>5,570</u>	<u>8,052</u>	<u>17,626</u>	<u>236,417</u>

6. REVENUE AND OTHER INCOME, GAINS AND LOSSES, NET

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

	Six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Revenue		
Package tours	3,348	213,248
FIT Products (<i>note</i>)	1,148	2,219
Ancillary travel related products and services (<i>note</i>)	850	10,732
Sale of merchandises	6,710	2,166
Hotel room rental and ancillary services	5,570	8,052
	<u>17,626</u>	<u>236,417</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 is recorded on a net basis. The gross proceeds received and receivable are as follows:

	Six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Gross proceeds received and receivable	7,560	22,874

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

	As at 30 June 2021 (Unaudited) HK\$'000	As at 31 December 2020 (Audited) HK\$'000
Trade receivables (<i>note 11</i>)	1,984	1,709
Contract liabilities	15,571	18,215

	Six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Other income, gains and losses, net		
Exchange (loss)/gain, net	(2,202)	260
Handling income	61	315
Interest income on bank deposits	9	88
Gain on rental concession of lease	2,173	1,280
Government sponsor income	5,325	1,044
Gain on modification of loan payment	164	252
Sundry income	344	356
	5,874	3,595

7. LOSS BEFORE INCOME TAX

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

	Six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Cost of inventories recognised as expenses	5,260	1,483
Depreciation on property, plant and equipment	32,237	24,194
Depreciation on right-of-use assets	12,169	31,787
Bad debts written-off in respect of prepayments and other receivables	10	858
Gain on termination of lease	(37)	(57)
(Gain)/loss on disposal of property, plant and equipment, net	(228)	17
Finance costs:		
– Interest expense incurred on lease liabilities	1,101	1,654
– Interest expense incurred on derivative financial instruments	178	213
– Interest expense incurred on loans from a related company	2,643	–
– Interest expense incurred on bank borrowings	2,415	2,354
Less: Imputed interest capitalised into construction in progress	–	(510)
	6,337	3,711
Employee costs (including directors' emoluments):		
– Salaries and other benefits in kind	29,408	49,030
– Retirement scheme contributions	1,292	2,506
	30,700	51,536

8. INCOME TAX CREDIT

	Six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current tax – Hong Kong Profits Tax		
– Tax for the period	22	27
– Under-provision in respect of prior year	70	–
	<u>92</u>	<u>27</u>
Current tax – Japan Profits Tax		
– Tax for the period	–	151
Deferred tax		
– Credited to profit or loss for the period	(17,577)	(10,947)
	<u>(17,485)</u>	<u>(10,769)</u>

The group entities incorporated in the Cayman Islands and the British Virgin Islands (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 million of estimated assessable profits and at 16.5% for the portion of the estimated assessable profits above HK\$2 million for both periods. The profit of group entities not qualifying for the two-tiered profits tax rates regime continued to be taxed at 16.5% for both periods.

Macau Complementary Tax is calculated at 12% on the estimated assessable profits of a subsidiary operating in Macau for both periods. There were no estimated assessable profits derived from the subsidiary in Macau for both periods.

Enterprise Income Tax of the People’s Republic of China (“PRC”) is calculated at 25% on the estimated assessable profits of a subsidiary operating in the PRC for both periods. The Group has no estimated assessable profit arising from the subsidiary operating in the PRC for both periods.

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 30.5% to approximately 34.6% (six months ended 30 June 2020: approximately 30.5% to approximately 34.6%) for the six months ended 30 June 2021 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 six months ended 31 June 2021.

9. DIVIDENDS

At the Board meeting held on 27 August 2021, the Board did not recommend the payment of an interim dividend for the six months ended 30 June 2021 (interim dividend for 2020: Nil).

10. LOSS PER SHARE

	Six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Loss		
Loss attributable to owners of the Company	<u>(69,078)</u>	<u>(66,169)</u>
	Six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	'000	'000
Number of shares		
Number of ordinary shares	<u>502,450</u>	<u>502,450</u>

Diluted loss per share were the same as the basic loss per share as the Company had no dilutive potential shares during the current interim period and the same period of last year.

11. TRADE RECEIVABLES

	As at 30 June 2021 (Unaudited) HK\$'000	As at 31 December 2020 (Audited) HK\$'000
Trade receivables	<u>1,984</u>	<u>1,709</u>

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

	As at 30 June 2021 (Unaudited) HK\$'000	As at 31 December 2020 (Audited) HK\$'000
0 – 90 days	1,101	1,359
91 – 180 days	11	331
181 – 365 days	855	19
Over 365 days	<u>17</u>	<u>–</u>
	<u>1,984</u>	<u>1,709</u>

12. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	As at 30 June 2021 (Unaudited) HK\$'000	As at 31 December 2020 (Audited) HK\$'000
Non-current assets		
Deposits	<u>2,135</u>	<u>2,301</u>
Current assets		
Other receivables	4,838	37,845
Deposits (<i>note</i>)	6,394	7,160
Prepayments	<u>70,356</u>	<u>75,654</u>
	<u>81,588</u>	<u>120,659</u>

Note: The amount included rental deposits paid to a related company, Great Port, of approximately HK\$1,455,000 (as at 31 December 2020: HK\$2,117,000). The amount due is unsecured, interest-free and repayable at the end of the rental periods.

13. 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:

	As at 30 June 2021 (Unaudited) HK\$'000	As at 31 December 2020 (Audited) HK\$'000
0 – 90 days	2,216	1,447
91 – 180 days	373	51
181 – 365 days	806	1,320
Over 365 days	<u>2,231</u>	<u>2,132</u>
	<u><u>5,626</u></u>	<u><u>4,950</u></u>

14. ACCRUALS AND OTHER PAYABLES

	As at 30 June 2021 (Unaudited) HK\$'000	As at 31 December 2020 (Audited) HK\$'000
Accrued expenses	10,549	11,586
Other payables	<u>10,330</u>	<u>29,117</u>
	<u><u>20,879</u></u>	<u><u>40,703</u></u>

15. BANK BORROWINGS

	As at 30 June 2021 (Unaudited) <i>HK\$'000</i>	As at 31 December 2020 (Audited) <i>HK\$'000</i>
Current		
Bank borrowings, secured	47,355	50,362
Non-current		
Bank borrowings, secured	390,673	426,434
	438,028	476,796

As at 30 June 2021, the bank borrowings of approximately HK\$438,028,000 (as at 31 December 2020: HK\$476,796,000) were secured by charges over property, plant and equipment and pledged bank deposits with aggregate carrying amounts of approximately HK\$516,873,000 (as at 31 December 2020: HK\$563,319,000) and approximately HK\$4,697,000 (as at 31 December 2020: HK\$4,889,000) respectively. In addition, among these bank borrowings, an amount of approximately HK\$3,583,000 (as at 31 December 2020: HK\$3,870,000) 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\$46,500,000 (as at 31 December 2020: HK\$48,300,000), of which the Group had an outstanding loan amount of HK\$10,000,000 as at 30 June 2021 (as at 31 December 2020: HK\$10,000,000). 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 30 June 2021 and 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 under the effective interest method, using effective interest rate ranging from 0.81% to 1.67% (as at 31 December 2020: 0.81% to 2.94%) per annum.

16. SHARE CAPITAL

	Number '000	Amount HK\$'000
Authorised		
<i>Ordinary shares of HK\$0.1 each</i>		
At 31 December 2020 and 30 June 2021	<u>1,000,000</u>	<u>100,000</u>
	Number '000	Amount HK\$'000
Ordinary shares, issued and fully paid		
At 31 December 2020 and 30 June 2021	<u>502,450</u>	<u>50,245</u>

17. EVENTS AFTER THE REPORTING DATE

- (a) From 1 July to 27 August 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\$253,000.
- (b) The Board is 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 continuing negative impact on economic activities, the Group might experience further negative results, and liquidity restraints and incur impairments on its assets in the second half of 2021 and 2022. However, the exact impact of the COVID-19 pandemic in the remainder of the second half of 2021 and subsequent financial periods cannot be predicted.

18. COMPARATIVE FIGURES

The following comparative figures in the condensed consolidated statement of profit or loss and other comprehensive income have been reclassified to conform with the current period's presentation of the Group:

- Reclassification of administrative expenses regarding the depreciation of hotel rooms in amount of approximately HK\$18,818,000 to cost of sales to fairly present the nature of costs incurred.

In the opinion of the Board, the reclassification made to the comparative figures has insignificant impact on the Group's condensed consolidated statement of profit or loss and other comprehensive income for the six months ended 30 June 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

GROUP OVERVIEW

Under the adverse impact of the COVID-19 pandemic, most of the Group's main business were halted since mid-March 2020. During the Period, revenue of the Group decreased to approximately HK\$17.6 million (six months ended 30 June 2020: HK\$236.4 million), representing a decrease of 92.5%. Gross loss was approximately HK\$19.1 million (six months ended 30 June 2020: gross profit HK\$16.0 million), representing a change of -219.6%. Loss attributable to owners of the Company was approximately HK\$69.1 million (six months ended 30 June 2020: HK\$66.2 million).

Basic loss per share for loss attributable to owners of the Company for the first half of 2021 was HK13.75 cents (six months ended 30 June 2020: HK13.17 cents).

BUSINESS OVERVIEW

The principal activities of the Group comprise provision of package tours, FIT Products, ancillary travel related products and services and sale of merchandises as well as the ownership, development and management of hotel business.

Revenue and gross (loss)/profit from various business categories for the periods are set out as follows:

	Six months ended 30 June					
	2021			2020 (Restated)		
	Revenue HK\$'000	Gross (loss)/ profit HK\$'000	Gross profit margin %	Revenue HK\$'000	Gross (loss)/ profit HK\$'000	Gross profit margin %
Package tours	3,348	318	9.5	213,248	21,561	10.1
FIT Products and ancillary travel related products and services ⁽¹⁾	1,998	1,561	78.1	12,951	7,507	58.0
Sale of merchandises ⁽¹⁾	6,710	1,554	23.2	2,166	442	20.4
Hotel operation ⁽²⁾	5,570	(22,510)	-404.1	8,052	(13,557)	-168.4
Total	17,626	(19,077)	-108.2	236,417	15,953	6.7

⁽¹⁾ Comparative figures have been reclassified to conform to the presentation of the current period.

⁽²⁾ In calculating gross profit/loss, cost of sales is re-defined to include an appropriate portion of depreciation of property, plant and equipment derived from hotel operation.

PACKAGE TOURS

Under the adverse impact of the COVID-19 pandemic, most package tours have been suspended since mid-March 2020. During the Period, package tours consisted of local tours in Hong Kong and outbound tours departing from Macau to Mainland China. Revenue amounted to approximately HK\$3.3 million (six months ended 30 June 2020: HK\$213.2 million), representing a decrease of 98.4% and contributing 19.0% to the Group's total revenue (six months ended 30 June 2020: 90.2%). Gross profit amounted to approximately HK\$0.3 million (six months ended 30 June 2020: HK\$21.6 million), representing a decrease of 98.5%.

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.

During the Period, 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. Revenue decreased to approximately HK\$2.0 million (six months ended 30 June 2020: HK\$13.0 million), representing a decrease of 84.6% and contributing 11.3% to the Group's total revenue (six months ended 30 June 2020: 5.5%). Gross profit amounted to approximately HK\$1.6 million (six months ended 30 June 2020: HK\$7.5 million), representing a decrease of 79.2%.

The sale of merchandises business, composed of the online shopping platform "EGL Market", was grouped into this category in the 2020 interim report. During the Period, this business line was detached and classified as a separate category. As a result of re-classification in this announcement, comparative figures were therefore adjusted accordingly.

SALE OF MERCHANDISES

To cope with adverse circumstances, the Group launched a brand-new online shopping platform, “EGL Market”, in 2020 where souvenir product items around the world are available for customer self-pickup and delivery services. In April 2021, a brick-and-mortar retail shop was opened in Tsuen Wan. During the Period, revenue amounted to approximately HK\$6.7 million (six months ended 30 June 2020: HK\$2.2 million), representing an increase of 209.8% and contributing 38.1% to the Group’s total revenue (six months ended 30 June 2020: 0.9%). Gross profit amounted to approximately HK\$1.6 million (six months ended 30 June 2020: HK\$0.4 million), representing an increase of 251.6%.

As the sale of merchandises business was classified as a separate segment in this announcement, comparative figures were therefore adjusted accordingly.

HOTEL OPERATION

Osaka Hinode Hotel, the Group’s first hotel, provides quality hospitality services for guests from all over the world. The hotel has a capacity of 354 rooms for 691 guests with a hot spring bath building adjacent to it. Impacted by outbreak of the COVID-19 pandemic, its operation was almost suspended since mid-March 2020 up to the end of June 2021. The hotel’s occupancy rate for the Period dropped to 0.7% (six months ended 30 June 2020: 15.7%).

Okinawa Hinode Resort & Hot Spring Hotel, the Group’s second hotel, has 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 for 480 guests with the facilities ranging from outdoor hot spring to swimming pool. Also impacted by outbreak of the COVID-19 pandemic, the hotel room occupancy rate for the Period was 19.1%.

Revenue from hotel operation mainly represents income generated from letting the hotel rooms. During the Period, the revenue amounted to approximately HK\$5.6 million (six months ended 30 June 2020: HK\$8.1 million), representing a decrease of 30.8% and contributing 31.6% to the Group’s total revenue (six months ended 30 June 2020: 3.4%). Gross loss amounted to approximately HK\$22.5 million (six months ended 30 June 2020: HK\$13.6 million), representing an increase of 66.0%.

FINANCIAL REVIEW

KEY FINANCIAL RATIOS

	Six months ended 30 June	
	2021	2020
Gross profit margin ⁽¹⁾	-108.2%	6.7%
Operating profit margin ⁽¹⁾	-457.4%	-31.1%
Net profit margin ⁽²⁾	-391.9%	-28.0%
Interest coverage ratio ⁽¹⁾	-12.7 times	-19.8 times
Return on total assets ⁽²⁾	-7.4%	-6.9%
Return on equity attributable to owners of the Company ⁽²⁾	-33.4%	-23.3%
	As at	As at
	30 June	31 December
	2021	2020
Current ratio	1.6 times	0.7 times
Gearing ratio		
Total borrowings over total assets	68.2%	64.2%
Net debts over equity	284.0%	252.3%

⁽¹⁾ Certain comparative figures have been reclassified to conform to the presentation of the current period and the corresponding ratios were re-calculated accordingly.

⁽²⁾ 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 contributed the majority of selling expenses of the Group. Selling expenses decreased to approximately HK\$16.6 million (six months ended 30 June 2020: HK\$28.3 million), representing a decrease of 41.6%. Such decrease was primarily contributed by the Group's cost-saving actions, including no-pay leaves, salary reductions and manpower re-structure.

ADMINISTRATIVE EXPENSES

Employee costs, directors' remuneration, rent, rates and management fee and depreciation on property, plant and equipment contributed the majority of administrative expenses of the Group. Administrative expenses decreased to approximately HK\$50.4 million (six months ended 30 June 2020: HK\$64.4 million), representing a decrease of 21.6%. Such decreases were primarily contributed by the Group's cost-saving actions, including no-pay leaves, salary reductions, manpower re-structuring along with rent concession and reduction negotiations with the landlords.

Administrative expenses are re-defined to exclude an appropriate portion of depreciation of property, plant and equipment derived from hotel operation and as such comparative figure was adjusted accordingly.

FINANCE COSTS

For the six months ended 30 June 2020, imputed interests of approximately HK\$510,000 (equivalent to approximately JPY7.1 million) incurred on the bank borrowings for construction of Okinawa Hinode Resort and Hot Spring Hotel were capitalised into construction in progress. No imputed interests were recorded during the Period because the construction was completed in October 2020.

Finance costs of approximately HK\$2.4 million (six months ended 30 June 2020: HK\$1.8 million after capitalisation of the above-mentioned imputed interests) 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.

As at 31 December 2020, three loans totalling HK\$200.0 million from a related company, Great Port, which were unsecured, interest-free and repayable on demand were classified as current liabilities. On 18 March 2021, Great Port issued waiver letters in respect of the demand clause to these loans. As such they were reclassified as non-current liabilities and were measured at amortised cost using effective interest rate method. On 1 April 2021, the Group entered into a supplemental agreement in respect of the third loan of the three loans stated above where the loan was changed to interest-bearing. Also, an additional unsecured and interest-bearing loan of HK\$40.0 million was obtained from Great Port. Based on discounted cash flows, finance costs of approximately HK\$2.6 million (six months ended 30 June 2020: Nil) were incurred on these four loans for the Period.

Following the adoption of HKFRS 16 "Leases" by the Group on 1 January 2019, finance costs incurred on lease liabilities during the Period amounting to approximately HK\$1.1 million (six months ended 30 June 2020: HK\$1.7 million) were recorded.

INCOME TAX CREDIT

The income tax credit of the Group during the Period amounted to approximately HK\$17.5 million (six months ended 30 June 2020: HK\$10.8 million). Its increase was resulted from the decrease in income tax of approximately HK\$86,000 and the increase in deferred tax credit of approximately HK\$6.6 million.

INTEREST COVERAGE RATIO

Interest coverage ratio of the Group for the Period was recorded at –12.7 times (six months ended 30 June 2020: –19.8 times). Such change was mainly resulted from the increase of finance charges.

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

In calculating gross profit/loss, cost of sales is re-defined to include an appropriate portion of depreciation of property, plant and equipment derived from hotel operation. Operating profit/loss is re-defined to be profit/loss before finance costs and taxation for calculating operating profit margin. Comparative figures were therefore re-calculated accordingly.

CURRENT RATIO

As at 30 June 2021, the Group’s current ratio was 1.6 times (as at 31 December 2020: 0.7 time). The increase in current ratio was mainly attributable to the decrease in loans from a related company of HK\$200.0 million because such loans have been re-classified to non-current liabilities in current period.

GEARING RATIO

	As at 30 June 2021 HK\$'000	As at 31 December 2020 HK\$'000	Increase/ (Decrease) HK\$'000
Gearing ratio – Total borrowings over total assets			
Bank borrowings	438,028	476,796	(38,768)
Loans from a related company	198,712	200,000	(1,288)
Total borrowings (<i>note a</i>)	<u>636,740</u>	<u>676,796</u>	<u>(40,056)</u>
Total assets	<u>934,268</u>	<u>1,053,511</u>	<u>(119,243)</u>
Gearing ratio	68.2%	64.2%	4.0 percentage points
Gearing ratio – Net debts over equity			
Total borrowings (<i>note a</i>)	636,740	676,796	(40,056)
Lease liabilities	49,012	59,288	(10,276)
Total debts (<i>note b</i>)	685,752	736,084	(50,332)
Less: Cash at banks and on hand	(98,831)	(98,787)	(44)
	<u>586,921</u>	<u>637,297</u>	<u>(50,376)</u>
Equity (<i>note c</i>)	<u>206,632</u>	<u>252,583</u>	<u>(45,951)</u>
Gearing ratio	284.0%	252.3%	31.7 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 – total borrowings over total assets was mainly attributable to the decrease in deposits, prepayment and other receivables of approximately HK\$39.1 million and the decrease in property, plant and equipment of approximately HK\$82.1 million because of depreciation and lower exchange rate for conversion as at current period end.

The increase in gearing ratio – net debts over equity was mainly attributable to the decrease in equity of approximately HK\$46.0 million.

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 Period were –7.4% (six months ended 30 June 2020: –6.9%) and –33.4% (six months ended 30 June 2020: –23.3%) respectively. The decrease in return on total assets and return on equity were mainly due to the fact that the Group suffered from a greater loss for the Period and the total assets and equity decreased accordingly.

CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES

Regarding the construction of Osaka Hinode Hotel completed in October 2017, the carrying amount of the bank borrowings as at 30 June 2021 amounted to approximately JPY2,836.8 million (equivalent to approximately HK\$196.1 million) (as at 31 December 2020: JPY2,836.5 million (equivalent to approximately HK\$211.9 million)).

For the construction of hot spring bath building in Osaka completed in March 2019, the carrying amount of the bank borrowings as at 30 June 2021 amounted to approximately JPY446.7 million (equivalent to approximately HK\$30.8 million) (as at 31 December 2020: JPY446.7 million (equivalent to approximately HK\$33.3 million)).

With respect to the construction of Okinawa Hinode Resort & Hot Spring Hotel completed in October 2020, the carrying amount of the bank borrowings as at 30 June 2021 amounted to approximately JPY2,857.2 million (equivalent to approximately HK\$197.5 million) (as at 31 December 2020: JPY2,913.9 million (equivalent to approximately HK\$217.7 million)).

With regard to the acquisition of five travel buses in 2017, the carrying amount of the bank borrowing as at 30 June 2021 amounted to approximately JPY51.8 million (equivalent to approximately HK\$3.6 million) (as at 31 December 2020: JPY51.8 million (equivalent to approximately HK\$3.9 million)).

In respect of the bank borrowing withdrawn to meet the needs of working capital for travel related business operation, the carrying amount as at 30 June 2021 amounted to HK\$10.0 million (as at 31 December 2020: HK\$10.0 million).

Three unsecured and interest-free loans of HK\$200.0 million in total were obtained from the related company, Great Port, in 2020. With the repayment on demand clause in the loan agreements, these loans were classified as current liabilities as at 31 December 2020. On 18 March 2021, Great Port issued waiver letters in respect of demand clauses and thus these loans have been reclassified as non-current liabilities thereafter. Among these three loans, the first and second loans remained as unsecured and interest-free and the carrying amount was approximately HK\$128.9 million as at 30 June 2021 (as at 31 December 2020: HK\$160.0 million). The third loan with supplemental agreement signed on 1 April 2021 became unsecured and interest-bearing. The carrying amount was approximately HK\$34.6 million (as at 31 December 2020: HK\$40.0 million).

Moreover, on 1 April 2021, Great Port granted the fourth loan which is unsecured, interest-bearing and repayable on 1 January 2026. The carrying amount of this loan amounted to approximately HK\$35.2 million as at 30 June 2021 (as at 31 December 2020: Nil).

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 30 June 2021 amounted to approximately HK\$206.6 million (as at 31 December 2020: HK\$252.6 million). As at 30 June 2021, the Group's cash at banks and on hand amounted to approximately HK\$98.8 million (as at 31 December 2020: HK\$98.8 million). Cash at banks and on hand were mainly denominated in HKD accounting for approximately 55.8% (as at 31 December 2020: 55.8%), JPY accounting for approximately 31.3% (as at 31 December 2020: 31.0%), USD accounting for approximately 3.8% (as at 31 December 2020: 3.8%), MOP accounting for approximately 1.6% (as at 31 December 2020: 1.1%), Euro accounting for approximately 1.5% (as at 31 December 2020: 1.5%), and Renminbi accounting for approximately 1.3% (as at 31 December 2020: 2.1%).

PLEDGE OF ASSETS

As at 30 June 2021, the Group had pledged bank deposits of approximately HK\$8.4 million (as at 31 December 2020: HK\$8.6 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 certain executive Directors to maintain the control over the management and business of the Group, the Group's total guarantees amounted to approximately HK\$15.7 million (as at 31 December 2020: HK\$16.9 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 30 June 2021, 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\$519.3 million in total (as at 31 December 2020: HK\$565.9 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 30 June 2021 (as at 31 December 2020: Nil).

CAPITAL COMMITMENTS AND FUTURE CAPITAL EXPENDITURES

As at 30 June 2021, the Group had capital commitment of approximately HK\$0.8 million (as at 31 December 2020: HK\$1.0 million) to acquire property, plant and equipment for its travel related business.

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 30 June 2021 (as at 31 December 2020: 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 30 June 2021, 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 loss of approximately HK\$2.2 million was recorded during the Period (six months ended 30 June 2020: net exchange gain of approximately HK\$0.3 million).

HUMAN RESOURCES AND EMPLOYEE'S REMUNERATION

As at 30 June 2021, the Group had a total workforce of 293 employees (as at 31 December 2020: 482), of which 32 (as at 31 December 2020: 182) 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. 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 during the Period (six months ended 30 June 2020: Nil). During 2020 and the Period, due to the adverse impact of the COVID-19 pandemic, no-pay leaves and salary reductions have been arranged for employees. Manpower has been re-structured. Other than that, there was no significant change in the remuneration policies, bonus, share option scheme and training scheme of the Group (six months ended 30 June 2020: Nil).

OUTLOOK

The management of the Group will continuously monitor the travel restrictions and traveller quarantine arrangements. It will continue to explore additional sources of income and to implement various cost control measures, including restructuring the workforce, enhancing staff cost saving measures and seeking rent concession from landlords. Also, as disclosed in the Company's annual report for the year ended 31 December 2020, the related company, Great Port, agreed to arrange credit facilities totalling HK\$140.0 million upon request by the Group until 30 June 2022, in which HK\$40.0 million has been withdrawn in April 2021. Subsequently, Great Port agreed to increase the remaining balance of the credit facilities to HK\$115.0 million and extend the term from 30 June 2022 to 31 December 2022. The Board is of the view that the Group will have sufficient working capital to finance its operations in 2021 and 2022.

Depending on the duration of the COVID-19 pandemic and continuing negative impact on economic activities, the Group might experience further negative result and liquidity restraints and incur additional impairments on its assets in the second half of 2021 and 2022. Nevertheless, the exact impact of the COVID-19 pandemic in the remainder of the second half of 2021 and subsequent financial periods cannot be predicted.

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 six months ended 30 June 2021, the Board is of opinion that the Company has applied the principles and complied with all the applicable code provisions of 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 six months ended 30 June 2021.

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

During the six months ended 30 June 2021, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

EXTRACT OF INDEPENDENT REVIEW REPORT

The interim financial report of the Group for the six months ended 30 June 2021 has not been audited, but has been reviewed by BDO Limited, in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”, issued by the Hong Kong Institute of Certified Public Accountants, whose unmodified review report is included in the interim report to be sent to shareholders of the Company.

BDO Limited expressed an unmodified conclusion with a Material Uncertainty Related to Going Concern section in its report. An extract of BDO Limited's conclusion is set out below:

“Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

Emphasis of Matter – Material Uncertainty Related to Going Concern

We draw attention to note 2 to the interim financial information, which indicates that for the six months ended 30 June 2021, the Group recorded a gross loss of approximately HK\$19,077,000 and a loss of approximately HK\$69,468,000. These conditions, along with others set forth in note 2 to the interim financial information, indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.”

REVIEW BY AUDIT COMMITTEE AND AUDITOR

The interim results for the six months ended 30 June 2021 have been reviewed by the audit committee of the Board which comprises three independent non-executive Directors namely, Mr. Chan Kim Fai, Mr. Tang Koon Hung Eric and Ms. Wong Lai Ming. The interim financial information of the Group for the six months ended 30 June 2021 has been reviewed by the Company's independent auditor, BDO Limited, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2021 (six months ended 30 June 2020: Nil).

PUBLICATION OF RESULTS ANNOUNCEMENT AND INTERIM 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 interim report of the Company will be despatched to the shareholders of the Company and published on the above websites in September 2021.

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

Hong Kong, 27 August 2021

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