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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 2022**

	Six months ended 30 June		Change in %
	2022 HK\$'000	2021 HK\$'000	
Revenue	29,039	17,626	64.8%
Gross loss	(6,786)	(19,077)	-64.4%
Loss attributable to owners of the Company	(56,771)	(69,078)	-17.8%
Loss per share Basic and diluted (HK cents)	(11.30)	(13.75)	
Profit margin			
Gross profit margin	-23.4%	-108.2%	
Operating profit margin	-217.5%	-457.4%	
Net profit margin	-195.5%	-391.9%	
Return on equity attributable to owners of the Company	-159.7%	-33.4%	
	As at 30 June 2022	As at 31 December 2021	
Gearing ratio			
Total borrowings over total assets	85.2%	76.6%	
Net debts over equity	1,637.4%	493.0%	

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 2022 (the “**Period**”) together with comparative figures for the corresponding period in 2021 as follows:

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME**

FOR THE SIX MONTHS ENDED 30 JUNE 2022

	<i>Notes</i>	Six months ended 30 June	
		2022	2021
		(Unaudited)	(Unaudited)
		HK\$'000	HK\$'000
Revenue	6	29,039	17,626
Cost of sales		<u>(35,825)</u>	<u>(36,703)</u>
Gross loss		(6,786)	(19,077)
Other income, gains and losses, net	6	3,060	5,874
Selling expenses		(13,474)	(16,551)
Administrative expenses		(45,780)	(50,443)
Share of results of associates		(178)	(419)
Finance costs	7	<u>(10,062)</u>	<u>(6,337)</u>
Loss before income tax	7	(73,220)	(86,953)
Income tax credit	8	<u>16,122</u>	<u>17,485</u>
Loss for the period		<u>(57,098)</u>	<u>(69,468)</u>
Other comprehensive income, that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		(30,728)	(20,321)
Share of exchange differences on translation of foreign associates		(892)	(491)
Effect on cash flow hedge, net of tax		<u>310</u>	<u>417</u>
Other comprehensive income for the period, net of tax		<u>(31,310)</u>	<u>(20,395)</u>
Total comprehensive income for the period, net of tax		<u>(88,408)</u>	<u>(89,863)</u>

	Six months ended 30 June	
<i>Notes</i>	2022	2021
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Loss for the period attributable to:		
Owners of the Company	(56,771)	(69,078)
Non-controlling interests	<u>(327)</u>	<u>(390)</u>
	<u>(57,098)</u>	<u>(69,468)</u>
Total comprehensive income for the period attributable to:		
Owners of the Company	(88,358)	(89,563)
Non-controlling interests	<u>(50)</u>	<u>(300)</u>
	<u>(88,408)</u>	<u>(89,863)</u>
Loss per share for loss attributable to owners of the Company		
– Basic and diluted (<i>HK cents</i>)	<i>10</i> <u>(11.30)</u>	<u>(13.75)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2022

	<i>Notes</i>	As at 30 June 2022 <i>(Unaudited)</i> HK\$'000	As at 31 December 2021 <i>(Audited)</i> HK\$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		473,580	580,238
Right-of-use assets		18,364	26,860
Interests in associates		8,831	9,900
Deferred tax assets		100,156	92,700
Derivative financial instruments		891	533
Deposits	12	1,562	1,963
		603,384	712,194
Current assets			
Inventories		2,315	2,582
Trade receivables	11	3,324	3,210
Deposits, prepayments and other receivables	12	33,282	42,158
Amounts due from associates		5,364	6,290
Tax recoverable		220	222
Pledged bank deposits		7,970	8,326
Cash at banks and on hand		125,227	130,133
		177,702	192,921
Current liabilities			
Trade payables	13	6,421	5,220
Accruals and other payables	14	22,666	23,506
Contract liabilities		10,144	12,161
Amount due to an associate		–	12
Loan from a related company		30,000	–
Lease liabilities		35,106	40,071
Provision for taxation		200	290
Bank borrowings	15	42,458	239,677
		146,995	320,937
Net current assets/(liabilities)		30,707	(128,016)
Total assets less current liabilities		634,091	584,178

		As at 30 June 2022 (Unaudited) HK\$'000	As at 31 December 2021 (Audited) HK\$'000
Non-current liabilities			
Provision		628	738
Bank borrowings	<i>15</i>	315,087	180,441
Lease liabilities		6,196	7,831
Loans from a related company		278,294	272,874
		600,205	461,884
Net assets		33,886	122,294
EQUITY			
Capital and reserves attributable to owners of the Company			
Share capital	<i>16</i>	50,245	50,245
Reserves		(14,706)	73,652
		35,539	123,897
Non-controlling interests		(1,653)	(1,603)
Total equity		33,886	122,294

NOTES TO THE INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2022

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 sale 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 2021 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 2022. 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 2021 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 2021 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 2021 and the six months ended 30 June 2022, in particular for the quarantine requirement implemented by the Japanese Government for visitors and the Hong Kong Government for people entering Hong Kong from overseas regions. The Japanese Government resumed cross-border travel for tourists in early June 2022, but only for guided package tours. All tourists have to test negative before travelling to Japan. In addition, the Hong Kong Government has recently adjusted the quarantine arrangements for inbound persons that changed seven days of hotel quarantine into three days plus four days of medical surveillance. However, the number of customers has not rebounded to the level before the pandemic up to the date of approval of this interim financial information.

The Group incurred a gross loss of approximately HK\$6,786,000 and a loss of approximately HK\$57,098,000 for the six months ended 30 June 2022. 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 2023 (the “**Forecast Period**”) after taking into the following considerations:

- (a) The management of the Group has continued the austerity measures in order to maintain the Group’s operating cash outflows at a low level. These measures included restructuring of workforce, implementing salary reduction for employees and the directors of the Company, arrangement of no-pay leaves, seeking rent concession from landlords on the lease of certain branches;
- (b) As at the date of approval of the interim financial information, Great Port Limited (“**Great Port**”), a related company, agreed to provide additional credit facilities of not less than HK\$100.0 million to the Group during the Forecast Period;
- (c) The management of the Group has been negotiating with a bank in Japan to waive of compliance with certain covenant from the bank in Japan for the outstanding loan amounts of approximately HK\$187,749,000 as at 30 June 2022;
- (d) The expected mild revival of the travel business based on the latest developments of the pandemic and travel restrictions worldwide, especially in Japan, and quarantine policies implemented by the Hong Kong Government. In the view of the risk of possible future suspension of outbound package tours, the Group has continued to its business to sales of merchandises during the current year; and
- (e) 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, generate sufficient cash flows from its travel business as planned based on the expected continuous improvement of the pandemic and further refinement of quarantine and travel restriction policies of the Japanese and Hong Kong Governments. Assuming the successful implementations of the above plans and measures, the Board is satisfied that it is appropriate to prepare the interim financial information 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. Japan reopened to tourists in early June 2022, ending a pandemic closure, but travellers are only allowed in with a tour group. All travellers have to test negative before travelling to Japan. Such arrangements have disturbed 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 2022.

The significant events and transactions occurred since 31 December 2021 that relate to the effects of the pandemic on the Group's interim financial information for the six months ended 30 June 2022 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 was 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 2022.

(b) Government grants

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

Under the "Employment Support Scheme" launched by the Hong Kong Government, the Group received the fund of approximately HK\$2,576,000 during the six months ended 30 June 2022 and elected to reduce the related salary expense rather than present this government grant separately.

Included in "Other income, gains and losses, net" is approximately HK\$5,240,000 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 Period:

- Annual Improvements to HKFRS 2018-2020
- Amendments to HKAS 16, Property, Plant and Equipment: Proceeds before intended use
- Amendments to HKAS 37, Onerous Contracts – Cost of Fulfilling a Contract
- Amendments to HKFRS 3, Reference to the Conceptual Framework

The new or amended HKFRSs that effective from 1 January 2022 did not have any significant impact on the Group's accounting policies.

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.

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, gains and losses, 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 (unaudited) HK\$'000	Sale of Merchandises Business (unaudited) HK\$'000	Hotel Business (unaudited) HK\$'000	Total (unaudited) HK\$'000
For six months ended 30 June 2022:				
Revenue				
From external customers	<u>4,704</u>	<u>10,834</u>	<u>13,501</u>	<u>29,039</u>
Reportable segment revenue	<u>4,704</u>	<u>10,834</u>	<u>13,501</u>	<u>29,039</u>
Reportable segment (loss)/profit	<u>(35,157)</u>	<u>764</u>	<u>(28,387)</u>	<u>(62,780)</u>
Depreciation on property, plant and equipment	(1,998)	(62)	(21,698)	(23,758)
Depreciation on right-of-use assets	(11,075)	–	–	(11,075)
Share of results of associates	(178)	–	–	(178)
Finance costs	(933)	–	(2,145)	(3,078)
Income tax credit	<u>7,066</u>	<u>22</u>	<u>9,048</u>	<u>16,136</u>
For six months ended 30 June 2021:				
Revenue				
From external customers	<u>5,346</u>	<u>6,710</u>	<u>5,570</u>	<u>17,626</u>
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	<u>8,120</u>	<u>–</u>	<u>9,387</u>	<u>17,507</u>

	Travel Related Business HK\$'000	Sale of Merchandises Business HK\$'000	Hotel Business HK\$'000	Total HK\$'000
As at 30 June 2022 (unaudited):				
Reportable segment assets	199,755	12,715	537,979	750,449
Reportable segment liabilities	108,855	4,524	354,167	467,546
Additions to non-current assets	5,970	1,696	522	8,188
Share of net assets of associates	8,831	–	–	8,831
	<u>8,831</u>	<u>–</u>	<u>–</u>	<u>8,831</u>
As at 31 December 2021 (audited):				
Reportable segment assets	175,633	7,478	649,912	833,023
Reportable segment liabilities	88,321	2,925	417,273	508,519
Additions to non-current assets	11,567	426	687	12,680
Share of net assets of associates	9,900	–	–	9,900
	<u>9,900</u>	<u>–</u>	<u>–</u>	<u>9,900</u>

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

	Six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Revenue		
Reportable segment revenue	<u>29,039</u>	<u>17,626</u>
Consolidated revenue	<u>29,039</u>	<u>17,626</u>
Loss before income tax		
Reportable segment loss	(62,780)	(82,737)
Unallocated corporate expenses	<u>(10,440)</u>	<u>(4,216)</u>
Consolidated loss before income tax	<u>(73,220)</u>	<u>(86,953)</u>

	As at 30 June 2022 (Unaudited) <i>HK\$'000</i>	As at 31 December 2021 (Audited) <i>HK\$'000</i>
Assets		
Reportable segment assets	750,449	833,023
Unallocated corporate assets	<u>30,637</u>	<u>72,092</u>
Consolidated total assets	<u>781,086</u>	<u>905,115</u>
	As at 30 June 2022 (Unaudited) <i>HK\$'000</i>	As at 31 December 2021 (Audited) <i>HK\$'000</i>
Liabilities		
Reportable segment liabilities	467,546	508,519
Unallocated corporate liabilities	<u>279,654</u>	<u>274,302</u>
Consolidated total liabilities	<u>747,200</u>	<u>782,821</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	
	2022 (Unaudited) <i>HK\$'000</i>	2021 (Unaudited) <i>HK\$'000</i>	30 June 2022 (Unaudited) <i>HK\$'000</i>	31 December 2021 (Audited) <i>HK\$'000</i>
Hong Kong and Macau (place of domicile)	14,806	11,639	22,028	31,301
Japan	14,233	5,987	469,819	575,844
Others	<u>–</u>	<u>–</u>	<u>8,928</u>	<u>9,853</u>
	<u>29,039</u>	<u>17,626</u>	<u>500,775</u>	<u>616,998</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 2022 (six months ended 30 June 2021: 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	
	2022	2021	2022	2021	2022	2021	2022	2021
	(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)	3,972	4,929	10,834	6,710	-	-	14,806	11,639
Japan	732	417	-	-	13,501	5,570	14,233	5,987
	<u>4,704</u>	<u>5,346</u>	<u>10,834</u>	<u>6,710</u>	<u>13,501</u>	<u>5,570</u>	<u>29,039</u>	<u>17,626</u>
Timing of revenue recognition								
At a point in time	2,440	1,998	10,834	6,710	-	-	13,274	8,708
Transferred over time	2,264	3,348	-	-	13,501	5,570	15,765	8,918
	<u>4,704</u>	<u>5,346</u>	<u>10,834</u>	<u>6,710</u>	<u>13,501</u>	<u>5,570</u>	<u>29,039</u>	<u>17,626</u>

6. REVENUE AND OTHER INCOME, GAINS AND LOSSES, 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; and sale of merchandises. The amounts of each significant category of revenue recognised during the period are as follows:

	Six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Revenue		
Package tours	2,264	3,348
FIT Products (<i>note</i>)	1,074	1,148
Ancillary travel related products and services (<i>note</i>)	1,366	850
Sale of merchandises	10,834	6,710
Hotel room rental and ancillary services	13,501	5,570
	<u>29,039</u>	<u>17,626</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	
	2022	2021
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Gross proceeds received and receivable	<u>11,020</u>	<u>7,560</u>

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

	As at	As at
	30 June	31 December
	2022	2021
	(Unaudited)	(Audited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables (<i>note 11</i>)	3,324	3,210
Contract liabilities	<u>10,144</u>	<u>12,161</u>

	Six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Other income, gains and losses, net		
Exchange loss, net	(4,192)	(2,202)
Handling income	271	61
Interest income on bank deposits	39	9
Gain on rental concession of lease	1,193	2,173
Government sponsor income	5,240	5,325
Gain on modification of loan payments	128	164
Sundry income	<u>381</u>	<u>344</u>
	<u>3,060</u>	<u>5,874</u>

7. LOSS BEFORE INCOME TAX

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

	Six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Cost of inventories recognised as expenses	7,799	5,260
Depreciation on property, plant and equipment	23,758	32,237
Depreciation on right-of-use assets	11,075	12,169
Bad debts written off in respect of prepayments and other receivables	–	10
Gain on termination of lease	–	(37)
Gain on disposal of property, plant and equipment, net	(6)	(228)
Finance costs:		
– Interest expense incurred on lease liabilities	812	1,101
– Interest expense incurred on derivative financial instruments	145	178
– Interest expense incurred on loans from a related company	6,984	2,643
– Interest expense incurred on bank borrowings	2,121	2,415
	10,062	6,337
Employee costs (including directors' emoluments):		
– Salaries and other benefits in kind	23,452	29,408
– Retirement scheme contributions	1,048	1,292
	24,500	30,700

8. INCOME TAX CREDIT

	Six months ended 30 June	
	2022 (Unaudited) <i>HK\$'000</i>	2021 (Unaudited) <i>HK\$'000</i>
Current tax – Hong Kong Profits Tax		
– Tax for the period	–	22
– Under-provision in respect of prior year	<u>14</u>	<u>70</u>
	14	92
Deferred tax		
– Credit to profit or loss for the period	<u>(16,136)</u>	<u>(17,577)</u>
	<u>(16,122)</u>	<u>(17,485)</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\$2.0 million of estimated assessable profits and at 16.5% for the portion of the estimated assessable profits above HK\$2.0 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 2021: approximately 30.5% to approximately 34.6%) for the six months ended 30 June 2022 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 both periods.

11. TRADE RECEIVABLES

	As at 30 June 2022 (Unaudited) HK\$'000	As at 31 December 2021 (Audited) HK\$'000
Trade receivables	<u>3,324</u>	<u>3,210</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 2022 (Unaudited) HK\$'000	As at 31 December 2021 (Audited) HK\$'000
0 – 90 days	2,958	2,431
91 – 180 days	43	91
181 – 365 days	166	68
Over 365 days	<u>157</u>	<u>620</u>
	<u>3,324</u>	<u>3,210</u>

12. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	As at 30 June 2022 (Unaudited) HK\$'000	As at 31 December 2021 (Audited) HK\$'000
Non-current assets		
Deposits	<u>1,562</u>	<u>1,963</u>
Current assets		
Other receivables	10,172	8,082
Deposits (<i>note</i>)	4,970	6,546
Prepayments	<u>18,140</u>	<u>27,530</u>
	<u>33,282</u>	<u>42,158</u>

Note: The amount included rental deposits paid to a related company, Great Port, of approximately HK\$1,455,000 (as at 31 December 2021: HK\$1,455,000). 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 2022 (Unaudited) <i>HK\$'000</i>	As at 31 December 2021 (Audited) <i>HK\$'000</i>
0 – 90 days	4,013	3,070
91 – 180 days	678	30
181 – 365 days	658	83
Over 365 days	1,072	2,037
	<u>6,421</u>	<u>5,220</u>

14. ACCRUALS AND OTHER PAYABLES

	As at 30 June 2022 (Unaudited) <i>HK\$'000</i>	As at 31 December 2021 (Audited) <i>HK\$'000</i>
Accrued expenses	11,276	11,853
Other payables	11,390	11,653
	<u>22,666</u>	<u>23,506</u>

15. BANK BORROWINGS

	As at 30 June 2022 (Unaudited) HK\$'000	As at 31 December 2021 (Audited) HK\$'000
Current		
Bank borrowings, secured	42,458	239,677
Non-current		
Bank borrowings, secured	<u>315,087</u>	<u>180,441</u>
	<u>357,545</u>	<u>420,118</u>

As at 30 June 2022, the bank borrowings of approximately HK\$357,545,000 (as at 31 December 2021: HK\$420,118,000) were secured by charges over certain property, plant and equipment and pledged bank deposits with aggregate carrying amounts of approximately HK\$420,353,000 (as at 31 December 2021: HK\$497,975,000) and approximately HK\$4,285,000 (as at 31 December 2021: HK\$4,630,000) respectively. In addition, among these bank borrowings, an amount of approximately HK\$2,972,000 (as at 31 December 2021: HK\$3,486,000) was also secured by a property of a former non-controlling shareholder of a subsidiary in Japan.

Some of the Group's banking facilities are subjected to covenant clauses, whereby the Group is required to meet certain key financial ratios and covenants. The Group did not fulfill the financial covenants in respect of two bank loans of outstanding loan amounts of approximately HK\$220,554,000 and HK\$8,000,000 respectively as at 31 December 2021. As a result of the covenant clauses, the banks were contractually entitled to request for immediate repayment of these two loans. The outstanding balances were classified as current liabilities as at 31 December 2021.

On 21 February 2022, the Group obtained a waiver of compliance with the covenant requirement from the bank for the outstanding loan amount of approximately HK\$220,554,000 as at 31 December 2021. Accordingly, the non-current portion of this bank loan of approximately HK\$164,772,000 was classified as a non-current liability as at 30 June 2022.

The terms of the other outstanding bank loan in the amount of HK\$8,000,000 as at 31 December 2021 were subsequently revised and a renewed facility agreement was signed on 11 March 2022 which has the next renewal date as at 31 December 2022. This bank loan was classified as a current liability as at 30 June 2022.

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 0.79% to 2.38% (as at 31 December 2021: 0.79% to 1.67%) per annum.

16. SHARE CAPITAL

	Number <i>'000</i>	Amount <i>HK\$'000</i>
Authorised		
<i>Ordinary shares of HK\$0.1 each</i>		
At 31 December 2021 and 30 June 2022	<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 31 December 2021 and 30 June 2022	<u>502,450</u>	<u>50,245</u>

17. EVENTS AFTER THE REPORTING DATE

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 2022 and 2023. However, the exact impact of the COVID-19 pandemic in the remainder of the second half of 2022, and subsequent financial periods cannot be predicted.

MANAGEMENT DISCUSSION AND ANALYSIS

GROUP OVERVIEW

More than two years after the outbreak of the COVID-19 pandemic, the Group eventually organised Hong Kong's first package tour to Japan on 22 June 2022. Coupled with the recent relaxation of the mandatory quarantine requirements imposed by the Hong Kong Government, the management of the Group is cautiously optimistic that the financial performance of the Group will improve going forward. However, during the first half of 2022, most of the Group's main businesses were still halted under the adverse impact of the COVID-19 pandemic. During the Period, revenue of the Group amounted to approximately HK\$29.0 million (six months ended 30 June 2021: HK\$17.6 million), representing an increase of 64.8%. Gross loss amounted to approximately HK\$6.8 million (six months ended 30 June 2021: HK\$19.1 million), representing a decrease of 64.4%. Loss attributable to owners of the Company amounted to approximately HK\$56.8 million (six months ended 30 June 2021: HK\$69.1 million). The decrease was mainly attributable to an increase in revenue and a decrease in gross loss from the hotel business of the Group, and a decrease in selling and administrative expenses as a result of the Group's cost saving actions.

Basic loss per share for loss attributable to owners of the Company for the first half of 2022 was HK11.30 cents (six months ended 30 June 2021: HK13.75 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					
	2022		2021			
	Revenue <i>HK\$'000</i>	Gross (loss)/ profit <i>HK\$'000</i>	Gross profit margin %	Revenue <i>HK\$'000</i>	Gross (loss)/ profit <i>HK\$'000</i>	Gross profit margin %
Package tours	2,264	(459)	-20.3	3,348	318	9.5
FIT Products and ancillary travel related products and services	2,440	1,277	52.3	1,998	1,561	78.1
Sale of merchandises	10,834	3,034	28.0	6,710	1,554	23.2
Hotel operation	13,501	(10,638)	-78.8	5,570	(22,510)	-404.1
Total	29,039	(6,786)	-23.4	17,626	(19,077)	-108.2

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 mainly consisted of local tours in Hong Kong and two tours to Japan in June 2022. Revenue amounted to approximately HK\$2.3 million (six months ended 30 June 2021: HK\$3.3 million), representing a decrease of 32.4% and contributing 7.8% to the Group's total revenue (six months ended 30 June 2021: 19.0%). Gross loss amounted to approximately HK\$0.5 million (six months ended 30 June 2021: gross profit HK\$0.3 million), representing a change of -244.3%.

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 and local tours overseas, and commission income from travel insurance services.

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 and territories. Revenue amounted to approximately HK\$2.4 million (six months ended 30 June 2021: HK\$2.0 million), representing an increase of 22.1% and contributing 8.4% to the Group's total revenue (six months ended 30 June 2021: 11.3%). Gross profit amounted to approximately HK\$1.3 million (six months ended 30 June 2021: HK\$1.6 million), representing a decrease of 18.2%.

SALE OF MERCHANDISES

In 2020, the Group launched a brand-new online shopping platform, "EGL Market", where souvenir product items around the world are available for customer self-pickup and delivery services. In 2021, a brick-and-mortar retail shop in Tsuen Wan and a pop-up store in Mongkok and another in Kwai Fong respectively were opened. During the Period, revenue amounted to approximately HK\$10.8 million (six months ended 30 June 2021: HK\$6.7 million), representing an increase of 61.5% and contributing 37.3% to the Group's total revenue (six months ended 30 June 2021: 38.1%). Gross profit amounted to approximately HK\$3.0 million (six months ended 30 June 2021: HK\$1.6 million), representing an increase of 95.2%.

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. The Japanese Government implemented the planned gradual reopening to inbound tourists in May 2022, and had further relaxed restrictions in June 2022. Such reopening has favourable impact on the hotel business. However, the hotel's performance during the Period remained mostly impacted by the COVID-19 pandemic. The hotel's occupancy rate for the Period was 14.1% (six months ended 30 June 2021: 0.7%).

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. Despite the gradual reopening to inbound tourists in Japan as mentioned above, the hotel's performance for the Period remained mostly impacted by the COVID-19 pandemic. The hotel room occupancy rate for the Period was 32.5% (six months ended 30 June 2021: 19.1%).

Revenue from hotel operation mainly represents income generated from letting the hotel rooms. During the Period, the revenue amounted to approximately HK\$13.5 million (six months ended 30 June 2021: HK\$5.6 million), representing an increase of 142.4% and contributing 46.5% to the Group's total revenue (six months ended 30 June 2021: 31.6%). Gross loss amounted to approximately HK\$10.6 million (six months ended 30 June 2021: HK\$22.5 million), representing a decrease of 52.7%.

FINANCIAL REVIEW

KEY FINANCIAL RATIOS

	Six months ended 30 June	
	2022	2021
Gross profit margin	-23.4%	-108.2%
Operating profit margin ⁽¹⁾	-217.5%	-457.4%
Net profit margin ⁽²⁾	-195.5%	-391.9%
Interest coverage ratio ⁽¹⁾	-6.3 times	-12.7 times
Return on total assets ⁽²⁾	-7.3%	-7.4%
Return on equity attributable to owners of the Company ⁽²⁾	-159.7%	-33.4%
	As at	As at
	30 June	31 December
	2022	2021
Current ratio	1.2 times	0.6 time
Gearing ratio		
Total borrowings over total assets	85.2%	76.6%
Net debts over equity	1,637.4%	493.0%

⁽¹⁾ Profit/loss in calculation refers to the profit/loss before finance costs and taxation.

⁽²⁾ Profit/loss in calculation refers to the profit/loss attributable to owners of the Company.

⁽³⁾ The Board did not recommend the payment of an interim dividend for the six months ended 30 June 2022 (interim dividend for 2021: HK\$Nil).

REVENUE AND GROSS PROFIT

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

SELLING EXPENSES

Frontline staff costs contributed the majority of selling expenses of the Group. Selling expenses amounted to approximately HK\$13.5 million (six months ended 30 June 2021: HK\$16.6 million), representing a decrease of 18.6%. Such decrease was primarily contributed by the Group's cost saving actions, including no-pay leaves, salary reduction and manpower re-structuring.

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 amounted to approximately HK\$45.8 million (six months ended 30 June 2021: HK\$50.4 million), representing a decrease of 9.2%. Such decreases were primarily contributed by the Group's cost saving actions, including no-pay leaves, salary reductions and manpower re-structuring.

FINANCE COSTS

Finance costs of approximately HK\$2.1 million (six months ended 30 June 2021: HK\$2.4 million) were incurred for the Period 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.

Based on discounted cash flows of the loans from the related company, Great Port, finance costs of approximately HK\$7.0 million (six months ended 30 June 2021: HK\$2.6 million) were incurred during the Period. Such finance costs increased as the loans increased.

Following the adoption of HKFRS 16 "Leases", finance costs of approximately HK\$0.8 million (six months ended 30 June 2021: HK\$1.1 million) were incurred during the Period on the lease liabilities.

INCOME TAX CREDIT

The income tax credit of the Group for the Period amounted to approximately HK\$16.1 million (six months ended 30 June 2021: HK\$17.5 million). Its decrease was mainly resulted from the decrease in deferred tax credit.

INTEREST COVERAGE RATIO

Interest coverage ratio of the Group for the Period was recorded at -6.3 times (six months ended 30 June 2021: -12.7 times). Its change was mainly resulted from the increase in finance costs and the decrease in the loss before finance costs and taxation.

Interest coverage ratio is defined to be dividing profit/loss before finance costs and taxation by finance costs.

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 above.

CURRENT RATIO

As at 30 June 2022, the Group's current ratio was 1.2 times (as at 31 December 2021: 0.6 time). The increase in current ratio was mainly attributable to the decrease in current portion of bank borrowings.

GEARING RATIO

	As at 30 June 2022 <i>HK\$'000</i>	As at 31 December 2021 <i>HK\$'000</i>	Increase/ (Decrease) <i>HK\$'000</i>
Gearing ratio – Total borrowings over total assets			
Bank borrowings	357,545	420,118	(62,573)
Loans from a related company	308,294	272,874	35,420
Total borrowings (<i>note a</i>)	<u>665,839</u>	<u>692,992</u>	<u>(27,153)</u>
Total assets	<u>781,086</u>	<u>905,115</u>	<u>(124,029)</u>
Gearing ratio	85.2%	76.6%	8.6 percentage points
Gearing ratio – Net debts over equity			
Total borrowings (<i>note a</i>)	665,839	692,992	(27,153)
Lease liabilities	41,302	47,902	(6,600)
Total debts (<i>note b</i>)	707,141	740,894	(33,753)
Less: Cash at banks and on hand	<u>(125,227)</u>	<u>(130,133)</u>	<u>4,906</u>
	<u>581,914</u>	<u>610,761</u>	<u>(28,847)</u>
Equity (<i>note c</i>)	<u>35,539</u>	<u>123,897</u>	<u>(88,358)</u>
Gearing ratio	1,637.4%	493.0%	1,144.4 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 – total borrowings over total assets was mainly attributable to the decrease in deposits, prepayment and other receivables of approximately HK\$9.3 million, the decrease in right-of-use assets of approximately HK\$8.5 million, and the decrease in property, plant and equipment of approximately HK\$106.7 million because of depreciation and lower exchange rate for conversion as at the end of the Period.

The increase in gearing ratio – net debts over equity was mainly attributable to the decrease in equity of approximately HK\$88.4 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 -7.3% (six months ended 30 June 2021: -7.4%) and -159.7% (six months ended 30 June 2021: -33.4%) respectively. The slight increase in return on total assets was mainly due to the decrease in the loss attributable to owners of the Company. The decrease in return on equity was mainly due to the decrease in equity.

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 2022 amounted to approximately Japanese Yen (“JPY”) 2,837.8 million (equivalent to approximately HK\$162.2 million) (as at 31 December 2021: JPY2,837.2 million (equivalent to approximately HK\$190.5 million)). The repayment term is payable in 12 years.

For the construction of the hot spring bath building in Osaka which was completed in March 2019, the carrying amount of the bank borrowings as at 30 June 2022 amounted to approximately JPY446.9 million (equivalent to approximately HK\$25.5 million) (as at 31 December 2021: JPY446.8 million (equivalent to approximately HK\$30.0 million)). The repayment term is payable in 12 years.

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 2022 amounted to approximately JPY2,743.6 million (equivalent to approximately HK\$156.8 million) (as at 31 December 2021: JPY2,800.4 million (equivalent to approximately HK\$188.1 million)). The repayment term is payable in 26 years.

With regard to the acquisition of five travel buses in 2017, the carrying amount of the bank borrowings as at 30 June 2022 amounted to approximately JPY52.0 million (equivalent to approximately HK\$3.0 million) (as at 31 December 2021: JPY51.9 million (equivalent to approximately HK\$3.5 million)). The repayment term is payable in 5 years.

In respect of the bank borrowings withdrawn in Hong Kong to meet the needs of working capital for travel related business operation, the carrying amount as at 30 June 2022 amounted to HK\$10.0 million (as at 31 December 2021: HK\$8.0 million). The repayment term is payable within 90 days.

Regarding the financial support from the related company, Great Port, the carrying amount of five loans withdrawn during 2020 and 2021 amounted to approximately HK\$278.3 million as at 30 June 2022 (as at 31 December 2021: HK\$272.9 million). These loans are unsecured and repayable on 1 January 2026. In addition, one further loan of HK\$30.0 million was withdrawn on 2 June 2022 and outstanding as at 30 June 2022. This sixth loan is unsecured and repayable on 31 May 2023. It was classified as current liabilities in the interim financial information.

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 2022 amounted to approximately HK\$35.5 million (as at 31 December 2021: HK\$123.9 million). As at 30 June 2022, the Group's cash at banks and on hand amounted to approximately HK\$125.2 million (as at 31 December 2021: HK\$130.1 million). Cash at banks and on hand were mainly denominated in Hong Kong Dollar accounting for approximately 78.0% (as at 31 December 2021: 77.8%), Japanese Yen accounting for approximately 14.2% (as at 31 December 2021: 15.6%), Macau Pataca accounting for approximately 2.1% (as at 31 December 2021: 0.8%) and Euro accounting for approximately 1.0% (as at 31 December 2021: 1.1%).

PLEDGE OF ASSETS

As at 30 June 2022, property, plant and equipment of Okinawa Hinode Resort & Hot Spring Hotel, Osaka Hinode Hotel together with the hot spring bath building, travel buses, and certain bank balances in Japan of approximately HK\$422.3 million in total (as at 31 December 2021: HK\$500.3 million) were pledged to secure the bank borrowings in Japan as mentioned in the sub-section headed "Management Discussion and Analysis – Financial Review – Capital Structure, Liquidity and Finance Resources".

Also, as at 30 June 2022, the Group had pledged bank deposits of approximately HK\$8.0 million (as at 31 December 2021: HK\$8.3 million). Excluding those pledged bank balances in Japan mentioned above, majority of the pledged bank deposits were pledged to certain licensed banks in Hong Kong and Macau to secure the bank borrowings withdrawn in Hong Kong and 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\$13.8 million (as at 31 December 2021: HK\$14.0 million), which were mainly issued to the Group's branch shop landlords and suppliers, such as air transport association, airlines and hotels in order to guarantee the Group's trade payable balances due to the suppliers.

Save as disclosed above, the Group had no other charge on assets as at 30 June 2022 (as at 31 December 2021: Nil).

CAPITAL COMMITMENTS AND FUTURE CAPITAL EXPENDITURES

As at 30 June 2022, the Group had capital commitment of approximately HK\$0.7 million (as at 31 December 2021: HK\$0.8 million) to acquire property, plant and equipment in Hong Kong.

For future capital expenditures, the Group currently intends to finance such expenses by existing internal resources.

CONTINGENT LIABILITIES

The Directors considered that there were no material contingent liabilities as at 30 June 2022 (as at 31 December 2021: 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 2022, 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 mainly in Hong Kong, Macau and Japan. Also, working capital is 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\$4.2 million was recorded during the Period (six months ended 30 June 2021: HK\$2.2 million).

HUMAN RESOURCES AND EMPLOYEE' S REMUNERATION

As at 30 June 2022, the Group had a total workforce of 198 employees (as at 31 December 2021: 254). 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 2021: Nil). During 2020, 2021 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.

SUBSEQUENT EVENTS

Since 30 June 2022, the Hong Kong Government has relaxed the COVID-19 mandatory quarantine requirements for travellers returning to Hong Kong from overseas. With effect from 12 August 2022, inbound travellers will be subject to 3 nights of mandatory quarantine and 4 nights of medical surveillance (instead of 7 nights of mandatory quarantine) regardless of vaccination status. The Group's management believes that this marks the beginning of the gradual recovery of the Hong Kong tourism industry, and is cautiously optimistic that the financial performance of the Group will improve going forward.

OUTLOOK

The management of the Group will continuously monitor the travel restrictions and traveller quarantine arrangements. It will also continue to explore additional sources of income and implement various cost control measures, including restructuring the workforce, enhancing staff cost saving measures and seeking rent concessions from landlords. Moreover, Great Port agreed to arrange further credit facilities of not less than HK\$100.0 million upon request by the Group until 31 December 2023. The Board is of the view that the Group will have sufficient working capital to finance its operations in 2022 and 2023.

Depending on the development of the COVID-19 pandemic and its continuing negative impact on economic activities, the Group may experience further negative result and liquidity restraints and incur additional impairments on its assets in the second half of 2022. Nevertheless, the management of the Group is unable to predict the exact financial impact of the COVID-19 pandemic on the Group in the remainder of the second half of 2022 and subsequent financial periods.

We are well-positioned in the market to provide quality services and products. We are confident in Hong Kong's economic recovery and will strengthen ourselves to regain our momentum step by step. Together with the Group's dedicated professional team and management, supporting customers, business partners and stakeholders, the Group is confident in achieving performance improvement in the years ahead.

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 2022, 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 2022.

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

During the six months ended 30 June 2022, 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 results of the Group for the six months ended 30 June 2022 has not been audited, but 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. The auditor’s unmodified review report will be 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 2022, the Group recorded a gross loss of approximately HK\$6,786,000 and a loss for the period of approximately HK\$57,098,000. These conditions, along with other matters 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 2022 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 2022 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 2022 (six months ended 30 June 2021: HK\$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 2022.

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

Hong Kong, 26 August 2022

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.