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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 2023**

GROUP FINANCIAL HIGHLIGHTS

	Six months ended 30 June		Change in %
	2023 HK\$'000	2022 HK\$'000	
Revenue	540,081	29,039	1,759.8%
Gross profit/(loss)	136,846	(6,786)	2,116.6%
Profit/(loss) attributable to owners of the Company	20,690	(56,771)	136.4%
Profit/(loss) per share Basic and diluted (<i>HK cents</i>)	4.12	(11.30)	
Profit margin			
Gross profit margin	25.3%	-23.4%	
Operating profit margin	6.9%	-217.5%	
Net profit margin	3.8%	-195.5%	
Return on equity attributable to owners of the Company	70.1%	-159.7%	
	As at 30 June 2023	As at 31 December 2022	
Gearing ratio			
Total borrowings over total assets	64.1%	75.1%	
Net debts over equity	1,206.8%	2,234.2%	

The board (the “**Board**”) of directors (the “**Directors**”) of EGL Holdings Company Limited (the “**Company**”) is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (the “**Group**”) for the six months ended 30 June 2023 (the “**Period**”) together with comparative figures for the corresponding period in 2022 as follows:

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

FOR THE SIX MONTHS ENDED 30 JUNE 2023

	<i>Notes</i>	Six months ended 30 June	
		2023	2022
		(Unaudited)	(Unaudited)
		HK\$'000	HK\$'000
Revenue	5	540,081	29,039
Cost of sales		(403,235)	(35,825)
Gross profit/(loss)		136,846	(6,786)
Other income, gains and losses, net	5	7,013	3,060
Selling expenses		(32,556)	(13,474)
Administrative expenses		(74,199)	(45,780)
Share of results of associates		216	(178)
Finance costs	6	(12,730)	(10,062)
Profit/(loss) before income tax	6	24,590	(73,220)
Income tax (expense)/credit	7	(3,751)	16,122
Profit/(loss) for the period		20,839	(57,098)
Other comprehensive income, that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		(14,164)	(30,728)
Share of exchange differences on translation of foreign associates		(1)	(892)
Effect on cash flow hedge, net of tax		99	310
Other comprehensive income for the period, net of tax		(14,066)	(31,310)
Total comprehensive income for the period, net of tax		6,773	(88,408)

	Six months ended 30 June	
<i>Notes</i>	2023	2022
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Profit/(loss) for the period attributable to:		
Owners of the Company	20,690	(56,771)
Non-controlling interests	149	(327)
	<u>20,839</u>	<u>(57,098)</u>
Total comprehensive income for the period attributable to:		
Owners of the Company	6,399	(88,358)
Non-controlling interests	374	(50)
	<u>6,773</u>	<u>(88,408)</u>
Earnings/(loss) per share for profit/(loss) attributable to owners of the Company		
– Basic and diluted (<i>HK cents</i>)	4.12	(11.30)
	<u>9</u>	<u>(11.30)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2023

	<i>Notes</i>	As at 30 June 2023 <i>(Unaudited)</i> HK\$'000	As at 31 December 2022 <i>(Audited)</i> HK\$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		417,689	471,798
Right-of-use assets		15,265	18,361
Interests in associates		8,711	8,096
Deferred tax assets		94,059	102,502
Derivative financial instruments		–	1,154
Deposits and prepayments	<i>11</i>	2,694	2,028
		538,418	603,939
Current assets			
Inventories		1,424	1,733
Trade receivables	<i>10</i>	9,744	6,766
Deposits, prepayments and other receivables	<i>11</i>	92,616	74,510
Loan to an associate		400	–
Amount due from an associate		3,742	5,542
Tax recoverable		–	131
Derivative financial instruments		1,193	–
Pledged bank deposits		9,539	8,135
Cash at banks and on hand		287,801	204,300
		406,459	301,117
Current liabilities			
Trade payables	<i>12</i>	28,793	15,582
Accruals and other payables	<i>13</i>	53,183	46,786
Contract liabilities		189,869	100,887
Amounts due to associates		575	20
Loans from a related company		15,000	30,000
Lease liabilities		31,619	38,193
Provision for taxation		898	382
Bank borrowings	<i>14</i>	30,526	213,601
		350,463	445,451
Net current assets/(liabilities)		55,996	(144,334)
Total assets less current liabilities		594,414	459,605

	<i>Notes</i>	As at 30 June 2023 (Unaudited) HK\$'000	As at 31 December 2022 (Audited) HK\$'000
Non-current liabilities			
Provision		590	648
Bank borrowings	14	284,661	151,765
Lease liabilities		6,364	2,805
Loans from a related company		<u>275,557</u>	<u>283,918</u>
		<u>567,172</u>	<u>439,136</u>
Net assets		<u><u>27,242</u></u>	<u><u>20,469</u></u>
EQUITY			
Capital and reserves attributable to owners of the Company			
Share capital	15	50,245	50,245
Reserves		<u>(20,751)</u>	<u>(27,150)</u>
		29,494	23,095
Non-controlling interests		<u>(2,252)</u>	<u>(2,626)</u>
Total equity		<u><u>27,242</u></u>	<u><u>20,469</u></u>

NOTES TO THE INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2023

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**”) since 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 2022 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 2023. Details of any changes in accounting policies are set out in note 3.

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 2022 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 2022 annual financial statements.

In the first half of 2023, the Japanese Government has lifted most of the coronavirus disease 2019 (“**COVID-19**”) related restrictions relevant to the tourism industry, including visa waiver, restriction removal of free independent visitors upon arrival to Japan, etc. Given the major hurdle affecting the Group’s business performance no longer existed and considering that the Group had sufficient financial resources to support future operations and continue as a going concern, accordingly, the directors of the Company considered that it is appropriate to prepare the Group’s condensed consolidated financial statements on a going concern basis.

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. 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:

- HKFRS 17, Insurance Contracts, and the related amendments issued in October 2020 and February 2022
- Amendments to HKAS 1 and HKFRS Practice Statement 2, Disclosure of Accounting Policies
- Amendments to HKAS 8, Definition of Accounting Estimates
- Amendments to HKAS 12, Deferred Tax related to Assets and Liabilities arising from a Single Transaction
- Amendments to HKAS 12, International Tax Reform - Pillar Two Model Rules

The new or amended HKFRSs that effective from 1 January 2023 did not have any significant impact on the Group’s accounting policies.

4. SEGMENT REPORTING

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

The Group has three operating 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 operating segments:

- Travel and travel related services business (“**Travel Related Business**”)
- Sale of merchandises (“**Sale of Merchandises Business**”)
- Hotel room rental and ancillary services (“**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) <i>HK\$'000</i>	Sale of Merchandises Business (Unaudited) <i>HK\$'000</i>	Hotel Business (Unaudited) <i>HK\$'000</i>	Elimination (Unaudited) <i>HK\$'000</i>	Total (Unaudited) <i>HK\$'000</i>
For six months ended					
30 June 2023:					
Revenue					
Reportable segment revenue	490,661	4,485	52,608	(7,673)	540,081
Inter-segment revenue	–	–	(7,673)	7,673	–
	<u>490,661</u>	<u>4,485</u>	<u>44,935</u>	<u>–</u>	<u>540,081</u>
From external customers	<u>490,661</u>	<u>4,485</u>	<u>44,935</u>	<u>–</u>	<u>540,081</u>
Reportable segment profit/(loss)	<u>49,880</u>	<u>(2,642)</u>	<u>(1,695)</u>	<u>–</u>	<u>45,543</u>
Depreciation on property, plant and equipment	(890)	(182)	(15,358)	–	(16,430)
Depreciation on right-of-use assets	(8,671)	(323)	–	–	(8,994)
Share of results of associates	474	(258)	–	–	216
Finance costs	(947)	–	(1,878)	–	(2,825)
Income tax (expense)/credit	<u>(5,655)</u>	<u>220</u>	<u>1,767</u>	<u>–</u>	<u>(3,668)</u>

	Travel Related Business (Unaudited) <i>HK\$'000</i>	Sale of Merchandises Business (Unaudited) <i>HK\$'000</i>	Hotel Business (Unaudited) <i>HK\$'000</i>	Elimination (Unaudited) <i>HK\$'000</i>	Total (Unaudited) <i>HK\$'000</i>
For six months ended					
30 June 2022:					
Revenue					
Reportable segment revenue	4,704	10,834	13,501	–	29,039
From external customers	<u>4,704</u>	<u>10,834</u>	<u>13,501</u>	<u>–</u>	<u>29,039</u>
Reportable segment (loss)/profit	<u>(35,157)</u>	<u>764</u>	<u>(28,387)</u>	<u>–</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>–</u>	<u>16,136</u>

	Travel Related Business <i>HK\$'000</i>	Sale of Merchandises Business <i>HK\$'000</i>	Hotel Business <i>HK\$'000</i>	Total <i>HK\$'000</i>
As at 30 June 2023 (Unaudited):				
Reportable segment assets	412,518	13,816	488,745	915,079
Reportable segment liabilities	289,168	1,839	330,715	621,722
Additions to non-current assets	10,374	133	415	10,922
Interests in associates	8,569	142	–	8,711
	<u><u> </u></u>	<u><u> </u></u>	<u><u> </u></u>	<u><u> </u></u>
As at 31 December 2022 (Audited):				
Reportable segment assets	327,832	13,828	544,760	886,420
Reportable segment liabilities	226,352	3,486	368,737	598,575
Additions to non-current assets	304	679	537	1,520
Interests in associates	8,096	–	–	8,096
	<u><u> </u></u>	<u><u> </u></u>	<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	
	2023	2022
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Revenue		
Reportable segment revenue	<u>540,081</u>	<u>29,039</u>
Consolidated revenue	<u><u>540,081</u></u>	<u><u>29,039</u></u>
	Six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Profit/(loss) before income tax		
Reportable segment profit/(loss)	45,543	(62,780)
Unallocated corporate expenses	<u>(20,953)</u>	<u>(10,440)</u>
Consolidated profit/(loss) before income tax	<u><u>24,590</u></u>	<u><u>(73,220)</u></u>
	As at	As at
	30 June	31 December
	2023	2022
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
Assets		
Reportable segment assets	915,079	886,420
Unallocated corporate assets	<u>29,798</u>	<u>18,636</u>
Consolidated total assets	<u><u>944,877</u></u>	<u><u>905,056</u></u>
	As at	As at
	30 June	31 December
	2023	2022
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
Liabilities		
Reportable segment liabilities	621,722	598,575
Unallocated corporate liabilities	<u>295,913</u>	<u>286,012</u>
Consolidated total liabilities	<u><u>917,635</u></u>	<u><u>884,587</u></u>

(c) **Geographical 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 30 June		As at 31 December
	2023	2022	2023	2022	
	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Hong Kong and Macau (place of domicile)	492,310	14,806	20,505	21,860	
Japan	47,771	14,233	412,503	468,226	
Others	—	—	8,657	8,169	
	540,081	29,039	441,665	498,255	

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 2023 (six months ended 30 June 2022: Nil).

(e) **Disaggregation of revenue**

	Travel Related Business		Sale of Merchandises Business		Hotel Business		Total	
	Six months ended 30 June 2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000						
Primary geographical markets								
Hong Kong and Macau (place of domicile)	487,825	3,972	4,485	10,834	—	—	492,310	14,806
Japan	2,836	732	—	—	44,935	13,501	47,771	14,233
	490,661	4,704	4,485	10,834	44,935	13,501	540,081	29,039
Timing of revenue recognition								
At a point in time	40,146	2,440	4,485	10,834	—	—	44,631	13,274
Transferred over time	450,515	2,264	—	—	44,935	13,501	495,450	15,765
	490,661	4,704	4,485	10,834	44,935	13,501	540,081	29,039

5. 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	
	2023	2022
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue		
Package tours	450,515	2,264
FIT Products (<i>note</i>)	10,523	1,074
Ancillary travel related products and services (<i>note</i>)	29,623	1,366
Sale of merchandises	4,485	10,834
Hotel room rental and ancillary services	44,935	13,501
	<u>540,081</u>	<u>29,039</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	
	2023	2022
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Gross proceeds received and receivable	<u>144,140</u>	<u>11,020</u>

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

	As at	As at
	30 June	31 December
	2023	2022
	(Unaudited)	(Audited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables (<i>note 10</i>)	9,744	6,766
Contract liabilities	<u>189,869</u>	<u>100,887</u>

	Six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Other income, gains and losses, net		
Exchange loss, net	(3,539)	(4,192)
Handling income	144	271
Interest income on bank deposits	1,060	39
Gain on rental concession of lease	–	1,193
Government sponsor income	–	5,240
Loss on modification of a related party loan	(991)	–
Gain on modification of bank borrowings	47	128
Reversal of written off of prepayments	9,520	–
Gain on termination of lease agreements	619	–
Sundry income	153	381
	7,013	3,060

6. PROFIT/(LOSS) BEFORE INCOME TAX

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

	Six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Cost of inventories recognised as expenses	2,991	7,799
Depreciation on property, plant and equipment	16,430	23,758
Depreciation on right-of-use assets	8,994	11,075
Gain on disposal of property, plant and equipment, net	–	(6)
Finance costs:		
– Interest expense incurred on lease liabilities	738	812
– Interest expense incurred on derivative financial instruments	108	145
– Interest expense incurred on loans from a related company	9,905	6,984
– Interest expense incurred on bank borrowings	1,979	2,121
	12,730	10,062
Employee costs (including directors' emoluments):		
– Salaries and other benefits in kind	60,812	23,452
– Retirement scheme contributions	2,218	1,048
	63,030	24,500

7. INCOME TAX EXPENSE/(CREDIT)

	Six months ended 30 June	
	2023 (Unaudited) <i>HK\$'000</i>	2022 (Unaudited) <i>HK\$'000</i>
Current tax – Hong Kong Profits Tax		
– Tax for the period	320	–
– Under-provision in respect of prior year	–	14
	<u>320</u>	<u>14</u>
Current tax – Japan Profits Tax		
– Tax for the period	300	–
Deferred tax		
– Charge/(credit) to profit or loss for the period	<u>3,131</u>	<u>(16,136)</u>
	<u><u>3,751</u></u>	<u><u>(16,122)</u></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 operating 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 2022: approximately 30.5% to approximately 34.6%) for the six months ended 30 June 2023 based on the existing legislation, interpretations and practices in respect thereof. The Group has estimated assessable profit arising from the subsidiaries operating in Japan for this period (For the six months ended 30 June 2022: Nil).

8. DIVIDENDS

At the Board meeting held on 25 August 2023, the Board did not recommend the payment of an interim dividend for the six months ended 30 June 2023 (interim dividend for 2022: Nil).

9. EARNINGS/(LOSS) PER SHARE

	Six months ended 30 June	
	2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000
Earnings/(loss)		
Profit/(loss) attributable to owners of the Company	<u>20,690</u>	<u>(56,771)</u>

	Six months ended 30 June	
	2023 (Unaudited) '000	2022 (Unaudited) '000
Number of shares		
Number of ordinary shares	<u>502,450</u>	<u>502,450</u>

Diluted earnings/(loss) per share were the same as the basic earnings/(loss) per share as the Company had no dilutive potential ordinary shares during the current and the corresponding interim periods.

10. TRADE RECEIVABLES

	As at 30 June 2023 (Unaudited) HK\$'000	As at 31 December 2022 (Audited) HK\$'000
	Trade receivables	<u>9,744</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 2023 (Unaudited) HK\$'000	As at 31 December 2022 (Audited) HK\$'000
0 - 90 days	8,626	6,661
91 - 180 days	1,073	104
181 - 365 days	44	–
Over 365 days	<u>1</u>	<u>1</u>
	<u>9,744</u>	<u>6,766</u>

11. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	As at 30 June 2023 (Unaudited) HK\$'000	As at 31 December 2022 (Audited) HK\$'000
Non-current assets		
Deposits	2,463	1,679
Prepayments	231	349
	<u>2,694</u>	<u>2,028</u>
Current assets		
Other receivables	14,070	8,560
Deposits (<i>note</i>)	3,887	5,148
Prepayments	74,659	60,802
	<u>92,616</u>	<u>74,510</u>

Note: The amount included rental deposits paid to a related company, Great Port Limited (“Great Port”), of approximately HK\$1,552,000 (as at 31 December 2022: HK\$1,455,000). The amount due is unsecured, interest-free and repayable at the end of the rental periods.

12. TRADE PAYABLES

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

	As at 30 June 2023 (Unaudited) HK\$'000	As at 31 December 2022 (Audited) HK\$'000
0 - 90 days	27,239	13,669
91 - 180 days	945	199
181 - 365 days	163	673
Over 365 days	446	1,041
	<u>28,793</u>	<u>15,582</u>

13. ACCRUALS AND OTHER PAYABLES

	As at 30 June 2023 (Unaudited) HK\$'000	As at 31 December 2022 (Audited) HK\$'000
Accrued expenses	19,680	21,322
Other payables	33,503	25,464
	<u>53,183</u>	<u>46,786</u>

14. BANK BORROWINGS

	As at 30 June 2023 (Unaudited) HK\$'000	As at 31 December 2022 (Audited) HK\$'000
Current		
Bank borrowings, secured	30,526	213,601
Non-current		
Bank borrowings, secured	284,661	151,765
	<u>315,187</u>	<u>365,366</u>

As at 30 June 2023, the bank borrowings of approximately HK\$315,187,000 (as at 31 December 2022: HK\$365,366,000) were secured by charges over certain property, plant and equipment and pledged bank deposits with aggregate carrying amounts of approximately HK\$389,721,000 (as at 31 December 2022: HK\$430,667,000) and approximately HK\$1,872,000 (as at 31 December 2022: HK\$4,359,000) respectively. In addition, among these bank borrowings, an amount of approximately HK\$2,796,000 (as at 31 December 2022: HK\$3,070,000) 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 fulfill the financial covenants as required in the contracts with the banks for the outstanding loan amounts of approximately HK\$203,808,000 as at 31 December 2022. Due to this breach of the covenant clause, the banks are contractually entitled to request for immediate repayment of the outstanding loan amounts. The outstanding balances were presented as current liabilities as at 31 December 2022.

On 12 January 2023, the Group obtained a waiver of compliance with the covenant requirement from the bank for the outstanding loan amounts of approximately HK\$193,808,000. The loans were classified as non-current liabilities from 12 January 2023 onward.

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 1.67% (as at 31 December 2022: 0.79% to 1.67%) per annum.

15. SHARE CAPITAL

	Number <i>'000</i>	Amount <i>HK\$'000</i>
Authorised		
<i>Ordinary shares of HK\$0.1 each</i>		
At 31 December 2022 and 30 June 2023	<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 2022 and 30 June 2023	<u>502,450</u>	<u>50,245</u>

MANAGEMENT DISCUSSION AND ANALYSIS

GROUP OVERVIEW

Entering 2023, the COVID-19 pandemic has further stabilized. Hong Kong's economy and travel industry have gradually improved. Hong Kong has entered into a new post-pandemic phase with borders fully re-opened between Hong Kong and overseas as well as Mainland China. Most of the travel restrictions have been lifted and international flights have gradually resumed, this revived the Hong Kong outbound travel market and drove the robust recovery of the travel industry in 2023.

During the Period, revenue of the Group amounted to approximately HK\$540.1 million (six months ended 30 June 2022: HK\$29.0 million), representing an increase of 1,759.8%. Gross profit amounted to approximately HK\$136.8 million (six months ended 30 June 2022: gross loss HK\$6.8 million), representing a change of 2,116.6%. Profit attributable to owners of the Company amounted to approximately HK\$20.7 million (six months ended 30 June 2022: loss attributable to owners of the Company HK\$56.8 million), representing a change of 136.4%.

Basic earnings per share for profit attributable to owners of the Company for the first half of 2023 was HK4.12 cents (six months ended 30 June 2022: basic loss per share HK11.30 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 profit/(loss) from various business categories for the periods are set out as follows:

	Six months ended 30 June					
	2023			2022		
	Revenue HK\$'000	Gross profit HK\$'000	Gross profit margin %	Revenue HK\$'000	Gross (loss)/ profit HK\$'000	Gross profit margin %
Package tours	450,515	87,458	19.4	2,264	(459)	-20.3
FIT Products and ancillary travel related products and services	40,146	25,133	62.6	2,440	1,277	52.3
Sale of merchandises	4,485	1,494	33.3	10,834	3,034	28.0
Hotel room rental and ancillary services	52,608	22,761	43.3	13,501	(10,638)	-78.8
Elimination*	(7,673)	—	—	—	—	—
Total	540,081	136,846	25.3	29,039	(6,786)	-23.4

* Elimination refers to inter-segment revenue of hotel business.

PACKAGE TOURS

Due to the lifting of COVID-19 quarantine measures in Hong Kong, the gradual reopening of the borders of Japan to tourists and the backlog of travel demand accumulated in recent years, Hong Kong's outbound travel market has become active. Hence, the financial performance of the Group's package tours has been significantly recouped. Revenue amounted to approximately HK\$450.5 million (six months ended 30 June 2022: HK\$2.3 million), representing an increase of 19,799.1% and contributing 83.4% to the Group's total revenue (six months ended 30 June 2022: 7.8%). Gross profit amounted to approximately HK\$87.5 million (six months ended 30 June 2022: gross loss HK\$0.5 million), representing a change of 19,154.0%.

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 in overseas, and commission income from travel insurance services.

Benefited from an increasing number of countries and regions lifting their travel restrictions, quarantine measures and vaccination requirements, the financial performance of FIT Products and ancillary travel related products and services has been much recovered. Revenue amounted to approximately HK\$40.1 million (six months ended 30 June 2022: HK\$2.4 million), representing an increase of 1,545.3% and contributing 7.4% to the Group's total revenue (six months ended 30 June 2022: 8.4%). Gross profit amounted to approximately HK\$25.1 million (six months ended 30 June 2022: HK\$1.3 million), representing an increase of 1,868.1%.

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 and 2022, brick-and-mortar retail shops were opened and pop-up shops had been operated. As at 30 June 2023, the Group had four retail shops in Tsuen Wan, Causeway Bay, Tsim Sha Tsui and Mongkok for the sale of merchandises business.

During the Period, revenue amounted to approximately HK\$4.5 million (six months ended 30 June 2022: HK\$10.8 million), representing a decrease of 58.6% and contributing 0.8% to the Group's total revenue (six months ended 30 June 2022: 37.3%). Gross profit amounted to approximately HK\$1.5 million (six months ended 30 June 2022: HK\$3.0 million), representing a decrease of 50.8%. However, the gross profit margin was 33.3% (six months ended 30 June 2022: 28.0%), representing an increase of 5.3 percentage points.

HOTEL ROOM RENTAL AND ANCILLARY SERVICES

Following the Japanese Government gradually reopening borders to inbound tourists and allowed travellers from most areas, including Hong Kong, to visit Japan without visa and vaccination requirements, the number of tourists rebounded. As a result, the financial performance of hotel business has been significantly recovered.

Osaka Hinode Hotel, the Group's first hotel, commenced its operation since November 2017. It provides quality hospitality services for guests from all over the world and has a capacity of 354 rooms for 691 guests with a hot spring bath building adjacent to it. The hotel's average occupancy rate for the Period was 78.9% (six months ended 30 June 2022: 14.1%).

Okinawa Hinode Resort & Hot Spring Hotel, the Group's second hotel, commenced its operation since 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. The hotel's average occupancy rate for the Period was 73.5% (six months ended 30 June 2022: 32.5%).

Revenue from hotel operation mainly represents income generated from letting the hotel rooms. During the Period, the revenue amounted to approximately HK\$52.6 million (six months ended 30 June 2022: HK\$13.5 million), representing an increase of 289.7%. Revenue from external customers, which was net of inter-segment revenue, amounted to approximately HK\$44.9 million and contributing 8.3% to the Group's total revenue (six months ended 30 June 2022: 46.5%). Gross profit amounted to approximately HK\$22.8 million (six months ended 30 June 2022: gross loss HK\$10.6 million), representing a change of 314.0%.

FINANCIAL REVIEW

KEY FINANCIAL RATIOS

	Six months ended 30 June	
	2023	2022
Gross profit margin	25.3%	-23.4%
Operating profit margin ⁽¹⁾	6.9%	-217.5%
Net profit margin ⁽²⁾	3.8%	-195.5%
Interest coverage ratio ⁽¹⁾	2.9 times	-6.3 times
Return on total assets ⁽²⁾	2.2%	-7.3%
Return on equity attributable to owners of the Company ⁽²⁾	70.1%	-159.7%
	As at	As at
	30 June	31 December
	2023	2022
Current ratio	1.2 times	0.7 time
Gearing ratio		
Total borrowings over total assets	64.1%	75.1%
Net debts over equity	1,206.8%	2,234.2%

(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 2023 (interim dividend for 2022: HK\$Nil).

REVENUE AND GROSS PROFIT/LOSS

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\$32.6 million (six months ended 30 June 2022: HK\$13.5 million), representing an increase of 141.6%. Such increase was primarily attributed to hiring of additional frontline staff resulting from the substantial recovery of travel market.

ADMINISTRATIVE EXPENSES

Employee costs, directors' remuneration, rent, rates and management fee, utilities expenses of hotels and depreciation on property, plant and equipment contributed the majority of administrative expenses of the Group. Administrative expenses amounted to approximately HK\$74.2 million (six months ended 30 June 2022: HK\$45.8 million), representing an increase of 62.1%. Such increase was in line with the increase in revenue and the increase in employee number.

FINANCE COSTS

Finance costs of approximately HK\$2.0 million (six months ended 30 June 2022: HK\$2.1 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 a related company, Great Port, finance costs of approximately HK\$9.9 million (six months ended 30 June 2022: HK\$7.0 million) were incurred for the Period. Such finance costs increased as the amount of loans and the effective interest rates increased.

Following the adoption of HKFRS 16 "Leases", finance costs of approximately HK\$0.7 million (six months ended 30 June 2022: HK\$0.8 million) were incurred for the Period on the lease liabilities.

INCOME TAX (EXPENSE)/CREDIT

Income tax expense for the Period amounted to approximately HK\$3.8 million (six months ended 30 June 2022: income tax credit HK\$16.1 million). The change was mainly attributable to the change from deferred tax credit to deferred tax expense.

INTEREST COVERAGE RATIO

Interest coverage ratio of the Group for the Period was recorded at 2.9 times (six months ended 30 June 2022: -6.3 times). The main factor of the change was the results before finance costs and taxation turned from a loss to a profit in the first half of 2023 as compared to the corresponding period in 2022. Such change was due to substantial recovery of travel market which caused the great increase in revenue and gross profit.

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 2023, the Group's current ratio was 1.2 times (as at 31 December 2022: 0.7 time). The increase in current ratio was mainly attributable to the increase in cash at banks and on hand of approximately HK\$83.5 million and decrease in current portion of bank borrowings and loan from a related company of approximately HK\$183.1 million and HK\$15.0 million respectively.

GEARING RATIO

	As at 30 June 2023 <i>HK\$'000</i>	As at 31 December 2022 <i>HK\$'000</i>	Increase/ (Decrease) <i>HK\$'000</i>
Gearing ratio – Total borrowings over total assets			
Bank borrowings	315,187	365,366	(50,179)
Loans from a related company	290,557	313,918	(23,361)
Total borrowings (<i>note a</i>)	<u>605,744</u>	<u>679,284</u>	<u>(73,540)</u>
Total assets	<u>944,877</u>	<u>905,056</u>	<u>39,821</u>
Gearing ratio	64.1%	75.1%	(11.0) percentage points
Gearing ratio – Net debts over equity			
Total borrowings (<i>note a</i>)	605,744	679,284	(73,540)
Lease liabilities	37,983	40,998	(3,015)
Total debts (<i>note b</i>)	643,727	720,282	(76,555)
Less: Cash at banks and on hand	<u>(287,801)</u>	<u>(204,300)</u>	<u>(83,501)</u>
	<u>355,926</u>	<u>515,982</u>	<u>(160,056)</u>
Equity (<i>note c</i>)	<u>29,494</u>	<u>23,095</u>	<u>6,399</u>
Gearing ratio	1,206.8%	2,234.2%	(1,027.4) 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 decrease in gearing ratio – total borrowings over total assets was mainly attributable to the decrease in total borrowings and the increase in total assets.

The decrease in gearing ratio – net debts over equity was mainly attributable to the decrease in total debts and the increase in cash at banks and on hand and equity.

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 2.2% (six months ended 30 June 2022: -7.3%) and 70.1% (six months ended 30 June 2022: -159.7%) respectively. The changes in two returns were mainly due to the fact that the results attributable to owners of the Company changed from a loss to a profit in the first half of 2023 as compared to the corresponding period in 2022. Such change was due to substantial recovery of travel market which caused the great increase in revenue and gross profit.

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 2023 amounted to approximately Japanese Yen (“JPY”) 2,750.7 million (equivalent to approximately HK\$147.8 million) (as at 31 December 2022: JPY2,838.5 million (equivalent to approximately HK\$167.4 million)). The repayment term is payable in 12 years.

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 2023 amounted to JPY434.7 million (equivalent to approximately HK\$23.3 million) (as at 31 December 2022: JPY447.0 million (equivalent to approximately HK\$26.4 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 2023 amounted to approximately JPY2,629.7 million (equivalent to approximately HK\$141.3 million) (as at 31 December 2022: JPY2,686.7 million (equivalent to approximately HK\$158.5 million)). The repayment term is payable in 26 years.

With regard the acquisition of five travel buses in 2017, the carrying amount of the bank borrowing as at 30 June 2023 amounted to approximately JPY52.1 million (equivalent to approximately HK\$2.8 million) (as at 31 December 2022: JPY52.0 million (equivalent to approximately HK\$3.1 million)). The repayment term is payable in 5 years but the final repayment date has been postponed to 31 July 2023. After the reporting date, the final repayment date has been further postponed to 31 January 2024.

The bank borrowing in Hong Kong for working capital of travel related business operation was fully repaid and no outstanding as at 30 June 2023 (as at 31 December 2022: HK\$10.0 million).

Regarding the financial support from the related company, Great Port, the carrying amount of five loans withdrawn within 2020 and 2021 amounted to approximately HK\$290.6 million as at 30 June 2023 (as at 31 December 2022: HK\$283.9 million). These loans are unsecured and repayable on 1 January 2026. The sixth loan of HK\$30.0 million withdrawn in 2020 was fully repaid in April 2023 (as at 31 December 2022: HK\$30.0 million). In June 2023, the Group gave an early repayment notice of loan principal in the amount of HK\$15.0 million to Great Part and repaid such amount on 5 July 2023.

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 2023 amounted to approximately HK\$29.5 million (as at 31 December 2022: HK\$23.1 million). As at 30 June 2023, the Group's cash at banks and on hand amounted to approximately HK\$287.8 million (as at 31 December 2022: HK\$204.3 million). Cash at banks and on hand were mainly denominated in Hong Kong Dollar accounting for approximately 74.6% (as at 31 December 2022: 77.9%), Japanese Yen accounting for approximately 14.9% (as at 31 December 2022: 16.3%), Euro accounting for approximately 2.1% (as at 31 December 2022: 1.8%), and Macau Pataca accounting for approximately 3.3% (as at 31 December 2022: 1.2%).

PLEDGE OF ASSETS

As at 30 June 2023, property, plant and equipment of Okinawa Hinode Resort & Hot Spring Hotel and Osaka Hinode Hotel together with the hot spring bath building, travel buses and certain pledged bank balances in Japan of approximately HK\$391.6 million in total (as at 31 December 2022: HK\$432.7 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".

Also, as at 30 June 2023, the Group had pledged bank deposits of approximately HK\$9.5 million (as at 31 December 2022: HK\$8.1 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 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\$9.4 million (as at 31 December 2022: HK\$7.3 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 pledge of assets as at 30 June 2023 (as at 31 December 2022: Nil).

CAPITAL COMMITMENTS AND FUTURE CAPITAL EXPENDITURES

As at 30 June 2023, the Group had capital commitment of approximately HK\$1.0 million (as at 31 December 2022: HK\$0.5 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 existing internal resources.

CONTINGENT LIABILITIES

The Directors considered that there were no material contingent liabilities as at 30 June 2023 (as at 31 December 2022: Nil).

MATERIAL ACQUISITIONS AND DISPOSALS

During the Period, the Group subscribed 40% equity interest in Nissay Shoji (HK) Company Limited by a cash consideration of HK\$0.4 million. Its primary businesses are (a) importing, wholesaling and retailing of food, personal care and beauty products; and (b) food processing. In addition, the Group advanced an interest-bearing loan of HK\$0.4 million to it in June 2023.

Save as disclosed above, there was no material acquisition or disposal of subsidiaries, associates or joint ventures of the Group (six months ended 30 June 2022: Nil).

SIGNIFICANT INVESTMENTS

During the Period, there was no significant investment held by the Group (six months ended 30 June 2022: 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 2023, 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 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\$3.5 million was recorded during the Period (six months ended 30 June 2022: HK\$4.2 million).

HUMAN RESOURCES AND EMPLOYEES' REMUNERATION

As at 30 June 2023, the Group had a total workforce of 385 employees (as at 31 December 2022: 294), of which 115 (as at 31 December 2022: 56) were full-time tour leaders and 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 2022: Nil). During 2020, 2021 and 2022, 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. Nevertheless, during the Period, salary reductions have been reversed and normal working schedules have been resumed as COVID-19 impact is diminishing. 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 2022: Nil).

OUR STRATEGIES AND OUTLOOK

Entering 2023, Hong Kong has resumed international travel and has entered into a new stage of post-epidemic era. The management of the Group remains cautiously optimistic and anticipates that Hong Kong's economy will recover swiftly and the improvement of travel industry environment will follow. The Group will seek new market opportunities and experiment different strategies to expand.

As at 30 June 2023, the Group had increased its workforce to a total of 385 employees, which is about 61.6% of the total personnel before the epidemic struck, and is expected to further increase to more than 80.0% in the second half of 2023.

In March 2023, the Group opened a new travel agency branch in Kowloon Bay. Tuen Mun branch and Tseung Kwan O branch will be opened in the third quarter of 2023. By the end of 2023, there will be a total of 8 branches in Hong Kong. In Macau, an additional travel agency branch was opened in July 2023 and it is located on the ground floor of the same building of the Macau office.

The Group has recently announced a new limited-time sub-brand “Don’t just visit Japan, go travel around the World with us” (Don’t 瀛遊 衝出日本去勻全球) in June 2023. It is the Group’s marketing strategy to introduce hundreds of international special tours and FIT packages beyond Japan so as to satisfy the customer demand for quality travel packages from different demographics.

As part of the Group’s initiatives to improve flexibility of tour schedules and assure availability of flight seats, the Group will continue to secure charter flight arrangements in pursuit of sales and brand enhancement.

The Group will continue to explore and consider all viable options to expand the branch network and broaden our sources of revenue. Financial performance of the Group is anticipated to return to pre-COVID-19 level gradually.

In terms of sale of merchandises business, the management of the Group believed that accompanying “EGL Market” retail shops with travel agency branches will make use of resources in an effective manner and create synergies. As at 30 June 2023, the Group had retail shops in Tsuen Wan, Causeway Bay, Tsim Sha Tsui and Mongkok. All of them are alongside the Group’s travel agency branches. To increase market shares, expand the range of products and maintain product quality, the Group will seek different business opportunities and source a variety of food, personal care and beauty products worldwide.

In view of the financial performance in the first half of 2023, the Group is expected to reduce its loan leverage level with the cash in excess of working capital. Meanwhile, the Group will monitor closely to evaluate the cash position and explore additional sources of income. With the continuous financial support from the related company, Great Port, the Board is of the view that the Group will have sufficient working capital to finance its operations in 2023 and 2024.

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 2023, 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 2023.

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

During the six months ended 30 June 2023, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities.

REVIEW BY AUDIT COMMITTEE AND AUDITOR

The interim results for the six months ended 30 June 2023 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 2023 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 2023 (six months ended 30 June 2022: 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 late September 2023.

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

Hong Kong, 25 August 2023

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.