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 2016

GROUP FINANCIAL HIGHLIGHTS

	For the six months ended 30 June		
	2016	2015	Change in
	HK$'000	*HK$'000*	*%*
Revenue	**817,361**	855,414	-4.4
Gross profit	**135,211**	222,718	-39.3
Profit attributable to owners of the Company	**15,074**	84,440	-82.1
Earnings per share			
Basic and diluted (HK cents)	**3.00**	16.81	
Profit margin			
Gross profit margin	**16.5%**	26.0%	
Net profit margin	**1.8%**	9.9%	
Return on equity attributable to owners of the Company	**4.6%**	26.5%	
Gearing ratio	**Nil**	Nil	

Note: Details of the dividends attributable to owners of the Company for the period are set out in note 7 to the interim financial information.

The board ("Board") of directors ("Directors") of EGL Holdings Company Limited ("Company") is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries ("Group") for the six months ended 30 June 2016 together with comparative figures of 2015 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2016

		Six months ended 30 June	
		2016	2015
		(Unaudited)	(Unaudited)
	NOTES	***HK$'000***	*HK$'000*
Revenue	*4*	**817,361**	855,414
Cost of sales		**(682,150)**	(632,696)
Gross profit		**135,211**	222,718
Other income and gain/(loss), net	*4*	**9,174**	2,306
Net realised loss on derivative financial instruments		**–**	(131)
Share of results of associates		**897**	250
Selling expenses		**(49,336)**	(48,034)
Administrative expenses		**(79,460)**	(77,860)
Profit before income tax	*5*	**16,486**	99,249
Income tax expense	*6*	**(1,184)**	(14,809)
Profit for the period		**15,302**	84,440
Other comprehensive income, that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		**160**	–
Share of exchange differences on translation of foreign associates		**102**	(47)
Other comprehensive income for the period, net of tax		**262**	(47)
Total comprehensive income for the period		**15,564**	84,393
Profit for the period attributable to:			
Owners of the Company		**15,074**	84,440
Non-controlling interests		**228**	–
		15,302	84,440
Total comprehensive income for the period attributable to:			
Owners of the Company		**15,285**	84,393
Non-controlling interests		**279**	–
		15,564	84,393
Earnings per share for profit attributable to owners of the Company			
– Basic and diluted (HK cents)	*8*	**3.00**	16.81

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2016

		As at	
		30 June 2016	31 December 2015
		(Unaudited)	(Audited)
	NOTES	***HK$'000***	*HK$'000*
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**18,967**	12,117
Interests in associates		**8,231**	2,467
Deferred tax asset		**–**	395
		27,198	14,979
Current assets			
Inventories		**16,773**	7,300
Trade receivables	*9*	**2,760**	1,710
Deposits, prepayments and other receivables	*10*	**131,115**	121,678
Amount due from a related company		**2,656**	2,503
Amount due from an associate		**3,597**	834
Pledged bank deposits		**22,064**	21,965
Cash and bank balances		**446,483**	453,145
		625,448	609,135
Current liabilities			
Trade payables	*11*	**53,358**	52,037
Accruals, deposits received and other payables	*12*	**257,860**	194,866
Amount due to an associate		**2,758**	4,594
Provision for taxation		**12,278**	11,544
		326,254	263,041
Net current assets		**299,194**	346,094
Net assets		**326,392**	361,073
EQUITY			
Capital and reserves attributable to owners of the Company			
Share capital	*13*	**50,245**	50,245
Reserves		**274,004**	308,964
		324,249	359,209
Non-controlling interests		**2,143**	1,864
Total equity		**326,392**	361,073

NOTES TO THE INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2016

1. GENERAL INFORMATION AND BASIS OF PRESENTATION

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 Clifton House, 75 Fort Street, 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 principal activities of the subsidiaries are provision of package tours, free independent travellers ("FIT") packages, individual travel elements (together with FIT packages referred to as "FIT Products") and ancillary travel related products and services.

The interim financial information has been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange and with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

The interim financial information has been prepared in accordance with the same accounting policies adopted in the annual financial statements for the year ended 31 December 2015, except for the adoption of the new standards and amendments to Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual HKFRSs, HKAS and Interpretations issued by the HKICPA, as disclosed in note 2 to this 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.

This interim financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2015.

2. ADOPTION OF HKFRSs

In the current period, the Group has applied for the first time the following new or amended HKFRSs issued by the HKICPA which are relevant to and effective for the Group's financial statements for the annual period beginning on or after 1 January 2016:

HKFRSs (Amendments)	Annual Improvements 2012-2014 Cycle
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception

The adoption of the new or amended HKFRSs had no material impact on the Group's interim financial information.

The new or amended HKFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective for the financial year beginning on 1 January 2016 and have not been early adopted by the Group. The Group is in the process of making an assessment of the potential impact of these new or amended HKFRSs.

3. 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 only component in internal reporting to the chief operating decision makers is the Group's travel and travel related services business during the period. In this regard, management considers that there is only one operating segment under the requirements of HKFRS 8 – Operating Segments and no segment information is presented.

As most revenue of the Group is derived from Hong Kong and Macau and no transactions with a single customer amount to 10 per cent or more of the Group's revenue, no segment analysis by geographic location or major customer is presented.

4. REVENUE AND OTHER INCOME AND GAIN/(LOSS), NET

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

	Six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Revenue		
Package tours	**729,564**	756,096
FIT Products *(note)*	**25,758**	40,138
Ancillary travel related products and services *(note)*	**62,039**	59,180
	817,361	855,414

Note:

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

	Six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Gross proceeds received and receivable	**253,487**	308,642

	Six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Other income and gain/(loss), net		
Exchange gain/(loss), net	**5,801**	(697)
Handling income and forfeited fees from customers	**387**	–
Interest income on bank deposits	**738**	771
Rebate from a supplier	**856**	1,235
Sundry income	**1,392**	997
	9,174	2,306

5. PROFIT BEFORE INCOME TAX

Profit before income tax is arrived at after charging:

	Six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Amortisation of prepaid lease payments	**–**	975
Cost of inventories recognised as expenses	**18,202**	21,098
Depreciation of property, plant and equipment	**3,592**	2,091
Operating lease rental in respect of:		
– Premises	**13,402**	12,447
– Office equipment	**1,176**	1,136
– Travel buses	**28,553**	20,515
Employee costs (including directors' emoluments):		
– Salaries and other benefits in kind	**74,369**	74,104
– Retirement scheme contributions	**2,951**	2,792
	77,320	76,896

6. INCOME TAX EXPENSE

	Six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Current tax – Hong Kong Profits Tax		
– Tax for the period	**350**	14,144
Current tax – Macau Complementary Tax		
– Tax for the period	**246**	665
Current tax – People's Republic of China ("PRC") Enterprise Income Tax ("EIT")		
– Tax for the period	**43**	–
Current tax – Taiwan Profit – Seeking Enterprise Income Tax		
– Tax for the period	**150**	–
Deferred tax		
– Charged to profit or loss for the period	**395**	–
	1,184	14,809

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

Hong Kong Profits Tax is calculated at 16.5% (2015: 16.5%) on the estimated assessable profits of subsidiaries operating in Hong Kong for the period.

Macau Complementary Tax is calculated at 12% on the estimated assessable profits of a subsidiary operating in Macau for both periods.

EIT represents deemed income tax charged at the appropriate current rates of taxation ruling in the PRC for a representative office for the period.

Taiwan Profit – Seeking Enterprise Income Tax is calculated at 17% on the estimated assessable profit of a subsidiary operating in Taiwan, which was newly set up in December 2015, for the period.

7. DIVIDENDS

(a) Dividends attributable to the period

The directors have resolved no interim dividend to be declared for the six months ended 30 June 2016 (six months ended 30 June 2015: HK5.0 cents per share totalling approximately HK$25,123,000).

(b) Dividends attributable to the previous financial year, approved and paid during the period

A final dividend of HK10.0 cents per share of HK$50,245,000 in total was approved at the annual general meeting and paid during the current interim period (six months ended 30 June 2015: Nil).

8. EARNINGS PER SHARE

	Six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Earnings		
Profit attributable to owners of the Company	**15,074**	84,440

	Six months ended 30 June	
	2016	2015
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares *(note)*	**502,450**	502,450

Note:

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

9. TRADE RECEIVABLES

	As at 30 June 2016 (Unaudited) ***HK$'000***	As at 31 December 2015 (Audited) *HK$'000*
Trade receivables	**2,760**	1,710

The ageing analysis of the Group's trade receivables that are not impaired as at the end of the reporting period, based on invoice date, is as follows:

	As at 30 June 2016 (Unaudited) ***HK$'000***	As at 31 December 2015 (Audited) *HK$'000*
0 – 90 days	**2,710**	1,532
91 – 180 days	**22**	178
181 – 365 days	**28**	–
	2,760	1,710

10. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	As at 30 June 2016 (Unaudited) ***HK$'000***	As at 31 December 2015 (Audited) *HK$'000*
Other receivables	**20,651**	21,842
Deposits	**9,892**	8,844
Prepayments	**100,572**	90,992
	131,115	121,678

11. 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 2016 (Unaudited) *HK$'000*	As at 31 December 2015 (Audited) *HK$'000*
0 – 90 days	**51,089**	50,505
91– 180 days	**1,364**	1,246
181 – 365 days	**676**	118
Over 365 days	**229**	168
	53,358	52,037

12. ACCRUALS, DEPOSITS RECEIVED AND OTHER PAYABLES

	As at 30 June 2016 (Unaudited) *HK$'000*	As at 31 December 2015 (Audited) *HK$'000*
Accrued expenses	**7,573**	7,960
Customer deposits received	**188,618**	127,779
Other payables	**61,669**	59,127
	257,860	194,866

13. SHARE CAPITAL

	Number *'000*	Amount *HK$'000*
Authorised		
Ordinary shares of HK$0.1 each		
At 30 June 2016 and 31 December 2015	1,000,000	100,000

	Number *'000*	Amount *HK$'000*
Ordinary shares, issued and fully paid		
At 30 June 2016 and 31 December 2015	502,450	50,245

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of EGL Holdings Company Limited ("Company") and its subsidiaries (hereinafter collectively referred to as the "Group"), I hereby present the unaudited condensed consolidated results of the Group for the six months ended 30 June 2016 ("Period").

BUSINESS REVIEW

In the first half of 2016, given the significant increase of costs driven by the appreciation of Japanese Yen and the strong demand for travelling to Japan worldwide, as well as the increasing fierce competition within the industry, the results of the Group for the Period have been hit hard, notwithstanding the maintenance of good relationship with, and strong support from, suppliers and customers. For the six months ended 30 June 2016, the Group recorded total revenue of approximately HK$817.4 million (corresponding period in 2015: HK$855.4 million), representing a decrease of 4.4% compared with the corresponding period last year. Profit attributable to owners of the Company was approximately HK$15.1 million (corresponding period in 2015: HK$84.4 million), representing a decrease of 82.1% compared with the corresponding period last year. For the details of our business performance, please refer to the section headed "Management Discussion and Analysis" below.

The first specialty shop for planning of overseas wedding events of the Group has formally commenced operation in February 2016, and our customers can experience the tailored, unique and romantic wedding through the innovative "virtual reality" equipment and one-stop wedding planning service it offers. Also, this year is the 15th anniversary of Tokyo DisneySea and the Group is taking this opportunity to cooperate with Tokyo DisneySea in setting up a theme store of Tokyo DisneySea with a theme of "Crystal Wishes Journey". The operation of the theme store has commenced in June 2016, and its staff members have introduced the latest performances and featured journey, that is innovative, interesting and ingenious, of Tokyo DisneySea to the customers, allowing them to enjoy the fantasy of Disney. Capitalising on our success, the Group will continue to launch advertising and promotion campaigns with banks, and offer exclusive discounts to customers. Meanwhile, the Group also participated in Hong Kong International Travel Expo where it provided the most popular travel information and on-site registration discount, such initiatives also achieved positive results.

The Group's subsidiary in Taiwan has put into operation in the first quarter of 2016, which strengthens the Group's core business development. Apart from consolidating its core business, it also further diversified its scope of business. The Group's subsidiary in Osaka, Japan has put into operation in the second quarter of 2016, which mainly provides travel bus services to the Japan-bound package tours from the Group in a bid to strengthen the Group's ability to control cost.

SOCIAL PERFORMANCE

Continuing to spread caring spirit, the Group visited single elderly people, and took part in "RunOurCity", a charity run organised by a social enterprise, thereby fulfilling the corporate social responsibility.

BUSINESS PROSPECTS

In the light of a tough business environment, the Group will be more cautious in consolidating its core business in order to diversify the revenue base of its business. It will also adopt effective cost control strategy to enhance the Group's competitiveness and expand its customer base.

During the Period, the Group also established a subsidiary in the People's Republic of China ("PRC") to explore the business development in the PRC market, which is expected to officially commence operation shortly and to mainly operate the inbound travel in the PRC.

Furthermore, the Group is proactively exploring the opportunity to invest in a hotel development project located in the prime district of Osaka, and it will, as and when necessary, make further announcement in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

Against the backdrop of a challenging business environment, I am confident that with the long-term tremendous support from customers and business partners, and the concerted efforts and dedication of our fellow staff members, we can develop our business in a sustainable and steady manner in future, and take the challenges and opportunities together. I would like to express my deepest gratitude to all the shareholders, customers and business partners, management team and staff.

Yuen Man Ying
Chairman and Executive Director

Hong Kong, 29 August 2016

MANAGEMENT DISCUSSION AND ANALYSIS

Group Overview

Given the challenges facing our market operation, revenue for the six months ended 30 June 2016 decreased by 4.4% to approximately HK$817.4 million (six months ended 30 June 2015: HK$855.4 million). Gross profit declined by 39.3% to approximately HK$135.2 million (six months ended 30 June 2015: HK$222.7 million) whilst gross profit margin dropped from 26.0% to 16.5% over the corresponding period in the last year. Profit attributable to owners of the Company decreased by 82.1% from approximately HK$84.4 million in the first half of 2015 to approximately HK$15.1 million in 2016 over the same period. The significant decrease was mainly attributable to the decline in the gross profit of Japan-bound package tours because (i) the Group is facing higher costs of travel elements in Japan driven by high demand for travelling to Japan worldwide; and (ii) in view of the appreciation of Japanese Yen ("JPY") against Hong Kong Dollar ("HKD") as recorded for the first half of 2016, the Group had adjusted the tour price of Japan-bound package tours with lower gross profit margin so as to maintain the demand of customers.

Basic earnings per share for profit attributable to owners of the Company for the first half of 2016 was HK3.00 cents (six months ended 30 June 2015: HK16.81 cents). Details of the utilisation of net proceeds from initial public offering ("IPO") of the shares of the Company will be discussed in the sub-section headed "Management Discussion and Analysis – Use of proceeds from the IPO" of this announcement.

Business Overview

The principal activities of the Group comprise provision of package tours, free independent travellers ("FIT") packages, individual travel elements (together with FIT packages referred to as "FIT Products") and ancillary travel related products and services. The Group has invested in a newly setup travel agency company in Taiwan and a tourist transportation company in Osaka, Japan, which extended the Group's synergy on improving integrated service capabilities. The new operation of the subsidiary in Taiwan has officially commenced operation in the first quarter of 2016, and that of Osaka has commenced operation in the second quarter of 2016.

From business segment perspective, revenue of package tours and FIT Products recorded a decrease by 3.5% and 35.8% respectively whilst that of ancillary travel related products and services recorded an increase by 4.8%. The contributions from various business segments for the periods indicated are set out as follows:

	Six months ended 30 June			
	2016		2015	
Revenue	**Amount**		Amount	
	HK$'000	*%*	*HK$'000*	*%*
Package tours				
Japan	**524,645**	**64.2**	498,013	58.2
Asia ex-Japan	**116,105**	**14.2**	153,378	17.9
Europe and others	**88,814**	**10.9**	104,705	12.3
	729,564	**89.3**	756,096	88.4
FIT Products	**25,758**	**3.1**	40,138	4.7
Ancillary travel related products and services	**62,039**	**7.6**	59,180	6.9
Total	**817,361**	**100.0**	855,414	100.0

	Six months ended 30 June			
	2016		2015	
Gross Profit	**Amount**	**Gross profit margin**	Amount	Gross profit margin
	HK$'000	*%*	*HK$'000*	*%*
Package tours				
Japan	**58,964**	**11.2**	122,087	24.5
Asia ex-Japan	**15,737**	**13.6**	19,783	12.9
Europe and others	**7,614**	**8.6**	15,418	14.7
	82,315	**11.3**	157,288	20.8
FIT products	**25,758**	**100.0**	40,138	100.0
Ancillary travel related products and services	**27,138**	**43.7**	25,292	42.7
Total	**135,211**	**16.5**	222,718	26.0

Package Tours

Revenue from package tours mainly represents tour fees received from customers for outbound package tours. The main source of the Group's revenue is derived from package tours, which contributed 89.3% to the Group's total revenue during the period under review (six months ended 30 June 2015: 88.4%).

Japan-bound package tours remain the major source of the Group's revenue. Despite the growing number of customers and revenue increase for Japan-bound package tours, due to the appreciation of JPY against HKD, the Group recognised a decrease in gross profit over the first half of 2016 by 51.7% and a lower gross profit margin for its Japan-bound package tours as compared to those for the same period in 2015 as a result of price adjustment aiming to maintain customers' demand and increase in travel element costs for Japan-bound package tours. For package tours bound to Asia ex-Japan region, gross profit over the first half of 2016 decreased by 20.5% as compared to the same period in 2015, which was mainly contributed to airlines' intensive promotion and keen market competition both restrained the price adjustment. As for package tours bound to Europe and other region, gross profit over the first half of 2016 decreased by 50.6%, which was mainly contributed to the decrease in revenue and gross profit generated from package tours bound to Europe, following the terrorist attacks in Belgium and France.

FIT Products

Revenue from FIT Products is recognised on a net basis as the Group renders the services as an agent, responsible for arranging the booking of air tickets and accommodations on behalf of service suppliers. In the first six months of 2016, FIT Products contributed 3.1% to the Group's total revenue (six months ended 30 June 2015: 4.7%).

Facing airlines' intensive promotion, massive promotion by online accommodation booking websites, revenue from FIT Products bound to Japan, Korea, Taiwan and Thailand also recorded a significant drop with the revenue of the FIT Products decreased by 35.8% overall.

Ancillary travel related products and services

Revenue from ancillary travel related products mainly represents income from sale of public transportation tickets for use in Japan, sale of theme park admission tickets and sale of souvenirs to inbound tour customers. Revenue from ancillary travel related services mainly represents commission income from travel insurance services and handling fees for remittance services provided to souvenir and merchandise suppliers in Japan.

During the first half of 2016, the sale and gross profit margin of ancillary travel related products and services remained stable compared to the corresponding period of last year. The ancillary travel related products and services contributed 7.6% to the Group's total revenue (six months ended 30 June 2015: 6.9%) and recorded an increase in revenue of 4.8% compared to the corresponding period of last year.

Financial Review

Key financial ratios

	Six months ended 30 June	
	2016	2015
Operating profit margin	**2.0%**	11.6%
Net profit margin*	**1.8%**	9.9%
Return on total assets*	**2.3%**	12.3%
Return on equity attributable to owners of the Company	**4.6%**	26.5%

	As at 30 June 2016	As at 31 December 2015
Current Ratio	**1.9 times**	2.3 times
Gearing Ratio	**Nil**	Nil

* *Profit in calculation refers to the profit for the period attributable to owners of the Company.*

Revenue and gross profit

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

Selling expenses

The key elements of selling expenses of the Group included frontline employee costs, advertising and promotion expenses for media advertising and promotional activities. Selling expenses of the Group increased by 2.7% to approximately HK$49.3 million (six months ended 30 June 2015: HK$48.0 million). The increase was mainly attributable to the increase in frontline employee costs of approximately HK$1.5 million as compared to the corresponding period in 2015.

Administrative expenses

Employee costs, directors' remuneration, bank charges and rent and rates and management fee accounted for the majority of administrative expenses, which represented 82.1% of total administrative expenses (six months ended 30 June 2015: 84.5%). The Group's administrative expenses increased by 2.1%, from approximately HK$77.9 million in 2015 to approximately HK$79.5 million in 2016 over the first six months of respective periods. The increase was primarily attributable to the combined effect of the increase in employee costs, which is in line with the increase in number of staff, by approximately HK$7.0 million as offset by the decrease in directors' remuneration by approximately HK$8.1 million, the increase in depreciation of property, plant and equipment by approximately HK$1.5 million and the increase in rent and rate and management fee by approximately HK$1.2 million resulted from rental increase and opening of new branch offices.

Finance cost

The Group did not incur any finance cost for the first six months ended 30 June 2016 as the Group did not have any loans, borrowings or balances due to related companies or financial institutions (six months ended 30 June 2015: Nil).

Operating profit margin and net profit margin

Operating profit margin of the Group decreased from 11.6% in 2015 to 2.0% in 2016 over the first six months of the respective periods, net profit margin decreased from 9.9% to 1.8%. The declined profit margins were mainly due to the decrease in gross profit margin driven by the appreciation of JPY against HKD as mentioned above.

Current ratio

As at 30 June 2016, the Group's current ratio was 1.9 times (as at 31 December 2015: 2.3 times). The decrease in current ratio was mainly attributable to the decrease in pledged bank deposits and cash and bank balances of approximately HK$6.6 million, increase in inventories of approximately HK$9.5 million for fulfilling customers' needs, increase in prepayments of approximately HK$9.6 million due to higher airline deposits and tour cost prepayments, and increase in customer deposits received of approximately HK$60.8 million.

Gearing ratio

The Group's gearing ratio was nil (as at 31 December 2015: Nil) as the Group did not have any loans or borrowings as at the respective period ends.

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 were 2.3% (six months ended 30 June 2015: 12.3%) and 4.6% (six months ended 30 June 2015: 26.5%) respectively. The decrease in return on total assets and return on equity were mainly due to the decrease in profit attributable to owners of the Company during the first half of 2016 by 82.1% over the same period in 2015.

Capital structure, liquidity and financial resources

The Group finances its operation with its own capital, with the total equity attributable to owners of the Company as at 30 June 2016 amounted to approximately HK$324.2 million (as at 31 December 2015: HK$359.2 million). With solid liquidity position maintained by the Group, no loans or borrowings were drawn by the Group during the first half of 2016. As at 30 June 2016, the Group's cash and bank balances amounted to approximately HK$446.5 million (as at 31 December 2015: HK$453.1 million). Cash and bank balances were mainly denominated in HKD accounting for approximately 77.0% (as at 31 December 2015: 72.0%), Macau Pataca accounting for approximately 8.2% (as at 31 December 2015: 14.7%), Renminbi accounting for approximately 3.3% (as at 31 December 2015: 4.3%) and JPY accounting for approximately 7.5% (as at 31 December 2015: 3.3%).

Pledge of assets

As at 30 June 2016, the Group had pledged bank deposits of approximately HK$22.1 million (as at 31 December 2015: HK$22.0 million) to certain licensed banks in Hong Kong and Macau to secure letters of guarantee issued to certain third parties on behalf of the Group. The Group's total guarantees amounted to approximately HK$19.3 million (as at 31 December 2015: HK$18.5 million), which were mainly issued to the Group's suppliers, such as airlines and hotels, to guarantee its trade payable balances due to them. Save as disclosed above, the Group had no other pledge of assets.

Capital commitments and future capital expenditures

As at 30 June 2016, the Group had capital commitments of approximately HK$3.5 million (as at 31 December 2015: HK$5.3 million), to acquire property, plant and equipment of the Group.

Future capital expenditures as stated in the sub-section headed "Management Discussion and Analysis – Use of proceeds from the IPO" of this announcement, such as refurbishment and face lifting of existing branches, development of a comprehensive online web portal, and improving management information system by implementing enterprise resources planning system, will be financed by proceeds from the IPO as intended. For future capital needs other than the above-mentioned, the Group currently intends to finance such expenditures by internal resources. As disclosed in the results announcement of the Company dated 21 March 2016, the Group has been exploring the opportunity for a possible investment in a hotel development project. As the feasibility study of such hotel investment project is still in progress, relevant future capital expenditures cannot be estimated reliably at this stage. Notwithstanding, the Group intends to finance the project by sources other than the proceeds from the IPO and does not presently intend to raise additional fund for the starting up of the Group's hotel business.

Contingent liabilities

The Directors considered that there were no material contingent liabilities as at 30 June 2016.

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. Instead of relying 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 a defined period (one week for JPY and two weeks for other foreign currencies), 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 a defined period of not more than two weeks. 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.

Other than the transactional foreign currency exchange risk, assets and liabilities of the group entities are mainly denominated in its respective functional currency. The Group's treasury management policy is to place surplus cash into bank deposits with licensed banks in mainly Hong Kong, Macau and Japan. Also, working capital are centrally managed to ensure proper and efficient collection and deployment of funds, and sufficient funds to settle liabilities when they fall due. During the first half of 2016, exchange gain from translation of monetary assets and liabilities denominated in currencies other than the functional currency of the group entities was approximately HK$3.8 million (six months ended 30 June 2015: translation loss amounted to HK$1.2 million), whilst transactional gain arising from the difference of exchange rates between recording and settlement of the expenses was approximately HK$2.0 million (six months ended 30 June 2015: HK$0.5 million), resulting in net foreign exchange gain of approximately HK$5.8 million (six months ended 30 June 2015: net foreign exchange loss amounted to HK$0.7 million).

Human resources and employee's remuneration

As at 30 June 2016, the Group had a total workforce of 719 employees (as at 31 December 2015: 693), of which 224 (as at 31 December 2015: 221) were full-time tour escorts. Employees' remuneration and benefits in kind, contributions to retirement schemes, including that of the Directors, for the first half of 2016 amounted to approximately HK$77.3 million (six months ended 30 June 2015: HK$76.9 million), and the increase was mainly contributed by approximately HK$8.5 million net increase in employee costs due to increase in staff number offset by approximately HK$8.1 million decrease in directors' remuneration. 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 competence and talents of diversified teams. Through operating talent development scheme, the Group has successfully extended the recruitment channels and enhanced the opportunities on the hiring of high quality and suitable staff. High potential staff will be groomed and developed intensively according to the promotion plan towards the management level. To attract and retain the suitable personnel for the development of the Group, the Group has adopted a share option scheme ("Share Option Scheme") since November 2014. Pursuant to the Share Option Scheme, share options may be granted to eligible employees of the Group as a long-term incentive. No share options were granted, cancelled, lapsed or exercised in the first half of 2016. During the first half of 2016, there was no significant change in the remuneration policies, bonus, Share Option Scheme and training scheme of the Group.

Outlook

To diversify the Group's business into worldwide markets, the Group has invested in a newly setup network technology company with its major business in the PRC in March 2016 with shareholding of 20%. Through this network technology company and its subsidiary in PRC, the Group intends to seize the opportunity for the growing demand for high-quality travel products and services in PRC.

In pursuance of the plan on utilisation of IPO proceeds, currently the Company focuses mainly on planning and design improvement in respect of small-scale refurbishment and face lifting of the Group's branch offices. Thereafter, the Group intends to deploy more resources to large-scale renovation and transformation of branch offices as and when appropriate. Following series of signature tours marketing campaigns to be launched in the second half of 2016, higher utilisation of the IPO proceeds on promoting the Group's brand image and recognition is expected. In addition, the Company will kick start the launching of reward and incentive scheme as one of the Group's marketing and promotion plans in 2017. Looking ahead, the Company will continue with the plan to effectively use the IPO proceeds following the pace of the Group's business development.

Use of Proceeds from the IPO

The net proceeds from the IPO of the Company after deducting underwriting commissions and related expenses were approximately HK$115.8 million. The following table sets forth the status of use of proceeds from IPO as at 30 June 2016:

	Utilised up to 30 June 2016 *HK$'000*	Unutilised up to 30 June 2016 *HK$'000*
Use of Proceeds		
(i) Enhancing sales channel		
– Refurbishment and face lifting of existing branches	**4,762**	18,438
– Development of a comprehensive online web portal	**8,124**	9,276
(ii) Promoting brand image and recognition through market initiatives		
– Conducting marketing initiatives with focus on conventional media channels	**9,300**	–
– Employing featured products or signature tours marketing campaigns with suitable spokespersons	**663**	7,437
– Launching reward and incentive scheme	**–**	11,500
(iii) Strengthening operational infrastructure		
– Improving management information system by implementing enterprise resources planning system	**10,909**	2,991
– Arranging charter flights to destination not served by scheduled flights	**11,400**	–
– Attracting and recruiting experienced employees	**5,224**	576
(iv) Developing overseas wedding tours	**5,032**	668
(v) For working capital and other general corporate purposes	**8,323**	1,177
	63,737	52,063

As at 30 June 2016, the unutilised IPO net proceeds were deposited in interest-bearing bank accounts with licensed banks in Hong Kong.

OTHER INFORMATION

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 2016, the Board is of the opinion that the Company has complied with all the applicable code provisions as set out in the Corporate Governance Code ("CG Code") contained in Appendix 14 to the Rules ("Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Stock Exchange").

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted The Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the Directors. The Company has made a specific enquiry to all Directors regarding any non-compliance with the Model Code.

All the Directors confirmed that they have fully complied with the required standard set out in the Model Code during the six months ended 30 June 2016.

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

During the six months ended 30 June 2016, 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 2016 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 2016 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 2016 (six months ended 30 June 2015: HK5.0 cents per share).

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 2016.

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

Hong Kong, 29 August 2016

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