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

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 6882)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2017

GROUP FINANCIAL HIGHLIGHTS

	For the year ended 31 December		
	2017	2016	Change in
	HK$'000	*HK$'000*	*%*
Revenue	**1,624,584**	1,680,232	-3.3
Gross profit	**291,767**	263,923	+10.6
Profit attributable to owners of the Company	**28,559**	18,670	+53.0
Earnings per share			
Basic and diluted (HK cents)	**5.68**	3.72	
Proposed dividend per share (HK cents) *(note)*	**1.0**	2.0	
Profit margin			
Gross profit margin	**18.0%**	15.7%	
Net profit margin	**1.8%**	1.1%	
Return on equity attributable to owners of the Company	**8.5%**	5.8%	
Gearing ratio	**29.7%**	8.4%	

Note: Details of the dividends attributable to owners of the Company for the year are set out in note 9 to the financial information.

The board ("Board") of directors ("Directors") of EGL Holdings Company Limited ("Company") announces the audited consolidated results of the Company and its subsidiaries ("Group") for the year ended 31 December 2017 together with comparative figures of 2016 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2017

	NOTES	**2017** *HK$'000*	2016 *HK$'000*
Revenue	*5*	**1,624,584**	1,680,232
Cost of sales		**(1,332,817)**	(1,416,309)
Gross profit		**291,767**	263,923
Other income and gain, net	*5*	**14,096**	10,038
Selling expenses		**(98,224)**	(98,960)
Administrative expenses		**(167,760)**	(155,415)
Share of results of associates, including bargain gain on acquisition		**2,148**	3,462
Impairment on interest in an associate		**(3,839)**	–
Finance costs	*6*	**(370)**	–
Profit before income tax	*6*	**37,818**	23,048
Income tax expense	*7*	**(9,314)**	(3,714)
Profit for the year		**28,504**	19,334
Other comprehensive income, that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		**5,929**	(5,949)
Share of exchange differences on translation of foreign associates		**921**	(177)
Other comprehensive income for the year, net of tax		**6,850**	(6,126)
Total comprehensive income for the year		**35,354**	13,208
Profit for the year attributable to:			
Owners of the Company		**28,559**	18,670
Non-controlling interests		**(55)**	664
		28,504	19,334
Total comprehensive income attributable to:			
Owners of the Company		**35,132**	12,487
Non-controlling interests		**222**	721
		35,354	13,208
Earnings per share for profit attributable to owners of the Company			
– Basic and diluted (HK cents)	*8*	**5.68**	3.72

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017

	NOTES	**2017** **HK$'000**	2016 *HK$'000*
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**387,472**	147,059
Construction in progress		**4,578**	39,466
Interests in associates		**9,242**	9,418
Deferred tax asset		**1,528**	1,189
Prepayment and other receivable	*11*	**6,657**	3,123
		409,477	200,255
Current assets			
Inventories		**9,906**	16,232
Trade receivables	*10*	**4,296**	2,224
Deposits, prepayments and other receivables	*11*	**125,640**	123,149
Amount due from a related company		**2,771**	2,656
Amount due from an associate		**562**	4,703
Tax recoverable		**55**	–
Pledged bank deposits		**29,583**	22,461
Cash at banks and on hand		**263,370**	260,876
		436,183	432,301
Current liabilities			
Trade payables	*12*	**53,152**	48,220
Accruals, deposits received and other payables	*13*	**187,536**	188,576
Amounts due to associates		**3,478**	4,899
Provision for taxation		**6,344**	11,386
Bank borrowings	*14*	**19,690**	–
		270,200	253,081
Net current assets		**165,983**	179,220
Total assets less current liabilities		**575,460**	379,475
Non-current liabilities			
Bank borrowings	*14*	**231,241**	53,287
Deferred tax liabilities		**5,258**	2,483
		236,499	55,770
Net assets		**338,961**	323,705
EQUITY			
Capital and reserves attributable to owners of the Company			
Share capital	*15*	**50,245**	50,245
Reserves		**285,909**	270,875
		336,154	321,120
Non-controlling interests		**2,807**	2,585
Total equity		**338,961**	323,705

NOTES TO THE FINANCIAL INFORMATION

FOR THE YEAR ENDED 31 DECEMBER 2017

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

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

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

(a) Adoption of new or amended HKFRSs – effective 1 January 2017

In the current year, the Company and its subsidiaries (hereinafter collectively referred to as the "Group") have applied for the first time the following new or amended HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") which are relevant to and effective for the Group's financial statements for the annual period beginning on or after 1 January 2017:

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Annual Improvements to HKFRSs 2014-2016 Cycle	Amendments to HKFRS 12, Disclosure of Interests in Other Entities

Amendments to HKAS 7 – Disclosure Initiative

The amendments introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities.

The adoption of the amendments has led to the additional disclosure presented in the note to the consolidated statement of cash flows in the annual report. No comparative information for the preceding period is required when the amendment was first adopted.

Amendments to HKAS 12 – Recognition of Deferred Tax Assets for Unrealised Losses

The amendments relate to the recognition of deferred tax assets and clarify some of the necessary considerations, including how to account for deferred tax assets related to debt instruments measured of fair value.

The adoption of the amendments has no impact on these financial statements as the clarified treatment is consistent with the manner in which the Group has previously recognised deferred tax assets and there were no debt instruments measured at fair value.

Annual Improvements to HKFRSs 2014-2016 Cycle – Amendments to HKFRS 12, Disclosure of Interests in Other Entities

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKFRS 12, Disclosure of Interests in Other Entities, to clarify that the disclosure requirements of HKFRS 12, other than the requirements to disclose summarised financial information, also apply to an entity's interests in other entities classified as held for sale or discontinued operations in accordance with HKFRS 5, Non-Current Assets Held for Sale and Discontinued Operations.

The adoption of the amendments to HKFRS 12 has no impact on these financial statements as the Group did not have any interests in other entities classified as held for sale or discontinued operations in accordance with HKFRS 5.

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

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

Annual Improvements to HKFRSs 2014-2016 Cycle	Amendments to HKAS 28, Investments in Associates and Joint Ventures[1]
Amendments to HKFRS 2	Classification and Measurement of Share-Based Payment Transactions[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers[1]
Amendments to HKFRS 15	Revenue from Contracts with Customers (Clarifications to HKFRS 15)[1]
HKFRS 16	Leases[2]
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration[1]
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments[2]

[1] Effective for annual periods beginning on or after 1 January 2018

[2] Effective for annual periods beginning on or after 1 January 2019

[3] The amendments were originally intended to be effective for periods beginning on or after 1 January 2016. The effective date has now been deferred/removed. Early application of the amendments continue to be permitted.

Annual Improvements to HKFRSs 2014-2016 Cycle – Amendments to HKAS 28, Investments in Associates and Joint Ventures

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKAS 28, Investments in Associates and Joint Ventures, clarifying that a venture capital organisation's permissible election to measure its investments in associates or joint ventures at fair value is made separately for each associate or joint venture.

Amendments to HKFRS 2 – Classification and Measurement of Share-Based Payment Transactions

The amendments provide requirements on the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; share-based payment transactions with a net settlement feature for withholding tax obligations; and a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

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

The amendments clarify the extent of gains or losses to be recognised when an entity sells or contributes assets to its associate or joint venture. When the transaction involves a business the gain or loss is recognised in full, conversely when the transaction involves assets that do not constitute a business the gain or loss is recognised only to the extent of the unrelated investors' interests in the joint venture or associate.

HK(IFRIC) - Int 23 – Uncertainty over Income Tax Treatments

The interpretation supports the requirements of HKAS 12, Income Taxes, by providing guidance over how to reflect the effects of uncertainty in accounting for income taxes. Under the interpretation, the entity shall determine whether to consider each uncertain tax treatment separately or together based on which approach better predicts the resolution of the uncertainty. The entity shall also assume the tax authority will examine amounts that it has a right to examine and have full knowledge of all related information when making those examinations. If the entity determines it is probable that the tax authority will accept an uncertain tax treatment, then the entity should measure current and deferred tax in line with its tax filings. If the entity determines it is not probable, then the uncertainty in the determination of tax is reflected using either the "most likely amount" or the "expected value" approach, whichever better predicts the resolution of the uncertainty.

Except as described below, the directors of the Company anticipate that the application of the above new or amended HKFRSs will have no material impact on the consolidated financial statements.

HKFRS 9 – Financial Instruments

HKFRS 9 introduces new requirements for the classification and measurement of financial assets. Debt instruments that are held within a business model whose objective is to hold assets in order to collect contractual cash flows (the business model test) and that have contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (the contractual cash flow characteristics test) are generally measured at amortised cost. Debt instruments that meet the contractual cash flow characteristics test are measured at fair value through other comprehensive income ("FVTOCI") if the objective of the entity's business model is both to hold and collect the contractual cash flows and to sell the financial assets. Entities may make an irrevocable election at initial recognition to measure equity instruments that are not held for trading at FVTOCI. All other debt and equity instruments are measured at fair value through profit and loss ("FVTPL").

HKFRS 9 includes a new expected loss impairment model for all financial assets not measured at FVTPL replacing the incurred loss model in HKAS 39 and new general hedge accounting requirements to allow entities to better reflect their risk management activities in financial statements.

HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities designated at FVTPL, where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

During the year ended 31 December 2017, all of the Group's financial assets and financial liabilities were carried at amortised costs without significant impairment on the former. The directors of the Company made an assessment on the financial impact on the Group's financial position and results of operations resulting from the adoption of HKFRS 9. The directors of the Company considered that the replacement of incurred loss impairment model in HKAS 39 with the expected credit loss model required in HKFRS 9 would not have significant impact on the Group's financial assets. There will be no impact on the Group's account for financial liabilities, as the new requirement only affect the accounting for financial liabilities that are designated at FVTPL of which the Group does not have any.

HKFRS 15 – Revenue from Contracts with Customers

The new standard establishes a single revenue recognition framework. The core principle of the framework is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. HKFRS 15 supersedes existing revenue recognition guidance including HKAS 18 "Revenue", HKAS 11 "Construction Contracts" and related interpretations.

HKFRS 15 requires the application of a 5-step approach to revenue recognition:

Step 1: Identify the contract(s) with a customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to each performance obligation
Step 5: Recognise revenue when each performance obligation is satisfied

HKFRS 15 includes specific guidance on particular revenue related topics that may change the current approach taken under HKFRSs. The standard also significantly enhances the qualitative and quantitative disclosures related to revenue.

Amendments to HKFRS 15 – Revenue from Contracts with Customers (Clarifications to HKFRS 15)

The amendments to HKFRS 15 included clarifications on identification of performance obligations; application of principal versus agent; licenses of intellectual property; and transition requirements.

The directors of the Company have assessed its performance obligations of its travel and travel related services and hotel room rental service pursuant to HKFRS 15 and has concluded that there are no significant differences on the timing and amounts of revenue recognised for these revenue streams in the respective reporting periods. The principles of principal and agent pursuant to HKFRS 15 do not have much difference with those currently applied by the Group in accordance with HKAS 18. Accordingly, the implementation of the HKFRS 15 would not result in any significant impact on the Group's financial position and results of operations.

HKFRS 16 – Leases

HKFRS 16, which upon the effective date will supersede HKAS 17 "Leases" and related interpretations, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than twelve months, unless the underlying asset is of low value. Specifically, under HKFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, HKAS 17.

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

Application of HKFRS 16 will result in the Group's recognition of right-of-use assets and corresponding liabilities in respect of its operating lease arrangements. These assets and liabilities are currently not required to be recognised but certain relevant information is disclosed in the respective note to the consolidated financial statements in the annual report. As at 31 December 2017, the Group has non-cancellable operating lease commitments of approximately HK$142,674,000. The directors of the Company made an assessment of the impact of adopting the above standards and amendments to existing standards to the Group. It indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of HKFRS 16. The new requirement to recognise a right-of-use asset and a related lease liability is expected to have a significant impact on the amounts recognised in the Group's consolidated statement of financial position. However, the adoption would not have significant impact on the Group's financial performance.

HK(IFRIC) – Int 22 – Foreign Currency Transactions and Advance Consideration

The interpretation provides guidance on determining the date of the transaction for determining an exchange rate to use for transactions that involve advance consideration paid or received in a foreign currency and the recognition of a non-monetary asset or non-monetary liability. The interpretations specifies that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part thereof) is the date on which the entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration.

The Group is not yet in a position to state whether this new interpretation will result in substantial changes to the Group's financial statements.

3. BASIS OF PREPARATION

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with all applicable HKFRSs, which collective terms include all applicable individual HKFRSs, Hong Kong Accounting Standards and Interpretations issued by the HKICPA. The consolidated financial statements also include the applicable disclosure requirements of Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the Stock Exchange.

(b) Basis of measurement

The consolidated financial statements have been prepared under historical cost basis.

(c) Functional and presentation currency

The consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is the same as the functional currency of the Company.

(d) Business combination under common control for the year ended 31 December 2016

During the year ended 31 December 2016, the Group acquired the entire interest in Ebisu Growth Limited ("Ebisu Growth") from a related party, Great Port (Realty) Investment Limited ("Great Port Realty"), at a cash consideration of HK$124,500,000. Further details about the acquisition of interests in Ebisu Growth have been set out in the circular dated 25 November 2016. Such acquisition was approved in the ordinary resolution passed by the shareholders by way of poll in the extraordinary general meeting held on 16 December 2016.

The Group is founded and controlled by the Substantial Shareholders as defined below. As to Ebisu Growth, it was established by Great Port Realty (which in turn is indirectly controlled by the substantial shareholders, Mr. Yuen Man Ying, Mr. Huen Kwok Chuen, Mr. Leung Shing Chiu and Ms. Lee Po Fun ("Substantial Shareholders") since the incorporation of Great Port Realty). As the Company and Ebisu Growth are ultimately controlled by the Substantial Shareholders, the acquisition was a business combination under common control. To consistently apply for the Group's accounting policy for common control combination, the acquisition of Ebisu Growth were accounted for based on the principles of merger accounting as if the acquisition had occurred on the date when the combining entities first came under the control of the Substantial Shareholders. By applying merger accounting, the assets and liabilities of the Group and Ebisu Growth are combined using their existing book values from the Substantial Shareholders' perspective. Accordingly, the difference arising from the acquisition of Ebisu Growth, being the consideration given by the Company for the acquisition of Ebisu Growth adjusted for the elimination of the capital of Ebisu Growth, was accounted for in equity as "Merger Reserve".

It should be noted that accounting estimates and judgements are used in the preparation of the consolidated financial statements. Although these estimates are based on management's best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates.

4. SEGMENT REPORTING

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

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

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

Management assesses the performance of the operating segments based on the measure of segment results which represents the net of revenue, cost of sales, other income and gain/(loss), selling expenses, administrative expenses and share of results of associates 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 interests in associates, cash at banks and on hand, and certain prepayments and other receivables which are not directly attributable to the business activities of operating segments as these assets are managed on a group basis. Likewise, segment liabilities exclude corporate liabilities, such as certain other payables, which are not directly attributable to the business activities of any operating segments and not allocated to segments.

(a) Business segments

	Travel Related Business *HK$'000*	Hotel Business *HK$'000*	Total *HK$'000*
For the year ended 31 December 2017:			
Revenue			
From external customers	**1,622,004**	**2,580**	**1,624,584**
Reportable segment revenue	**1,622,004**	**2,580**	**1,624,584**
Reportable segment profit/(loss)	**54,571**	**(7,805)**	**46,766**
Depreciation on property, plant and equipment	**10,227**	**4,732**	**14,959**
Share of results of associates	**2,686**	**–**	**2,686**
Finance costs	**49**	**321**	**370**
Income tax expense	**7,473**	**1,597**	**9,070**
Reportable segment assets	**456,029**	**387,152**	**843,181**
Reportable segment liabilities	**250,274**	**252,185**	**502,459**
Additions to non-current assets	**18,169**	**195,054**	**213,223**
Share of net assets of associates	**9,242**	**–**	**9,242**
For the year ended 31 December 2016:			
Revenue			
From external customers	1,680,232	–	1,680,232
Reportable segment revenue	1,680,232	–	1,680,232
Reportable segment profit/(loss)	27,033	(1,940)	25,093
Depreciation on property, plant and equipment	7,725	–	7,725
Share of results of associates	2,751	–	2,751
Income tax expense	1,508	1,895	3,403
Reportable segment assets	453,870	171,365	625,235
Reportable segment liabilities	250,465	55,464	305,929
Additions to non-current assets	21,842	160,070	181,912
Share of net assets of associates	5,041	–	5,041

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

	2017 *HK$'000*	2016 *HK$'000*
Revenue		
Reportable segment revenue	**1,624,584**	1,680,232
Consolidated revenue	**1,624,584**	1,680,232

	2017 *HK$'000*	2016 *HK$'000*
Profit before income tax expense		
Reportable segment profit	**46,766**	25,093
Share of results of an associate	**(538)**	711
Other gains and losses	**26**	337
Impairment on interest in an associate	**(3,839)**	–
Unallocated corporate expenses	**(4,597)**	(3,093)
Consolidated profit before income tax expense	**37,818**	23,048

	2017 *HK$'000*	2016 *HK$'000*
Assets		
Reportable segment assets	**843,181**	625,235
Interest in an associate	**–**	4,377
Unallocated corporate assets	**2,479**	2,944
Consolidated total assets	**845,660**	632,556

	2017 *HK$'000*	2016 *HK$'000*
Liabilities		
Reportable segment liabilities	**502,459**	305,929
Unallocated corporate liabilities	**4,240**	2,922
Consolidated total liabilities	**506,699**	308,851

(c) Geographic information

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

	Revenue from external customers (by customer location)		Specified non-current assets (by physical location)	
	2017	2016	**2017**	2016
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong and Macau (place of domicile)	**1,615,931**	1,676,912	**17,433**	18,593
Japan	**5,083**	3,320	**375,309**	167,391
Others	**3,570**	–	**8,550**	9,959
	1,624,584	1,680,232	**401,292**	195,943

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

(d) Information about a major customer

The Group did not have any single customer contributed more than 10% of the Group's revenue during the year ended 31 December 2017 (2016: Nil).

5. REVENUE AND OTHER INCOME AND GAIN, NET

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

	2017	2016
	HK$'000	*HK$'000*
Revenue		
Package tours	**1,457,902**	1,505,955
FIT Products *(note)*	**28,065**	42,782
Ancillary travel related products and services *(note)*	**136,037**	131,495
Hotel room rental and ancillary services	**2,580**	–
	1,624,584	1,680,232
Other income and gain, net		
Exchange gain, net	**10,225**	5,605
Handling income and forfeited fees from customers	**607**	772
Interest income on bank deposits	**1,185**	1,443
Rebate from a supplier	**1,356**	1,881
Sundry income	**723**	337
	14,096	10,038

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:

	2017	2016
	HK$'000	*HK$'000*
Gross proceeds received and receivable	**392,380**	468,452

6. PROFIT BEFORE INCOME TAX

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

	2017	2016
	HK$'000	*HK$'000*
Auditors' remuneration	**1,877**	1,427
Bad debts written off in respect of trade receivables	**–**	49
Cost of inventories recognised as expenses	**29,135**	31,997
Depreciation on property, plant and equipment	**14,959**	7,725
Loss/(gain) on disposal of property, plant and equipment, net	**943**	(3)
Operating lease rental in respect of:		
– Premises	**27,137**	27,094
– Office equipment	**2,511**	2,336
– Travel buses	**64,320**	76,908
Finance costs		
– Interest expense incurred on bank borrowings	**1,553**	268
– Less: Imputed interest capitalised into construction in progress	**(1,183)**	(268)
	370	–
Employee costs (including directors' emoluments):		
– Salaries and other benefits in kind	**142,931**	142,350
– Retirement scheme contributions	**6,235**	6,042
	149,166	148,392

7. INCOME TAX EXPENSE

	2017	2016
	HK$'000	*HK$'000*
Current tax – Hong Kong Profits Tax		
– Tax for the year	**6,053**	920
– Under/(Over)-provision in respect of prior year	**234**	(53)
	6,287	867
Current tax – Macau Complementary Tax		
– Tax for the year	**319**	648
Current tax – PRC Enterprise Income Tax ("EIT")		
– Tax for the year	**–**	86
Current tax – Taiwan Profit – Seeking Enterprise Income Tax		
– Tax for the year	**421**	358
Deferred tax		
– Charged to profit or loss for the year	**2,287**	1,755
	9,314	3,714

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% (2016: 16.5%) on the estimated assessable profits of subsidiaries operating in Hong Kong for the year.

Macau Complementary Tax is calculated at 12% (2016:12%) on the estimated assessable profits of a subsidiary operating in Macau for the year.

EIT is calculated at 25% (2016: 25%) on the estimated assessable profits of a subsidiary operating in the PRC for the year. The Group has no estimated assessable profit arising from the subsidiary operating in the PRC for the year ended 31 December 2017 (2016: Nil). EIT represents deemed income tax charged at the appropriate current rates of taxation ruling in the PRC for a representative office for the year ended 31 December 2016.

Taiwan Profit – Seeking Enterprise Income Tax is calculated at 17% (2016: 17%) on the estimated assessable profits of a subsidiary operating in Taiwan for the year ended 31 December 2017.

Subsidiaries operating in Japan are subject to national corporate income tax, inhabitant tax, and enterprise tax (hereinafter collectively referred to as "Japan Profits Tax") in Japan, which, in aggregate, resulted in effective statutory income tax rates of approximately 31% (2016: 31%) for the year based on the existing legislation, interpretations and practices in respect thereof. No provision for Japan Profits Tax has been provided as the Group has no estimated assessable profits arising in Japan for the year ended 31 December 2017 (2016: Nil).

8. EARNINGS PER SHARE

	2017	2016
	HK$'000	*HK$'000*
Earnings		
Profit attributable to owners of the Company	**28,559**	18,670

	2017	2016
	'000	*'000*
Number of shares		
Number of ordinary shares	**502,450**	502,450

Diluted earnings per share were the same as the basic earnings per share as the Company had no dilutive potential shares during the years ended 31 December 2017 and 2016.

9. DIVIDENDS

	2017	2016
	HK$'000	*HK$'000*
Interim dividends of HK2 cents (2016: Nil) per share paid	**10,049**	–
Final dividends of HK2 cents (2016: HK10 cents) per share paid in respect of previous year	**10,049**	50,245
	20,098	50,245

The directors have recommended a final dividend of HK1 cent (2016: HK2 cents) per share which is to be approved at the forthcoming annual general meeting. The proposed dividend is not reflected as a dividend payable in these consolidated financial statements.

10. TRADE RECEIVABLES

	2017	2016
	HK$'000	*HK$'000*
Trade receivables	**4,296**	2,224

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:

	2017 *HK$'000*	2016 *HK$'000*
0 – 90 days	**4,200**	2,160
91 – 180 days	**56**	42
181 – 365 days	**5**	22
Over 365 days	**35**	–
	4,296	2,224

The Group has a policy of granting trade customers with credit terms of generally 10 days to 90 days. The ageing analysis of the Group's trade receivables that are not impaired, based on due date, is as follows:

	2017 *HK$'000*	2016 *HK$'000*
Neither past due nor impaired	**2,788**	1,485
Past due less than three months	**1,433**	722
Past due more than three months but less than six months	**40**	12
Past due more than six months but less than one year	**35**	5
	4,296	2,224

At the end of the reporting period, the Group had trade receivables of approximately HK$1,508,000 (2016: HK$739,000) that were past due but not impaired as there was no recent history of default in respect of these trade debtors. Trade receivables that were neither past due nor impaired related to a large number of independent customers that had a good track record of credit with the Group. In general, the Group does not hold any collateral or other credit enhancements over these balances.

11. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	2017 *HK$'000*	2016 *HK$'000*
Non-current asset		
Other receivable	**–**	3,123
Prepayment for acquisition of property, plant and equipment *(note)*	**6,657**	–
	6,657	3,123
Current assets		
Other receivables	**33,835**	18,761
Deposits	**8,845**	9,011
Prepayments	**82,960**	95,377
	125,640	123,149

Note: The Group entered into a sale and purchase agreement with an independent third party for acquisition of four parcels of land in Okinawa, Japan at a consideration of JPY970,000,000 on 23 October 2017 of which 10% of the consideration in the amount of JPY97,000,000 (equivalent to approximately HK$6,657,000) has been prepaid and recorded as prepayment as at 31 December 2017.

Subsequent to the reporting date, the Group has paid the remaining balance of the consideration for the acquisition of land in Okinawa on 30 January 2018.

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:

	2017	2016
	HK$'000	*HK$'000*
0 – 90 days	**50,039**	45,796
91- 180 days	**2,178**	2,089
181 – 365 days	**495**	113
Over 365 days	**440**	222
	53,152	48,220

13. ACCRUALS, DEPOSITS RECEIVED AND OTHER PAYABLES

	2017	2016
	HK$'000	*HK$'000*
Accrued expenses	**14,069**	8,651
Customer deposits received	**127,217**	136,981
Other payables	**46,250**	42,944
	187,536	188,576

14. BANK BORROWINGS

	2017	2016
	HK$'000	*HK$'000*
Current		
Bank borrowings, secured	**19,690**	–
Non-current		
Bank borrowings, secured	**231,241**	53,287
	250,931	53,287

As at 31 December 2017, the bank borrowings of approximately HK$250,931,000 (2016: HK$53,287,000) were secured by charges over certain property, plant and equipment with aggregate carrying amounts of approximately HK$269,816,000 (2016: HK$120,604,000). In addition, among these bank borrowings, an amount of approximately HK$8,060,000 (2016: Nil) is also secured by a property of a non-controlling shareholder of a subsidiary in Japan.

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

The bank borrowings are subsequently measured at amortised cost using effective interest rate of 1.19% to 1.67% (2016: 1.19% and 1.20%) per annum and imputed interest of HK$1,183,000 (2016: HK$268,000) was incurred during the year.

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

	2017	2016
	HK$'000	*HK$'000*
Analysed into *(note)***:**		
Within one year	**19,690**	–
Over one year, but within two years	**25,850**	4,030
Over two years, but within five years	**77,381**	16,123
Over five years	**128,010**	33,134
	250,931	53,287

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

Details of the bank borrowings as at 31 December 2017 are stated below:

	Principal amount *HK$'000*	**Interest rate**	**Repayment terms**
Loan denominated in Japanese Yen ("JPY")	242,871	3-month Tokyo Interbank Offered Rate + 1.00% per annum	Payable within 12 years
Loan denominated in JPY	8,060	Fixed rate 1.2% per annum	Payable within 5 years

Details of the bank borrowings as at 31 December 2016 are stated below:

	Principal amount *HK$'000*	**Interest rate**	**Repayment terms**
Loan denominated in JPY	53,287	3-month Tokyo Interbank Offered Rate + 1.00% per annum	Payable within 12 years

15. SHARE CAPITAL

	Number ***'000***	Amount *HK$'000*
Authorised		
Ordinary shares of HK$0.1 each		
At 1 January 2016, 31 December 2016 and 2017	**1,000,000**	100,000

	Number ***'000***	Amount *HK$'000*
Ordinary shares, issued and fully paid		
At 1 January 2016, 31 December 2016 and 2017	**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 "Group"), I am pleased to present to you the annual results of the Group for the year ended 31 December 2017 ("Year"). Despite the impact on the results of the Group for the year 2016, the Group was determined to proceed with its initiatives for development and transformation, and continued to progress at a steady pace towards the vision of the Company.

During the Year, the Group recorded total revenue of approximately HK$1,624.6 million (2016: HK$1,680.2 million), representing a slight decrease of 3.3% as compared with last year. Profit attributable to owners of the Company was approximately HK$28.6 million (2016: HK$18.7 million), representing an increase of 53.0% as compared with last year. For the details of the improvement in our business performance, please refer to the section headed "Management Discussion and Analysis" below.

The board ("Board") of directors ("Directors") of the Company recommended the payment of a final dividend of HK1.0 cent per share for 2017, subject to the approval of the shareholders at the forthcoming annual general meeting of the Company. The total dividend per share for the full year of 2017, including the interim dividend of HK2.0 cents per share, will be HK3.0 cents (the total dividend per share for the full year of 2016 was HK2.0 cents).

BUSINESS REVIEW

The Group has made great efforts in promoting the culture of bringing heartfelt services to customers, which focused on caring about the needs of all customers, with the aim of dedicatedly and sincerely creating happier than ever experience for customers. The Osaka Hinode Hotel (大阪逸の彩酒店), the first branded hotel of the Group, had its grand opening in November 2017. It provides guests with unique and comfortable Japanese-style accommodations and a full range of service facilities. This, coupled with the diversified experience services related to Japanese cultures, have injected more new impetus into the Group's travel business. To promote the interaction with our customers, the Group allowed customers to experience the featured elements of tourism through different channels, such as the Internet, the media and stores. The Group also rolled out an advertisement campaign involving TV commercials, micro film, and various online and offline engagements to market tours with relaxed itinerary for extended family with the aim to create enjoyable moments. In order to improve the interaction with customers, and enable them to experience in person the featured elements of tourism, the Group organised a racing and colorful themed promotional event in a moving showroom jointly with Tourism Australia and Tourism Queensland, to let the public feel the joy of jogging in the gorgeous scenery of Gold Coast. Furthermore, the Group cooperated with British Airways, and engaged Mr. Sunny Pang (彭曉東), a renowned tourism photographer and multi-media designer, to create the "Light and Shadow in England" theme store for the Group. The customers could feel as if they were on the streets of England once they entered into the branch. The Group is dedicated to offer new tourism experience and has invited an artist Mr. Sammy Leung (森美) as our star tour guide to promote the brand-new Tokushima theme store through the campaign "A Tour of Tokushima with Sammy". In addition, Love's On, our overseas wedding specialty shop, organised a kimono day, during which customers could try the kimono on and experience the traditional wedding culture of Japan.

Apart from strengthening the special theme package tours and in-depth tour, the Group also launched two new tourism offerings, namely "EGL Tour of Cuisine" and "EGL Better Accommodation", which offered customers with more diversified and personalised choices and allow customers to explore local cultures in a more relaxed and comfortable manner, while enjoying a more extensive, safer and more convenient journey. In response to various needs of our customers, the Group has launched new travel products with the themes of "high-end and superior (Premium)", "trump card (Gold)", and "high value for money (Silver)". Such products classified and defined diversified theme tour products based on different needs, thus offering customers the chance to select their desired products in a more clear and convenient manner.

The Group has established the mission of satisfying the needs of customers, and has been dedicated to provide quality services to its customers, while introducing innovative elements in response to market trends and promoting enhancement in different areas, such as the quality and diversity of its service. During the Year, a new Online Travel Agency cellphone application ("OTA App") was officially launched. Besides hotel accommodation and air ticket reservation service, OTA App offers global online after-sales service which the Group's staff could address queries of customers and provide assistance. The online marketing platform of the Group was recognised as a Quality E-shop in the "Quality E-shop Recognition Scheme" organised by Hong Kong Retail Management Association, and thereby became the first travel agency granted with such honor in Hong Kong, demonstrating the widely recognition of the online marketing platform. Being honoured for such endorsement, the Group will continue its efforts to improve and strive for perfection.

The Company continued to expand its tourism business into overseas target markets, in the second quarter of 2017, its subsidiary in the People's Republic of China ("PRC") has commenced operation in replacement of the representative office there, with an aim to carry out inbound tourism business in the PRC. In addition, at the end of 2017, the Group established Niti Niti Travel Co., Ltd. (株式會社日日遊) with a business partner of local non-connected person in Tokyo, Japan, in which 41% equity interest is held by the Group, mainly for engaging in the operation of serving local package tours in Japan.

SOCIAL PERFORMANCE

Aiming for demonstrating its core values, the Company encouraged employees to help disadvantaged communities with their practice. Through taking part in "RunOurCity" hosted by a social enterprise and street-running training, the Group enhanced the employees' passion for sports and awareness on their own health. Furthermore, we fully sponsored 20 youngsters to attend the international marathon competition in Gold Coast of Australia, with a view to broadening the horizons of youngsters who lacked opportunities in the past and improving their positive thinking. Also, the Company introduces the volunteer activities into orientation, so as to enable employees to realize the concern among people in the process of interaction with elderly Alzheimer's patients through caring and listening to their needs, and assisting them in skills training, which really experienced "It is more blessed to give than to receive." Besides, targeting on energy conservation and emission reduction, the Group strived to promote measures for the concept of green office, and move toward a low-carbon and energy-saving office where possible.

BUSINESS PROSPECT

As time flies in ever-changing world, given the situation that diversified and multi-choice products and services can provide more unique elements and extra satisfaction for customers, the Group will also change itself in progress as such situation does to get ready for the future business growth. The Group's first hotel has commenced operation at the end of 2017 while the hot spring spa amenities beside the hotel is under construction which will strengthen auxiliary facilities for the hotel and is expected to be completed in early 2019, which will, by then, enable customers to enjoy hot spring with relaxation near the hotel. Focusing on catering for the huge market demand of hotel accommodation with high-quality experience for customers, the Group also completed the acquisition of four land parcels with a total area of approximately 2,103 square meters located in the prime district of Okinawa at the beginning of 2018, and the Group plans to construct another hotel in Okinawa so as to further expand the brand hotels business for the Group. As the construction plan is in its early conceptual stage, specific details and implementation timetable is not yet conclusive. In addition, the Group expects that the investment project for the operation of local package tours in Japan will be put into operation in mid-2018.

Integrated its management philosophy into a more concrete corporate culture during the Year, the Group enabled all employees to participate in the inheritance of our cherished culture, consolidated team spirit and moved toward common goals through various activities. As the unique "Spirit of Lion Rock" of Hong Kong highlights, by leveraging the united power of supporting, reminding and urging each other, together with the courage of tackling difficulties and surmounting challenges, we will be able to make breakthroughs for sure no matter the flat or bumpy way may be ahead. I would like to express my deepest gratitude to all the shareholders, customers, business partners, management and every staff member for their full support and trust.

Yuen Man Ying
Chairman and Executive Director

Hong Kong, 26 March 2018

MANAGEMENT DISCUSSION AND ANALYSIS

Group Overview

2017 has been a fruitful and rewarding year for the Group with regard to operating performance and business development. Boost in profitability of the Group is contributed by more effective cost control measures in place, more favourable price adjustment in view of market reaction, lower costs of travel elements in Japan achieved by negotiating for more competitive terms from business partners and more stabilised exchange rate of Japanese Yen ("JPY") against Hong Kong Dollar ("HKD") as compared to 2016. Revenue of the Group although decreased by 3.3% to approximately HK$1,624.6 million in 2017 (2016: HK$1,680.2 million), gross profit has increased by 10.6% to approximately HK$291.8 million (2016: HK$263.9 million) whilst gross profit margin increased to 18.0% in 2017 from 15.7% in 2016. Profit attributable to owners of the Company increased by 53.0% to approximately HK$28.6 million (2016: HK$18.7 million).

Basic earnings per share for profit attributable to owners of the Company for 2017 was HK5.68 cents (2016: HK3.72 cents). Details of utilisation of net proceeds from initial public offering of the shares of the Company ("IPO") will be discussed in the sub-section headed "Management Discussion and Analysis – Use of proceeds from the IPO" below.

Business Overview

The principal activities of the Group comprise provision of package tours, free independent travellers ("FIT") packages, individual travel elements (together with FIT packages referred to as "FIT Products") and ancillary travel related products and services as well as the ownership, development and management of hotel business. Following the grand opening in Japan of the Group's first hotel named "Osaka Hinode Hotel" in November 2017, a new era of business in hotel operation begins and brings Japanese cultural experience to our guests. The new hotel brings synergy effects to existing business of the Group, which facilitates maximisation of long-term investment performance and serves the long-term interests of business development of the Group. Along with the commencement of new operation by the subsidiary in the PRC in the second quarter of 2017 to promote our quality service and expand business network in the PRC market, the representative office in PRC was fully phased out.

Revenue and gross profit from travel related business segment for the years are set out as follows:

	2017			2016		
	Revenue	**Gross profit**	**Gross profit margin**	Revenue	Gross profit	Gross profit margin
	HK$'000	***HK$'000***	***%***	*HK$'000*	*HK$'000*	*%*
Package tours						
– Japan	**972,115**	**155,304**	**16.0**	1,032,255	109,951	10.7
– Non-Japan	**485,787**	**54,357**	**11.2**	473,700	54,622	11.5
Total package tours	**1,457,902**	**209,661**	**14.4**	1,505,955	164,573	10.9
FIT Products and ancillary travel related products and services	**164,102**	**79,160**	**48.2**	174,277	99,350	57.0
Total	**1,622,004**	**288,821**	**17.8**	1,680,232	263,923	15.7

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 89.7% to the Group's total revenue during 2017 (2016: 89.6%).

Japan-bound package tours remain the major source of the Group's revenue, which contributed 59.8% (2016: 61.4%) to the Group's total revenue during 2017. Even though the number of customers dropped to 103,234 in 2017 by 12.5% from 118,033 in 2016, and revenue recorded a decrease of 5.8% to approximately HK$972.1 million in 2017 from approximately HK$1,032.3 million in 2016, gross profit has actually increased by 41.2% and gross profit margin increased by 5.3 percentage points as compared to 2016. The increase in gross profit is due to more favourable price adjustment in view of market reaction, lower costs of travel elements in Japan contributed by negotiating for more competitive terms from business partners and more stabilised exchange rate of Japanese Yen against Hong Kong Dollar as compared to 2016.

For non-Japan-bound package tours, number of customers increased by 3.9% to 72,367 in 2017 from 69,638 in 2016, revenue increased by 2.6%, gross profit and gross profit margin decreased slightly by 0.5% and 0.3 percentage points as compared to 2016. The increase was mainly contributed from resumed tours bound to Mediterranean Sea and tours bound to India with featured products introduced during the Year. The number of customers, revenue and gross profit of tours bound to these areas recorded a prominent growth.

FIT Products and Ancillary Travel Related Products and Services

Revenue from FIT Products and ancillary travel related products and services mainly represents income from sale of air tickets, hotel accommodation, public transportation tickets, theme park admission tickets, commission income from travel insurance services and handling fees for remittance services provided to souvenir and merchandise suppliers in Japan. Facing persistent intensive competition from airlines, revenue from FIT Products and ancillary travel related products and services decreased by 5.8% to approximately HK$164.1 million in 2017 from approximately HK$174.3 million in 2016, and gross profit decreased by 20.3% to approximately HK$79.2 million in 2017 from approximately HK$99.4 million in 2016.

Hotel Operation

The Group's first hotel in Osaka has commenced its operation since November 2017, which provides quality hospitality services for guests worldwide, and contributed 0.2% to the Group's total revenue during 2017, amounted to approximately HK$2.6 million.

Financial Review

Key Financial Ratios

	2017	2016
Operating profit margin	**2.4%**	1.4%
Net profit margin*	**1.8%**	1.1%
Return on total assets*	**3.4%**	3.0%
Return on equity attributable to owners of the Company*	**8.5%**	5.8%
Current Ratio	**1.6 times**	1.7 times
Gearing Ratio	**29.7%**	8.4%

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

Revenue and Gross Profit

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

Selling Expenses

Frontline employee costs, advertising and promotion expenses for media advertising and promotional activities are key elements of selling expenses. Cost control measures are effective with more publicity activities conducted in the premises of Group's facilities, such as promotional events held in branch offices and specialty shop, thus offsetting an slight increase in frontline employee costs, resulting in selling expenses of the Group decreased by 0.7% to approximately HK$98.2 million (2016: HK$99.0 million).

Administrative Expenses

Employee costs, directors' remuneration, bank charges and rent and rates and management fee and depreciation on property, plant and equipment comprised the majority of administrative expenses. As compared to 2016, administrative expenses increased by 7.9% to approximately HK$167.8 million in 2017 (2016: HK$155.4 million). Although employee costs and bank charges have decreased compared to 2016, such decrease is partially offset by the 2017 increase costs in hotel operator management fee, depreciation on property, plant and equipment mainly driven by branch office relocation, information system upgrade, purchase of vehicles for travel buses operation and completion of hotel building construction.

Finance Costs

Imputed interests of approximately HK$1.2 million (equivalent to approximately JPY17.2 million) and approximately HK$0.3 million (equivalent to approximately JPY4.1 million) incurred on the bank borrowings for construction of hotel building were capitalised into construction in progress respectively in 2017 and 2016. Upon the completion of hotel building construction in 2017, such imputed interests were transferred thereupon to property, plant and equipment. After capitalisation of the above-mentioned imputed interests, finance costs of approximately HK$0.4 million was incurred (2016: Nil) on the bank borrowing which was used to finance the acquisition of five travel buses and on bank borrowings for construction and decoration of hotel building.

Operating Profit Margin and Net Profit Margin

Operating profit margin of the Group increased to 2.4% in 2017 from 1.4% in 2016, net profit margin increased to 1.8% in 2017 from 1.1% in 2016. The increase in both margins was primarily attributable to the increase in gross profit margin driven by the factors already discussed in the sub-section headed "Management Discussion and Analysis – Business Overview" above.

Current Ratio

As at 31 December 2017, the Group's current ratio was 1.6 times (as at 31 December 2016: 1.7 times). The slight decrease in current ratio was mainly attributable to decrease in inventories of approximately HK$6.3 million, and decrease in amount due from an associate of approximately HK$4.1 million against increase in bank borrowings of approximately HK$19.7 million.

Gearing Ratio

As at 31 December 2017, the Group's gearing ratio was 29.7% (as at 31 December 2016: 8.4%), as the Group had further drawn down the bank borrowings for acquisition of five travel buses and for construction and decoration of hotel building.

Gearing ratio is calculated by dividing the total interest-bearing loans with the total assets 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 3.4% (2016: 3.0%) and 8.5% (2016: 5.8%) respectively. The increase in return on total assets and return on equity were mainly due to increase in profit attributable to owners of the Company in 2017 as compared to that of 2016.

Capital Structure, Liquidity and Financial Resources

The Group had withdrawn bank borrowings of approximately JPY125.0 million (equivalent to approximately HK$8.6 million) to finance the acquisition of five travel buses for approximately JPY186.3 million (equivalent to approximately HK$12.8 million). Furthermore, the Group had also withdrawn bank borrowings of approximately JPY3,568.0 million (equivalent to approximately HK$244.9 million) which were utilised to finance part of the construction and development cost of the Group's hotel in Osaka, the residual amount of the construction and development cost was financed by internal funds through capital injection of JPY1,800.0 million (equivalent to approximately HK$124.2 million).

Other than the above, the Group financed its operation with its own capital, with the total equity attributable to owners of the Company as at 31 December 2017 amounted to approximately HK$336.2 million (as at 31 December 2016: HK$321.1 million).

As at 31 December 2017, the Group's cash at banks and on hand amounted to approximately HK$263.4 million (as at 31 December 2016: HK$260.9 million). Cash at banks and on hand were mainly denominated respectively in HKD accounting for approximately 71.6% (as at 31 December 2016: 69.6%), Macau Pataca accounting for approximately 4.3% (as at 31 December 2016: 8.7%), Renminbi accounting for approximately 6.9% (as at 31 December 2016: 5.7%) and JPY accounting for approximately 8.5% (as at 31 December 2016: 10.0%).

Pledge of Assets

As at 31 December 2017, the Group had pledged bank deposits of approximately HK$29.6 million (as at 31 December 2016: HK$22.5 million), majority of which were pledged 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$18.5 million (as at 31 December 2016: HK$17.9 million), which were mainly issued to the Group's suppliers, such as airlines and hotels, to guarantee the Group's trade payable balances due to the suppliers.

Also, as at 31 December 2017, property, plant and equipment of the hotel operation of approximately HK$258.9 million (as at 31 December 2016: HK$120.6 million) were pledged for the related bank borrowings. In addition, travel buses of approximately HK$10.9 million (as at 31 December 2016: Nil) were pledged to bank borrowings granted to the Group.

Save as disclosed above, the Group had no other pledge of assets as at 31 December 2017 (as at 31 December 2016: Nil).

Capital Commitments and Future Capital Expenditures

As at 31 December 2017, the Group had capital commitments of approximately HK$64.7 million (as at 31 December 2016: HK$154.3 million), comprising acquisition of property, plant and equipment and construction in progress of the Group.

The Group is going to construct hotel hot spring spa amenities for "Osaka Hinode Hotel" and another hotel in Okinawa. These are expected to be completed in early 2019 and at the end of 2019 respectively. As the construction plan is in its early conceptual stage, specific details and implementation timetable is not yet conclusive.

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 and development of a comprehensive online web portal, will be financed by proceeds from the IPO as intended.

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

Contingent Liabilities

The Directors considered that there were no material contingent liabilities as at 31 December 2017 (as at 31 December 2016: 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. 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 the Group's 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 the Group to exercise any judgement over the future direction of foreign exchange fluctuation and are strict procedural steps for the Group's operational staff to follow. The Group will review the procedures from time to time and make appropriate changes when necessary.

Other than the transactional foreign currency exchange risk, assets and liabilities of the Group entities are mainly denominated in its respective functional currency. The Group's treasury management policy is to place surplus cash into bank deposits with licensed banks in mainly Hong Kong, Macau and Japan. Also, working capital are centrally managed to ensure proper and efficient collection and deployment of funds, and sufficient funds to settle liabilities when they fall due. Net exchange gain of approximately HK$10.2 million was recorded in 2017 (2016: HK$5.6 million).

Human Resources and Employees' Remuneration

As at 31 December 2017, the Group had a total workforce of 658 employees (as at 31 December 2016: 732), of which 211 (as at 31 December 2016: 218) were full-time tour escorts. Employees' remuneration packages are taking reference to the company performance, market information and individual performance and are reviewed on a regular basis. The remuneration policy are 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 company performance, 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. In 2017, the Group adopted 5-day week policy applying on our back office staff to execute the philosophy of work-life integration.

To intensify personnel training and development, the Group provides a series of employee training programmes, which aims to accelerate professional growth and identify competences and talents of diversified teams. Through operating talent development scheme and also Youth Upward Mobility Mentorship Program, the Group has successfully extended the recruitment channels and enhanced the opportunities on the hiring of high quality and suitable staff. High potential staff are groomed and developed intensively according to the promotion plan towards the management level. To attract and retain suitable personnel for business development, 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 2017. In 2017, there was no significant change in the remuneration policies, bonus, Share Option Scheme and training scheme of the Group.

OUTLOOK

The Group has entered a new phase of business development, with our first hotel "Osaka Hinode Hotel" commenced its operation in November 2017. It is expected that the hotel will create enhanced value and synergy to the Group by providing guests with multifarious travel and accommodation experience. Moreover, the Group is going to construct hotel hot spring spa amenities and these are expected to be completed in early 2019, bringing forth more enjoyable travel experience to our guests. The Group is enthusiastic in developing our own hotel brand, in January 2018 the Group has acquired four parcels of land with an aggregate site area of approximately 2,103 sq. m. located at Okinawa, for hotel construction with target completion at the end of 2019. In addition to foreign based hotel business, the Group plans to organise tours locally in Japan to deliver our high quality services to free independent travellers, to further strengthen the core competency of the Group.

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 the use of proceeds from the IPO as at 31 December 2017:

	Utilised up to 31 December 2017	**Unutilised as at 31 December 2017**
	HK$'000	***HK$'000***
Use of Proceeds		
(i) Enhancing sales channel		
– Refurbishment and face lifting of existing branches	7,928	1,272
– Development of a comprehensive online web portal	17,209	191
(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	8,100	–
– Launching reward and incentive scheme	3,384	8,116
(iii) Strengthening operational infrastructure		
– Improving management information system by implementing enterprise resources planning system	13,900	–
– Arranging charter flights to destination not served by scheduled flights	25,400	–
– Attracting and recruiting experienced employees	5,646	154
(iv) Developing overseas wedding tours	5,700	–
(v) For working capital and other general corporate purposes	9,500	–
	106,067	9,733

As at 31 December 2017, 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 Year, the Board is of opinion that the Company has complied with all the applicable code provisions as set out in the Corporate Governance Code contained in Appendix 14 to the Rules Governing the listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules").

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 Year.

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

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

SCOPE OF WORK OF BDO LIMITED

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

REVIEW BY AUDIT COMMITTEE

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

DIVIDENDS

An interim dividend of HK2.0 cents per share (2016: Nil) was paid to the qualifying shareholders of the Company on 29 September 2017.

The Board recommends the payment of a final dividend of HK1.0 cent per share (2016: 2.0 cents) to shareholders whose names appear on Company's register of members on Wednesday, 6 June 2018.

The necessary resolution will be proposed at the forthcoming annual general meeting of the Company ("AGM") to be held on Friday, 25 May 2018, and if passed, dividend warrants is expected to be posted to the eligible shareholders of the Company on Friday, 22 June 2018.

ANNUAL GENERAL MEETING

The AGM will be held on Friday, 25 May 2018. For details of the AGM, please refer to the Notice of AGM which is expected to be published in late April 2018.

CLOSURE OF REGISTER OF MEMBERS

Relevant dates for attending the AGM and entitlement to final dividend payment

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

(i) For determining shareholders' eligibility to attend, speak and vote at the AGM:

Latest time to lodge transfer documents for registration with Company's registrar	At 4:30 p.m. on Friday, 18 May 2018
Closure of register of members of the Company	Monday, 21 May 2018 to Friday, 25 May 2018 (both dates inclusive)

(ii) For determining shareholders' entitlement to final dividend:

Ex-dividend date	Friday, 1 June 2018
Latest time to lodge transfer documents for registration with Company's registrar	At 4:30 p.m. on Monday, 4 June 2018
Closure of register of members of the Company	Tuesday, 5 June 2018 to Wednesday, 6 June 2018 (both dates inclusive)
Record date	Wednesday, 6 June 2018
Expected payment date	Friday, 22 June 2018

During the above closure periods of the register of members of the Company, no transfer of shares will be registered. To be eligible to attend and vote at the AGM, and to qualify for the final dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with Company's registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than the aforementioned latest time.

PUBLICATION OF THE RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This results announcement is published on the Company's website at http://www.egltours.com/travel/pages/investor_relations/#eng and the website of the Stock Exchange. The annual report of the Company for the Year will also be available at the respective websites of the Company and the Stock Exchange and will be despatched to shareholders of the Company in late April 2018.

On behalf of the Board
EGL Holdings Company Limited
Yuen Man Ying
Chairman and executive director

Hong Kong, 26 March 2018

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.