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

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 6882)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2018

GROUP FINANCIAL HIGHLIGHTS

	Six months ended 30 June		
	2018	2017	Change in
	HK$'000	*HK$'000*	*%*
Revenue	**877,530**	751,264	+16.8
Gross profit	**155,007**	144,964	+6.9
Profit attributable to owners of the Company	**18,306**	30,310	-39.6
Earnings per share			
Basic and diluted *(HK cents)*	**3.64**	6.03	
Dividend per share *(HK cents)*	**1.0**	2.0	
Profit margin			
Gross profit margin	**17.7%**	19.3%	
Operating profit margin	**2.2%**	4.5%	
Net profit margin	**2.1%**	4.0%	
Return on equity attributable to owners of the Company	**5.3%**	8.7%	
	As at 30 June 2018	As at 31 December 2017	
Gearing ratio	**29.0%**	29.7%	

The board ("Board") of directors ("Directors") of EGL Holdings Company Limited ("Company") announces the unaudited condensed consolidated results of the Company and its subsidiaries ("Group") for the six months ended 30 June 2018 together with comparative figures for the corresponding period in 2017 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2018

		Six months ended 30 June	
		2018	2017
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
Revenue	*5*	**877,530**	751,264
Cost of sales		**(722,523)**	(606,300)
Gross profit		**155,007**	144,964
Other income and gains, net	*5*	**6,743**	8,207
Share of results of associates		**1,059**	911
Selling expenses		**(42,251)**	(44,764)
Administrative expenses		**(101,624)**	(75,347)
Finance costs	*6*	**(1,972)**	(9)
Profit before income tax	*6*	**16,962**	33,962
Income tax credit/(expense)	*7*	**1,409**	(3,539)
Profit for the period		**18,371**	30,423
Other comprehensive income, that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		**895**	6,415
Share of exchange differences on translation of foreign associates		**(323)**	362
Other comprehensive income for the period, net of tax		**572**	6,777
Total comprehensive income for the period		**18,943**	37,200
Profit for the period attributable to:			
Owners of the Company		**18,306**	30,310
Non-controlling interests		**65**	113
		18,371	30,423
Total comprehensive income for the period attributable to:			
Owners of the Company		**18,956**	36,884
Non-controlling interests		**(13)**	316
		18,943	37,200
Earnings per share for profit attributable to owners of the Company			
– Basic and diluted (HK cents)	*9*	**3.64**	6.03

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2018

		As at	
		30 June	31 December
	Notes	**2018**	2017
		(Unaudited)	(Audited)
		HK$'000	*HK$'000*
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**452,598**	387,472
Construction in progress		**15,967**	4,578
Interests in associates		**8,591**	9,242
Deferred tax assets		**2,661**	1,528
Deposits and prepayment	*11*	**4,865**	6,657
		484,682	409,477
Current assets			
Inventories		**10,878**	9,906
Trade receivables	*10*	**11,843**	4,296
Deposits, prepayments and other receivables	*11*	**162,624**	128,411
Amounts due from associates		**2,926**	562
Tax recoverable		**–**	55
Pledged bank deposits		**6,282**	29,583
Cash at banks and on hand		**307,526**	263,370
		502,079	436,183
Current liabilities			
Trade payables	*12*	**51,683**	53,152
Contract liabilities		**230,774**	–
Accruals, deposits received and other payables	*13*	**59,273**	187,536
Amounts due to associates		**1,867**	3,478
Provision for taxation		**8,166**	6,344
Bank borrowings	*14*	**53,001**	19,690
		404,764	270,200
Net current assets		**97,315**	165,983
Total assets less current liabilities		**581,997**	575,460

		As at	
		30 June	31 December
	Notes	**2018**	2017
		(Unaudited)	(Audited)
		HK$'000	*HK$'000*
Non-current liabilities			
Bank borrowings	*14*	**233,388**	231,241
Deferred tax liabilities		**2,148**	5,258
		235,536	236,499
Net assets		**346,461**	338,961
EQUITY			
Capital and reserves attributable to owners of the Company			
Share capital	*15*	**50,245**	50,245
Reserves		**293,228**	285,909
		343,473	336,154
Non-controlling interests		**2,988**	2,807
Total equity		**346,461**	338,961

NOTES TO THE INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2018

1. GENERAL INFORMATION

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.

2. BASIS OF PREPARATION AND PRESENTATION

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

The interim financial information has been prepared with the same accounting policies adopted in the 2017 annual financial statements, except for those that relate to new standards or interpretations effective for the first time for periods beginning on or after 1 January 2018. Details of any changes in accounting policies are set out in note 3.

The interim financial information is presented in Hong Kong Dollars ("HK$"), unless otherwise stated. The interim financial information contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2017 annual financial statements. The interim financial information and notes do not include all of the information required for a complete set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards (the "HKFRSs") and should be read in conjunction with the 2017 consolidated financial statements.

3. ADOPTION OF HKFRSs

The HKICPA has issued a number of new or amended HKFRSs that are first effective for the current accounting period of the Group:

- HKFRS 9, Financial Instruments
- HKFRS 15, Revenue from Contracts with Customers
- HK(IFRIC)-Interpretation 22, Foreign Currency Transactions and Advance Considerations
- Amendments to HKFRS 2, Classification and Measurement of Share-based Payment Transactions
- Amendments to HKAS 28 included in Annual Improvements to HKFRSs 2014-2016 Cycle, Investments in Associates and Joint Ventures

The impact of the adoption of HKFRS 9 Financial Instruments (see note 3A below) and HKFRS 15 Revenue from Contracts with Customers (see note 3B below) have been summarised below. The other new or amended HKFRSs that are effective from 1 January 2018 did not have any material impact on the Group's accounting policies.

A. HKFRS 9 – Financial Instruments ("HKFRS 9")

HKFRS 9 replaces HKAS 39 Financial Instruments: Recognition and Measurement ("HKAS 39") for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: (1) classification and measurement; (2) impairment and (3) hedge accounting. The adoption of HKFRS 9 from 1 January 2018 has resulted in changes in accounting policies of the Group. However, it does not have significant impact on the classification and the amounts of financial instruments recognised in the interim financial information.

(i) Classification and measurement of financial instruments

HKFRS 9 basically retains the existing requirements in HKAS 39 for the classification and measurements of financial liabilities. However, it eliminates the previous HKAS 39 categories for financial assets of held-to-maturity financial assets, loans and receivables and available-for-sale financial assets. The adoption of HKFRS 9 has no material impact on the Group's accounting policies in relation to financial liabilities. The impact of HKFRS 9 on the Group's classification and measurement of financial assets is set out below.

Under HKFRS 9, except for certain trade receivables (that the trade receivables do not contain a significant financing component in accordance with HKFRS 15), an entity shall, at initial recognition, measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVTPL"), transaction costs. A financial asset is classified as: (i) financial assets at amortised cost ("amortised costs"); (ii) financial assets at fair value through other comprehensive income ("FVOCI"); or (iii) FVTPL (as defined in above). The classification of financial assets under HKFRS 9 is generally based on two criteria: (i) the business model under which the financial asset is managed and (ii) its contractual cash flow characteristics (the "solely payments of principal and interest" criterion, also known as "SPPI criterion"). Under HKFRS 9, embedded derivatives is no longer required to be separated from a host financial asset. Instead, the hybrid financial instrument is assessed as a whole for the classification.

A financial asset is measured at amortised cost if it meets both of the following conditions are met and it has not been designated as at FVTPL:

- It is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- The contractual terms of the financial asset give rise on specified dates to cash flows that meet the SPPI criterion.

A debt investment is measured at FVOCI if it meets both of the following conditions and it has not been designated as at FVTPL:

- It is held within a business model whose objective is to achieved by both collecting contractual cash flows and selling financial assets; and

- The contractual terms of the financial asset give rise on specified dates to cash flows that meet the SPPI criterion.

The following accounting policies would be applied to the Group's financial assets as follows:

Amortised costs	Financial assets at amortised cost are subsequently measured using the effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.

The following table summarises the original measurement categories under HKAS 39 and the new measurement categories under HKFRS 9 for each class of the Group's financial assets as at 1 January 2018:

Financial assets	**Original classification under HKAS 39**	**New classification under HKFRS 9**	**Carrying amount as at 1 January 2018 under HKAS 39**	**Carrying amount as at 1 January 2018 under HKFRS 9**
			HK$'000	*HK$'000*
Trade receivables	Loans and receivables	Amortised cost	4,296	4,296
Deposits and other receivables	Loans and receivables	Amortised cost	45,451	45,451
Amounts due from associates	Loans and receivables	Amortised cost	562	562
Pledged bank deposits	Loans and receivables	Amortised cost	29,583	29,583
Cash at banks and on hand	Loans and receivables	Amortised cost	263,370	263,370

The adoption of HKFRS 9 did not have a significant impact on the classification and measurement of the Group's financial assets. Trade receivables, deposits and other receivables as well as amounts due from associates are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest. The Group analysed the contractual cash flow characteristics of those instruments and concluded that they meet the criteria for amortised cost measurement under HKFRS 9. Therefore, reclassification for these instruments is not required. These financial assets continue to be measured at amortised cost and are subsequently measured using effective interest rate method.

There is no impact on Group's accounting for financial liabilities, as the new requirement under HKFRS 9 only affect the accounting for financial liabilities that are designated at FVTPL of which the Group does not have any.

(ii) Impairment of financial assets

The adoption of HKFRS 9 has changed the Group's impairment model by replacing the HKAS 39 "incurred loss model" to the "expected credit losses ("ECLs") model". HKFRS 9 requires the Group to recognised ECLs for trade receivables, financial assets at amortised costs including cash and cash equivalents earlier than HKAS 39.

Under HKFRS 9, the losses allowances are measured on either of the following bases: (1) 12 months ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date: and (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

Measurement of ECLs

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

For trade receivables, the Group has elected to apply HKFRS 9's simplified approach and has calculated ECLs based on lifetime ECLs. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors, current creditworthiness of the debtors and the economic environment.

For other financial assets, the ECLs are based on the 12-month ECLs. The 12-month ECLs is the portion of the lifetime ECLs that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Presentation of ECLs

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Impact of the ECLs model

As mentioned above, the Group applies the HKFRS 9 simplified approach to measure ECLs which adopts a lifetime ECLs for all trade receivables. To measure the ECLs, these receivables have been grouped based on shared credit risk characteristics and the days past due. No additional impairment for these receivables as at 1 January 2018 and during the six months period ended 30 June 2018 is recognised as the amount of additional impairment measured under the ECLs model is insignificant.

Other financial assets at amortised cost of the Group including deposits, other receivables and amounts due from associates. No additional impairment for these financial assets as at 1 January 2018 and during the six months period ended 30 June 2018 is recognised as the amount of additional impairment measured under the ECLs model is insignificant.

(iii) ***Transition***

The Group has applied the transitional provision in HKFRS 9 such that HKFRS 9 was generally adopted without restating comparative information. The reclassifications and the adjustments arising from the new ECLs rules are therefore not reflected in the consolidated statement of financial position as at 31 December 2017, but are recognised in the consolidated statement of financial position on 1 January 2018. Based on the management's assessment, there was no material differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of HKFRS 9 recognised in retained earnings and reserves as at 1 January 2018.

B. HKFRS 15 – Revenue from Contracts with Customers ("HKFRS 15")

HKFRS 15 supersedes HKAS 11 "Construction Contracts", HKAS 18 "Revenue" and related interpretations. HKFRS 15 has established a five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at the amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The Group has adopted HKFRS 15 using the cumulative effect method without practical expedients. The Group has recognised the cumulative effect of initially applying HKFRS 15 as an adjustment to the opening balance of retained earnings at the date of initial application (that is, 1 January 2018). As a result, the financial information presented for 2017 has not been restated.

The following tables summarised the impact, net of tax, of transition to HKFRS 15 on the opening balances of retained earnings as follows:

	HK$'000
Retained earnings	
Increase of contract liabilities in relation to customer options for additional goods or services	(6,613)

The details of the nature and effect of the changes on application of HKFRS 15 are set out below:

Timing of revenue recognition

Previously, income from provision of package tours and travel bus services is recognised when the services are rendered by the Group. Income from provision of ancillary travel related services, sales of air tickets, hotel accommodation and hotel packages is recognised when the services are rendered by the Group as an agent on a net basis. Where the Group acts as a principal in certain transactions, including sales of tickets and merchandise, revenue is recognised upon transfer of the significant risks and rewards of ownership to the customers. This is usually taken as the time when the tickets and merchandise are delivered and the customers have accepted the tickets and merchandise. Income from hotel room rental is recognised when the services are rendered.

Under HKFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. This may be at a single point in time or over a period of time. HKFRS 15 identifies the following three situations in which control of the promised good or service is regarded as being transferred over time:

- When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;

- When the entity's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced;

- When the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If the contract terms and the entity's activities do not fall into any of these 3 situations, then under HKFRS 15 the entity recognises revenue for the sale of that good or service at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that is considered in determining when the transfer of control occurs.

The adoption of HKFRS 15 does not have a significant impact on when the Group recognises revenue from package tours, FIT Products, ancillary travel related products and services, hotel room rental.

Based on the management's assessment, revenue arising from package tours is recognised over time as the customer simultaneously receives and consumes all of the benefit provided by the Group's performance as the Group performs. This means that if another travel agent was to take over providing the remaining performance obligation to the customer, it would not have to substantially re-perform the work already completed by the Group. For revenue from hotel room rental, the Group transfers control of service over time and, therefore, satisfies a performance obligation and recognises revenue over time, when the hotel guest simultaneously receives and consumes the benefits provided by the hotel.

Also, in respect of transactions where the related consideration is concluded to be recognised as revenue over time, the Group has determined that an input method is an appropriate method to measure the Group's progress towards complete satisfaction of a performance obligation satisfied over time.

Revenue from FIT Products and ancillary travel related products and services which involved just sales of air tickets, hotel accommodation packages, transportation tickets and admission tickets are recognised at a point in time when the booking services or tickets are delivered to and have been accepted by the customers.

Principal versus agent considerations

HKFRS 15 requires an entity to determine whether it is the principal in the transaction or the agent on the basis of whether it controls the goods or services before they are transferred to the customer. Prior to the adoption of HKFRS 15, based on the existence of credit risks and other factors, certain revenue of the Group concluded that they have an exposure to the significant risks and rewards associated with certain sale arrangements to their customers, and accounted for the contracts, such as sales of package tours and hotel room rental, as if they were acting as a principal. In applying the new guidance, the Group determined that it controls the goods or services before they are transferring to customers, and hence, is a principal in these contracts. Similarly, the Group has reassessed the principal and agent relationship for the sale of FIT Products and certain ancillary travel related products and services of which revenue was recognised on net basis as the Group acted as an agent prior to the adoption of HKFRS 15. The Group determined that they continue acting as an agent for these transactions and recognises the revenue on net basis. The Group concluded that the adoption of HKFRS 15 has no material changes on the interim financial information as at 1 January 2018 and 30 June 2018 in this respect.

Customer options for additional goods or services

The Group provides discount vouchers to customers when they acquire package tour services for future consumption. Under HKFRS 15, the total consideration is allocated to the discount vouchers and goods or services based on the relative stand-alone selling prices with reference to the discount given, the likelihood of redemption as evidenced by the Group's historical experience. As a result, adjustments have been made to the opening balances as at 1 January 2018 to reflect an increase in the contract liabilities in relation to the discount vouchers of approximately HK$7,920,000, a corresponding increase in deferred tax asset by approximately HK$1,307,000 and a decrease in the retained earnings of approximately HK$6,613,000. For the six months ended 30 June 2018, there was no material changes on contract liabilities and revenue in relation to the discount vouchers.

Presentation of contract liabilities

Under IFRS 15, a contract liability, rather than a payable, is recognised when a customer pays consideration, or is contractually required to pay consideration and the amount is already due, before the Group recognises the related revenue. For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

Previously, contract balances relating to "Customer deposits received" were presented in the consolidated statement of financial position under "Accruals, deposits received and other payables".

To reflect these changes in presentation, the Group has made the reclassification adjustment as at 1 January 2018. As a result of the adoption of IFRS 15, "Accruals, deposits received and other payables – Customer deposits received" amounting to HK$127,217,000 as at 1 January 2018 is now classified as contract liabilities.

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, 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 interest in an associate, cash at banks and certain prepayments 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 (Unaudited) *HK$'000*	Hotel Business (Unaudited) *HK$'000*	Total (Unaudited) *HK$'000*
For six months ended 30 June 2018 (unaudited):			
Revenue			
From external customers	**842,184**	**35,346**	**877,530**
Reportable segment revenue	**842,184**	**35,346**	**877,530**
Reportable segment profit	**17,625**	**1,246**	**18,871**
Depreciation on property, plant and equipment	**5,743**	**14,947**	**20,690**
Share of results of associates	**1,059**	**–**	**1,059**
Finance costs	**413**	**1,559**	**1,972**
Income tax expense/(credit)	**1,702**	**(3,111)**	**(1,409)**
For six months ended 30 June 2017 (unaudited):			
Revenue			
From external customers	751,264	–	751,264
Reportable segment revenue	751,264	–	751,264
Reportable segment profit/(loss)	36,554	(887)	35,667
Depreciation on property, plant and equipment	4,826	–	4,826
Share of results of associates	1,284	–	1,284
Finance costs	9	–	9
Income tax expense/(credit)	4,460	(972)	3,488

	Travel Related Business *HK$'000*	Hotel Business *HK$'000*	Total *HK$'000*
As at 30 June 2018 (unaudited):			
Reportable segment assets	**505,193**	**479,799**	**984,992**
Reportable segment liabilities	**363,782**	**272,233**	**636,015**
Additions to non-current assets	**296**	**85,877**	**86,173**
Share of net assets of associates	**8,591**	**–**	**8,591**
As at 31 December 2017 (audited):			
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

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

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Revenue		
Reportable segment revenue	**877,530**	751,264
Consolidated revenue	**877,530**	751,264

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Profit before income tax expense		
Reportable segment profit	**18,871**	35,667
Share of result of an associate	**–**	(373)
Other gains	**1**	25
Unallocated corporate expenses	**(1,910)**	(1,357)
Consolidated profit before income tax expense	**16,962**	33,962

	As at	As at
	30 June	31 December
	2018	2017
	(Unaudited)	(Audited)
	HK$'000	*HK$'000*
Assets		
Reportable segment assets	**984,992**	843,181
Unallocated corporate assets	**1,769**	2,479
Consolidated total assets	**986,761**	845,660

	As at	As at
	30 June	31 December
	2018	2017
	(Unaudited)	(Audited)
	HK$'000	*HK$'000*
Liabilities		
Reportable segment liabilities	**636,015**	502,459
Unallocated corporate liabilities	**4,285**	4,240
Consolidated total liabilities	**640,300**	506,699

(c) Geographic information

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

	Revenue from external customers (by customer location) Six months ended 30 June		Specified non-current assets (by physical location) As at	
	2018	2017	**30 June 2018**	31 December 2017
	(Unaudited)	(Unaudited)	**(Unaudited)**	(audited)
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong and Macau (place of domicile)	**839,657**	749,268	**14,254**	17,433
Japan	**36,399**	1,253	**455,609**	375,309
Others	**1,474**	743	**7,655**	8,550
	877,530	751,264	**477,518**	401,292

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

(d) Information about a major customer

The Group did not have any single customer contributed more than 10% of the Group's revenue during the six months ended 30 June 2018 (six months ended 30 June 2017: Nil).

(e) Disaggregation of revenue

	Travel Related Business Six months ended 30 June		Hotel Business Six months ended 30 June		Total Six months ended 30 June	
	2018	2017	**2018**	2017	**2018**	2017
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)	**(Unaudited)**	(Unaudited)
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong and Macau (place of domicile)	**839,657**	749,268	**–**	–	**839,657**	749,268
Japan	**1,053**	1,253	**35,346**	–	**36,399**	1,253
Others	**1,474**	743	**–**	–	**1,474**	743
	842,184	751,264	**35,346**	–	**877,530**	751,264

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 period are as follows:

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Revenue		
Package tours	**729,390**	674,959
FIT Products *(note)*	**11,701**	14,755
Ancillary travel related products and services *(note)*	**101,093**	61,550
Hotel room rental and ancillary services	**35,346**	–
	877,530	751,264

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	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Gross proceeds received and receivable	**195,506**	205,735

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Other income and gain, net		
Exchange gain, net	**4,836**	5,702
Handling income and forfeited fees from customers	**253**	339
Interest income on bank deposits	**270**	656
Rebate from a supplier	**1,047**	1,327
Sundry income	**337**	183
	6,743	8,207

6. PROFIT BEFORE INCOME TAX

Profit before income tax is arrived at after charging:

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Cost of inventories recognised as expenses	**11,226**	16,457
Depreciation on property, plant and equipment	**20,690**	4,826
Operating lease rental in respect of:		
– Premises	**13,987**	13,505
– Office equipment	**1,694**	1,192
– Travel buses	**31,142**	31,739
Employee costs (including directors' emoluments):		
– Salaries and other benefits in kind	**64,418**	67,106
– Retirement scheme contributions	**3,015**	3,186
	67,433	70,292
Finance costs		
– Interest expense incurred on bank borrowings	**1,993**	588
– Less: Imputed interest capitalised into construction in progress	**(21)**	(579)
	1,972	9

7. INCOME TAX (CREDIT)/EXPENSE

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Current tax – Hong Kong Profits Tax		
– Tax for the period	**1,441**	4,254
Current tax – People's Republic of China ("PRC") Enterprise Income Tax ("EIT")		
– Tax for the period	**–**	13
Current tax – Taiwan Profit-Seeking Enterprise Income Tax		
– Tax for the period	**111**	84
Deferred tax		
– Credited to profit or loss for the period	**(2,961)**	(812)
	(1,409)	3,539

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

Hong Kong Profits Tax is calculated at 16.5% on the estimated assessable profits of subsidiaries operating in Hong Kong for both periods.

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

EIT is calculated at 25% on the estimated assessable profits of a subsidiary operating in the PRC for both periods. The Group has no estimated assessable profit arising from the subsidiary operating in the PRC for both periods. EIT represents deemed income tax charged at the appropriate current rates of taxation ruling in the PRC for a representative office for the six months ended 30 June 2017.

Taiwan Profit-Seeking Enterprise Income Tax is calculated at 17% of estimated assessable profits of a subsidiary operating in Taiwan for both periods.

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% for the period 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 both periods.

8. DIVIDENDS

(a) Dividends attributable to the period

At the board meeting held on 27 August 2018, the Board declared an interim dividend of HK1.0 cent per share totalling HK$5,024,500 for the year ending 31 December 2018. The interim dividend is not reflected as a dividend payable in this interim financial information. (2017: HK2.0 cents per share totalling HK$10,049,000)

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

A final dividend of HK1.0 cent per share of HK$5,024,500 in total was approved at the annual general meeting and paid during the current interim period (six months ended 30 June 2017: HK2.0 cents per share of HK$10,049,000 in total).

9. EARNINGS PER SHARE

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Earnings		
Profit attributable to owners of the Company	**18,306**	30,310

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	'000	*'000*
Number of shares		
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 current interim period and the same period of last year.

10. TRADE RECEIVABLES

	As at 30 June 2018 (Unaudited) *HK$'000*	As at 31 December 2017 (Audited) *HK$'000*
Trade receivables	**11,843**	4,296

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 2018 (Unaudited) *HK$'000*	As at 31 December 2017 (Audited) *HK$'000*
0 – 90 days	**11,787**	4,200
91 – 180 days	**49**	56
181 – 365 days	**7**	5
Over 365 days	**–**	35
	11,843	4,296

11. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	As at 30 June 2018 (Unaudited) *HK$'000*	As at 31 December 2017 (Audited) *HK$'000*
Non-current assets		
Deposits *(note a)*	**4,503**	–
Prepayment for acquisition of property, plant and equipment *(note b)*	**362**	6,657
	4,865	6,657
Current assets		
Other receivables	**19,183**	33,835
Deposits *(note a)*	**8,177**	11,616
Prepayments	**135,264**	82,960
	162,624	128,411

Notes:

(a) The amount included rental deposits paid to a related company, Great Port Limited, of approximately HK$2,771,000 (as at 31 December 2017: HK$2,771,000). The amount due is unsecured, interest-free and repayable at the end of the rental periods.

(b) 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.

12. TRADE PAYABLES

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

	As at 30 June 2018 (Unaudited) ***HK$'000***	As at 31 December 2017 (Audited) *HK$'000*
0 – 90 days	**49,685**	50,039
91 – 180 days	**1,506**	2,178
181 – 365 days	**452**	495
Over 365 days	**40**	440
	51,683	53,152

13. ACCRUALS, DEPOSITS RECEIVED AND OTHER PAYABLES

	As at 30 June 2018 (Unaudited) ***HK$'000***	As at 31 December 2017 (Audited) *HK$'000*
Accrued expenses	**16,704**	14,069
Customer deposits received *(note)*	**–**	127,217
Other payables	**42,569**	46,250
	59,273	187,536

Note:

Upon the adoption of HKFRS 15 as at 1 January 2018, the gross amount due to customers for receipts in advance are included in contract liabilities (note 3B).

14. BANK BORROWINGS

	As at 30 June 2018 (Unaudited)	As at 31 December 2017 (Audited)
	HK$'000	*HK$'000*
Current		
Bank borrowings – secured	**43,001**	19,690
Bank borrowings – guaranteed	**10,000**	–
	53,001	19,690
Non-current		
Bank borrowings – secured	**233,388**	231,241
	286,389	250,931

As at 30 June 2018, the bank borrowings of approximately HK$266,389,000 (as at 31 December 2017: HK$250,931,000) were secured by charges over property, plant and equipment with aggregate carrying amounts of HK$288,274,000 (as at 31 December 2017: HK$269,816,000). In addition, among these bank borrowings, an amount of approximately HK$7,404,000 (as at 31 December 2017: HK$8,060,000) is also secured by a property of a non-controlling shareholder of a subsidiary in Japan.

As at 30 June 2018, the bank borrowings of approximately HK$10,000,000 (as at 31 December 2017: Nil) were secured by pledged bank deposits of approximately HK$2,213,000 (as at 31 December 2017: Nil).

As at 30 June 2018, the bank borrowings of approximately HK$10,000,000 (as at 31 December 2017: Nil) were guaranteed by the Company in amount of HK$36,100,000 (as at 31 December 2017: Nil).

On 11 May 2018, (i) the Company provided corporate guarantee of HK$75,000,000 to a bank; (ii) EGL Tours Company Limited as borrower (the "Borrower", a wholly-owned subsidiary of the Company), the Company, Mr. Yuen Man Ying, Mr. Huen Kwok Chuen, Mr. Leung Shing Chiu and Ms. Lee Po Fun each as guarantor or security provider, accepted the offer from the bank for the grant of general banking and corporate credit cards facilities in the aggregate amounts of HK$70,600,000 (collectively the "Facilities"). The Facilities have no fixed term and are subject to periodic review of the bank and the corporate credit cards are subject to the terms and conditions issued by the Bank's card centre to the Borrower. As at 30 June 2018, none of the Facilities has been drawn down.

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 ranging from 1.23% to 4.0% per annum (as at 31 December 2017: 1.19% to 1.67%) and imputed interest of approximately HK$21,000 (six months ended 30 June 2017: HK$579,000) was capitalised as construction in progress during the period.

15. SHARE CAPITAL

	Number	Amount
	'000	*HK$'000*
Authorised		
Ordinary shares of HK$0.1 each		
At 31 December 2017 and 30 June 2018	1,000,000	100,000

	Number	Amount
	'000	*HK$'000*
Ordinary shares, issued and fully paid		
At 31 December 2017 and 30 June 2018	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 interim results of the Group for the six months ended 30 June 2018 ("Period").

As always, the Group has been committed to designing a happy vacation for our customers and offer them opportunities to experience the essence of travelling. During the Period, affected by unexpected business and economic conditions such as the appreciation of Japanese yen against Hong Kong dollar, along with the outbreak of contagious disease (the outbreak of measles in Okinawa in March 2018) and natural disasters (the earthquake with a magnitude of 6.1 on the Richter Scale in Osaka in June 2018), the Group adopted competitive marketing pricing strategy to maintain the tourist traffic flow. As a result, the operating result during the Period fell short of expectation. For the six months ended 30 June 2018, the Group recorded total revenue of approximately HK$877.5 million (corresponding period in 2017: HK$751.3 million), representing an increase of 16.8% as compared to the corresponding period of last year. However, affected by the factors mentioned above, gross profit margin narrowed from 19.3% in the corresponding period of last year to 17.7%. Profit attributable to owners of the Company was approximately HK$18.3 million (corresponding period in 2017: HK$30.3 million), representing a decrease of 39.6% as compared to the corresponding period of last year. For the details of our business performance, please refer to the section headed "Management Discussion and Analysis" below.

The board ("Board") of directors ("Directors") of the Company declared an interim dividend of HK1.0 cent per share for the year ending 31 December 2018, totaling approximately HK$5.0 million (2017: HK2.0 cents per share, totaling approximately HK$10.0 million).

BUSINESS REVIEW

In the face of rapid changes in the market conditions, the Group makes continued efforts in innovation, kept track of the latest market dynamics, while constantly launching travel products with different themes and diversified features, with a view to planning innovative journeys and offering quality services for each customer based on our philosophy of delivering heartfelt services. Competition has become more intense with the technological transformation of marketing methods, the intensive promotion of budget airlines and online sales platforms for travel products. The Group has stepped out of the framework of traditional brick-and-mortar stores and explores new development maps. A number of initiatives had been carried out successively, we provided our own products and services starting from travel buses and hotels, while at the same time providing services of online enquiries and WhatsApp enquiries through online platforms such as our proprietary online travel agency mobile application. Such moves were not only designed to increase the return for stakeholders, but also to bring customers more comprehensive and customised service, and live up to our promise for quality offerings.

The Group's first brand hotel, Osaka Hinode Hotel (大阪逸の彩酒店), was opened last year. The hotel not only was awarded an Excellent rating of 4.2 points out of 5.0 points by Hotels.com in less than half year after its commencement of operation, but also is well-received by its customers with accolades. The Group deeply appreciated the favour and compliment of our customers. As we noticed that the New Private Lodging Business Act (《住宅宿泊事業法》) was rolled out in Japan in June 2018, and factors such as Olympics and Expo in the future which will boost demand for accommodation to increase, the Group acquired four parcels of land with an aggregate site area of approximately 2,103 sq.m. located at the prime location of Okinawa for hotel construction in January 2018 immediately after the opening of the Osaka Hinode Hotel, to meet the growing demand for accommodation needs of tourists in the future.

Adhering to the brand concept of "Bringing More Happiness for Customers (送給客人多一分開心)", our team was dedicated to arranging an innovative and satisfactory journey for customers. The Group was much honoured to be awarded the "Favourite Travel Agency – Package Tours (至愛旅行社－旅行團)" by one of the world's most authoritative travel websites "TripAdvisor", and our team deeply appreciated the recognition and encouragement of customers. The Group continued to add new tourism elements into our products of local tours and special theme package tours. During the Period, the Group became the franchiser and the first travel agency providing franchised special train services outside Japan designated by Train Suite Shiki-shima and Twilight Express Mizukaze luxury train which gain huge popularity in Japan, allowing customers to experience a brand new superior and comfortable train journey. Our special theme package tours, Kenya package tours in East Africa was launched for the first time, giving the opportunity to customers to witness the Great Migration. In addition, the Group joined hands with designated airlines to introduce direct flights to Shikoku Tokushima and Komatsu to Shoryudo in Japan, to provide in-depth tours for customers. We also launched a seasonal product with the theme of "Family Tour – Happy Landing with Parents and Kids (親情約定之旅－一家大細 Happy Landing)", which was designed to allow children to broaden their knowledge along the tour, improve their adaptability in daily life and self-care ability, and increase communication and interaction opportunities between parents and children.

In terms of online marketing, the Group has also cooperated with Citibank, becoming the first travel agency in Hong Kong to use the Citi Pay with Points service. Customers of this bank can use credit card bonus points to offset the amount of the transaction when they shop at our website, which would provide them with a better online shopping experience.

SOCIAL PERFORMANCE

The Group has been committed to fulfilling its corporate social responsibilities. In addition to making donations continuously to institutions in need and endeavouring to build up a harmonious and friendly community, the Group also emphasises on cultivating employees' awareness of social responsibility and encouraging them to participate in charitable community activities to support the people in need. The Group introduces the volunteer activities into orientation, so as to enable employees to realise 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, allowing the employees to experience "It is more blessed to give than to receive."

During the Period, the Group cooperated with "Youth • ROC" for the third consecutive year to sponsor fifteen students to participate in the "2018 Penghu Bay Beach Running Carnival (2018澎湖灣沙灘路跑嘉年華)" held in Taiwan. The Group actively encouraged youngsters to experience and explore the world through running and challenge themselves, and to change for a better life, to bring the team spirit into play, and to grow with health and confidence through running.

In addition, the Group is committed to advocating the concept of "Green Office" and steps up to implementing energy-savings measures to reduce energy consumption by the Group. Apart from the offices, the Group actively improves energy efficiency during the course of providing travel agency services. The Group believes that the efficient use of energy can save costs and reduce the consumption of natural resources at the same time. The Group makes great efforts to enhance the environmental awareness of its employees and customers by encouraging them to use the resources in a responsible manner, particularly in terms of energy-savings and waste management, with a view to minimising the impact of the Group's business operations on the environment.

BUSINESS PROSPECT

In addition to the aforementioned four parcels of land located in Okinawa which were acquired in January 2018, the Group acquired another two parcels of land with an aggregate site area of 225 sq.m. adjacent to the above land parcels at a total consideration of approximately HK$3.3 million in July 2018, in an effort to expand the development of hotel business. The blueprint containing a more detailed plan of hotel development can be soon expected. Although the specific details and schedule for the construction of the hotel project are still in the early conceptual stage and have not been finalised, the Group initially expects the construction of the hotel development project to be completed and to commence operation in early 2020.

To cater for the individual needs of free independent travellers and to provide them with more flexibility to arrange for a more enriched itinerary, the Group has established a newly-invested travel agency company jointly with a business partner of a local non-connected person in Japan. Such company aims to receive the local package tours in Japan and will commence operation in the third quarter of 2018.

In the face of market risks and uncertainties, the Group has never deterred from diversifying travel products portfolio. We endeavour to offer tailored and premium services to cater for different needs of each customer, with a view to providing a truly sincere and enjoyable travel experience. I am confident that, with the heartfelt serving spirit of our team and the innovative and diversified travel products and services, the Group's business growth will be as solid as a rock under the support of customers and business partners. I would like to express my sincere gratitude to the management and staff members for their contribution and dedicated service to the Group's business development, as well as our shareholders, customers and business partners for their trust and support.

Yuen Man Ying
Chairman and Executive Director

Hong Kong, 27 August 2018

MANAGEMENT DISCUSSION AND ANALYSIS

Group Overview

The Group had reached the stage to diversify and optimise its product mix by delivering its own products and services through its overseas investment. It is inevitable that challenges of market and environmental changes will expose itself under business risk and uncertainty, however, the Group's products and services are still well-recognised by series of awards for maintaining high service quality and service standards. During the first half of 2018, as a result of unexpected business and economic conditions like appreciation of Japanese yen ("JPY") against Hong Kong dollar ("HKD"), followed by the recent outbreak of contagious disease (Measles outbreak in Okinawa in March 2018) and natural disaster (Earthquake in Osaka in June 2018), the Company had to adopt a market competitive pricing strategy for its package tour products in order to maintain the tourist traffic flow, which adversely affected its operation results for the six months ended 30 June 2018.

Despite the Group's revenue and gross profit increased by 16.8% and 6.9% respectively from approximately HK$751.3 million in 2017 to approximately HK$877.5 million in 2018, and from approximately HK$145.0 million in 2017 to approximately HK$155.0 million in 2018, gross profit margin decreased from 19.3% in 2017 to 17.7% in 2018 over the first half of the respective years. Profit attributable to owners of the Company decreased by 39.6% to approximately HK$18.3 million in the first half of 2018 (six months ended 30 June 2017: HK$30.3 million).

Basic earnings per share for profit attributable to owners of the Company for the first half of 2018 was HK3.64 cents (six months ended 30 June 2017: HK6.03 cents). Details of utilisation of net proceeds from the 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.

Revenue and gross profit from various business segments for the periods are set out as follows:

	Six months ended 30 June					
	2018			2017		
	Revenue	**Gross profit**	**Gross profit margin**	Revenue	Gross profit	Gross profit margin
	HK$'000	***HK$'000***	***%***	*HK$'000*	*HK$'000*	*%*
Package tours						
– Japan	**478,112**	**64,057**	**13.4**	466,638	81,035	17.4
– Non-Japan	**251,278**	**25,079**	**10.0**	208,321	25,183	12.1
Total package tours	**729,390**	**89,136**	**12.2**	674,959	106,218	15.7
FIT Products and ancillary travel related products and services	**112,794**	**39,391**	**34.9**	76,305	38,746	50.8
Hotel operation	**35,346**	**26,480**	**74.9**	–	–	–
Total	**877,530**	**155,007**	**17.7**	751,264	144,964	19.3

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 83.1% to the Group's total revenue during the first half of 2018 (six months ended 30 June 2017: 89.8%).

Japan-bound package tours remain the major source of the Group's revenue, which contributed 54.5% (six months ended 30 June 2017: 62.1%) to the Group's total revenue during the period under review. Driven by appreciation of JPY against HKD, higher costs of travel elements of Japan-bound package tours was resulted. In view of the contagious disease and natural disaster in Japan as mentioned above, the Group decided to adopt a market competitive pricing strategy to maintain the tourist traffic flow. Despite the number of customers was increased from 50,164 in the first half of 2017 to 52,763 in the first half of 2018 and revenue increased by 2.5% from approximately HK$466.6 million in 2017 to approximately HK$478.1 million in 2018 over the same period, gross profit decreased by 21.0% and gross profit margin decreased by 4.0 percentage points as compared to same period in 2017.

For non-Japan-bound package tours, number of customers was increased from 33,381 in the first half of 2017 to 37,211 in the first half of 2018, revenue increased by 20.6%, whilst gross profit and gross profit margin decreased slightly by 0.4% and 2.1 percentage points as compared to the same period in 2017. Facing the price-cutting trend in the market for the tours bound to Europe, Korea and Taiwan, and also the earthquakes occurred in Taiwan Hualien in early 2018, all of these caused the performance of non-Japan-bound package tours became stagnant.

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. Intensive competition from airlines and online travel agency platform, together with price-cutting trend in tourism industry also caused negative impact on the performance of sales of FIT Products and ancillary travel related products and services, gross profit margin decreased 15.9 percentage points despite the revenue and gross profit increased by 47.8% and 1.7% respectively as compared to the first half of 2017.

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 4.0% to the Group's total revenue during the first half of 2018, amounted to approximately HK$35.3 million. Gross profit and gross profit margin amounted to approximately HK$26.5 million and 74.9% respectively.

Financial Review

Key Financial Ratios

	Six months ended 30 June	
	2018	2017
Gross profit margin	**17.7%**	19.3%
Operating profit margin	**2.2%**	4.5%
Net profit margin*	**2.1%**	4.0%
Interest coverage ratio	**9.6 times**	3,774.6 times
Return on total assets*	**1.9%**	4.0%
Return on equity attributable to owners of the Company*	**5.3%**	8.7%

	As at 30 June 2018	As at 31 December 2017
Current ratio	**1.2 times**	1.6 times
Gearing ratio	**29.0%**	29.7%

* *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. Selling expenses of the Group decreased by 5.6% to approximately HK$42.3 million (six months ended 30 June 2017: HK$44.8 million) which was primarily contributed by the significant decrease in frontline employee costs after restructuring frontline departments.

Administrative Expenses

Employee costs, directors' remuneration, bank charges and rent and rates and management fee and depreciation on property, plant and equipment contributed to majority of administrative expenses.

The Group's administrative expenses increased by 34.9% to approximately HK$101.6 million (six months ended 30 June 2017: HK$75.3 million), the increase was primarily contributed by the significant increase in expenses for hotel business of approximately HK$18.9 million as compared to corresponding period of the last year.

Finance Costs

Imputed interests of approximately HK$21,000 (equivalent to approximately JPY0.3 million) incurred on the bank borrowings for construction of hot spring bath building were capitalised into construction in progress for the six months ended 30 June 2018 (six months ended 30 June 2017: HK$579,000 (equivalent to approximately JPY8.5 million) on the bank borrowings for construction of hotel building). After capitalisation of the above-mentioned imputed interests, finance costs of approximately HK$2.0 million was incurred (six months ended 30 June 2017: HK$9,000 (equivalent to approximately JPY0.1 million) on the bank borrowing for acquisition of one travel bus) on the bank borrowings which were used to finance the construction and decoration of hotel building, the acquisition of travel bus and daily operations of travel related business.

Income Tax Credit

The income tax credit of the Group for the six months ended 30 June 2018 amounted to approximately HK$1.4 million. Such credit was mainly due to deferred tax credit arising from hotel business in Japan as depreciation rates of property, plant and equipment for accounting purposes and for tax purposes in Japan are different.

Adoption of Hong Kong Financial Reporting Standards ("HKFRSs")

The impact of the adoption of HKFRS 9 "Financial Instruments" and HKFRS 15 "Revenue from Contracts with Customers" have been assessed and opening adjustments have been made of which details are set out in note 3 to the interim financial information. The other new or amended HKFRSs that are effective from 1 January 2018 did not have material impact on the Group's accounting policies.

Interest Coverage Ratio

Interest coverage ratio of the Group decreased from 3,774.6 times in 2017 to 9.6 times in 2018 over the first half of the respective years. This is mainly contributed by the sharp decrease in profit before taxation and interest expenses driven by the factors already discussed in the sub-section headed "Management Discussion and Analysis – Business Overview" above and also the factors driven to higher administrative expenses as mentioned above, and more finance costs on bank borrowings were borne for hotel operation and construction of hot spring bath building during the period as compared to the same period of 2017.

Interest coverage ratio is calculated by dividing profit before taxation and interest expenses with finance costs over the respective periods.

Gross Profit Margin, Operating Profit Margin and Net Profit Margin

Operating profit margin of the Group decreased from 4.5% in 2017 to 2.2% in 2018, net profit margin decreased from 4.0% in 2017 to 2.1% in 2018 over the first half of respective years. The decrease in both margins was primarily attributable to the decrease in gross profit margin driven by the factors already discussed in the sub-section headed "Management Discussion and Analysis – Business Overview" above and also the factors driven to higher administrative expenses as mentioned above.

Current Ratio

As at 30 June 2018, the Group's current ratio was 1.2 times (as at 31 December 2017: 1.6 times). The slight decrease in current ratio was mainly attributable to increase in bank borrowings of approximately HK$33.3 million.

Gearing Ratio

The Group's gearing ratio was 29.0% (as at 31 December 2017: 29.7%) as the Group had further drawn down the bank borrowing for construction of hot spring bath building, whilst its impact was net-off by additions of property, plant and equipment and more cash and cash equivalents hold on hand.

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 1.9% (six months ended 30 June 2017: 4.0%) and 5.3% (six months ended 30 June 2017: 8.7%) respectively. The decrease in return on total assets and return on equity were mainly due to decrease in profit attributable to owners of the Company during the first half of 2018 as compared to that of 2017.

Capital Structure, Liquidity and Financial Resources

The Group had withdrawn bank borrowing of approximately JPY139.0 million (equivalent to approximately HK$9.8 million) for construction of hot spring bath building, the carrying amount of the bank borrowing as at 30 June 2018 amounted to approximately JPY137.8 million (equivalent to approximately HK$9.7 million) (as at 31 December 2017: Nil).

Regarding to the construction of Osaka Hinode Hotel in the last year, the carrying amount of the bank borrowings as at 30 June 2018 amounted to approximately JPY3,541.5 million (equivalent to approximately HK$249.3 million) (as at 31 December 2017: HK$242.9 million).

For acquisition of five travel buses in the last year, the carrying amount of the bank borrowing as at 30 June 2018 amounted to approximately JPY105.2 million (equivalent to approximately HK$7.4 million) (as at 31 December 2017: HK$8.0 million).

Furthermore, the Group had withdrawn bank borrowings of HK$94.4 million to finance the short-term needs for travel related business operation. As at 30 June 2018, the outstanding balances of such bank borrowings amounted to HK$20.0 million have been fully repaid in July 2018 (as at 31 December 2017: Nil).

Other than the above, the Group financed its operation with its own capital, with the total equity attributable to owners of the Company as at 30 June 2018 amounted to approximately HK$343.5 million (as at 31 December 2017: HK$336.2 million).

As at 30 June 2018, the Group's cash at banks and on hand amounted to approximately HK$307.5 million (as at 31 December 2017: HK$263.4 million). Cash at banks and on hand were mainly denominated in HKD accounting for approximately 59.2% (as at 31 December 2017: 71.6%), Macau Pataca ("MOP") accounting for approximately 6.4% (as at 31 December 2017: 4.3%), Renminbi accounting for approximately 3.8% (as at 31 December 2017: 6.9%), Euro accounting for approximately 7.9% (as at 31 December 2017: 1.8%) and JPY accounting for approximately 16.3% (as at 31 December 2017: 8.5%).

Pledge of Assets

As at 30 June 2018, the Group had pledged bank deposits of approximately HK$6.3 million (as at 31 December 2017: HK$29.6 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. As a result of corporate guarantee was provided by the Company and the Executive Directors guaranteed to maintain the control over the management and business of the Group, a decrease in pledged bank deposits was recorded. The Group's total guarantees amounted to approximately HK$27.6 million (as at 31 December 2017: HK$18.5 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 30 June 2018, property, plant and equipment of Osaka Hinode Hotel and that of hot spring bath building and travel buses of approximately HK$288.3 million (as at 31 December 2017: HK$269.8 million) were pledged for the bank borrowings as mentioned in the sub-section headed "Management Discussion and Analysis – Financial Review – Capital Structure, Liquidity and Finance Resources".

Save as disclosed above, the Group had no other pledge of assets as at 30 June 2018.

Capital Commitments and Future Capital Expenditures

The estimated capital expenditure for construction of hot spring bath building is approximately JPY781.8 million (equivalent to approximately HK$55.0 million translated at the exchange rate of 0.07039 as at 30 June 2018) and the construction work is expected to be completed in early 2019. As at 30 June 2018, the capital expenditure of approximately JPY18.0 million (equivalent to approximately HK$1.3 million) and approximately JPY558.4 million (equivalent to approximately HK$39.3 million) were estimated to be paid in the second half of 2018 and in the first half of 2019 respectively (as at 31 December 2017: HK$1.2 million). The Groups intends to finance such estimated development costs through internal resources and bank financing.

In addition, as at 30 June 2018, the Group had capital commitments of acquisition of property, plant and equipment and freehold land in Okinawa approximately HK$10.2 million (as at 31 December 2017: HK$63.5 million).

The Group plans to construct a new hotel in Okinawa and is expected to be completed in early 2020. As the construction plan is in its early conceptual stage, specific details and implementation timetable is not yet available.

Future capital expenditures as stated in the 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 30 June 2018 (as at 31 December 2017: 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 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. Since 1 January 2018, the defined period has been standardised to one week. The procedures do not allow us to exercise any judgement over the future direction of foreign exchange fluctuation and are strict procedural steps for our operational staff to follow. The Group will review the procedures from time to time and make appropriate changes when necessary.

Other than the transactional foreign currency exchange risk, assets and liabilities of the group entities are mainly denominated in its respective functional currency. The Group's treasury management policy is to place surplus cash into bank deposits with licensed banks in mainly Hong Kong, Macau and Japan. Also, working capital are centrally managed to ensure proper and efficient collection and deployment of funds, and sufficient funds to settle liabilities when they fall due. Net exchange gain of approximately HK$4.8 million was recorded during the first half of 2018 (six months ended 30 June 2017: HK$5.7 million).

Human Resources and Employee's Remuneration

As at 30 June 2018, the Group had a total workforce of 630 employees (as at 31 December 2017: 658), of which 211 (as at 31 December 2017: 211) were full-time tour escorts. Employees' remuneration packages are determined with reference to the market information and individual performance and will be reviewed on a regular basis. The remuneration policy will be reviewed by the Board from time to time. Emoluments of Directors are determined by the remuneration committee of the Board after considering the Group's operating results, individual performance and comparing with market conditions. In addition to basic remuneration, the Group also provides medical insurance, provident funds and other benefits in kind to the employees.

To intensify personnel training and development, the Group provides a series of employee training programmes, which aims to accelerate professional growth and identify competences and talents of diversified teams. 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 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 2018. During the first half of 2018, there was no significant change in the remuneration policies, bonus, Share Option Scheme and training scheme of the Group.

Outlook

The Group is keen on pursuing long-term sustainable growth through its diversified business, after the grand opening of Osaka Hinode Hotel and acquisition of four parcels of land in Okinawa for development of a new hotel, the Group had further acquired 2 parcels of land with an aggregate site area of approximately 225 sq.m. in Okinawa in July 2018, which is situated next to those 4 parcels of land already acquired. The development scale of new hotel in Okinawa is further expanded, and target to meet the increasing demand of accommodation need of the Group's customers.

Use of Proceeds from the IPO

The net proceeds from the IPO 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 30 June 2018:

Use of Proceeds		**Utilised up to 30 June 2018** *HK$'000*	**Unutilised as at 30 June 2018** *HK$'000*
(i)	Enhancing sales channel		
	– Refurbishment and face lifting of existing branches	**8,383**	**817**
	– Development of a comprehensive online web portal	**17,400**	**–**
(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	**5,961**	**5,539**
(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	**5,800**	**–**
(iv)	Developing overseas wedding tours	**5,700**	**–**
(v)	For working capital and other general corporate purposes	**9,500**	**–**
		109,444	**6,356**

As at 30 June 2018, 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 2018, 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 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 2018.

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

During the six months ended 30 June 2018, 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 2018 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 2018 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 AND CLOSURE OF REGISTER OF MEMBERS

The Board declared an interim dividend of HK1.0 cent per share (2017: 2.0 cents) for the year ending 31 December 2018.

Relevant Dates for Interim Dividend Payment

	Hong Kong Time
Ex-dividend date	Monday, 10 September 2018
Latest time to lodge transfer documents for registration with Company's registrar	At 4:30 pm on Tuesday, 11 September 2018
Closure of register of members	Wednesday, 12 September 2018 to Thursday, 13 September 2018 (both dates inclusive)
Record date	Thursday, 13 September 2018
Expected payment date	Friday, 28 September 2018

To qualify for the interim 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 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 2018.

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

Hong Kong, 27 August 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.