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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 2019

GROUP FINANCIAL HIGHLIGHTS

	Six months ended 30 June		
	2019	2018	Change in
	HK$'000	*HK$'000*	*%*
Revenue	**847,840**	877,530	-3.4
Gross profit	**157,345**	155,007	+1.5
Profit attributable to owners of the Company	**6,898**	18,306	-62.3
Earnings per share			
Basic and diluted *(HK cents)*	**1.37**	3.64	
Profit margin			
Gross profit margin	**18.6%**	17.7%	
Operating profit margin	**1.1%**	2.2%	
Net profit margin	**0.8%**	2.1%	
Return on equity attributable to owners of the Company	**2.0%**	5.3%	
	As at 30 June 2019	As at 31 December 2018	
Gearing ratio	**29.5%**	29.6%	

Note: Details of the dividends attributable to owners of the Company for the period are set out in note 8 to the interim financial information.

The board (the "Board") of directors (the "Directors") of EGL Holdings Company Limited (the "Company") announces the unaudited condensed consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2019 together with comparative figures for the corresponding period in 2018 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2019

		Six months ended 30 June	
		2019	2018
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
Revenue	*5*	**847,840**	877,530
Cost of sales		**(690,495)**	(722,523)
Gross profit		**157,345**	155,007
Other income and gains, net	*5*	**3,168**	6,743
Selling expenses		**(42,224)**	(42,251)
Administrative expenses		**(108,548)**	(101,624)
Share of results of associates		**1,434**	1,059
Finance costs	*6*	**(3,582)**	(1,972)
Profit before income tax	*6*	**7,593**	16,962
Income tax (expense)/credit	*7*	**(387)**	1,409
Profit for the period		**7,206**	18,371
Other comprehensive income, that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		**1,866**	895
Share of exchange differences on translation of foreign associates		**(447)**	(323)
Effect on cash flow hedge, net of tax		**238**	–
Other comprehensive income for the period, net of tax		**1,657**	572
Total comprehensive income for the period, net of tax		**8,863**	18,943
Profit for the period attributable to:			
Owners of the Company		**6,898**	18,306
Non-controlling interests		**308**	65
		7,206	18,371
Total comprehensive income for the period attributable to:			
Owners of the Company		**8,595**	18,956
Non-controlling interests		**268**	(13)
		8,863	18,943
Earnings per share for profit attributable to owners of the Company			
– Basic and diluted (HK cents)	*9*	**1.37**	3.64

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2019

	Notes	As at 30 June 2019 (Unaudited) HK$'000	31 December 2018 (Audited) HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**482,456**	440,994
Right-of-use assets		**76,647**	–
Construction in progress		**55,544**	32,782
Interests in associates		**11,598**	10,611
Deferred tax assets		**11,748**	8,301
Deposits	*11*	**1,683**	2,669
		639,676	495,357
Current assets			
Inventories		**2,437**	4,273
Trade receivables	*10*	**9,988**	10,079
Deposits, prepayments and other receivables	*11*	**165,454**	162,115
Amounts due from an associate		**3,941**	2,348
Tax recoverable		**947**	1,994
Pledged bank deposits		**6,456**	6,307
Cash at banks and on hand		**247,499**	230,003
		436,722	417,119
Current liabilities			
Trade payables	*12*	**47,474**	58,749
Accruals and other payables	*13*	**55,713**	64,140
Contract liabilities		**227,435**	150,215
Amounts due to associates		**1,310**	3,900
Lease liabilities		**46,525**	–
Provision for taxation		**1,678**	3,175
Bank borrowings	*14*	**37,816**	34,836
		417,951	315,015
Net current assets		**18,771**	102,104
Total assets less current liabilities		**658,447**	597,461

		As at	
		30 June	31 December
		2019	2018
		(Unaudited)	(Audited)
	Notes	***HK$'000***	*HK$'000*
Non-current liabilities			
Provision		**787**	779
Bank borrowings	*14*	**280,182**	234,802
Lease liabilities		**27,240**	–
Deferred tax liabilities		**1,919**	1,674
Derivative financial instruments		**2,760**	2,055
		312,888	239,310
Net assets		**345,559**	358,151
EQUITY			
Capital and reserves attributable to owners of the Company			
Share capital	*15*	**50,245**	50,245
Reserves		**293,267**	304,770
		343,512	355,015
Non-controlling interests		**2,047**	3,136
Total equity		**345,559**	358,151

NOTES TO THE INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2019

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 PO Box 1350, Clifton House, 75 Fort Street, 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 2018 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 2019. 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 2018 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 2018 consolidated financial statements.

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

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

- HKFRS 16, Leases
- HK(IFRIC)-Int 23, Uncertainty over Income Tax Treatments
- Amendments to HKFRS 9, Prepayment Features with Negative Compensation
- Amendments to HKAS 19, Plan Amendment, Curtailment or Settlement
- Amendments to HKAS 28, Long-term Interests in Associates and Joint Ventures
- Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23 included in Annual Improvements to HKFRSs 2015-2017 Cycle

The impact of the adoption of HKFRS 16 "Leases" ("HKFRS 16") has been summarised below. The other new or amended HKFRSs that are effective from 1 January 2019 did not have any material impact on the Group's accounting policies.

(i) Impact of adoption of HKFRS 16

HKFRS 16 brings significant changes in accounting treatment for lease accounting, primarily for accounting for lessees. It supersedes HKAS 17 "Leases" ("HKAS 17"), HK(IFRIC)-Int 4 "Determining whether an Arrangement contains a Lease" ("HK(IFRIC)-Int 4"), HK(SIC)-Int 15 "Operating Leases-Incentives" and HK(SIC)-Int 27 "Evaluating the Substance of Transactions Involving the Legal Form of a Lease". From a lessee's perspective, almost all leases are recognised in the consolidated statement of financial position as right-of-use assets and lease liabilities, with the narrow exception to this principle for leases of which the underlying assets are of low-value or are determined as short-term leases. From a lessor's perspective, the accounting treatment is substantially unchanged from HKAS 17. For details of HKFRS 16 regarding its new definition of a lease, its impact on the Group's accounting policies and the transition method adopted by the Group as allowed under HKFRS 16, please refer to section (ii) to (iv) of this note.

The Group has applied HKFRS 16 using the modified retrospective approach and recognised all the cumulative effect of initially applying HKFRS 16 as an adjustment to the opening balance of retained earnings, if any, at the date of initial application. The comparative financial information presented for 2018 has not been restated and continues to be reported under HKAS 17 and related interpretations as allowed by the transition provision in HKFRS 16.

The following table summarised the impact of transition to HKFRS 16 on the condensed consolidated statement of financial position as of 31 December 2018 to that of 1 January 2019 as follows:

	Increase/ (Decrease) in *HK$'000*
Condensed consolidated statement of financial position as at 1 January 2019	
Right-of-use assets	105,187
Lease liabilities (non-current)	32,777
Lease liabilities (current)	67,942
Prepayments	(4,468)

The following reconciliation explains how the operating lease commitments disclosed applying HKAS 17 as at 31 December 2018 could be reconciled to the lease liabilities at the date of initial application recognised in the condensed consolidated statement of financial position as at 1 January 2019:

	HK$'000
Reconciliation of operating lease commitments to lease liabilities	
Operating lease commitment as of 31 December 2018	105,428
Less: future interest expenses	(4,709)
Total lease liabilities as of 1 January 2019	100,719

The weighted average of the lessees' incremental borrowing rates applied to lease liabilities by the relevant group entities recognised in the condensed consolidated statement of financial position as at 1 January 2019 is 5.4% per annum.

The carrying amount of right-of-use assets as at 1 January 2019 comprises the following:

	HK$'000
Right-of-use assets relating to:	
Operating lease recognised upon application of HKFRS 16	100,719
Reclassified from prepaid lease payments	4,468
Carrying amount as at 1 January 2019	105,187
By class:	
Rental premises	34,840
Office equipment	12,008
Travel buses	58,339
	105,187

Note: Upon application of HKFRS 16, the current portion of prepaid lease payments of travel buses which was previously included in the line item of deposits, prepayments and other receivables amounting to HK$4,468,000 was reclassified to right-of-use assets.

After the initial recognition of right-of-use assets and lease liabilities as at 1 January 2019, the Group as a lessee is required to recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. This results in a positive impact on the reported profit from operations in the Group's consolidated statement of profit or loss and other comprehensive income, as compared to the results if HKAS 17 had been applied during the period.

In the consolidated statement of cash flows, the Group as a lessee is required to split rentals paid under capitalised leases into their capital element and interest element. These elements are classified as financing cash outflows, similar to how leases previously classified as finance leases under HKAS 17 were treated, rather than as operating cash outflows, as was the case for operating leases under HKAS 17. The adoption of HKFRS 16 therefore results in a change in presentation of cash flows within the consolidated statement of cash flows.

(ii) New definition of a lease

Under HKFRS 16, a lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the "underlying asset") for a period of time in exchange for consideration. A contract conveys the right to control the use of an identified asset for a period of time when the customer, throughout the period of use, has both: (a) the right to obtain substantially all of the economic benefits from use of the identified asset and (b) the right to direct the use of the identified asset.

For a contract that contains a lease component and one or more additional lease or non-lease components, a lessee shall allocate the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease component, unless the lessee apply the practical expedient which allows the lessee to elect, by class of underlying asset, not to separate non-lease component from lease component, and instead account for each lease component and any associated non-lease component as a single lease component.

The Group has elected not to separate non-lease component and account for all each lease component and any associated non-lease component as a single lease component for all leases.

(iii) Accounting as a lessee

Under HKAS 17, a lessee has to classify a lease as an operating lease or a finance lease based on the extent to which risks and rewards incidental to ownership of a lease asset lie with the lessor or the lessee. If a lease is determined as an operating lease, the lessee would recognise the lease payments under the operating lease as an expense over the lease term. The asset under the lease would not be recognised in the statement of financial position of the lessee.

Under HKFRS 16, all leases (irrespective of they are operating leases or finance leases) are required to be capitalised in the statement of financial position as right-of-use assets and lease liabilities, but HKFRS 16 provides accounting policy choices for an entity to choose not to capitalise (i) leases which are short-term leases and/or (ii) leases for which the underlying asset is of low-value.

The Group recognised a right-of-use asset and a lease liability at the commencement date of a lease.

Right-of-use asset

The right-of-use asset should be recognised at cost and would comprise: (i) the amount of the initial measurement of the lease liability (see below for the accounting policy to account for lease liability); (ii) any lease payments made at or before the commencement date, less any lease incentives received; (iii) any initial direct costs incurred by the lessee and (iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. Subsequent to the commencement date, under the cost model, the Group measures the right-of-use assets at cost, less any accumulated depreciation and any accumulated impairment losses, and adjusted for any remeasurement of lease liability. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on straight-line basis over the shorter of useful lives and lease term.

Lease liability

The lease liability should be recognised at the present value of the lease payments that are not paid at the date of commencement of the lease. The lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group shall use the Group's incremental borrowing rate.

The following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date of the lease are considered to be lease payments: (i) fixed payments less any lease incentives receivable; (ii) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at commencement date; (iii) amounts expected to be payable by the lessee under residual value guarantees; (iv) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option and (v) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Subsequent to the commencement date, a lessee shall measure the lease liability by: (i) increasing the carrying amount to reflect interest on the lease liability; (ii) reducing the carrying amount to reflect the lease payments made and (iii) remeasuring the carrying amount to reflect any reassessment or lease modifications, e.g., a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in-substance fixed lease payments or a change in assessment to purchase the underlying asset.

(iv) Transition

As mentioned above, the Group has applied HKFRS 16 using the modified retrospective approach and recognised all the cumulative effect of initially applying HKFRS 16 as an adjustment to the opening balance of retained earnings, if any, at the date of initial application (i.e. 1 January 2019). The comparative financial information presented in this announcement has not been restated and continues to be reported under HKAS 17 and related interpretations as allowed by the transition provision in HKFRS 16.

The Group has recognised the lease liabilities as at 1 January 2019 for leases previously classified as operating lease applying HKAS 17 and measured those lease liabilities at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at 1 January 2019.

The Group has elected to recognise all the right-of-use assets at 1 January 2019 for leases previously classified as operating lease under HKAS 17 at an amount equal to the amount recognised for the remaining lease liabilities, adjusted by the amount of any prepaid or accrued lease payments related to those leases recognised in the consolidated statement of financial position immediately before the date of initial application, and discounted using the lessee's incremental borrowing rate at the date of initial application. For all these right-of-use assets, the Group has applied HKAS 36 "Impairment of Assets" at 1 January 2019 to assess if there was any impairment as on that date.

The Group has also applied a practical expedient that the Group applied a single discount rate to a portfolio of leases with reasonably similar characteristics.

In addition, the Group has also applied the practical expedients such that: (i) HKFRS 16 is applied to all of the Group's lease contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 and (ii) not to apply HKFRS 16 to contracts that were not previously identified as containing a lease applying HKAS 17 and HK(IFRIC)-Int 4.

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 cash at banks, tax recoverable, 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 *HK$'000*	Hotel Business *HK$'000*	Total *HK$'000*
For six months ended 30 June 2019 (unaudited):			
Revenue			
From external customers	**825,146**	**22,694**	**847,840**
Inter-segment revenue	**(11,916)**	**11,916**	**–**
Reportable segment revenue	**813,230**	**34,610**	**847,840**
Reportable segment profit/(loss)	**14,891**	**(4,747)**	**10,144**
Depreciation on property, plant and equipment	**5,038**	**17,763**	**22,801**
Depreciation of right-of-use assets	**38,255**	**–**	**38,255**
Share of results of associates	**1,434**	**–**	**1,434**
Finance costs	**1,747**	**1,835**	**3,582**
Income tax expense/(credit)	**1,442**	**(1,055)**	**387**
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)

	Travel related Business HK$'000	Hotel Business HK$'000	Total HK$'000
As at 30 June 2019 (unaudited):			
Reportable segment assets	**521,714**	**552,983**	**1,074,697**
Reportable segment liabilities	**404,234**	**323,659**	**727,893**
Additions to non-current assets	**118,252**	**77,832**	**196,084**
Share of net assets of associates	**11,598**	**–**	**11,598**
As at 31 December 2018 (audited):			
Reportable segment assets	422,460	487,814	910,274
Reportable segment liabilities	272,964	278,473	551,437
Additions to non-current assets	3,375	105,692	109,067
Share of net assets of associates	10,611	–	10,611

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

	Six months ended 30 June	
	2019 (Unaudited) *HK$'000*	2018 (Unaudited) *HK$'000*
Revenue		
Reportable segment revenue	**847,840**	877,530
Consolidated revenue	**847,840**	877,530

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Profit before income tax		
Reportable segment profit	**10,144**	18,871
Other gains	**2**	1
Unallocated corporate expenses	**(2,553)**	(1,910)
Consolidated profit before income tax	**7,593**	16,962

	As at	As at
	30 June	31 December
	2019	2018
	(Unaudited)	(Audited)
	HK$'000	*HK$'000*
Assets		
Reportable segment assets	**1,074,697**	910,274
Unallocated corporate assets	**1,701**	2,202
Consolidated total assets	**1,076,398**	912,476

	As at	As at
	30 June	31 December
	2019	2018
	(Unaudited)	(Audited)
	HK$'000	*HK$'000*
Liabilities		
Reportable segment liabilities	**727,893**	551,437
Unallocated corporate liabilities	**2,946**	2,888
Consolidated total liabilities	**730,839**	554,325

(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	
	2019	2018	**30 June 2019**	31 December 2018
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Audited)
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong and Macau (place of domicile)	**808,345**	839,657	**89,082**	13,098
Japan	**37,905**	36,399	**526,604**	461,423
Others	**1,590**	1,474	**10,559**	9,866
	847,840	877,530	**626,245**	484,387

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 six months ended 30 June 2019 (six months ended 30 June 2018: Nil).

(e) Disaggregation of revenue

	Travel Related Business		Hotel Business		Total	
	Six months ended 30 June		Six months ended 30 June		Six months ended 30 June	
	2019	2018	**2019**	2018	**2019**	2018
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)	**(Unaudited)**	(Unaudited)
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Primary geographical markets						
Hong Kong and Macau (place of domicile)	**808,345**	839,657	**–**	–	**808,345**	839,657
Japan	**3,295**	1,053	**34,610**	35,346	**37,905**	36,399
Others	**1,590**	1,474	**–**	–	**1,590**	1,474
	813,230	842,184	**34,610**	35,346	**847,840**	877,530
Timing of revenue recognition						
At a point in time	**101,136**	112,794	**–**	–	**101,136**	112,794
Transferred over time	**712,094**	729,390	**34,610**	35,346	**746,704**	764,736
	813,230	842,184	**34,610**	35,346	**847,840**	877,530

5. REVENUE AND OTHER INCOME AND GAINS, 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	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Revenue		
Package tours	**712,094**	729,390
FIT Products *(note)*	**9,136**	11,701
Ancillary travel related products and services *(note)*	**92,000**	101,093
Hotel room rental and ancillary services	**34,610**	35,346
	847,840	877,530

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	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Gross proceeds received and receivable	**150,141**	195,506

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

	As at 30 June 2019 (Unaudited)	As at 31 December 2018 (Audited)
	HK$'000	*HK$'000*
Trade receivables *(note 10)*	**9,988**	10,079
Contract liabilities	**227,435**	150,215

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Other income and gains, net		
Exchange gain, net	**1,815**	4,836
Handling income and forfeited fees from customers	**213**	253
Interest income on bank deposits	**122**	270
Rebate from a supplier	**459**	1,047
Sundry income	**559**	337
	3,168	6,743

6. PROFIT BEFORE INCOME TAX

Profit before income tax is arrived at after charging:

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Cost of inventories recognised as expenses	**6,873**	11,226
Depreciation on property, plant and equipment	**22,801**	20,690
Depreciation on right-of-use assets	**38,255**	–
Operating lease rental in respect of:		
– Premises	**–**	13,987
– Office equipment	**–**	1,694
– Travel buses	**–**	31,142
Finance costs:		
– Interest expense incurred on lease liabilities	**1,776**	–
– Interest expense incurred on derivative financial instruments	**233**	–
– Interest expense incurred on bank borrowings	**1,726**	1,993
– Less: Imputed interest capitalised into construction in progress *(note 14)*	**(153)**	(21)
	3,582	1,972
Employee costs (including directors' emoluments):		
– Salaries and other benefits in kind	**67,718**	64,418
– Retirement scheme contributions	**3,073**	3,015
	70,791	67,433

7. INCOME TAX EXPENSE/CREDIT

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Current tax – Hong Kong Profits Tax		
– Tax for the period	**1,047**	1,441
Current tax – Taiwan Profit-Seeking Enterprise Income Tax		
– Tax for the period	**111**	111
Current tax – Japan Profits Tax		
– Tax for the period	**1,398**	–
Deferred tax		
– Credited to profit or loss for the period	**(2,169)**	(2,961)
	387	(1,409)

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 profit for the six months ended 30 June 2018; and at 8.25% on the first HK$2 million of estimated assessable profits and at 16.5% for the portion of the estimated assessable profits above HK$2 million for the six months ended 30 June 2019.

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

Enterprise Income Tax of the People's Republic of China ("PRC") is calculated at 25% on the estimated assessable profits of a subsidiary operating in the PRC for both periods. The Group has no estimated assessable profit arising from the subsidiary operating in the PRC for both periods.

Taiwan Profit–Seeking Enterprise Income Tax is calculated at 17% on the 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 ranging from approximately 31% to approximately 34.6% (six months ended 30 June 2018: 31%) for the six months ended 30 June 2019 based on the existing legislation, interpretations and practices in respect thereof. No provision for Japan Profits Tax was provided for the six months ended 30 June 2018 as the Group had no estimated assessable profits arising in Japan.

8. DIVIDENDS

(a) Dividends attributable to the period

At the Board meeting held on 23 August 2019, the Board did not recommend the payment of an interim dividend for the six months ended 30 June 2019 (interim dividend for 2018: HK1 cent per share of HK$5,024,500 in total).

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

A final dividend of HK4 cents per share of HK$20,098,000 in total was approved at the annual general meeting and paid during the current interim period (six months ended 30 June 2018: HK1 cent per share of HK$5,024,500 in total).

9. EARNINGS PER SHARE

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Earnings		
Profit attributable to owners of the Company	**6,898**	18,306

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	'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 current interim period and the same period of last year.

10. TRADE RECEIVABLES

	As at 30 June 2019 (Unaudited)	As at 31 December 2018 (Audited)
	HK$'000	*HK$'000*
Trade receivables	**9,988**	10,079

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 2019 (Unaudited)	As at 31 December 2018 (Audited)
	HK$'000	*HK$'000*
0 – 90 days	**9,869**	9,672
91 – 180 days	**119**	326
181 – 365 days	**–**	81
	9,988	10,079

11. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	As at 30 June 2019 (Unaudited) *HK$'000*	As at 31 December 2018 (Audited) *HK$'000*
Non-current asset		
Deposits *(note)*	**1,683**	2,669
Current assets		
Other receivables	**21,833**	14,728
Deposits *(note)*	**12,617**	11,670
Prepayments	**131,004**	135,717
	165,454	162,115

Note: The amount included rental deposits paid to a related company, Great Port Limited ("Great Port"), of approximately HK$2,310,000 (as at 31 December 2018: HK$2,771,000). The amount due is unsecured, interest-free and repayable at the end of the rental periods.

12. TRADE PAYABLES

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

	As at 30 June 2019 (Unaudited) *HK$'000*	As at 31 December 2018 (Audited) *HK$'000*
0 – 90 days	**43,249**	55,105
91– 180 days	**2,653**	2,117
181 – 365 days	**902**	1,339
Over 365 days	**670**	188
	47,474	58,749

13. ACCRUALS AND OTHER PAYABLES

	As at 30 June 2019 (Unaudited)	As at 31 December 2018 (Audited)
	HK$'000	*HK$'000*
Accrued expenses	**12,195**	13,406
Other payables	**43,518**	50,734
	55,713	64,140

14. BANK BORROWINGS

	As at 30 June 2019 (Unaudited)	As at 31 December 2018 (Audited)
	HK$'000	*HK$'000*
Current		
Bank borrowings, secured	**37,816**	34,836
Non-current		
Bank borrowings, secured	**280,182**	234,802
	317,998	269,638

As at 30 June 2019, the bank borrowings of approximately HK$317,998,000 (as at 31 December 2018: HK$269,638,000) were secured by charges over property, plant and equipment and pledged bank deposits with aggregate carrying amounts of HK$391,447,000 (as at 31 December 2018: HK$287,606,000). In addition, among these bank borrowings, an amount of approximately HK$5,774,000 (as at 31 December 2018: HK$6,585,000) was also secured by a property of a former non-controlling shareholder of a subsidiary in Japan.

As at 30 June 2019, the Group accepted the facilities letter issued by banks in Hong Kong and Macau offering for grant of guarantees, general banking facilities, foreign exchange facilities and corporate credit cards in aggregate amounts of HK$142,438,000 (as at 31 December 2018: HK$142,438,000) and the facilities were secured by:

- corporate guarantees provided by the Company;
- personal guarantee provided by Mr. Yuen Man Ying, Mr. Huen Kwok Chuen, Mr. Leung Shing Chiu and Ms. Lee Po Fun;
- a charge over deposits owned by the Group of approximately HK$5,639,000 (as at 31 December 2018: HK$5,609,000).

As at 30 June 2019, none of the bank borrowing has been drawn down (as at 31 December 2018: Nil) in relation to the above facilities letter issued by banks in Hong Kong and Macau.

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 0.80% to 1.67% (as at 31 December 2018: 1.22% to 1.67%) per annum and imputed interest of approximately HK$153,000 (six months ended 30 June 2018: HK$21,000) 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 2018 and 30 June 2019	1,000,000	100,000

	Number	Amount
	'000	*HK$'000*
Ordinary shares, issued and fully paid		
At 31 December 2018 and 30 June 2019	502,450	50,245

MANAGEMENT DISCUSSION AND ANALYSIS

GROUP OVERVIEW

During the first half of 2019, the market needs was clouded by the concerns over frictions in trade between China and the United States and in political situation in Hong Kong. Even the revenue of the Group decreased by 3.4% from approximately HK$877.5 million in 2018 to approximately HK$847.8 million in 2019 over the first half of respective years, gross profit and gross profit margin increased by 1.5% and 0.9 percentage point respectively to approximately HK$157.3 million and 18.6% (six months ended 30 June 2018: HK$155.0 million and 17.7%) as a result of the Group in adopting competitive pricing strategy towards the market changes. Profit attributable to owners of the Company decreased by 62.3% to approximately HK$6.9 million in the first half of 2019 (six months ended 30 June 2018: HK$18.3 million). The increase in operating expenses of the Group's hotel business, which mainly arose from the increase in depreciation of property, plant and equipment following the completion of the construction work of the Group's hot spring bath building in March 2019, was the main drag of the operating results of the Group for the six months ended 30 June 2019.

Basic earnings per share for profit attributable to owners of the Company for the first half of 2019 was HK1.37 cents (six months ended 30 June 2018: HK3.64 cents). Net proceeds from the initial public offering of the shares of the Company (the "IPO") had been fully utilised on intended uses of proceeds before June 2019. Details 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					
	2019			2018		
	Revenue	**Gross profit**	**Gross profit margin**	Revenue	Gross profit	Gross profit margin
	HK$'000	***HK$'000***	*%*	*HK$'000*	*HK$'000*	*%*
Package tours						
– Japan	**438,517**	**66,360**	**15.1**	478,112	64,057	13.4
– Non-Japan	**273,577**	**31,097**	**11.4**	251,278	25,079	10.0
Total package tours	**712,094**	**97,457**	**13.7**	729,390	89,136	12.2
FIT Products and ancillary travel related products and services	**101,136**	**34,310**	**33.9**	112,794	39,391	34.9
Hotel operation	**34,610**	**25,578**	**73.9**	35,346	26,480	74.9
Total	**847,840**	**157,345**	**18.6**	877,530	155,007	17.7

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 84.0% to the Group's total revenue during the first half of 2019 (six months ended 30 June 2018: 83.1%).

Japan-bound package tours remain the major source of the Group's revenue, which contributed 51.7% (six months ended 30 June 2018: 54.5%) to the Group's total revenue during the first half of 2019. Clouded by the concerns over frictions in trade between China and the United States and in political situation in Hong Kong, number of customers decreased by 15.1% from 52,763 in the first half of 2018 to 44,819 in the first half of 2019, revenue decreased by 8.3% from approximately HK$478.1 million in 2018 to approximately HK$438.5 million in 2019 over the same period, whilst gross profit and gross profit margin increased by 3.6% and 1.7 percentage points as compared to the same period in 2018 by adopting competitive pricing strategy towards the market changes.

The result of non-Japan-bound package tours was improved in the first half of 2019 as compared to the same period in 2018, number of customers increased by 8.4% from 37,211 in the first half of 2018 to 40,335 in the first half of 2019, revenue increased by 8.9% from approximately HK$251.3 million to approximately HK$273.6 million, whilst gross profit and gross profit margin increased by 24.0% and 1.4 percentage points as compared to the same period in 2018. The increase was mainly contributed by tours bound to long haul destination and China of which were well-perceived by customers and improved the overall performance of non-Japan-bound package tours in the first half of 2019.

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. Except intensive market competition from budget airlines and online sales platforms, frictions in trade between China and the United States and in political situation in Hong Kong also restrained the growth in sales of FIT Products and ancillary travel related products and services, its revenue recorded a decline of 10.3% from approximately HK$112.8 million in the first half of 2018 to approximately HK$101.1 million in the first half of 2019, which contributed 11.9% (six months ended 30 June 2018: 12.9%) to the Group's total revenue, whilst gross profit and gross profit margin decreased by 12.9% and 1.0 percentage point as compared to the same period in 2018.

HOTEL OPERATION

Revenue from hotel operation mainly represents income generated from letting the hotel rooms, which contributed 4.1% (six months ended 30 June 2018: 4.0%) to the Group's total revenue during the first half of 2019. Revenue was decreased by 2.1% to approximately HK$34.6 million (six months ended 30 June 2018: HK$35.3 million). Gross profit was decreased by 3.4% to approximately HK$25.6 million (six months ended 30 June 2018: HK$26.5 million), and gross profit margin was decreased by 1.0 percentage point to 73.9% (six months ended 30 June 2018: 74.9%) during the first half of 2019.

FINANCIAL REVIEW

KEY FINANCIAL RATIOS

	Six months ended 30 June	
	2019	2018
Gross profit margin	**18.6%**	17.7%
Operating profit margin	**1.1%**	2.2%
Net profit margin*	**0.8%**	2.1%
Interest coverage ratio	**5.8 times**	9.6 times
Return on total assets*	**0.6%**	1.9%
Return on equity attributable to owners of the Company*	**2.0%**	5.3%

	As at 30 June 2019	As at 31 December 2018
Current ratio	**1.0 time**	1.3 times
Gearing ratio	**29.5%**	29.6%

* *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 slightly by 0.1% to approximately HK$42.2 million (six months ended 30 June 2018: HK$42.3 million).

ADMINISTRATIVE EXPENSES

Employee costs, directors' remuneration, bank charges, rent and rates and management fee and depreciation on property, plant and equipment contributed to majority of administrative expenses. Administrative expenses of the Group increased by 6.8% to approximately HK$108.5 million (six months ended 30 June 2018: HK$101.6 million), the increase was primarily contributed by increase in staff costs for travel related business of approximately HK$2.4 million, increase in expenses for hotel business of approximately HK$4.6 million which was mainly driven by the increase in depreciation of hotel's property, plant and equipment of approximately HK$2.8 million following the completion of hot spring bath building construction in March 2019.

FINANCE COSTS

Imputed interests of approximately HK$153,000 (equivalent to approximately JPY2.2 million) incurred on the bank borrowings for construction of hot spring bath building and a hotel building located in Okinawa were capitalised into construction in progress in the first half of 2019 (six months ended 30 June 2018: HK$21,000 (equivalent to approximately JPY0.3 million) on the bank borrowings for construction of hot spring bath building). Upon the completion of hot spring bath building construction in March 2019, imputed interests on construction of hot spring bath building were transferred thereupon to property, plant and equipment.

After capitalisation of the above-mentioned imputed interests, finance costs of approximately HK$1.6 million was incurred (six months ended 30 June 2018: HK$2.0 million on the bank borrowings for construction and decoration of hotel building, acquisition of travel bus and daily operations of travel related business) on the bank borrowings which were used to finance the construction and decoration of hotel buildings and hot spring bath building, and the acquisition of travel buses.

Following the adoption of HKFRS 16 "Leases" by the Group on 1 January 2019, finance costs incurred on lease liabilities in the first half of 2019 amounting to approximately HK$1.8 million (six months ended 30 June 2018: Nil) was recorded.

INCOME TAX EXPENSE/CREDIT

The income tax expense of the Group for the six months ended 30 June 2019 amounted to approximately HK$0.4 million (six months ended 30 June 2018: income tax credit of approximately HK$1.4 million), the expense was mainly resulted from the increase in Japan profits tax of approximately HK$1.4 million and the decrease in the deferred tax credit of approximately HK$0.8 million. The deferred tax mainly arose from the Group's hotel business in Japan as depreciation rates of property, plant and equipment for accounting purposes and for tax purposes in Japan are different.

INTEREST COVERAGE RATIO

Interest coverage ratio of the Group decreased from 9.6 times in 2018 to 5.8 times in 2019 over the first half of the respective years. This was mainly contributed by decrease in profit before interest expenses and taxation resulted from the factors driven to higher administrative expenses as mentioned above, and more finance costs on bank borrowings were borne for hotel business as compared to the first half in 2018.

Interest coverage ratio is calculated by dividing profit before interest expenses on bank borrowings and taxation by interest expenses on bank borrowings over the respective periods.

GROSS PROFIT MARGIN, OPERATING PROFIT MARGIN AND NET PROFIT MARGIN

For the increase in gross profit margin, please refer to the factors already discussed in the sub-section headed "Management Discussion and Analysis – Business Overview" above.

Operating profit margin of the Group decreased from 2.2% in 2018 to 1.1% in 2019 whilst net profit margin decreased from 2.1% in 2018 to 0.8% in 2019 over the first half of the respective years, these were primarily attributable to higher increase in administrative expenses driven by the factors as mentioned above.

CURRENT RATIO

As at 30 June 2019, the Group's current ratio was 1.0 time (as at 31 December 2018: 1.3 times). The slight decrease in current ratio was mainly attributable to increase in contract liabilities of approximately HK$77.2 million.

GEARING RATIO

As at 30 June 2019, the Group's gearing ratio was 29.5% (as at 31 December 2018: 29.6%) as the Group had further drawn down the bank borrowings, whilst its impact was net-off by additions of property, plant and equipment.

Gearing ratio is calculated by dividing the total interest-bearing loans by 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 for the six months ended 30 June 2019 were 0.6% (six months ended 30 June 2018: 1.9%) and 2.0% (six months ended 30 June 2018: 5.3%) 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 2019 as compared to same period in 2018.

CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES

The Group had withdrawn bank borrowing of approximately JPY500.0 million (equivalent to approximately HK$35.8 million) (as at 31 December 2018: JPY349.0 million (equivalent to approximately HK$24.7 million)), up to 30 June 2019, including withdrawal of approximately JPY151.0 million (equivalent to approximately HK$10.8 million) during the first half of 2019, for construction of hot spring bath building which was completed in March 2019, the carrying amount of the bank borrowing as at 30 June 2019 amounted to approximately JPY496.1 million (equivalent to approximately HK$35.5 million) (as at 31 December 2018: JPY346.1 million (equivalent to approximately HK$24.5 million)).

Regarding to the construction of Osaka Hinode Hotel completed in 2017, the carrying amount of the bank borrowings as at 30 June 2019 amounted to approximately JPY3,189.7 million (equivalent to approximately HK$228.5 million) (as at 31 December 2018: JPY3,365.7 million (equivalent to approximately HK$238.5 million)).

To finance the construction of hotel located in Okinawa, the Group had withdrawn bank borrowing of approximately JPY694.0 million (equivalent to approximately HK$49.7 million), the carrying amount of the bank borrowing as at 30 June 2019 amounted to approximately JPY673.1 million (equivalent to approximately HK$48.2 million).

For acquisition of five travel buses in 2017, the carrying amount of the bank borrowing as at 30 June 2019 amounted to approximately JPY80.6 million (equivalent to approximately HK$5.8 million) (as at 31 December 2018: JPY92.9 million (equivalent to approximately HK$6.6 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 30 June 2019 amounted to approximately HK$343.5 million (as at 31 December 2018: HK$355.0 million). As at 30 June 2019, the Group's cash at banks and on hand amounted to approximately HK$247.5 million (as at 31 December 2018: HK$230.0 million). Cash at banks and on hand were mainly denominated in HKD accounting for approximately 57.7% (as at 31 December 2018: 50.9%), MOP accounting for approximately 11.3% (as at 31 December 2018: 8.1%), Renminbi accounting for approximately 1.1% (as at 31 December 2018: 2.3%), Euro accounting for approximately 8.0% (as at 31 December 2018: 6.3%) and JPY accounting for approximately 14.0% (as at 31 December 2018: 23.3%).

PLEDGE OF ASSETS

As at 30 June 2019, the Group had pledged bank deposits of approximately HK$6.5 million (as at 31 December 2018: HK$6.3 million), majority of which were pledged to certain licensed banks in Hong Kong and Macau to secure letters of guarantees issued to certain third parties on behalf of the Group. Together with corporate guarantee provided by the Company and guarantee provided by the executive Directors to maintain the control over the management and business of the Group, the Group's total guarantees amounted to approximately HK$17.6 million (as at 31 December 2018: 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 30 June 2019, property, plant and equipment of Osaka Hinode Hotel, hot spring bath building and hotel construction project in Okinawa, travel buses and certain pledged bank balances in Japan of approximately HK$391.4 million in total (as at 31 December 2018: HK$287.6 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 2019.

CAPITAL COMMITMENTS AND FUTURE CAPITAL EXPENDITURES

The Group had capital commitments of construction work and relevant preliminary works for hotel development in Okinawa of approximately HK$216.9 million (equivalent to approximately JPY3.0 billion) as at 30 June 2019 (as at 31 December 2018: HK$4.8 million (equivalent to approximately JPY68.3 million) for preliminary construction work for hotel development in Okinawa), it mainly included the outstanding commitment for the construction contract for the new hotel in Okinawa with contract sum of JPY3,750.0 million as disclosed in the Company's announcement dated 12 March 2019.

As at 30 June 2019, the Group had capital commitment of approximately HK$1.4 million (as at 31 December 2018: HK$2.5 million) to acquire property, plant and equipment for its travel related business.

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

CONTINGENT LIABILITIES

The Directors considered that there were no material contingent liabilities as at 30 June 2019 (as at 31 December 2018: Nil).

FOREIGN CURRENCY EXCHANGE RISK AND TREASURY POLICIES

Foreign currency exchange risk exposure is encountered by the Group to the extent that receipt from customers and payments to suppliers may not be reconciled, subject to prevailing foreign currency fluctuations. As at 30 June 2019, the Group had one floating to fixed interest rate swap contract with a bank in Japan to hedge its exposure to interest rate risk and cash flow changes of its floating-rate bank borrowings. Other than the aforesaid swap contract, the Group did not rely on hedging arrangements. The Group had implemented foreign exchange risk management procedures to closely monitor the risk exposure. The procedures were established to prevent carrying excessive cash balance in foreign currencies, of which the purchase amounts were limited to the corresponding costs of travel elements based on estimated sales amount for one week, to cover the foreign exchange risk exposure in connection. The objective of our foreign exchange risk management procedures is to cover the foreign exchange risk exposure in connection with those costs of travel elements denominated in foreign currencies to be incurred for one week. The procedures do not allow us to exercise any judgement over the future direction of foreign exchange fluctuation and are strict procedural steps for our operational staff to follow. The Group will review the procedures from time to time and make appropriate changes when necessary. Other than the transactional foreign currency exchange risk, assets and liabilities of the group entities are mainly denominated in its respective functional currency. The Group's treasury management policy is to place surplus cash into bank deposits with licensed banks 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$1.8 million was recorded during the first half of 2019 (six months ended 30 June 2018: HK$4.8 million).

HUMAN RESOURCES AND EMPLOYEE' S REMUNERATION

As at 30 June 2019, the Group had a total workforce of 615 employees (as at 31 December 2018: 635), of which 191 (as at 31 December 2018: 207) 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 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 2019. During the first half of 2019, there was no significant change in the remuneration policies, bonus, share option scheme and training scheme of the Group.

OUTLOOK

The Group provides quality services to customers as it did in the past, aiming at enabling customers to obtain unique and tailored travel experience. Following the operation of the Group's first hotel "Osaka Hinode Hotel" in November 2017, the Group is now constructing a new hotel in Okinawa with construction work commenced from March 2019 as disclosed in the Company's announcement dated 12 March 2019, and it is expected that the hotel construction work will be completed and put into operation in the fourth quarter of 2020. The expanded footprint in hotel business not only provides premium accommodation to customers but also creates business synergy to 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 and had been fully utilised before June 2019. The following table lists out the details of use of net proceeds from the IPO:

	Use of Proceeds	Amounts utilised up to 30 June 2019 *HK$'000*
(i)	Enhancing sales channel	
	– Refurbishment and face lifting of existing branches	**9,200**
	– 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	**11,500**
(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**
		115,800

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 2019, the Board is of opinion that the Company has applied the principles and complied with all the applicable code provisions of the Corporate Governance Code contained in Appendix 14 to the Rules (the "Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the Directors. Having made specific enquiry of the Directors, all the Directors confirmed that they have complied with the required standard set out in the Model Code throughout the six months ended 30 June 2019.

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

During the six months ended 30 June 2019, 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 2019 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 2019 has been reviewed by the Company's independent auditor, BDO Limited, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2019 (interim dividend for 2018: HK1 cent per share).

PUBLICATION OF RESULTS ANNOUNCEMENT AND INTERIM REPORT

This results announcement is published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.egltours.com/travel/pages/investor_relations/#eng.

The interim report of the Company will be despatched to the shareholders of the Company and published on the above websites in September 2019.

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

Hong Kong, 23 August 2019

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.