



WING ON TRAVEL (HOLDINGS) LIMITED

(Incorporated in Bermuda with limited liability)
(Stock Code: 1189)

**PROPOSED
CANCELLATION OF SHARE PREMIUM ACCOUNT
SET OFF OF ACCUMULATED LOSSES
AND
INCREASE IN AUTHORISED SHARE CAPITAL**

The Company intends to put forward for approval by the Shareholders at the SGM resolution(s) to approve the Cancellation and the Set Off pursuant to which:

- (a) the entire amount standing to the credit of the share premium account of the Company will be cancelled; and
- (b) the credit arising from the cancellation of the share premium account will be transferred to the contributed surplus account of the Company and such credit will be partially used to set off against the accumulated losses of the Company.

According to the latest audited accounts of the Company for the year ended 31 December 2004, the accumulated losses of the Company as at 31 December 2004 amounted to approximately HK\$1,120,764,000.00. Based on the latest management accounts of the Company as at 31 March 2005, the share premium account of the Company amounted to approximately HK\$1,296,591,000.00.

The Cancellation and the Set Off are conditional upon:

- (i) the passing at the SGM of a special resolution approving the Cancellation and the Set Off; and
- (ii) compliance by the Company with the requirements of Section 46(2) of the Companies Act 1981 of Bermuda.

In addition, the Directors propose to increase the authorised share capital of the Company from HK\$500,000,000.00 divided into 500,000,000 Shares of HK\$1.00 each to HK\$1,500,000,000.00 divided into 1,500,000,000 Shares by creation of an additional 1,000,000,000 Shares. The increase in the authorised share capital of the Company is conditional upon the passing of an ordinary resolution by the Shareholders at the SGM.

Approval from the Shareholders will be required for the Cancellation, the Set Off and the increase in the authorised share capital of the Company. A circular containing details of the Cancellation, the Set Off, the increase in the authorised share capital of the Company and the notice of SGM will be despatched to the Shareholders as soon as practicable.

PROPOSED CANCELLATION AND THE SET OFF

The Company intends to put forward for approval by the Shareholders at the SGM resolution(s) to approve, subject to the conditions set out below, the Cancellation and the Set Off pursuant to which:

- (a) the entire amount standing to the credit of the share premium account of the Company will be cancelled; and
- (b) the credit arising from the cancellation of the share premium account will be transferred to the contributed surplus account of the Company and such credit will be partially used to set off against the accumulated losses of the Company.

According to the latest audited accounts of the Company for the year ended 31 December 2004, the accumulated losses of the Company as at 31 December 2004 amounted to approximately HK\$1,120,764,000.00. Based on the latest management accounts of the Company as at 31 March 2005, the share premium account of the Company amounted to approximately HK\$1,296,591,000.00.

Conditions of the Cancellation and the Set Off

The Cancellation and the Set Off will be conditional upon:

- (i) the passing at the SGM of a special resolution approving the Cancellation and the Set Off; and
- (ii) compliance by the Company with the requirements of Section 46(2) of the Companies Act 1981 of Bermuda.

None of the above conditions are waivable if the Cancellation and the Set Off proceeds.

Reasons for the Cancellation and the Set Off

The Directors believe that the Cancellation and the Set Off are beneficial to the Company. The latest audited financial statements of the Company for the year ended 31 December 2004 showed that the Company had accumulated losses of approximately HK\$1,120,764,000.00. With such accumulated losses, the Company would not be able to pay dividends to Shareholders until such accumulated losses are eliminated. The Cancellation and the Set Off will allow the Company to eliminate that accumulated losses by transferring the credit amount of the share premium account of the Company, which is capital in nature and non-distributable to the Shareholders, to the contributed surplus account, which is distributable to Shareholders under the Companies Act 1981 of Bermuda. Therefore, the Cancellation and the Set Off will have greater flexibility for the making of dividend distributions, if considered appropriate, in the future.

Effect of the Cancellation and the Set Off

The Directors are of the view that save for the expenses of approximately HK\$320,000.00 to be incurred in relation to the Cancellation and the Set Off, the implementation of the Cancellation and the Set Off will not, by itself, alter the net asset value, business operations, management or financial position of the Company or the proportionate interests of Shareholders and is in the interests of the Company and the Shareholders as a whole.

PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL

The authorised share capital of the Company is HK\$500,000,000.00 divided into 500,000,000 Shares of HK\$1.00 each. In order to accommodate future expansion and growth of the Group, the Directors propose to increase the authorised share capital of the Company from HK\$500,000,000.00 divided into 500,000,000 Shares to HK\$1,500,000,000.00 divided into 1,500,000,000

Shares by creation of an additional 1,000,000,000 Shares. The proposed increase in the authorised share capital of the Company if approved, will provide the Company with greater flexibility for the growth of its shareholder base in the future. The Company does not have any immediate equity fund raising plans or intention.

The increase in the authorised share capital of the Company is conditional upon the passing of an ordinary resolution by the Shareholders at the SGM.

GENERAL

Approval from the Shareholders will be required for the Cancellation, the Set Off and the increase in the authorised share capital of the Company. A circular containing details of the Cancellation, the Set Off, the increase in the authorised share capital of the Company and the notice of SGM will be despatched to the Shareholders as soon as practicable.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions have the following meanings:

“Directors”	the directors of the Company
“Cancellation”	the proposed cancellation of the share premium account of the Company, the details of which are set out in this announcement
“Company”	Wing On Travel (Holdings) Limited, a company incorporated in Bermuda with limited liability and the Shares of which are listed on the Stock Exchange
“Group”	the Company and its subsidiaries
“Set Off”	the proposed set off of the credit balance of the share premium account of the Company against the accumulated losses of the Company as set out in this announcement
“SGM”	the special general meeting of the Company to be convened to consider and approve the Cancellation, the Set Off and the increase in the authorised share capital of the Company
“Shares”	share(s) of a nominal value of HK\$1.00 each in the capital of the Company
“Shareholders”	shareholders of the Company

As at the date of this announcement, the Directors are as follows:–

<i>Executive Directors:</i>	<i>Non-Executive Director:</i>
Mr. Yu Kam Kee, Lawrence <i>M.B.E., J.P.</i>	Mr. Chan Yeuk Wai
(Chairman)	(Honorary Chairman)
Mr. Cheung Hon Kit	
(Managing Director)	<i>Independent Non-Executive</i>
Dr. Yap, Allan	<i>Directors:</i>
Mr. Chan Pak Cheung, Natalis	Mr. Kwok Ka Lap, Alva
Mr. Lui Siu Tsuen, Richard	Mr. Sin Chi Fai
Ms. Luk Yee Lin, Ellen	Mr. Wong King Lam, Joseph

By Order of the Board of
Wing On Travel (Holdings) Limited
Lui Siu Tsuen, Richard
Executive Director

Hong Kong, 17 May 2005