



WING ON TRAVEL (HOLDINGS) LIMITED

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

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2006

The Board of Directors (the "Board") of Wing On Travel (Holdings) Limited (the "Company") is pleased to announce the unaudited results of the Company and its subsidiaries (hereinafter collectively referred to as the "Group") for the six months ended 30 June 2006 together with comparative figures for the corresponding period in 2005 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2006

| | | Six months ended | |
|---|-------|------------------|-------------|
| | | 30.6.2006 | 30.6.2005 |
| | | HK\$'000 | HK\$'000 |
| | NOTES | (Unaudited) | (Unaudited) |
| Turnover | | 919,419 | 836,603 |
| Direct operating costs | | (747,440) | (680,435) |
| Gross profit | | 171,979 | 156,168 |
| Other income | | 5,983 | 3,016 |
| Promotional and marketing expenses | | (22,368) | (24,570) |
| Administrative expenses | | (133,333) | (120,665) |
| Allowance for irrecoverable trade debts | | - | (476) |
| Reversal of impairment loss in respect of leasehold land and buildings | | 849 | - |
| Impairment loss recognised in respect of properties under construction | | (2,500) | - |
| Impairment loss recognised in respect of available-for-sale investments | | (780) | - |
| Change in fair value of investments held for trading | | 170 | (8,358) |
| Discount on acquisition of subsidiaries | | - | 34,730 |
| Finance costs | | (36,397) | (24,280) |
| Imputed interest on convertible notes | | (4,605) | (1,623) |
| Share of results of associates | | 3,022 | 2,195 |
| Loss on disposal of associates | | - | (62) |
| (Loss) profit before taxation | | (17,980) | 16,075 |
| Taxation charge | 5 | (582) | - |
| (Loss) profit for the period | | (18,562) | 16,075 |
| Attributable to: | | | |
| Shareholders of the parent | | (18,613) | 17,344 |
| Minority interests | | 51 | (1,269) |
| | | (18,562) | 16,075 |
| Dividends paid | 6 | 9,188 | - |
| | | HK cents | HK cents |
| (Loss) earnings per share | 7 | (3.61) | 4.34 |
| - Basic | | | |
| - Diluted | | N/A | N/A |

CONDENSED CONSOLIDATED BALANCE SHEET

At 30 June 2006

| | | At | At |
|------------------------------------|-------|-------------|------------|
| | | 30.6.2006 | 31.12.2005 |
| | | HK\$'000 | HK\$'000 |
| | NOTES | (Unaudited) | (Audited) |
| Non-current assets | | | |
| Property, plant and equipment | | 1,680,198 | 1,702,860 |
| Interest in associates | | 19,093 | 220,422 |
| Available-for-sale investments | | 91,845 | 92,625 |
| Goodwill | | 50,862 | 50,862 |
| Investment deposits | | 150,000 | 201,419 |
| Club debenture, at cost | | 713 | 713 |
| | | 1,992,711 | 2,268,901 |
| Current assets | | | |
| Properties held for sale, at cost | | 98 | 98 |
| Inventories | | 5,880 | 6,113 |
| Amounts due from related companies | | 63,757 | 65,177 |
| Amounts due from associates | | 27,930 | 122,449 |
| Trade and other receivables | 8 | 354,464 | 324,505 |
| Loan receivables | | 328,861 | 180,926 |
| Investments held for trading | | 18,173 | 9,086 |
| Tax recoverable | | 12 | 37 |
| Pledged bank deposits | | 11,097 | 6,925 |
| Trading cash balances | | 458 | 284 |
| Bank balances and cash | | 295,568 | 43,103 |
| | | 1,106,298 | 758,703 |
| Assets classified as held for sale | | 354,386 | 4,019 |
| | | 1,460,684 | 762,722 |

| | | At | At |
|--|-------|-------------|------------|
| | | 30.6.2006 | 31.12.2005 |
| | | HK\$'000 | HK\$'000 |
| | NOTES | (Unaudited) | (Audited) |
| Current liabilities | | | |
| Trade and other payables | 9 | 230,044 | 277,368 |
| Loans from related companies | | 12,024 | 361,500 |
| Amounts due to associates | | 8,005 | 11,016 |
| Amounts due to related companies | | 3,936 | 48,289 |
| Obligations under finance leases | | | |
| - amount due within one year | | 62 | 62 |
| Borrowings - amount due within one year | | 33,348 | 38,325 |
| Promissory note | | 165,000 | - |
| | | 452,419 | 736,560 |
| Liabilities associated with assets classified as held for sale | | 170 | - |
| | | 452,589 | 736,560 |
| Net current assets | | 1,008,095 | 26,162 |
| Total assets less current liabilities | | 3,000,806 | 2,295,063 |
| Non-current liabilities | | | |
| Obligations under finance leases | | | |
| - amount due after one year | | - | 31 |
| Borrowings - amount due after one year | | 256,848 | 271,308 |
| Promissory note | | - | 365,000 |
| Convertible notes | | 785,086 | - |
| Deferred taxation | | 244,680 | 244,680 |
| | | 1,286,614 | 881,019 |
| Net assets | | 1,714,192 | 1,414,044 |
| Capital and reserves | | | |
| Share capital | | 61,259 | 437,586 |
| Reserves | | 1,223,820 | 541,390 |
| Equity attributable to shareholders of the parent | | 1,285,079 | 978,976 |
| Minority interests | | 429,113 | 435,068 |
| Total equity | | 1,714,192 | 1,414,044 |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and Hong Kong Accounting Standard 34 "Interim financial reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments which are measured at fair values.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2005 except as described below.

In addition, the Group has applied the following accounting policy for share options granted during the current interim period:

Equity-settled share-based payments are measured at fair value (excluding the effect of non market-based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of the share options that will eventually vest and adjusted for the effect of non market-based vesting conditions, with a corresponding increase in share options reserve. At the time when the share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to accumulated profits.

In the current interim period, the Group has applied, for the first time, a number of new standards, amendments and interpretations (the "new HKFRSs") issued by the HKICPA, which are either effective for accounting periods beginning on or after 1 December 2005 or 1 January 2006. The adoption of the new HKFRSs had no material effect on how the results for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

The Group has not early applied the following new standard, amendment and interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these standard, amendment or interpretations will have no material impact on the result and financial position of the Group.

| | |
|--------------------|---|
| HKAS 1 (Amendment) | Capital Disclosures ¹ |
| HKFRS 7 | Financial Instruments: Disclosures ¹ |
| HK(IFRIC) - INT 7 | Applying the Restatement Approach under HKAS 29 "Financial Reporting in Hyperinflationary Economies" ² |
| HK(IFRIC) - INT 8 | Scope of HKFRS 2 ³ |
| HK(IFRIC) - INT 9 | Reassessment of Embedded Derivatives ⁴ |

¹ Effective for annual periods beginning on or after 1 January 2007.

² Effective for annual periods beginning on or after 1 March 2006.

³ Effective for annual periods beginning on or after 1 May 2006.

⁴ Effective for annual periods beginning on or after 1 June 2006.

3. SEGMENT INFORMATION**Business Segments**

For management purposes, the Group is organised into two operating divisions – travel and related services, and hotel and leisure services. These divisions are the basis on which the Group reports its primary segment information for the respective periods.

Principal activities are as follows:

| | Travel and related services <i>HK\$'000</i> | Hotel and leisure services <i>HK\$'000</i> | Elimination <i>HK\$'000</i> | Consolidated <i>HK\$'000</i> |
|---|--|---|--------------------------------|---------------------------------|
| Six months ended 30 June 2006 | | | | |
| Turnover | | | | |
| External sales | 802,365 | 117,054 | – | 919,419 |
| Inter-segment sales | – | 82 | (82) | – |
| Total | <u>802,365</u> | <u>117,136</u> | <u>(82)</u> | <u>919,419</u> |
| Inter-segment sales are charged at prevailing market price. | | | | |
| Results | | | | |
| Segment results | <u>15,555</u> | <u>21,485</u> | <u>–</u> | <u>37,040</u> |
| Interest income | | | | 4,790 |
| Impairment loss recognised in respect of available-for-sale investments | | | | (780) |
| Change in fair value of investments held for trading | | | | 170 |
| Unallocated corporate expenses | | | | (21,220) |
| Finance costs | | | | (36,397) |
| Imputed interest on convertible notes | | | | (4,605) |
| Share of results of associates | (1,730) | 4,752 | – | <u>3,022</u> |
| Loss before taxation | | | | (17,980) |
| Taxation charge | | | | (582) |
| Loss for the period | | | | <u>(18,562)</u> |

| | Travel and related services <i>HK\$'000</i> | Hotel and leisure services <i>HK\$'000</i> | Elimination <i>HK\$'000</i> | Consolidated <i>HK\$'000</i> |
|---|--|---|--------------------------------|---------------------------------|
| Six months ended 30 June 2005 | | | | |
| Turnover | | | | |
| External sales | 734,107 | 102,496 | – | 836,603 |
| Inter-segment sales | – | 591 | (591) | – |
| Total | <u>734,107</u> | <u>103,087</u> | <u>(591)</u> | <u>836,603</u> |
| Inter-segment sales are charged at prevailing market price. | | | | |
| Results | | | | |
| Segment results (<i>note</i>) | <u>18,247</u> | <u>43,395</u> | <u>–</u> | 61,642 |
| Interest income | | | | 1,961 |
| Change in fair value of investments held for trading | | | | (8,358) |
| Unallocated corporate expenses | | | | (15,400) |
| Finance costs | | | | (24,280) |
| Imputed interest on convertible notes | | | | (1,623) |
| Share of results of associates | 29 | 2,166 | – | 2,195 |
| Loss on disposal of associates | (62) | – | – | (62) |
| Profit for the period | | | | <u>16,075</u> |

Note: Segment results of hotel and leisure services for the six months ended 30 June 2005 included a discount on acquisition of subsidiaries of HK\$34,730,000.

4. DEPRECIATION

During the period, depreciation of HK\$26,047,000 (HK\$29,726,000 for the six months ended 30 June 2005) was provided in respect of the Group's property, plant and equipment.

5. TAXATION CHARGE

| | Six months ended 30.6.2006 <i>HK\$'000</i> | 30.6.2005 <i>HK\$'000</i> |
|---|--|------------------------------|
| The charge comprises: | | |
| Taxation in other jurisdictions | <u>(582)</u> | – |
| No provision for Hong Kong Profits Tax has been made in both periods as the Group did not have any assessable profit during both periods. | | |
| Taxation in other jurisdictions is calculated at the rates prevailing in the respective jurisdictions. | | |

6. DIVIDENDS

| | Six months ended 30.6.2006 <i>HK\$'000</i> | 30.6.2005 <i>HK\$'000</i> |
|--|--|------------------------------|
| Final dividend paid for 2005 of HK1.5 cents (Final dividend paid for 2004 of nil for the six months ended 30 June 2005) per share | <u>9,188</u> | – |
| The directors do not recommend the payment of an interim dividend for the six months ended 30 June 2006 (HK2 cents per share for the six months ended 30 June 2005). | | |

7. (LOSS) EARNINGS PER SHARE

The calculation of the basic (loss) earnings per share is based on the following data:

| | Six months ended 30.6.2006 <i>HK\$'000</i> | 30.6.2005 <i>HK\$'000</i> |
|---|--|------------------------------|
| (Loss) earnings for the purpose of basic (loss) earnings per share | <u>(18,613)</u> | <u>17,344</u> |
| | <i>Number of shares</i> | |
| Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share | <u>515,901,025</u> | <u>399,180,495</u> |

No disclosure of diluted (loss) earnings per share for both periods is presented as the conversion of the Company's convertible notes and exercise of share options would decrease the loss per share for the six months ended 30 June 2006 and increase the earnings per share for the six months ended 30 June 2005.

8. TRADE AND OTHER RECEIVABLES

Included in trade and other receivables are trade receivables of HK\$25,842,000 (at 31 December 2005: HK\$20,596,000) and the aged analysis of the trade receivables at the reporting dates is as follows:

| | At 30.6.2006 <i>HK\$'000</i> | At 31.12.2005 <i>HK\$'000</i> |
|--------------|------------------------------------|-------------------------------------|
| 0 – 30 days | 12,091 | 12,241 |
| 31 – 60 days | 3,200 | 3,051 |
| 61 – 90 days | 2,302 | 1,453 |
| Over 90 days | 8,249 | 3,851 |
| | <u>25,842</u> | <u>20,596</u> |

The Group allows an average credit period of 60 days to local customers and 90 days to overseas customers.

9. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables of HK\$105,757,000 (at 31 December 2005: HK\$130,741,000) and the aged analysis of the trade payables at the reporting dates is as follows:

| | At 30.6.2006 <i>HK\$'000</i> | At 31.12.2005 <i>HK\$'000</i> |
|--------------|------------------------------------|-------------------------------------|
| 0 – 30 days | 56,825 | 71,157 |
| 31 – 60 days | 25,389 | 26,706 |
| 61 – 90 days | 10,227 | 19,022 |
| Over 90 days | 13,316 | 13,856 |
| | <u>105,757</u> | <u>130,741</u> |

MANAGEMENT DISCUSSION AND ANALYSIS

The Hong Kong economy continued to show a growth trend in the first half of 2006 with Gross Domestic Products gone up by 5.2% in the second quarter of the year. Consumer demand remained resilient alongside better employment conditions. This broad-based economic growth led to the improvement in the labour market whereas the seasonally adjusted unemployment rate edged down to a near 5-year low of 5.0% in the second quarter of the year. Private consumption expenditure went up by a solid 5.0% in real terms in the second quarter over a year earlier, further to a 4.5% growth in the first quarter. The strong consumption demand benefited both inbound and outbound travel business during the reporting period in terms of number of travellers and the accompanying spending.

REVIEW OF OPERATIONS

The Group achieved a turnover and loss for the six months ended 30 June 2006 of HK\$919.4 million (2005: HK\$836.6 million) and HK\$18.6 million (2005: a profit of HK\$16.1 million) respectively. The loss for the period was arrived at after taking into account promotional, marketing and administration expenses of HK\$155.7 million (2005: HK\$145.2 million), finance costs of HK\$36.4 million (2005: HK\$24.3 million), imputed interest on convertible notes of HK\$4.6 million (2005: HK\$1.6 million) and share of results of associates of HK\$3.0 million (2005: HK\$2.2 million). The discount on acquisition of subsidiaries of HK\$34.7 million recorded in 2005 did not recur in the reporting period.

Segment Results**Travel and Related Services**

Benefited from the continuous growth of the Hong Kong economy and the improving employment level, people's spending ability and desire to travel were strengthened during the reporting period. Furthermore, Hong Kong Tourism Board's statistics show that the number of inbound arrivals reached 12.2 million during the first half of 2006, representing an 11.1% increase over the same period last year. Coupled with the quality services provided and series of new products launched by the Group, the results of this segment is encouraging. Turnover and contribution to profit of this segment for the period ended 30 June 2006 attained HK\$802.4 million and HK\$15.6 million respectively (2005: HK\$734.1 million and HK\$18.2 million respectively).

Hotel and Leisure Services

As a result of the further expansion of the Closer Economic Partnership Arrangement ("CEPA") and the PRC Individual Visit Scheme, the hotel and leisure business in Hong Kong and the PRC have shown a remarkable growth during the period.

The performance of the Group's hotel and leisure business operated under the three hotels in Hong Kong and the PRC with the "Rosedale" brand, and Luoyang Golden Gulf Hotel in the PRC during the first half of 2006 were largely benefited from the aforesaid arrangements in both the occupancy rates and room rates. Coupled with the adoption of appropriate market positioning strategy, the performance of this segment during the period under review was promising.

The turnover and contribution to profit of this segment for the period achieved HK\$117.1 million and HK\$21.5 million respectively (2005: HK\$102.5 million and HK\$43.4 million respectively). Included in the results for the six months ended 30 June 2005 was a one-off discount on acquisition of subsidiaries amounted to HK\$34.7 million which did not recur in the period under review.

Associates

Resulted from the blooming tourism business in Macau, the Group's 31.73% associate, Kingsway Hotel Limited ("Kingsway"), achieved a net profit for the six months ended 30 June 2006 of approximately HK\$7.8 million of which HK\$4.8 million (2005: HK\$2.2 million) was shared by the Group.

The Group's 50% associate, Travoo International Limited ("Travoo") has commenced operations since January 2006. Turnover of Travoo during the first half of the year attained HK\$67.1 million. The Group's share of loss in the results of Travoo was approximately HK\$1.6 million for the six months ended 30 June 2006.

Material Acquisitions and Disposals

On 13 June 2006, the Group entered into a conditional sale and purchase agreement with an independent third party for the disposal of the Group's 56.91% interest in Triumph Up Investments Limited for a consideration of approximately HK\$252.8 million (the "Disposal"). Triumph Up Investments Limited indirectly holds approximately 55.75% of the issued share capital of Kingsway. Accordingly, the Group's entire approximately 31.73% effective interest in Kingsway will be disposed of. The net proceeds from the Disposal are estimated to be approximately HK\$250.8 million. The Group intends to apply the net proceeds for the purpose of repayment of its borrowings and as the general working capital of the Group. The Disposal has been approved by the shareholders of the Company in the special general meeting held on 17 July 2006. The Disposal has not been completed as at the date of this report.

On 30 June 2006, International Travel Systems Inc. ("ITS"), a wholly owned subsidiary of the Company, has entered into a conditional sale and purchase agreement with a wholly owned subsidiary of Sino Express Travel Limited ("Sino"), a company with its shares being traded on the US Pink Sheets, to dispose of the 100% equity interest held by ITS in a subsidiary established in Guangzhou, the PRC and related shareholder's loan for a total consideration of US\$7,500,000 (equivalent to approximately HK\$58,500,000). Pursuant to the agreement, the consideration would be satisfied by the Purchaser by issuing to ITS (or as it may direct) a total of 32,608,696 shares of common stock in Sino, representing approximately 38.99% of the then issued share capital of Sino, at an issue price of US\$0.23 each. The agreement was completed on 30 August 2006.

Liquidity and Financial Resources

On 1 March 2006, the Company entered into a placing agreement with a placing agent pursuant to which the placing agent conditionally agreed to place, on a best effort basis, 175,000,000 new adjusted shares at a price of HK\$0.69 per new adjusted share to not less than six placees who are independent third parties. The net proceeds of approximately HK\$120 million would be used as the Group's general working capital. In order to facilitate the issue of the placing shares, the Company conducted a capital reorganisation which involved (i) the reduction of the issued share capital of the Company by HK\$0.90 per existing share by cancelling an equivalent amount of paid-up capital per existing share so that the nominal value of each existing share in issue will be reduced from HK\$1.0 to HK\$0.10; and (ii) the subdivision of every unissued existing share into 10 adjusted shares.

The capital reorganisation and the placing were completed on 10 April 2006 and 25 April 2006 respectively.

On 23 March 2006, the Company entered into a total of eight conditional subscription agreements with each of China Enterprises Limited, Hutchison International Limited, a fund manager (on behalf of four other subscribers) and five other subscribers in related to the subscription of the HK\$1,000 million 2% convertible exchangeable notes due in 2011 (the “Notes”) proposed to be issued by the Company which entitled the holders thereof to, among others, convert the principal amount outstanding into 1,265,822,784 new shares of the Company which fall to be issued upon exercise in full of the conversion rights attaching to the Notes at an initial conversion price of HK\$0.79 per share. The net proceeds raised are expected to be used by the Group for the purpose of expanding its hotel business and travel related business. To the extent that the net proceeds are not immediately applied for the above purpose, the Company intends that the net proceeds may be used to reduce the gearing of the Group.

The subscription agreements have been completed and the Notes were issued in June 2006.

At balance sheet date, the Group’s total borrowings were approximately HK\$1,252.3 million (at 31.12.2005: HK\$1,036.2 million) which comprised loans from related companies of HK\$12.0 million (at 31.12.2005: HK\$361.5 million), bank and short term loan repayable within one year of HK\$33.3 million (at 31.12.2005: HK\$38.3 million), bank and other loans repayable after one year of HK\$256.8 million (at 31.12.2005: HK\$271.3 million), obligations under finance leases of HK\$0.1 million (at 31.12.2005: HK\$0.1 million), promissory note of HK\$165.0 million (at 31.12.2005: HK\$365.0 million) repayable in December 2006 and convertible exchangeable notes of HK\$785.1 million (at 31.12.2005: nil) due in June 2011. The convertible exchangeable notes bear interest at a fixed interest rate of 2% per annum. All other borrowings bear floating interest rates.

The gearing ratio, expressed as a percentage of total borrowings to equity attributable to shareholders of the parent, improved from 105.8% to 97.5% as at 30 June 2006.

Pledge of Assets

At 30 June 2006, certain assets of the Group at net book value of HK\$641.2 million (at 31.12.2005: HK\$640.0 million) were pledged to banks and financial institutions for credit facilities. The promissory note is secured by the entire issued share capital of, and shareholders’ loan to, an indirect subsidiary of the Company, Makerston Limited, and its subsidiaries holding the Rosedale Hotel and Suites ■ Beijing.

Contingent Liabilities

The Group did not have any significant contingent liabilities as at 30 June 2006.

Foreign Currency Exposure

The majority of the Group’s assets and liabilities and business transactions are denominated in Hong Kong dollars, US dollars and Renminbi. Therefore, the fluctuation of foreign currencies does not have a significant impact on the performance, results and operations of the Group during the reporting period and in the foreseeable future.

The Group will continue to monitor closely its foreign currency exposure and requirements and to arrange for hedging facilities when necessary.

Employees

At 30 June 2006, the Group has 2,060 employees of which 25 employees were stationed overseas and 1,106 employees were stationed in the PRC. Competitive remuneration packages are structured to commensurate with the responsibilities, qualifications, experience and performance of individual employees. The Group also provided training programmes, mandatory provident fund scheme and medical insurance for its employees. Total staff remuneration incurred for the six months ended 30 June 2006 were approximately HK\$65.8 million (2005: HK\$64.1 million).

The Group had a share option scheme (the “Scheme”), which was approved and adopted by shareholders of the Company on 3 May 2002, to enable the directors to grant options to employees, executives or officers of the Company or any of its subsidiaries (including executive and non-executive directors of the Company or any of its subsidiaries) and any suppliers, consultants, agents or advisers who will contribute or have contributed to the Company or any of its subsidiaries as incentives and rewards for their contribution to the Company or such subsidiaries. The maximum number of shares in respect of which options may be granted under the Scheme, when aggregated with any shares subject to any other schemes, shall not exceed 10% of the issued share capital of the Company on the date of approval and adoption of the Scheme (the “General Limit”). The Company proposed to refresh the General Limit so that the number of shares which may be issued upon exercise of all options to be granted under the Scheme and any other share option schemes of the Company would be increased to 10% of the shares in issue as at the date of approval of the General Limit as “refreshed”. The refreshment of the General Limit was approved by the shareholders of the Company in the annual general meeting held on 19 May 2006.

On 22 June 2006, the Company granted 58,880,000 options at an exercise price of HK\$0.728 per share with exercisable period from 22 June 2006 to 21 June 2008. At balance sheet date, no option has been exercised by the option holders.

PROSPECTS

The China Market

Following the recent inauguration of the Qinghai-Tibet Railway, the operation of daily flights from Shenzhen to Diqing where the well-known “Shangri-la” is located and the application submitted to United Nations Educational, Scientific and Cultural Organisation to add the “Silk Road” in Xinjiang into the list of World Heritage Sites, more and more visitors, for leisure and for academic research, shall come to visit the PRC to lift further the mysterious veil of this old civilised nation. According to the estimation of the China National Tourism Administration, the number of inbound and outbound visitors shall reach 125 million and 4.3 million respectively in 2006 and represents an increase of 7.1% and 12% respectively over 2005. The hosting of the 2008 Beijing Olympic Games, the proposed Shanghai Disney Theme Park and AsiaWorld-Expo, and the grant of Hong Kong and Macau based travel agents to operate outbound tours from January 2007 shall boost further the rocketing PRC tourism market.

The Group has well equipped itself to grasp these tremendous opportunities, through its joint venture, acting as a land operator, in Guangzhou and the newly formed joint venture with a renowned PRC tour operator, to further expand its business in the Mainland aggressively. The Group shall keep on seeking appropriate investment projects to enlarge its network in the Mainland.

Tour Business

Outbound tour fare has been reduced following the budget airlines of the region entering into market during the last two years. Following the city’s first budget airline, being Asia’s first long-haul low-cost carrier, scheduled to have its first take-off to London in mid-October this year, it is expected that the battlefield shall be extended out of Asia into Europe and would be further to the American continent. The Group considers this an opportunity and shall redesign and enhance its product mix to serve the class of customers who would opt for a lower tour fare at an acceptable service level of air transportation.

Further to the regular tour series to popular sightseeing destinations, the Group shall continue to put in considerable resources to develop and launch series of featured products such as photography tours and culture appreciation tours to suit the need of the growing number of customers who prefer to expend on distinctive products with profundity.

Inbound tourism continued to exhibit a broad-based growth in the first half of 2006, with the total number of incoming visitors rising by 11% over a year earlier to 12.2 million. It is expected that the growth shall pursue in the second half of the year and in the coming years resulted from the further liberalisation of the PRC Individual Visit Scheme, the opening of additional game spots by the Hong Kong Disneyland, the newly opened Wetland Park, the skyrail to Po Nin Monastery (Ngong Ping 360) and the Sai Kung “resorts and spa” project under consideration. The Group, as a leader of the industry, shall continue to put in additional resources to strengthen its inbound section to cope with this brilliant sector.

FIT Travel

The group is all the time excelled at FIT travel. The local government’s five-day week commenced from July this year set a good example to the commercial sectors. Increasing number of large organisations have implemented or aggressively considering to adopt the same system. The Group sees this an excellent opportunity to promote its choreographed weekend travel packages to that class of customers with high-income and aspired after enjoyment.

Cruise Business

Following the docking of the Italian cruise liner Costa Allegra in May this year sailing on regular schedule in and out of Hong Kong to the Mainland, the American-based Royal Caribbean Cruise has publicly stated that it sees Hong Kong playing a big part in its future expansion plans and would set up shops in the city. Star Cruises has announced that it will position its newest 50,760 tonne cruise ship to Hong Kong after she completes her season in Hawaii in spring 2007. Hong Kong, being the southern entrance of the Mainland China and geographically located in the middle of Asia Pacific region, has inherent advantage to turn itself into the Asia’s cruises hub. The proposed cruise terminal, a vital element of the recently announced development plan of the former Kai Tak Airport, further proved the Government’s commitment to this direction.

The Group, as a forerunner of the industry, seeing this cruise sector one of the major focus of the travel industry within the next decade, has opened its first cruise centre in June this year. We have deployed a dedicated team of staff who has undergone intensive cruise products training to retail prestigious brands such as Royal Caribbean Cruise, Cunard, MSC and Costa Crociere. The Group shall put in considerable resources to spread this cruise concept throughout its branch network and to provide professional service to our customers of this expanding stratum.

Hotel Operations

Benefited from the booming China inbound market and the Hong Kong Government’s aggressive measures to promote the city, the average room rates and occupancy rates of the three “Rosedale” branded hotels and the Luoyang Golden Gulf Hotel improved remarkably. The coming 2008 Beijing Olympic Games, the grant of outbound operating license to Hong Kong and Macau travel agents and the erection further tourists spots in Hong Kong shall attract more and more visitors to the Mainland and the city. Coupled with our aggressive marketing strategy and the professional services provided by our hotel operating team, the performance and contribution of our hotel business is expected to grow to a considerable extent in the coming years.

The Group, as a precursor of the industry, shall make use of our expertise to keep on exploring further leisure and sightseeing spots around the globe for our valuable customers. We committed to provide our customers free, relaxed and enjoyable holidays.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities during the six months ended 30 June 2006.

AUDIT COMMITTEE

The Audit Committee of the Company has reviewed with the management and the Company’s auditors the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the unaudited financial statements for the six months ended 30 June 2006 on the basis that such review does not in itself constitute an audit. The Audit Committee is not aware of any material modifications that should have been made to the interim financial statements for the six months ended 30 June 2006. The Audit Committee, with written terms of reference in line with the code provisions set out in the Code on Corporate Governance Practices as stipulated 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”), currently comprises three independent non-executive directors, namely Mr. Kwok Ka Lap, Alva, Mr. Sin Chi Fai and Mr. Wong King Lam, Joseph.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with the Code on Corporate Governance Practices (the “Code”) as set out in Appendix 14 to the Listing Rules during the six months ended 30 June 2006 except for the following deviations:–

Code Provision A.2.1

Under the code provision A.2.1, the roles of chairman and chief executive officer should be separated and should not be performed by the same individual. The Company does not at present have any officer with the title of “chief executive officer” (“CEO”) but instead the duties of a CEO are performed by Mr. Cheung Hon Kit, the Managing Director of the Company in the same capacity as the CEO of the Company.

Code Provision A.4.1

Under the code provision A.4.1, non-executive directors should be appointed for a specific term, subject to re-election. The current independent non-executive directors of the Company are not appointed for a specific term. However, all directors (including executive and non-executive) of the Company are subject to retirement by rotation at the annual general meeting in accordance with Bye-Law 99 of the Bye-Laws of the Company. As such, the Company considers that sufficient measures have been taken to ensure that the Company’s corporate governance practices are no less exacting than those in the Code.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the “Model Code for Securities Transactions by Directors of Listed Issuers” as set out in Appendix 10 to the Listing Rules as its own code for dealing in securities of the Company by the directors (the “Model Code”). Having made specific enquiry of all directors, the Company confirmed that all directors have complied with the required standard as set out in the Model Code during the six months ended 30 June 2006.

PUBLICATION OF INTERIM RESULTS ON THE STOCK EXCHANGE’S WEBSITE

All the information of the interim results of the Group for the six months ended 30 June 2006 required by paragraphs 46(1) to 46(9) inclusive of Appendix 16 to the Listing Rules will be published on the Stock Exchange’s website in due course.

As at the date of this announcement, the Board comprises:–

Executive Directors:

Mr. Yu Kam Kee, Lawrence *B.B.S., M.B.E., J.P. (Chairman)*
Mr. Cheung Hon Kit (*Managing Director*)
Dr. Yap, Allan
Mr. Chan Pak Cheung, Natalis
Mr. Lui Siu Tsuen, Richard

Independent Non-Executive Directors:

Mr. Kwok Ka Lap, Alva
Mr. Sin Chi Fai
Mr. Wong King Lam, Joseph

By Order of the Board
Wing On Travel (Holdings) Limited
Yu Kam Kee, Lawrence
Chairman

Hong Kong, 26 September 2006