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WING ON TRAVEL (HOLDINGS) LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 1189)

(Warrant Code: 774)

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2008

The Board of Directors (the "Board") of Wing On Travel (Holdings) Limited (the "Company") announce the audited results of the Company and its subsidiaries (hereinafter collectively referred to as the "Group") for the year ended 31 December 2008 together with comparative figures for the corresponding period in 2007 as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2008

	NOTES	**2008** **HK$'000**	2007 HK$'000
Turnover		**2,216,897**	2,266,163
Direct operating costs		**(1,793,199)**	(1,849,528)
Gross profit		**423,698**	416,635
Investment income		**11,296**	30,484
Other income		**6,040**	8,657
Distribution and selling expenses		**(51,718)**	(51,835)
Administrative expenses		**(471,565)**	(337,744)
Finance costs		**(93,733)**	(139,123)
Share of results of associates		**(45,345)**	(44,891)
Share of result of a jointly controlled entity		**(6,760)**	(650)
Impairment loss recognised in respect of loan and interest receivables		**–**	(14,534)
Impairment loss recognised in respect of available-for-sale investments		**(87,008)**	(6,440)
Impairment loss recognised in respect of goodwill		**(12,705)**	(11,214)
Impairment loss recognised in respect of other intangible assets	*11*	**(192,840)**	–

	NOTES	2008 HK$'000	2007 HK$'000
(Impairment loss recognised) reversed in respect of property, plant and equipment	9	**(316,473)**	2,137
Loss on disposal of properties under construction		**–**	(19,600)
Increase (decrease) in fair value of investments held for trading		**10,228**	(7,143)
Increase in fair value of derivative financial instruments		**3,073**	3,783
Gain on disposal of subsidiaries		**2,729**	82,265
Loss on disposal of subsidiaries		**–**	(274)
Discount on acquisition of subsidiaries		**161**	47,344
Change in fair value of investment properties		**(4,826)**	–
Loss before taxation	5	**(825,748)**	(42,143)
Taxation (expense) credit	6	**(7,165)**	46,631
(Loss) profit for the year		**(832,913)**	4,488
Attributable to:			
Shareholders of the parent		**(688,918)**	(16,199)
Minority interests		**(143,995)**	20,687
		(832,913)	4,488
Dividends	7	**9,103**	11,908
		HK$	*HK$*
Loss per share			
– Basic and diluted	8	**(0.12)**	(0.01)

CONSOLIDATED BALANCE SHEET

At 31 December 2008

	NOTES	2008 HK$'000	2007 HK$'000
Non-current assets			
Property, plant and equipment	*9*	**2,679,888**	2,300,940
Investment properties		**217,777**	174,938
Prepaid lease payments	*10*	**154,019**	–
Interests in associates		**2,737**	66,144
Interest in a jointly controlled entity		**9,069**	6,329
Available-for-sale investments		**162,984**	249,992
Goodwill		**–**	12,705
Other intangible assets	*11*	**263,191**	466,286
Investment deposits and other assets		**109,066**	279,864
Club debentures, at cost		**713**	713
		3,599,444	3,557,911
Current assets			
Inventories		**7,559**	9,283
Amounts due from related companies		**36,419**	64,583
Amounts due from associates		**140,374**	239,145
Trade and other receivables	*12*	**266,689**	481,574
Prepaid lease payments	*10*	**5,635**	–
Loan receivables		**37,744**	94,349
Loans to related companies		**8,757**	30,000
Derivative financial instruments		**–**	5,972
Investments held for trading		**10,190**	27,531
Tax recoverable		**5**	–
Pledged bank deposits		**12,063**	11,916
Trading cash balances		**238**	273
Bank balances and cash		**498,609**	198,774
		1,024,282	1,163,400
Assets classified as held for sale		**–**	92,314
		1,024,282	1,255,714

	NOTES	2008 HK$'000	2007 HK$'000
Current liabilities			
Trade and other payables	*13*	**611,095**	426,936
Provision for loss contingencies		**17,000**	–
Loans from related companies		**188,981**	277,045
Amounts due to associates		**10,075**	12,749
Tax liabilities		**16,273**	2,105
Amounts due to related companies		**51,627**	54,544
Amount due to a jointly controlled entity		**920**	–
Obligations under finance leases – amount due within one year		**284**	45
Borrowings – amount due within one year		**411,901**	88,753
Promissory note		**70,000**	106,455
Consideration note		**–**	21,545
Amounts due to minority shareholders of subsidiaries		**105,167**	98,761
		1,483,323	1,088,938
Liabilities associated with assets classified as held for sale		**–**	21,019
		1,483,323	1,109,957
Net current (liabilities) assets		**(459,041)**	145,757
Total assets less current liabilities		**3,140,403**	3,703,668
Non-current liabilities			
Obligations under finance leases – amount due after one year		**499**	165
Borrowings – amount due after one year		**61,670**	366,659
Convertible notes		**593,235**	554,215
Deferred taxation		**233,484**	220,102
		888,888	1,141,141
Net assets		**2,251,515**	2,562,527
Capital and reserves			
Share capital		**91,199**	182,076
Reserves		**1,745,145**	1,862,406
Equity attributable to shareholders of the parent		**1,836,344**	2,044,482
Minority interests		**415,171**	518,045
Total equity		**2,251,515**	2,562,527

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

In preparing the consolidated financial statements, the directors of the Company have given careful consideration to the future liquidity and going concern of the Group in light of the fact of the Group's loss of approximately HK$832,913,000 for the year ended 31 December 2008 and its current liabilities exceeded its current assets of approximately HK$459,041,000 at 31 December 2008. The directors of the Company are satisfied that the Group will have sufficient financial resources to meet its financial obligations as they fall due for the foreseeable future, after taking into consideration the credit facilities granted by one of the Group's bankers in March 2009 for refinancing borrowings with maturity of more than one year of HK$430,000,000 as well as other undrawn borrowing facilities of HK$770,000,000 at 31 December 2008.

The Directors are of the opinion that, taking into account of the internally generated funds of the Group and the presently available borrowing facilities, the Group has sufficient working capital for its present requirements for the next twelve months from the balance sheet date. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied the following amendments and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") which are or have become effective.

HKAS 39 & HKFRS 7 (Amendments)	Reclassification of Financial Assets
HK(IFRIC) – Int 11	HKFRS 2: Group and Treasury Share Transactions
HK(IFRIC) – Int 12	Service Concession Arrangements
HK(IFRIC) – Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The adoption of the new HKFRSs had no material effect on how the results and financial position 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 and revised standards, amendments or interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Improvements to HKFRSs[1]
HKAS 1 (Revised)	Presentation of Financial Statements[2]
HKAS 23 (Revised)	Borrowing Costs[2]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[3]
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation[2]
HKAS 39 (Amendment)	Eligible hedged items[3]
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate[2]
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations[2]
HKFRS 3 (Revised)	Business Combinations[3]
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments[2]
HKFRS 8	Operating Segments[2]
HK(IFRIC) – Int 9 & HKAS 39 (Amendments)	Embedded Derivatives[4]
HK(IFRIC) – Int 13	Customer Loyalty Programmes[5]
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate[2]
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation[6]
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners[3]
HK(IFRIC) – Int 18	Transfers of Assets from Customers[7]

1 *Effective for annual periods beginning on or after 1 January 2009 except the amendments to HKFRS 5, effective for annual periods beginning on or after 1 July 2009*

2 *Effective for annual periods beginning on or after 1 January 2009*

3 *Effective for annual periods beginning on or after 1 July 2009*

4 *Effective for annual periods ending on or after 30 June 2009*

5 *Effective for annual periods beginning on or after 1 July 2008*

6 *Effective for annual periods beginning on or after 1 October 2008*

7 *Effective for transfers on or after 1 July 2009*

The application of HKFRS 3 (Revised) may affect the Group's accounting for business combination for which the acquisition date is on or after 1 January 2010. HKAS 27 (Revised) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary. The directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis except for investment properties and certain financial instruments, which are measured at fair values, as explained in the accounting policies set out below.

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and by the Hong Kong Companies Ordinance.

4. SEGMENT INFORMATION

In 2008, due to the increasing significance of securities trading and the Group's involvement in the business of providing luxury train services, management of the Company have identified two additional segments and have determined that they are separate reportable segments in 2008. Prior period segment data that is presented for comparative purposes have been restated to reflect the new reportable segment as a separate segment. Accordingly, the four operating divisions – travel and related services, hotel and leisure services, luxury train services and securities trading are the basis on which the Group reports its primary segment information for the respective periods.

Segment information about these businesses is presented as follows:

	Travel and related services HK$'000	Hotel and leisure services HK$'000	Luxury train services HK$'000	Securities trading HK$'000	Elimination HK$'000	Consolidated HK$'000
For the year ended 31 December 2008						
Turnover						
External sales	**1,899,370**	**317,527**	**–**	**–**	**–**	**2,216,897**
Inter-segment sales	**–**	**372**	**–**	**–**	**(372)**	**–**
Total	**1,899,370**	**317,899**	**–**	**–**	**(372)**	**2,216,897**
Inter-segment sales are charged at prevailing market price.						
Results						
Amount excluding impairment losses recognised in respect of goodwill, other intangible assets and property, plant and equipment	**20,132**	**(9,400)**	**(32,189)**	**10,217**	**–**	**(11,240)**
Impairment losses recognised in respect of goodwill, other intangible assets and property, plant and equipment	**(12,033)**	**(109,985)**	**(400,000)**	**–**	**–**	**(522,018)**
Segment results	**8,099**	**(119,385)**	**(432,189)**	**10,217**	**–**	**(533,258)**
Interest income						**11,296**
Gain on disposal of subsidiaries	**2,729**	**–**	**–**	**–**	**–**	**2,729**
Impairment loss recognised in respect of available-for-sale investments						**(87,008)**
Unallocated corporate expenses						**(73,669)**
Finance costs						**(93,733)**
Share of results of associates	**(45,345)**	**–**	**–**	**–**	**–**	**(45,345)**
Share of result of a jointly controlled entity	**–**	**–**	**(6,760)**	**–**	**–**	**(6,760)**
Loss before taxation						**(825,748)**
Taxation expense						**(7,165)**
Loss for the year						**(832,913)**

	Travel and related services HK$'000	Hotel and leisure services HK$'000	Luxury train services HK$'000	Securities trading HK$'000	Elimination HK$'000	Consolidated HK$'000
For the year ended 31 December 2007						
Turnover						
External sales	1,993,792	272,371	–	–	–	2,266,163
Inter-segment sales	–	159	–	–	(159)	–
Total	1,993,792	272,530	–	–	(159)	2,266,163
Inter-segment sales are charged at prevailing market price.						
Results						
Amount excluding impairment loss recognised in respect of goodwill	51,854	38,647	(6,162)	(7,154)	–	77,185
Impairment loss recognised in respect of goodwill	(11,214)	–	–	–	–	(11,214)
Segment results	40,640	38,647	(6,162)	(7,154)	–	65,971
Interest income						30,484
Gain on disposal of subsidiaries	–	82,265	–	–	–	82,265
Loss on disposal of subsidiaries	(274)	–	–	–	–	(274)
Discount on acquisition of subsidiaries	–	47,344	–	–	–	47,344
Impairment loss recognised in respect of available-for-sale investments						(6,440)
Increase in fair value of derivative financial instruments						3,783
Loss on disposal of properties under construction	(19,600)	–	–	–	–	(19,600)
Unallocated corporate expenses						(61,012)
Finance costs						(139,123)
Share of results of associates	(44,891)	–	–	–	–	(44,891)
Share of result of a jointly controlled entity	–	–	(650)	–	–	(650)
Loss before taxation						(42,143)
Taxation credit						46,631
Profit for the year						4,488

5. LOSS BEFORE TAXATION

	2008	2007
	HK$'000	*HK$'000*
Loss before taxation has been arrived at after charging:		
Depreciation of property, plant and equipment	**68,586**	58,455
Amortisation of other intangible assets	**7,825**	2,608
Total depreciation and amortisation	**76,411**	61,063
Allowance for bad and doubtful debts	**1,705**	3,974
Allowance for inventories	**1,530**	1,381
Auditor's remuneration	**4,860**	4,692
Cost of inventories recognised as expenses	**39,106**	32,590
Impairment loss recognised in respect of amounts due from associates	**9,020**	–
Cost of sales of air tickets	**183,403**	240,624
Loss on disposal of property, plant and equipment	**518**	1,839
Loss on disposal of properties held for sale	**–**	68
Minimum lease payments paid in respect of rented premises and equipment	**30,215**	25,831
Share of tax of associates (included in share of results of associates)	**445**	1,070
Staff costs	**214,106**	169,901
and after crediting:		
Gross rental income from hotel properties less direct operating expense of HK$811,000 (2007: HK$694,000)	**17,409**	17,258

6. TAXATION (EXPENSE) CREDIT

	2008	2007
	HK$'000	*HK$'000*
Current tax:		
Hong Kong	**(5,556)**	(821)
Other jurisdictions	**(532)**	(113)
	(6,088)	(934)
Underprovision in other jurisdictions in prior years	**–**	(1)
Deferred tax:		
Current year	**(4,447)**	(2,707)
Attributable to a change in Hong Kong Profits Tax rate	**3,370**	–
Attributable to a change in the PRC Enterprise Income Tax rate	**–**	50,273
	(1,077)	47,566
Taxation (expense) credit	**(7,165)**	46,631

On 26 June 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which reduced corporate profits tax rate from 17.5% to 16.5% effective from the year of assessment 2008/2009. Therefore, Hong Kong Profits Tax is calculated at 16.5% (2007: 17.5%) of the estimated assessable profit for the year. The deferred tax balance has been adjusted to reflect the tax rates that are expected to apply to the respective periods when the asset is realised or the liability is settled.

Taxation arising in other jurisdictions during the year ended 31 December 2008 is calculated at the rates prevailing in the relevant jurisdictions.

On 16 March 2007, the PRC promulgated the Law of the PRC on Enterprise Income Tax (the "New Law") by Order No. 63 of the President of the PRC. On 6 December 2007, the State Council of the PRC issued Implementation Regulations of the New Law. Under the New Law and Implementation Regulations, the Enterprise Income Tax rate of the Group's subsidiaries established in the PRC was reduced from 33% to 25% from 1 January 2008 onwards. No provision for the PRC Enterprise Income Tax has been made in the consolidated financial statements as the assessable profits are wholly absorbed by tax losses brought forward.

7. DIVIDENDS

Dividends recognised as distribution during the year:

	2008	2007
	HK$'000	*HK$'000*
Ordinary shares:		
Final – dividend for 2007 of HK0.5 cent per share (2007: Final – dividend for 2006 of HK1.5 cents per share)	**9,103**	11,908

No dividend was declared during the year in respect of dividend for 2008, nor has any dividend been proposed since the balance sheet date.

A final dividend of HK0.5 cent per share in respect of 2007 was proposed by the directors and approved and declared in 2008.

During the year, scrip dividend alternatives were offered in respect of the 2007 final dividends (2007: 2006 final dividends). These scrip dividend alternatives were accepted by the shareholders, as follows:

	2007	**2006**
	Final	**Final**
	HK$'000	*HK$'000*
Dividends:		
Cash	**8,540**	11,739
Share alternative	**563**	169
	9,103	11,908

8. LOSS PER SHARE

The calculation of the basic and diluted loss per share is based on the following data:

	2008	2007
	HK$'000	*HK$'000*
Loss attributable to equity holders of the parent for the purpose of basic and diluted loss per share	**688,918**	16,199

	Number of shares	
	2008	2007
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**5,939,082,627**	2,025,121,451

The calculation of diluted loss per share for the year ended 31 December 2008 has not assumed the conversion of the Company's convertible notes, and the exercise of the share options and warrants (2007: has not assumed the conversion of the Company's convertible notes and exercise of the share options) as these potential ordinary shares are anti-dilutive during the year.

The weighted average number of ordinary shares for the basic and diluted loss per share for both years have been adjusted for the rights issue in July 2008.

9. PROPERTY, PLANT AND EQUIPMENT

In view of the recent economic downturn, and the expected decrease in revenue from the hotel operation, the directors have reviewed the carrying amounts of the Group's hotel properties as at the balance sheet date with reference to the fair value of similar properties on an open market value under existing use basis, and determined that the carrying amounts of the hotel properties exceeded their recoverable amounts. Accordingly, an impairment loss of HK$36,985,000 has been recognised in respect of the Group's hotel properties.

For the year ended 31 December 2008, included in the impairment losses recognised in respect of the Group's construction in progress of HK$280,160,000 (2007: Nil) are impairment loss on the Group's luxury trains under construction of HK$263,360,000 (2007: Nil). Details of which are disclosed in note 11.

10. PREPAID LEASE PAYMENTS

	2008	2007
	HK$'000	*HK$'000*
The Group's prepaid lease payments for leasehold land in Hong Kong under medium-term lease	**159,654**	–
Analysed for reporting purpose as:		
Current asset	**5,635**	–
Non-current asset	**154,019**	–
	159,654	–

11. OTHER INTANGIBLE ASSETS

Due to the general slowdown in the global economy brought by the financial tsunami, the political instability in Tibet and the tightened regulations in granting entry visa for Chinese Nationals to Macau during the year, the Group considered these as indications that an impairment loss for other intangible assets, and related items of property, plant and equipment may have occurred. For the purpose of impairment testing, railway intangible assets have been allocated to the cash generating unit ("CGU") of Tangula Group Limited ("Tangula"), and hotel operating agreements intangible assets have been allocated to the CGU of Asia Times Limited ("Asia Times").

The recoverable amount of these CGUs has been determined on the basis of value in use calculation. The key assumptions for the value in use calculation are those regarding the discount rates, growth rates and expected changes to revenue and direct cost. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGU. The growth rates are based on industry growth forecasts. Changes in revenue and direct costs are based on past practices and expectations of future changes in the market.

The directors reviewed the anticipated profitability and the anticipated future operating cash flow of Tangula and Asia Times. The directors of the Company identified an impairment loss in respect of other intangible assets and luxury trains under construction related to Tangula of approximately HK$136,640,000 and HK$263,360,000, respectively and of other intangible assets related to Asia Times of approximately HK$56,200,000 for the year ended 31 December 2008 and such amounts were dealt with in the consolidated income statement for the year. The impairment review was based on cash flow forecasts derived from the most recent financial budgets and forecast over the exclusive licence period of operations, approved by management using a discount rate of 16.1% to 18.3%.

12. TRADE AND OTHER RECEIVABLES

	2008	2007
	HK$'000	*HK$'000*
Trade receivables	**26,906**	27,338
Less: allowance for doubtful debts	**(1,763)**	(58)
	25,143	27,280
Other receivables	**241,546**	454,294
Total trade and other receivables	**266,689**	481,574

The Group allows a credit period of 30 to 60 days to customers.

The aged analysis of trade receivables (net of impairment) at the balance sheet dates is as follows:

	2008	2007
	HK$'000	*HK$'000*
0 – 30 days	**9,643**	12,145
31 – 60 days	**4,128**	4,767
61 – 90 days	**1,625**	2,469
Over 90 days	**9,747**	7,899
	25,143	27,280

13. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables of approximately HK$147,301,000 (2007: HK$174,687,000) and the aged analysis of the trade payables at the reporting dates is as follows:

	2008	2007
	HK$'000	*HK$'000*
0 – 30 days	**75,949**	90,915
31 – 60 days	**30,586**	39,281
61 – 90 days	**20,829**	21,911
Over 90 days	**19,937**	22,580
	147,301	174,687

The average credit period on purchases of goods is 60 days. The Group has financial risk management policies in place to ensure that all payables within the credit time frame. Included in the balances is advance receipts from customers deposits of approximately HK$110,894,000 (2007: HK$81,412,000) and payables for construction progress of HK$214,422,000 (2007: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF OPERATIONS

The global financial crisis, triggered by the US sub-prime mortgage problems in 2007, intensified distinctly in 2008, especially after the collapse of Lehman Brothers in September last year. The crisis quickly moved across assets, markets and economies in an increasingly integrated world. The impact of the financial tsunami on the real global economy began to emerge more distinctly in the latter half of last year. By the end of 2008, most advanced economies were already mired in recession, and the conditions of Asian economies also deteriorated rapidly, evolving into a synchronized global economic downturn. Being a small open economy, business activities in Hong Kong were inevitably affected. As the global downturn deepened further, the Hong Kong economy registered a *Gross Domestic Product* (GDP) contraction of 2.5% in the fourth quarter of the year. Hong Kong's total exports registered double-digit declines of 21.8% in January 2009 and the recently announced 5.8% unemployment rate proof further this deteriorating situation.

Notwithstanding the financial tsunami happened in the last quarter of 2008, the Group attained a turnover for the whole year of 2008 of HK$2,216.9 million that represented a small decrease of 2.2% as compared to the HK$2,266.2 million in 2007. Gross profit for the year was HK$423.7 million, a 1.7% better than last year. Results for the year was a loss of HK$832.9 million (2007: a profit of HK$4.5 million) after charging administration expenses of HK$471.6 million (2007: HK$337.7 million), finance costs of HK$93.7 million (2007: HK$139.1 million), share of results of associates of HK$45.3 million (2007: HK$44.9 million); impairment loss recognised in aggregate of approximately HK$609.0 million (2007: HK$32.2 million); and after crediting an increase in fair value of investments held for trading of HK$10.2 million (2007: a decrease of HK$7.1 million)).

Administrative expenses increased by HK$133.9 million over that of 2007 resulted mainly from the absorption of the full year depreciation charge, staff costs and other administrative expenses of Shenyang Limited (acquired in August 2007) and Tangula Group Limited (acquired in November 2007); refurbishment expenses on the Group's aged hotel chain and provision for compensation to existing and former employees following the court judgement issued in January 2009.

Consequent to the global financial tsunami, the Group's has recorded impairment on its available-for-sale investments in the PRC of approximately HK$87.0 million; impairment on hotel properties in the PRC and construction in progress of HK$316.5 million; impairment on intangible assets attributable the Tangula luxury train business and Macau hotel operation of HK$192.8 million.

On the other hand, the gain on disposal of Kingsway Hotel Limited of HK$82.3 million and discount on acquisition of Times Plaza Hotel, Shenyang of HK$47.3 million did not recur in 2008.

SEGMENT RESULTS

Travel and Related Services

Travel and related services of the Group comprise mainly outbound tours, air ticketing and air/hotel packages. Affected by the financial tsunami and the political confrontation in Thailand, turnover of this segment was HK$1,899.4 million and represented a decrease of 4.7% from HK$1,993.8 million in 2007. Segment profit for the year was HK$20.1 million (2007: HK$51.9 million) before taking into account impairment loss recognised in respect of goodwill attributable to the Group's Sichuan operation following the disastrous earthquake happened in May 2008. The provision made for compensation to existing and former employees (presented as provision for loss contingencies in the consolidated balance sheet) also affect significantly the results of this segment.

Hotel and Leisure Services

The three "Rosedale" branded 4-star rated hotels, the Times Plaza Hotel, Shenyang acquired in 2007, the Luoyang Golden Gulf Hotel and the Square Inn budget hotel chain comprise the hotel and leisure business of the Group .

Turnover increased by 16.5% to HK$317.5 million for the year ended 31 December 2008 (2007: HK$272.5 million) with a full year contribution of turnover from Times Plaza Hotel, Shenyang. The segment resulted a loss of HK$9.4 million (2007: a profit of HK$38.6 million) before taking into account impairment loss in aggregate of approximately HK$110.0 million on (i) the fair value of the Group's hotel properties in the PRC following a downturn of the property market consequent to the financial tsunami especially during the last quarter of 2008; and (ii) the intangible assets attributable to the Group's hotel operation in Macau following the scale down of the gaming business and tightened regulations in granting entry visa for Chinese Nationals to Macau during the year.

Luxury Train Services

The Group has 72% controlling interests in Tangula Group Limited ("Tangula") and its subsidiary has the right to operate two routes on the Qinghai-Tibet Railway from Beijing to each of Lhasa and Lijiang.

In view of the current recession of both Europe and the United States of America, where the major customers group Tangula is targeting on, and the prolong political and social instability in Lhasa, commencement of the business has been further postponed to the first quarter of 2010.

Results for the year ended 31 December 2008 was a loss of HK$432.2 million (2007: a loss of HK$6.2 million) after charging impairment loss on intangible assets and construction costs of the train compartments in aggregate of approximately HK$400 million (2007: HK$nil). This impairment provision was determined by the management based on the revised budget on this luxury train business and taking into consideration the risk associated with the current political situation in Tibet and the worldwide economic environment. The management shall review and assess the situation at the next balance sheet date to determine if further provision of impairment is required or a reversal of the provision is justified as allowed by the current applicable accounting standards.

Securities Trading

During the year, the Group has, through its wholly owned subsidiaries, involved in the trading of securities actively. Profit generated from this segment for the year ended 31 December 2008 was HK$10.2 million (2007: a loss of HK$7.2 million).

Associates

The Group's associated company, Travoo International Limited ("Travoo") transacts its air ticketing and hotel bookings business in the PRC. The Group's share of loss in this associated company for the year was HK$6.5 million versus HK$9.3 million for 2007.

The main business of Sino Express Travel, Ltd. ("Sino Express"), is the investment and operation of a hotel resort and theme park in the Guangdong Province, the PRC. As disclosed in the Group's interim financial report, the postponement of putting into place the second phase of the hotel development resulted an impairment loss of goodwill recorded in the books of Sino Express and shared by the Group as to HK$35.7 million. As a result, the Group's share of loss of this associated company for the year ended 31 December 2008 was HK$39.0 million against the HK$35.9 million in 2007. In December 2008, the Group, after taking consideration the development potential of the resort held by Sino Express and the surrounding hotels and tourism attractions, acquired further interests in Sino Express and it became a non-wholly owned subsidiary of the Group since then.

Material Acquisitions

On 31 December 2007, the Group entered into an agreement to acquire the entire share capital of and the shareholder loan to More Star Limited ("More Star") for a consideration of HK$20,000,000. The sole asset of More Star is its investment in the entire issued share capital of Fortress State International Limited ("Fortress State"). Fortress State has been awarded the tender and entered into the Memorandum of Agreement to acquire the property located at Tai Kok Tsui Road (the "Property") for a total consideration of HK$163,880,000. The acquisition of More Star and the Property were completed in January and February 2008 respectively.

Liquidity and Financial Resources

On 15 May 2008 and 4 June 2008, the Company has entered an underwriting agreement and a supplemental agreement for a rights issue on the basis of four right shares (with bonus warrants) for every one share held on the Record Date at HK$0.06 per rights share (the "Rights Issue"). A total of not more than 10,594,505,212 shares and not less than 7,283,034,080 shares would be issued pursuant to the Rights Issue. The Company intended to raise not more than HK$635.7 million and not less than HK$437.0 million from the Rights Issue before expenses. The proceeds from the Rights Issue would be utilized for (i) the expansion of the Group's travel and related business in the PRC; (ii) the investment opportunities in the hotel and/or leisure resort related properties in Hong Kong and in the PRC; (iii) the repayment of certain bank and other borrowings; and (iv) the general working capital of the Group. The Rights Issue was approved by the shareholders of the Company in a special general meeting held on 2 July 2008 and 7,295,874,988 rights shares were being allotted.

At balance sheet date, the Group's total borrowings were as follows:

	As at 31.12.2008	As at 31.12.2007
	HK$ million	*HK$ million*
Loan from related companies	**189.0**	277.0
Borrowings – amount due within one year	**411.9**	88.8
Borrowings – amount due after one year	**61.7**	366.7
Consideration note	**–**	21.5
Promissory note	**70.0**	106.5
Convertible notes	**593.2**	554.2
	1,325.8	1,414.7

The convertible notes issued in June 2006, due in June 2011, bear interest at a fixed rate of 2% per annum and a loan from a related company of outstanding principal of approximately HK$188.2 million as at year end bears fixed interest rate of 10.32% per annum. All other borrowings bear floating interest rates.

In March 2009, the Company has renewed with a local bank for a facility of HK$430 million. The new bank loan is repayable by instalments and in full by March 2012.

The gearing ratio as at 31 December 2008, expressed as a percentage of total borrowings to equity attributable to shareholders of the parent, was 72.2% (At 31.12.2007: 69.2%).

Pledge of Assets

At 31 December 2008, certain assets of the Group at net book value of HK$850.4 million (2007: HK$629.0 million) were pledged to banks and financial institutions for credit facilities.

Contingent Liabilities

The Group did not have any significant contingent liabilities as at 31 December 2008.

Foreign Currency Exposure

The majority of the Group's assets and liabilities and business transactions were denominated in Hong Kong dollars, US dollars and Renminbi.

As at balance sheet date, the Group did not have entered into any hedging arrangements. However the management will continue to monitor closely its foreign currency exposure and requirements and to arrange for further hedging facilities when necessary.

Employees

At 31 December 2008, the Group has approximately 2,280 employees of which 27 employees were stationed overseas and 1,376 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, provident fund scheme and medical insurance for its employees. Total staff remuneration incurred for the year ended 31 December 2008 were approximately HK$214.1 million (2007: HK$169.9 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 23 May 2008.

All outstanding share options were lapsed as at balance sheet date.

PROSPECTS

The Hong Kong Government has issued a warning of the second wave of financial tsunami. Economists envisaged that the impact of this second wave will be even more devastating than the first wave we are experiencing. While there is no authoritative estimation of the timing of the economic recovery, without any doubt, the coming year will be a hard time to the tourism industry.

The China Focus

Notwithstanding the financial crisis, China continues to be the world tourism focus on both domestic and international travel. The ITB World Travel Trends Report written and publicised by IPK International at the Berlin Travel Trade Show in March 2009 said that China is the most welcome nation and is one of two new hopes of the travel industry. The Report predicted that there will be a lower growth rate of the tourism industry in China in 2009 despite of the financial tsunami and the tourism industry will be recovered by the end of 2009.

The Group has formulated strategies to expand its PRC network in the coming year through (i) acquisition of travel agents; (ii) expanding its "Square Inn" hotel portfolio through leasing and self-construction; and (iii) acquisition of further 4-star rated business class hotels to strengthen its Rosedale hotels chain. Despite the financial downturn, the Company sees it a good opportunity to expand at lower costs, equipped and prepared itself for the possible economic recovery in 2010-2011.

Tangula Luxury Train

Considering the prolong political stress in Lhasa and the economic recession of Europe and the United States of America where the majority of the target customers are coming from, the Group considered that it would be beneficial to the company to postpone the commencement of the train operation to the first quarter of 2010. The Company considered that the postponement of the operation will help to rebuild visitors' confidence to enjoy their trip to a stable and peaceful Tibet. Given that Tibet is a very attractive place to western visitors and the fare of the journey has been reasonable priced, the Group is confident that the Tangula luxury train will become the most preferable choice for those travellers visiting Tibet. This will further enhance the status of the Group in the market and will provide considerable contribution to the results of the Group in the future.

The Hong Kong Travel Business

The Hong Kong outbound business will continue to be the major revenue contributor to the Group in the foreseeable future. The Group shall continue to put in resources and effort to enhance the service quality and to uplift the status of our prestige customers. Considering that the downturn of the local economy will persist throughout 2009, the Company, by reviewing the pricing and costs structure of its product line and through the co-operation with airlines, hotels and other service vendors, will launch series of valued products for our prestige customers to enjoy continuously our quality service at a more meaningful price level. The Group is confident that its traditional tour business will maintain its competitiveness in the market and survive this financial storm and provide considerable contribution to the Group.

Furthermore, the Group is actively identifying acquisition and joint venture targets in the south east Asia to enlarge its network and market sharing.

Hotel Operations

The Group has identify certain targets in the Henan Province, the PRC where there is a number of cultural attractions such as the Shaolin Temple and the Mount. Dapi. The Group is in an active stage of negotiation with respective owners and has obtained satisfactory progress. It is envisaged that the Square Inn branded budget hotel chain will be expanded sizely towards the end of 2009.

The acquisition of the Tai Kok Tsui Road project was completed in February 2008. Site foundation and superstructure work is underway. Operation of the new hotel is targeted to commence in the first quarter of 2011.

The Group shall continue to look for further acquisition target to strengthen its Rosedale business hotel network and to increase its sharing in the market.

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 year ended 31 December 2008.

AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") 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 audited financial statements for the year ended 31 December 2008. The Audit Committee currently comprises three independent non-executive directors, namely Mr. Kwok Ka Lap, Alva, Mr. Poon Kwok Hing, Albert and Mr. Sin Chi Fai.

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 year ended 31 December 2008 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.

The chairman of the Company had resigned. The Company is in the process of identifying suitable candidate to fill the casual vacancy of chairman.

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.

Code Provision E.1.2

Under the code provision E.1.2, the chairman of the board should attend the annual general meeting. As the Company is in the process of identifying the chairman, the other executive director, present at the annual general meeting held on 23 May 2008, took the chair of that meeting in accordance with Bye-Law 68 of the Bye-Laws of the Company.

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" (the "Model Code") as set out in Appendix 10 to the Listing Rules as its own code for dealing in securities of the Company by the directors. 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 year ended 31 December 2008.

ANNUAL GENERAL MEETING

The 2009 annual general meeting of the Company ("2009 AGM") will be held at Shop B27, Basement, Bank of America Tower, 12 Harcourt Road, Central, Hong Kong on Friday, 29 May 2009 at 10:00 a.m. For details of the 2009 AGM, please refer to the notice of 2009 AGM which will be published in due course.

By Order of the Board
Wing On Travel (Holdings) Limited
Cheung Hon Kit
Managing Director

Hong Kong, 24 April 2009

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

Executive Directors:
Mr. Cheung Hon Kit *(Managing Director)*
Dr. Yap, Allan
Mr. Chan Pak Cheung, Natalis

Independent Non-Executive Directors:
Mr. Kwok Ka Lap, Alva
Mr. Poon Kwok Hing, Albert
Mr. Sin Chi Fai