WING ON TRAVEL (HOLDINGS) LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 1189)

ANNUAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2005

The Board of Directors (the "Board") of Wing On Travel (Holdings) Limited (the "Company") is pleased to announce the audited results of the Company and its subsidiaries (hereinafter collectively referred to as the "Group") for the year ended 31 December 2005 together with comparative figures for the corresponding period in 2004 as follows:

CONSOLIDATED INCOME STATEMENT
For the year ended 31 December 2005

	NOTES	**2005** *HK$'000*	2004 *HK$'000* (Restated)
Turnover		**1,815,718**	1,722,177
Direct operating costs		**(1,469,298)**	(1,426,652)
Gross profit		**346,420**	295,525
Other operating income		**20,415**	20,784
Distribution costs		**(53,041)**	(51,039)
Administrative expenses		**(259,810)**	(241,063)
Discount on acquisition of subsidiaries		**34,574**	–
Decrease in fair value of investments held for trading		**(14,761)**	–
Net unrealised holding loss on other investments		**–**	(127)
Increase in fair value of investment property		**619**	2,000
Realised gain on derivative financial instruments		**5,650**	–
Reversal of impairment loss in respect of leasehold land and buildings		**4,874**	4,511
Reversal of impairment loss (impairment loss recognised) in respect of properties under construction		**900**	(1,100)
Impairment loss recognised in respect of available-for-sale investments		**(1,167)**	–
Impairment loss recognised in respect of investments in securities		**–**	(5,659)
Release of negative goodwill arising from acquisition of subsidiaries		**–**	1,863
Finance costs		**(59,376)**	(66,282)
Share of results of associates		**8,006**	(195)
Loss on partial disposal of subsidiaries		**(3,177)**	–
Gain on disposal of associates		**–**	37,930
Profit (loss) before taxation		**30,126**	(2,852)
Taxation credit	6	**2,108**	23
Profit (loss) for the year		**32,234**	(2,829)
Attributable to:			
Shareholders of the parent		**31,109**	8,556
Minority interests		**1,125**	(11,385)
		32,234	(2,829)
Dividends	7	**8,752**	–
		HK$	*HK$* (Restated)
Earnings per share			
– Basic	8	**0.07**	0.04
– Diluted	8	**N/A**	N/A

CONSOLIDATED BALANCE SHEET
At 31 December 2005

	NOTES	**2005** *HK$'000*	2004 *HK$'000* (Restated)
Non-current assets			
Property, plant and equipment		**1,702,860**	1,708,682
Investment property		**–**	3,400
Interest in associates		**220,422**	1,989
Available-for-sale investments		**92,625**	–
Investments in securities		**–**	93,789
Goodwill		**50,862**	50,215
Negative goodwill		**–**	(72,651)
Investment deposits		**201,419**	221,695
Club debenture, at cost		**713**	713
		2,268,901	2,007,832
Current assets			
Property held for sale, at cost		**98**	98
Inventories		**6,113**	5,807
Amounts due from related companies		**65,177**	6,522
Amounts due from associates		**122,449**	391
Trade and other receivables	9	**324,505**	276,500
Loan receivables		**180,926**	131,000
Investments held for trading		**9,086**	–
Investments in securities		**–**	2,778
Tax recoverable		**37**	31
Pledged bank deposits		**6,925**	6,800
Trading cash balances		**284**	246
Bank balances and cash		**43,103**	134,317
		758,703	564,490
Asset classified as held for sale		**4,019**	–
		762,722	564,490
Current liabilities			
Trade and other payables	10	**277,368**	234,441
Loans from related companies		**361,500**	260,778
Amounts due to associates		**11,016**	11,327
Amounts due to related companies		**48,289**	17,598
Obligations under finance leases – amount due within one year		**62**	378
Borrowings – amount due within one year		**38,325**	57,066
		736,560	581,588
Net current assets (liabilities)		**26,162**	(17,098)
Total assets less current liabilities		**2,295,063**	1,990,734
Non-current liabilities			
Loans from related companies		**–**	112,098
Obligations under finance leases – amount due after one year		**31**	93
Borrowings – amount due after one year		**271,308**	300,395
Convertible notes		**–**	41,350
Promissory note		**365,000**	365,000
Deferred taxation		**244,680**	243,354
		881,019	1,062,290
Net assets		**1,414,044**	928,444
Capital and reserves			
Share capital		**437,586**	322,267
Reserves		**541,390**	307,875
Equity attributable to shareholders of the parent		**978,976**	630,142
Minority interests		**435,068**	298,302
Total equity		**1,414,044**	928,444

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The 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 with accounting principles generally accepted in Hong Kong.

2. PRINCIPAL ACCOUNTING POLICIES

The consolidated financial statements have been prepared under the historical cost basis except for certain properties and financial instruments which are measured at revalued amounts or fair values.

In the current year, the Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standards ("HKFRSs"), Hong Kong Accounting Standards ("HKASs") and Interpretations ("INT") (hereinafter collectively referred to as "new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants that are effective for accounting periods beginning on or after 1 January 2005. The application of the new HKFRSs has resulted in a change in the presentation of the consolidated income statement, consolidated balance sheet and the consolidated statement of changes in equity. In particular, the presentation of minority interests and share of tax of associates has been changed as required by HKAS 1 "Presentation of financial statements". The changes in presentation have been applied retrospectively. The adoption of the following new HKFRSs has resulted in changes to the Group's accounting policies in the following areas that have an effect on how the results for the current and/or prior accounting periods are prepared and presented.

Business combinations

In the current year, the Group has applied HKFRS 3 "Business combinations" ("HKFRS 3"), which is effective for business combinations for which the agreement date is on or after 1 January 2005. The principal effects of the application of HKFRS 3 to the Group are summarised below:

Goodwill

In previous years, goodwill arising on acquisitions was capitalised and amortised over its estimated useful life. The Group has applied the relevant transitional provisions in HKFRS 3. With respect to goodwill previously capitalised on the consolidated balance sheet, the Group has discontinued amortising such goodwill from 1 January 2005 onwards and such goodwill will be tested for impairment at least annually. Goodwill arising on acquisition after 1 January 2005 is measured at cost less accumulated impairment losses (if any) after initial recognition. As a result of this change in accounting policy, no amortisation of goodwill has been charged in the current year. Comparative figures for 2004 have not been restated (see note 3 for the financial impact).

Excess of the Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost (previously known as "negative goodwill")

In accordance with HKFRS 3, any excess of the Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over the cost of acquisition ("discount on acquisition") is recognised immediately in profit or loss in the period in which the acquisition takes place. In previous years, negative goodwill arising on acquisition was presented as a deduction from assets and released to income based on an analysis of the circumstances from which the balance resulted. In accordance with the relevant transitional provisions in HKFRS 3, the Group has derecognised all negative goodwill on 1 January 2005, which was previously presented as a deduction from assets, with a corresponding decrease to accumulated losses (see note 3 for the financial impact).

Financial Instruments

In the current year, the Group has applied HKAS 32 "Financial instruments: disclosure and presentation" ("HKAS 32") and HKAS 39 "Financial instruments: recognition and measurement" ("HKAS 39"). HKAS 32 requires retrospective application. HKAS 39, which is effective for annual periods beginning on or after 1 January 2005, generally does not permit the recognition, derecognition or measurement of financial assets and liabilities on a retrospective basis. The principal effects resulting from the implementation of HKAS 32 and HKAS 39 are summarised below:

Convertible notes

The principal impact of HKAS 32 on the Group is in relation to convertible notes issued by the Company that contain both liability and equity components. Previously, convertible notes were classified as liabilities on the consolidated balance sheet. HKAS 32 requires an issuer of a compound financial instrument that contains both financial liability and equity components to separate the compound financial instrument into the liability and equity components on initial recognition and to account for these components separately. In subsequent periods, the liability component is carried at amortised cost using the effective interest method. Because HKAS 32 requires retrospective application, comparative figures for 2004 have been restated. Comparative result for 2004 has been restated in order to reflect the increase in effective interest on the liability component (see note 3 for the financial impact).

Classification and measurement of financial assets and financial liabilities

The Group has applied the relevant transitional provisions in HKAS 39 with respect to classification and measurement of financial assets and liabilities that are within the scope of HKAS 39.

By 31 December 2004, the Group classified and measured its debt and equity securities in accordance with the benchmark treatment of the Statement of Standard Accounting Practice 24 "Accounting for investment in securities" ("SSAP 24"). Under SSAP 24, investments in debt or equity securities are classified as "investment securities", "other investments" or "held-to-maturity investments" as appropriate. "Investment securities" are carried at cost less impairment losses (if any) while "other investments" are measured at fair value, with unrealised gains or losses included in the profit or loss. Held-to-maturity investments are carried at amortised cost less impairment losses (if any). From 1 January 2005 onwards, the Group has classified and measured its debt and equity securities in accordance with HKAS 39. Under HKAS 39, financial assets are classified as "financial assets at fair value through profit or loss", "available-for-sale financial assets", "loans and receivables", or "held-to-maturity financial assets". "Financial assets at fair value through profit or loss" and "available-for-sale financial assets" are carried at fair value, with changes in fair values recognised in profit or loss and equity respectively. Available-for-sale equity investments that do not have quoted market prices in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments are measured at cost less impairment after initial recognition. "Loans and receivables" and "held-to-maturity financial assets" are measured at amortised cost using the effective interest method after initial recognition.

On 1 January 2005, the Group classified and measured its debts and equity securities in accordance with the transitional provisions of HKAS 39. As a result of the adoption of HKAS 39, the Group has redesignated "investments in securities" recorded in the consolidated balance sheet at 1 January 2005 amounting to HK$93,789,000 as "available-for-sale investments" and HK$2,778,000 as "investments held for trading".

Financial assets and financial liabilities other than debt and equity securities

From 1 January 2005 onwards, the Group has classified and measured its financial assets and financial liabilities other than debt and equity securities (which were previously outside the scope of SSAP 24) in accordance with the requirements of HKAS 39. As mentioned above, financial assets under HKAS 39 are classified as "financial assets at fair value through profit or loss", "available-for-sale financial assets", "loans and receivables" or "held-to-maturity financial assets". Financial liabilities are generally classified as "financial liabilities at fair value through profit or loss" or "other financial liabilities". Financial liabilities at fair value through profit or loss are measured at fair value, with changes in fair value being recognised in profit or loss directly. "Other financial liabilities" are carried at amortised cost using the effective interest method after initial recognition. These requirements of HKAS 39 did not have any financial impact to the Group.

Derivatives and hedging

From 1 January 2005 onwards, all derivatives that are within the scope of HKAS 39 are required to be carried at fair value at each balance sheet date regardless of whether they are deemed as held for trading or designated as effective hedging instruments. Under HKAS 39, derivatives (including embedded derivatives separately accounted for from the non-derivative host contracts) are deemed as held-for-trading financial assets or financial liabilities, unless they qualify and are designated as effective hedging instruments. The corresponding adjustments on changes in fair values would depend on whether the derivatives are designated as effective hedging instruments, and if so, the nature of the item being hedged. For derivatives that are deemed as held for trading, changes in fair values of such derivatives are recognised in profit or loss for the period in which they arise. Since there were no derivative financial instruments as at 1 January 2005, accordingly, comparative figures for 2004 have not been restated.

Hotel properties

Hong Kong Interpretation 2 "The appropriate accounting policies for hotel properties" ("HK INT 2") clarifies the accounting policy for owner-operated hotel properties. In previous years, the Group's self-operated hotel properties were carried at cost less accumulated impairment loss and were not subject to depreciation. HK INT 2 requires owner-operated properties to be classified as property, plant and equipment in accordance with HKAS 16, "Property, plant and equipment", and therefore be accounted for either using the cost model or the revaluation model. The Group has resolved to account for these hotel properties using the cost model. In the absence of any specific transitional provisions in HK INT 2, the new accounting policy has been applied retrospectively. Comparative figures have been restated (see note 3 for the financial impact).

Owner-occupied leasehold interest in land

In previous years, owner-occupied leasehold land and buildings were included in property, plant and equipment and measured using the cost model. In the current year, the Group has applied HKAS 17 "Leases" ("HKAS 17"). Under HKAS 17, the land and buildings elements of a lease of land and buildings are considered separately for the purpose of lease classification, unless the lease payments cannot be allocated reliably between the land and buildings elements, in which case, the entire lease is generally treated as a finance lease. To the extent that the allocation of the lease payments between the land and buildings elements can be made reliably, the leasehold interests in land are reclassified to prepaid lease payments under operating leases, which are carried at cost and amortised over the lease term on a straight line basis. This change in accounting policy has been applied retrospectively. Alternatively, where the allocation between the land and building elements cannot be made reliably, the leasehold interests in land continue to be accounted for as property, plant and equipment. As the directors consider the allocation between the land and buildings elements cannot be made reliably, no restatement has been made in the financial statements.

Investment properties

In the current year, the Group has, for the first time, applied HKAS 40 "Investment property" ("HKAS 40"). The Group has elected to use the fair value model to account for its investment properties which requires gains or losses arising from changes in the fair value of investment properties to be recognised directly in the profit or loss for the year in which they arise. In previous years, investment properties under the predecessor SSAP were measured at open market values, with revaluation surplus or deficits credited or charged to investment property revaluation reserve unless the balance on this reserve was insufficient to cover a revaluation decrease, in which case the excess of the revaluation decrease over the balance on the investment property revaluation reserve was charged to the income statement. Where a decrease had previously been charged to the income statement and a revaluation surplus subsequently arose, that increase was credited to the income statement to the extent of the decrease previously charged. The Group has applied the relevant transitional provisions in HKAS 40 and elected to apply HKAS 40 retrospectively. Comparative figures for 2004 have been restated (see note 3 for the financial impact).

Deferred taxes related to investment properties

In previous years, deferred tax consequences in respect of revalued investment properties were assessed on the basis of the tax consequence that would follow from recovery of the carrying amount of the properties through sale in accordance with the predecessor Interpretation. In the current year, the Group has applied Hong Kong Standing Interpretations Committee Interpretation 21 "Income taxes – recovery of revalued non-depreciable assets" ("HK(SIC) Interpretation 21") which removes the presumption that the carrying amount of investment properties are to be recovered through sale. Therefore, the deferred tax consequences of the investment properties are now assessed on the basis that reflects the tax consequences that would follow from the manner in which the Group expects to recover the property at each balance sheet date. In the absence of any specific transitional provisions in HK(SIC) Interpretation 21, this change in accounting policy has been applied retrospectively but did not have any financial impact to the Group.

The Group has not early applied the following new standards and interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these Standards or Interpretations will have no material impact on the consolidated financial statements of the Group.

HKAS 1 (Amendment)	Capital disclosure [1]
HKAS 19 (Amendment)	Actuarial gains and losses, group plans and disclosures [2]
HKAS 21 (Amendment)	Net investment in foreign operation [2]
HKAS 39 (Amendment)	Cash flow hedge accounting of forecast intragroup transactions [2]
HKAS 39 (Amendment)	The fair value option [2]
HKAS 39 and HKFRS 4 (Amendments)	Financial guarantee contracts [2]
HKFRS 6	Exploration for and evaluation of mineral resources [2]
HKFRS 7	Financial instruments: Disclosures [1]
HK(IFRIC) – INT 4	Determining whether an arrangement contains a lease [2]
HK(IFRIC) – INT 5	Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds [2]
HK(IFRIC) – INT 6	Liabilities arising from participating in specific market – waste electrical and electronic equipment [3]
HK(IFRIC) – INT 7	Applying the restatement approach under HKAS 29 "Financial Reporting in Hyperinflationary Economies" [4]

1 Effective for annual periods beginning on or after 1 January 2007
2 Effective for annual periods beginning on or after 1 January 2006
3 Effective for annual periods beginning on or after 1 December 2005
4 Effective for annual periods beginning on or after 1 March 2006

3. SUMMARY OF THE EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES

The effects of the changes in the accounting policies described above on the results for the current and prior years are as follows:

	2005	2004
	HK$'000	*HK$'000*
Recognition of discount on acquisition directly in the income statement	**34,574**	–
Decrease in amortisation of goodwill	**2,543**	–
Increase in fair value of investment property	**619**	2,000
Depreciation of owner-operated hotel properties	**(30,119)**	(30,119)
Increase in interest on the liability component of convertible notes	**(1,623)**	(12,571)
Decrease in negative goodwill released to income	**(1,863)**	–
Increase in profit (loss) for the year	**4,131**	(40,690)

An analysis of increase in profit (loss) for the year by line items presented according to their function is as follows:

	2005	2004
	HK$'000	*HK$'000*
Discount on acquisition of subsidiaries	**34,574**	–
Decrease in amortisation of goodwill	**2,543**	–
Increase in fair value of investment property	**619**	2,000
Increase in administrative expenses	**(30,119)**	(30,119)
Increase in finance costs	**(1,623)**	(12,571)
Decrease in negative goodwill released to income	**(1,863)**	–
	4,131	(40,690)

The cumulative effects of the application of the new HKFRSs as at 31 December 2004 and 1 January 2005 are summarised below:

	At 31 December 2004	**Effect of HKINT 2**	**Effect of HKAS 1**	**Effect of HKAS 32**	**Effect of HKAS 40**	**At 31 December 2004**	**Effect of HKFRS 3**	**Effect of HKAS 39**	**At 1 January 2005**
	HK$'000 (Originally stated)	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000* (Restated)	*HK$'000*	*HK$'000*	*HK$'000* (Restated)
Balance sheet items affected:									
Property, plant and equipment	1,738,801	(30,119)	–	–	–	1,708,682	–	–	1,708,682
Available-for-sale investments	–	–	–	–	–	–	–	93,789	93,789
Investments in securities	96,567	–	–	–	–	96,567	–	(96,567)	–
Negative goodwill	(72,651)	–	–	–	–	(72,651)	72,651	–	–
Investments held for trading	–	–	–	–	–	–	–	2,778	2,778
Convertible notes	(55,000)	–	–	13,650	–	(41,350)	–	–	(41,350)
Other assets and liabilities	(762,804)	–	–	–	–	(762,804)	–	–	(762,804)
Total effects on assets and liabilities	944,913	(30,119)	–	13,650	–	928,444	72,651	–	1,001,095
Share capital and other reserves	1,560,197	–	–	–	–	1,560,197	–	–	1,560,197
Investment property revaluation reserve	2,736	–	–	–	(2,736)	–	–	–	–
Convertible notes reserve	–	–	–	13,650	–	13,650	–	–	13,650
Accumulated losses	(930,191)	(16,250)	–	–	2,736	(943,705)	72,651	–	(871,054)
Minority interests	–	(13,869)	312,171	–	–	298,302	–	–	298,302
Total effects on equity	632,742	(30,119)	312,171	13,650	–	928,444	72,651	–	1,001,095
Minority interests	312,171	–	(312,171)	–	–	–	–	–	–
	944,913	(30,119)	–	13,650	–	928,444	72,651	–	1,001,095

The financial effects of the application of the new HKFRSs to the Group's equity at 1 January 2004 are summarised below:

	As originally stated	**Effect of HKAS 1**	**Effect of HKAS 32**	**Effect of HKAS 40**	**As restated**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Share capital and other reserves	1,258,153	–	–	–	1,258,153
Investment property revaluation reserve	736	–	–	(736)	–
Convertible notes reserve	–	–	20,468	–	20,468
Accumulated losses	(965,568)	–	(17,403)	736	(982,235)
Minority interests	–	29,778	–	–	29,778
Total effects on equity	293,321	29,778	3,065	–	326,164
Minority interests	29,778	(29,778)	–	–	–
	323,099	–	3,065	–	326,164

4. SEGMENT INFORMATION

During the year, for management purposes, the Group was 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.

Segment information about these businesses is presented as follows:

	Travel and related services	**Hotel and leisure services**	**Elimination**	**Consolidated**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
For the year ended 31 December 2005				
Turnover				
External sales	**1,591,962**	**223,756**	**–**	**1,815,718**
Inter-segment sales	**–**	**1,264**	**(1,264)**	**–**
Total	**1,591,962**	**225,020**	**(1,264)**	**1,815,718**
Inter-segment sales are charged at prevailing market price.				
Results				
Segment results	**56,427**	**28,249**	**–**	**84,676**
Interest income				**4,722**
Discount on acquisition of subsidiaries	**–**	**34,574**	**–**	**34,574**
Realised gain on derivative financial instruments				**5,650**
Increase in fair value of investment property				**619**
Impairment loss recognised in respect of available-for-sale investments				**(1,167)**
Decrease in fair value of investments held for trading				**(14,761)**
Unallocated corporate expenses				**(29,640)**
Finance costs				**(59,376)**
Share of results of associates	**(396)**	**8,402**	**–**	**8,006**
Loss on partial disposal of subsidiaries	**–**	**(3,177)**	**–**	**(3,177)**
Profit before taxation				**30,126**
Taxation credit				**2,108**
Profit for the year				**32,234**

	Travel and related services *HK$'000*	Hotel and leisure services *HK$'000*	Elimination *HK$'000*	Consolidated *HK$'000*
For the year ended 31 December 2004				
Turnover				
External sales	1,532,143	190,034	–	1,722,177
Inter-segment sales	–	1,234	(1,234)	–
Total	1,532,143	191,268	(1,234)	1,722,177
Inter-segment sales are charged at prevailing market price.				
Results				
Segment results	49,349	3,582	–	52,931
Interest income				3,381
Increase in fair value of investment property				2,000
Net unrealised holding loss on other investments				(127)
Impairment loss recognised in respect of investments in securities				(5,659)
Unallocated corporate expenses				(26,831)
Finance costs				(66,282)
Share of results of associates	(195)	–	–	(195)
Gain on disposal of associates	37,930	–	–	37,930
Loss before taxation				(2,852)
Taxation credit				23
Loss for the year				(2,829)

5. **DEPRECIATION**

During the period, depreciation and amortisation of HK$60,743,000 (2004: HK$57,057,000) was provided in respect of the Group's property, plant and equipment.

6. **TAXATION CREDIT**

	2005 ***HK$'000***	2004 *HK$'000*
Taxation comprises:		
(Under) overprovision for taxation in other jurisdictions in prior years	**(63)**	23
Deferred tax	**2,171**	–
	2,108	23

No provision for Hong Kong Profits Tax has been made as the companies comprising the Group either have no assessable profit in the year or the estimated assessable profits were wholly absorbed by tax losses brought forward.

Taxation for other jurisdictions represents (under) overprovision for taxation in prior years. No provision for overseas taxation has been made as the Group has no taxable profit during the years ended 31 December 2004 and 2005 in other jurisdictions.

7. **DIVIDENDS**

	2005 ***HK$'000***	2004 *HK$'000*
Interim dividend paid of HK2 cents (2004: nil) per share	**8,752**	–

The directors have declared a final dividend of HK1.5 cents per share for the year ended 31 December 2005 (2004: nil) to those shareholders whose names appear on the Register of Members of the Company on 24 May 2006.

8. **EARNINGS PER SHARE**

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

	2005 ***HK$'000***	2004 *HK$'000*
Earnings for the purpose of basic earnings per share	**31,109**	8,556
	Number of shares	
	2005	2004
Weighted average number of ordinary shares for the purpose of basic earnings per share	**418,541,133**	201,251,437

No disclosure of diluted earnings per share has been presented for the years ended 31 December 2004 and 2005 as the conversion of the Company's convertible notes would increase the earnings per share.

A reconciliation of the restatement of basic earnings per share to adjust for the effects of changes in accounting policies is as follows:

	2005 ***HK$***	2004 *HK$*
Reported figures before adjustment	**0.06**	0.18
Effects of changes in accounting policies	**0.01**	(0.14)
Restated	**0.07**	0.04

9. **TRADE AND OTHER RECEIVABLES**

Included in trade and other receivables are trade receivable of approximately HK$20,596,000 (2004: HK$13,538,000) and the aged analysis of the trade receivables at the reporting dates is as follows:

	2005 ***HK$'000***	2004 *HK$'000*
0 – 30 days	**12,241**	7,446
31 – 60 days	**3,051**	2,869
61 – 90 days	**1,453**	1,414
Over 90 days	**3,851**	1,809
	20,596	13,538

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

The fair value of the Group's trade and other receivables as at 31 December 2005 approximates the corresponding carrying amount.

Included in other receivables was a balance of HK$17,456,000 which is secured by a 16.26% equity interest in Triumph Up Investment Limited .

10. **TRADE AND OTHER PAYABLES**

Included in trade and other payables are trade payables of approximately HK$130,741,000 (2004: HK$113,844,000) and the aged analysis of the trade payables at the reporting dates is as follows:

	2005 ***HK$'000***	2004 *HK$'000*
0 – 30 days	**71,157**	60,876
31 – 60 days	**26,706**	22,542
61 – 90 days	**19,022**	16,316
Over 90 days	**13,856**	14,110
	130,741	113,844

The fair value of the Group's trade and other payables as at 31 December 2005 approximates the corresponding carrying amount.

FINAL DIVIDEND

The directors are pleased to declare a final dividend of HK1.5 cents per share for the year ended 31 December 2005 (nil for the year ended 31 December 2004) to those shareholders whose names appear on the Register of Members of the Company at the close of business on Wednesday, 24 May 2006. The relevant dividend warrants will be despatched to shareholders on or around Monday, 5 June 2006.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Monday, 22 May 2006 to Wednesday, 24 May 2006, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the above final dividend, all share transfers, accompanied by the relevant share certificates, must be lodged with the Company's branch share registrars in Hong Kong, Secretaries Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:00 p.m. on Friday, 19 May 2006.

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF OPERATIONS

The notable growth momentum of the Hong Kong economy pursued throughout the year with Gross Domestic Product registered a growth of 7.3% in 2005. Domestic consumption demand held firm along with the more entrenched economic recovery and improving labour market condition whereas the unemployment rate fell from 8.6% in mid-2003 to 6.1% in the first quarter and was further down to a four-year low of 5.2% at the end of the year. Notwithstanding the increasing interest rates and the appreciation of Renminbi, consumer demand and their spending power continued to be strong. Under this atmosphere, the performance of the tourism industry was promising and encouraging over the year under review where statistics shows both inbound arrivals and outbound departures upsurged greatly.

During the year, the Group has adopted the newly effective Hong Kong Financial Reporting Standards. As a result, certain comparative figures for the year ended 31 December 2004 have been restated.

Turnover and gross profit for the year ended 31 December 2005 attained HK$1,815.7 million and HK$346.4 million respectively (2004: HK$1,722.2 million and HK$295.5 million respectively). The profit for the year was approximately HK$32.2 million (2004: a loss of HK$2.8 million) and was arrived at after taking into account the discount on acquisition of subsidiaries of HK$34.6 million (2004: nil) finance costs of HK$59.4 million (2004: HK$66.3 million) and share of results of associates of HK$8.0 million (2004: a loss of HK$0.2 million).

Travel and Related Services

Recovered from the sentiment of the Indian Ocean tsunami happened at the end of 2004, the number of outbound travellers rebounded during 2005. Statistics show that the number of outbound travelers exceeded 72 million represented a 4.9% over 2004. Facing the high oil price and increasing operating cost which shrunk further the profit margin of the travel industry, the Group has continued to launch series of new products, providing quality service on existing markets and exploring new markets aggressively during the year to enhance its performance. Coupled with the growing number of inbound visitors of over 23 million in 2005, the Group has attained encouraging results during the year under review.

Turnover and contribution to profit of this segment for the year ended 31 December 2005 reached HK$1,592.0 million and HK$56.4 million respectively (2004: HK$1,532.1 million and HK$49.3 million respectively).

Hotel and Leisure Services

Benefited from the expansion of the Closer Economic Partnership Arrangement ("CEPA") and the PRC Individual Visit Scheme to Hong Kong, the hotel and leisure business in Hong Kong and the PRC have shown a rapid recovery during the year.

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 2005 were largely benefited from the aforesaid arrangements in terms of both the occupancy rate and room rate. Coupled with the adoption of appropriate market positioning strategy, the performance of this segment during the year under review was encouraging.

The turnover and contribution to profit of this segment for the year achieved HK$223.8 million and HK$28.2 million respectively (2004: HK$190 million and HK$3.6 million respectively).

Associates

The Group entered into the hospitality industry in Macau by the acquisition of approximately 36.26% attributable interests in Kingsway Hotel Limited ("Kingsway") in February 2005. Resulted from the blooming tourism business in Macau, Kingsway has achieved a net profit for the year ended 31 December 2005 of approximately HK$17.9 million of which HK$8.4 million were shared by the Group for the year under review.

The contribution of the Group's 50% associate, Travoo International Limited ("Travoo"), formed at the end of 2005 is insignificant.

Material Acquisitions and Disposals

On 20 November 2004, the Group entered into a conditional sale and purchase agreement with an independent third party to acquire an 80% equity interest in Triumph Up Investments Limited ("Triumph") for a total consideration of approximately HK$157.5 million. The Group, through Triumph, would, at completion, hold indirectly approximately 34.24% attributable interest in Kingsway of which its principal asset is Kingsway Hotel. On 17 February 2005, the parties entered into a supplemental agreement to amend the terms of the acquisition that the attributable interest in Kingsway acquired by the Group was increased from approximately 34.24% to 36.26% and the consideration was proportionally adjusted to approximately HK$166.8 million which has been settled in cash. Completion of the supplemental agreement took place on 17 February 2005.

On 11 November 2005, the Group entered into an agreement with Guangdong China Travel Service (Holdings) Ltd. ("GDCTS") pursuant to which each of the Group and GDCTS would contribute RMB25,000,000 to form a joint venture in return for a 50% interest in the issued share capital of the joint venture company, Travoo. Travoo is intended to be established with a view to providing ticket booking services for hotel, airline and other transportation and event services, the operation of call centers , and the marketing of such services and other travel related services. The agreement was completed on 30 December 2005.

Liquidity and Financial Resources

On 30 November 2004, the Company entered into two placing and subscription agreements with China Enterprises Limited ("CEL") and a placing agent pursuant to which the placing agent agreed to place, on a fully underwritten basis, 6,000 million existing shares held by a nominee of CEL at the price of HK$0.028 per placing share to not less than six placees who are independent third parties and CEL would subscribe for 6,000 million new shares at the same price of HK$0.028 per share. The issue and subscription of 3,660 million and 2,340 million new shares have been completed on 14 December 2004 and 31 January 2005 respectively. The net proceeds of approximately HK$160.4 million was used principally towards payment of HK$107.5 million of the consideration for the acquisition of Kingsway and the balance was utilised as general working capital.

On 4 February 2005, the Company entered into a placing and subscription agreement with CEL and a placing agent pursuant to which the placing agent agreed to place, on a best effort basis, up to 6,400 million shares at the price of HK$0.022 per share. The Company intended to utilise HK$50 million of the net proceeds of approximately HK$137 million from the subscription to finance the refurbishment, renovation and upgrading of Kingsway Hotel in Macau, so as to enhance its competitiveness. The remaining HK$87 million of the proceeds of the subscription are to be used for future investment opportunities related to existing business. The issue and subscription of shares were completed on 18 February 2005.

The Company announced on 4 February 2005 to propose a consolidation that every one hundred shares of HK$0.01 each in the issued and unissued ordinary share capital of the Company be consolidated into one consolidated share of HK$1.00 each (the "Consolidation"). The Consolidation was approved by the shareholders of the Company in a special general meeting held on 14 March 2005.

The Company announced on 17 May 2005 to propose, inter alia, a cancellation of the entire amount standing to the credit of the share premium account (the "Cancellation") and transfer the credit arising from the Cancellation to the contributed surplus account of the Company and such credit would be partially used to set off against the accumulated loss of the Company (the "Set Off"). The Cancellation and the Set Off were approved by the shareholders of the Company in a special general meeting held on 5 July 2005.

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, up to 175,000,000 new adjusted shares at a price of HK$0.69 per adjusted share to not less than six placees who shall be independent third parties. The placing is conditional on, among other things, the passing of the resolution at the special general meeting by the shareholders to approve the issue of the placing shares. The expected net proceeds of approximately HK$119.7 million from the placing are intended to be used as general working capital for the Group. In order to facilitate the issue of the placing shares, the Company proposed to conduct a capital reorganisation which involves (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$0.1; and (ii) the subdivision of every one unissued existing share into ten adjusted shares.

On 23 March 2006, the Company announced that it has entered into a total of eight subscription agreements in relation to the subscription by eleven subscribers of the 2% convertible exchangeable notes (the "Notes"), matured on the fifth anniversary from the date of issue of the Notes, with an aggregate principal amount of HK$1,000 million at an initial conversion price of HK$0.79 (adjustable). CEL and the ten other subscribers have conditionally agreed to subscribe for the Notes with principal amount of HK$300 million and HK$700 million by cash respectively. The net proceeds, estimated to be approximately HK$998.8 million, raised from the subscription of the Notes are expected to be used by the Group for the purpose of expanding its hotel business and travel related business. Completion of the subscription of the Notes conditional upon, amongst other things, the approval by the shareholders of the Company in the special general meeting to be convened for this purpose.

At balance sheet date, the Group's total borrowings were approximately HK$1,036.2 million (2004: HK$1,137.2 million) which comprised loans from related companies of HK$361.5 million (2004: HK$372.9 million), bank and short term loan repayable within one year of HK$38.3 million (2004: HK$57.0 million), bank and other loans repayable after one year of HK$271.3 million (2004: HK$300.4 million), obligations under finance leases of HK$0.1 million (2004: HK$ 0.5 million), promissory note of HK$365.0 million (2004: HK$365.0 million) due in December 2007 and convertible notes of nil (2004: HK$41.4 million) repayable in June 2007. The convertible notes repayable in June 2007 bear interest at a fixed interest rate of 2% per annum and have all been converted in 2005. All other borrowings bear floating interest rates.

The gearing ratio, expressed as a percentage of total borrowings to shareholders' funds improved significantly from 180.5% as at 31 December 2004 to 106.4% as at 31 December 2005.

Pledge of Assets

At 31 December 2005, certain assets of the Group at net book value of HK$640.0 million (2004: HK$641.3 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 31 December 2005.

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. Despite the appreciation of Renminbi during 2005, the impact on the Group's operation is minimal. As such, the fluctuation of foreign currencies do not have a significant impact on the performance, results and operations of the Group during the reporting year 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 31 December 2005, the Group has 1,996 employees of which 25 employees were stationed overseas and 1,071 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 2005 were approximately HK$135.4 million (2004: HK$ 128.0 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 27 May 2005.

No options have been granted under the Scheme since its adoption.

PROSPECTS

Travel and Related Services

In 2005, the PRC served approximately 1.2 billion inbound travellers and represented an increase of 10.3% over 2004. At the same time, online travel transactions in PRC reached RMB7 billion in 2005 and the number of internet users was up by 18.3% as at the end of 2005. Coupled with the effect of the 2008 Beijing Olympic Games and the proposed Shanghai Disney Theme Park to be completed in 2010, the inbound revenue of the mainland will grow in multiples in the coming years. The Group has well equipped itself to grasp this opportunity, through its joint venture currently acting as a land operator for the Group in the Guangdong Province and the newly formed joint venture, Travoo, to further expand its business in the PRC aggressively.

The outbound market to southeast Asian countries has been gradually recovered from the Indian Ocean tsunami happened at the end 2004. The Group will put continuous efforts on promoting with airlines and hotels so as to rebuild travellers' confidence on spending their holidays in those attractive destinations such as Maldives and Phuket. Furthermore, the Group shall continuous to make use of its expertise and experience in the business to expand product lines, and to explore further leisure and sightseeing spots around the globe for its valuable customers.

Through the popularity of Internet, travel knowledge and destination information can be accessed directly and conveniently. More and more experienced travellers are keen on planning their own itineraries. To cope with the trend of this growing FIT market, the Group has strengthened its leisure section and has actively negotiated with our vendors to provide discounted airfare, high quality accommodation, transportation and dining services to our FIT customers. It is expected that the revenue generated from this business stream will occupy a significant portion of the revenue of the Group in the coming years.

During the year under review, the Group has put considerable resources into its inbound business and the results are promising. Following the opening of the Hong Kong Disney Land and the AsiaWorld-Expo in 2005, the Skyrail to Po Nin Monastery (Ngong Ping 360) and the Wetland Park in mid-2006, the "A Symphony of Lights" being listed on Guinness World Record in November 2005, the proposed new cruise terminal at the old Kai Tak airport site, and the effect of staging the equestrian events of 2008 Olympic Games in Hong Kong, the number of incoming visitors to and transit through Hong Kong is expected to grow to a significant extent. We are confident that, the inbound business of the Group will be greatly benefited from these favourable factors and will constitute a significant source of revenue and profits to the Group in the future.

Hotel and Leisure Services

The opening of Hong Kong Disney Land in September 2005 helps to reposition Hong Kong as a premium destination for family tourists in Asia. Couple with the recent expansion of the Individual Visit Scheme to 44 PRC cities and the unprecedented opportunity of mainland tourism industry arising from the 2008 Beijing Olympic Games, the overall room rate and occupancy rate of our hotels operated in these cities in the coming years are expected to grow to a considerable extent.

Following the concession by the United Nations Educational, Scientific and Cultural Organisation to add Macau into the list of World Heritage Sites, the opening of the new theme park, the Fisherman's Wharf, the number of visitors to Macau is expected to grow tremendously in the coming years. This will further boost the blooming tourism industry of the city. These developments provide the Group immense opportunities to enlarge its market share through its branch network and Kingsway Hotel acquired during the year. Besides, the Group will keep on exploring further investment projects in Macau so as to cope with the its business strategy within the Pan-Pearl River Delta area.

The Group will continue to develop new products and to provide quality service so as to differentiate ourselves from our competitors and to cope with the demanding needs of our valuable customers, and to stand ahead of the industry.

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 2005.

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 2005. The Audit Committee 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 Rules (the "Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") during the year ended 31 December 2005 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 separate 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.

Code Provision E.1.2

Under the code provision E.1.2, the chairman of the board should attend the annual general meeting. The Chairman of the Board, Mr. Yu Kam Kee, Lawrence was unable to attend the annual general meeting of the Company held on 27 May 2005 as he was on business trip for other important business engagement. However, the other executive director, present at the annual general meeting who then took the chair of that meeting in accordance with Bye-Law 68 of the Bye-Laws of the Company, and the member of the Audit Committee were present at that annual general meeting.

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 year ended 31 December 2005.

ANNUAL GENERAL MEETING

The 2006 Annual General Meeting of the Company will be held at 8th Floor, Harcourt House, 39 Gloucester Road, Wanchai, Hong Kong on Friday, 19 May 2006 at 10:00 a.m. For details of the Annual General Meeting, please refer to the Notice of Annual General Meeting which will be published in due course.

PUBLICATION OF ANNUAL RESULTS ON THE STOCK EXCHANGE'S WEBSITE

All the information of the annual results of the Group for the year ended 31 December 2005 required by paragraphs 45(1) to 45(3) 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 of:–

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
Ms. Luk Yee Lin, Ellen

Non-Executive Director:
Mr. Chan Yeuk Wai *(Honorary Chairman)*

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, 31 March 2006