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Wing On Travel (Holdings) Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 1189)



CHINA STRATEGIC HOLDINGS LIMITED

中策集團有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 235)

MAJOR TRANSACTION -

**ISSUE OF CONVERTIBLE EXCHANGEABLE NOTES
AND CONNECTED TRANSACTION**

**SUBSCRIPTION OF CONVERTIBLE EXCHANGEABLE NOTES AND
A POSSIBLE VERY SUBSTANTIAL ACQUISITION**

On 23 March 2006, Wing On entered into the Subscription Agreements in relation to the subscription by 11 Subscribers of the 2% convertible exchangeable notes with an aggregate principal amount of HK\$1,000 million. CEL, HIL and the nine Other Subscribers have conditionally agreed to subscribe for the Notes with principal amount of HK\$300 million, HK\$200 million and HK\$500 million by cash respectively.

CEL is the substantial shareholder of Wing On holding approximately 27.74% of the total issued Wing On Shares as at the date of the CEL Subscription Agreement and therefore a connected person of Wing On pursuant to the Listing Rules. Accordingly, the issue of the CEL Notes by Wing On to CEL under the CEL Subscription Agreement constitutes a connected transaction of Wing On pursuant to the Listing Rules. The Subscription Agreements are subject to the approval of the Independent Wing On Shareholders at a general meeting of Wing On on which voting will be taken by poll. CEL and its associates will abstain from voting on the relevant resolution in relation to the Subscription Agreements.

An independent board committee will be constituted by Wing On to advise the Independent Wing On Shareholders and an independent financial adviser will be appointed by Wing On to advise the Independent Board Committee and the Independent Wing On Shareholders as regards the terms of the Subscription Agreements and the Notes.

A special general meeting of Wing On will be held to consider and, if thought fit, approve the necessary resolutions in respect of the transactions contemplated in the Subscription Agreements including the issue of the Notes and the Conversion Shares which fall to be issued and allotted on exercise of conversion rights attached to the Notes. A circular containing, among others, (i) details of the Subscription Agreements and the Notes; (ii) a letter of advice from the independent financial adviser to the Independent Board Committee and the Independent Wing On Shareholders on the terms of the Subscription Agreements and the Notes; (iii) a letter of recommendation from the Independent Board Committee to the Independent Wing On Shareholders; and (iv) the notice of the special general meeting of Wing On will be sent to the Wing On Shareholders as soon as practicable.

The CEL Subscription under the CEL Subscription Agreement constitutes a major transaction for China Strategic under the Listing Rules. Upon exercise of the conversion rights attached to the CEL Notes, the acquisition of equity interests in Wing On may constitute a very substantial acquisition for China Strategic under the Listing Rules. Accordingly, the CEL Subscription and the transactions contemplated under the CEL Subscription Agreement (including the possible very substantial acquisition of equity interests in Wing On on conversion of the CEL Notes) are subject to the approval of the China Strategic Shareholders at a general meeting of China Strategic. To the best knowledge of the China Strategic Directors, no China Strategic Shareholders have material interests in the CEL Subscription Agreement which are different from other China Strategic Shareholders. Accordingly, no China Strategic Shareholders will be required to abstain from voting on the CEL Subscription and the transactions contemplated under the CEL Subscription Agreement (including the possible very substantial acquisition of equity interests in Wing On on conversion of the CEL Notes).

An extraordinary general meeting of China Strategic will be held to consider and, if thought fit, approve the necessary resolutions in respect of the CEL Subscription and the transactions contemplated under the CEL Subscription Agreement (including the possible very substantial acquisition of equity interests in Wing On on conversion of the CEL Notes). A circular containing, among other things, (i) details about the CEL Subscription; and (ii) the notice convening the extraordinary general meeting of China Strategic will be despatched to the China Strategic Shareholders as soon as practicable.

At the request of Wing On, trading in the Wing On Shares was suspended with effect from 10:10 a.m. on 23 March 2006 pending the release of this announcement. An application has been made by Wing On to the Stock Exchange for resumption of trading in the Wing On Shares with effect from 9:30 a.m. on 28 March 2006.

At the request of China Strategic, trading in the China Strategic Shares on the Stock Exchange was suspended with effect from 10:26 a.m. on 23 March 2006 pending the release of this announcement. An application has been made by China Strategic to the Stock Exchange for resumption of trading in the China Strategic Shares with effect from 9:30 a.m. on 28 March 2006.

SUBSCRIPTION OF THE NOTES

On 23 March 2006, Wing On entered into a total of 8 Subscription Agreements in relation to the subscription by the Subscribers of the Notes with an aggregate principal amount of HK\$1,000 million. Save for the principal value of the Notes to be subscribed and the identity of the Subscribers, the principal terms of each of the Subscription Agreements are identical.

1. Subscription Agreements

Date: 23 March 2006

Parties to the Subscription Agreements:

Issuer: Wing On

Subscribers:

- (i) CEL, conditionally agreeing to subscribe at Completion for the CEL Notes with principal amount of HK\$300 million by cash;
- (ii) HIL, conditionally agreeing to subscribe at Completion for a Note with principal amount of HK\$200 million by cash; and
- (iii) a fund manager (on behalf of four Other Subscribers which are investment funds managed by it) and five Other Subscribers, conditionally agreeing to subscribe at Completion for the Notes with aggregate principal amount of HK\$500 million by cash.

Subscribers:

CEL is a company incorporated in Bermuda with limited liability, the shares of which are traded on the OTC (over-the-counter) Bulletin Board in the United States of America and is owned as to approximately 55.22% effective equity interest and approximately 88.79% effective interest of voting right by China Strategic. CEL is an investment holding company. Through its subsidiaries, CEL is engaged in the business of property investment and development in the PRC and has substantial interests in investment holding companies, the subsidiaries of which are principally engaged in manufacturing and marketing of tires in the PRC and other countries abroad, and the business of providing package tour, travel and other related services and hotel operations. CEL is the single largest shareholder of Wing On holding 121,386,481 Wing On Shares (representing approximately 27.74% of the total issued Wing On Shares) as at the date of the CEL Subscription Agreement.

HIL is a wholly-owned subsidiary of HWL (a company incorporated in Hong Kong with limited liability and the shares of which are listed on the Main Board of the Stock Exchange). HIL's principal activity is investment holding and activities of its principal subsidiaries include ports and related services, property and hotels, retail, energy, infrastructure, finance and investments, and telecommunications.

The Other Subscribers include funds managed by global asset management firms and/or professional investor.

Wing On confirms that to the best of knowledge, information and belief of the Wing On Directors and having made all reasonable enquiries, each of HIL, HWL (being HIL's controlling shareholder), the Other Subscribers and the respective ultimate beneficial owners of the Other Subscribers are third parties independent of Wing On and its connected persons. Two of the Other Subscribers (with total subscription amount of HK\$40 million) are funds which are related to each other to the extent that they are managed by a common investment manager. Four of the Other Subscribers (with total subscription amount of HK\$145 million) are funds which are related to each other to the extent that they are managed by another common investment manager. As at the date of the Subscription Agreements, none of HIL and the Other Subscribers held any Wing On Shares or other securities in Wing On.

Conditions of the Subscription Agreements:

Completion of each of the Subscription Agreement is conditional upon:

- (i) the passing by the requisite majority of Independent Wing On Shareholders in general meeting of all necessary resolutions to ratify the Wing On's entering into the Subscription Agreements and performance of the transactions contemplated in the Subscription Agreements including the issue of the Notes and the Conversion Shares which fall to be issued and allotted on exercise of conversion rights attached to the Notes;
- (ii) the Listing Committee of the Stock Exchange having granted the listing of and permission to deal in the Conversion Shares;
- (iii) the passing by the requisite majority required under the Listing Rules of China Strategic Shareholders in general meeting of a resolution to approve the terms of the CEL Subscription Agreement (including the exercise of conversion rights and exchange rights attached to the CEL Notes);
- (iv) the obtaining of all consents (including shareholders' approval) that may be required under the Takeovers Code or the Executive in connection with the Offers;
- (v) if required, an increase of authorised share capital of Wing On to facilitate the issue of the Conversion Shares and the Bermuda Monetary Authority having approved the issue of shares of Wing On permitted by such increased authorised capital, the issue of the Notes and the Conversion Shares and the transferability of the Notes and the Conversion Shares;
- (vi) the completion of the Capital Reorganisation;
- (vii) the warranties made by Wing On in the Subscription Agreements are complete and accurate and not misleading when made and shall be true, complete and accurate, and not misleading as at Completion as if made at Completion;
- (viii) the Subscribers having received legal opinions issued by the Bermuda and Hong Kong counsel of Wing On in respect of matters relating to Wing On and transaction documents in form and substance reasonably satisfactory to the Subscribers; and
- (ix) the trust deed constituting the Notes and the paying and conversion agency agreement, each in a form reasonably satisfactory to the Subscribers, shall have been executed by all parties thereto on or prior to Completion.

The Subscription Agreements are to be completed at the same time and none of the Subscribers are obliged to complete, if all of the other Subscribers do not complete the Subscription under the relevant Subscription Agreements. If any of the above conditions precedent have not been fulfilled or waived by the relevant Subscribers (in respect of the conditions (vii), (viii) and (ix) above) on or before the day which falls on the expiry of 120 calendar days immediately following the date of the Subscription Agreements (or such later date as may be agreed by the parties to the Subscription Agreements in writing), then the Subscription Agreements shall lapse immediately thereafter and be of no further effect and neither party to the Subscription Agreements shall have any claim against or liability or obligation to other party under the Subscription Agreements.

Completion:

Completion shall take place on the third business day next following the date of fulfilment or waiver (as the case may be) of the conditions precedent stated in the section headed “Conditions of the Subscription Agreements” above, or such other date as the Subscribers and Wing On may agree.

2. Principal terms of the Notes

Aggregate principal amount: HK\$1,000 million

Initial Conversion Price: HK\$0.79 per Wing On Share, subject to usual anti-dilution adjustments in certain events such as share consolidation, share subdivision, capitalisation issue, capital distribution, rights issue and other equity or equity derivatives issues by Wing On.

The Initial Conversion Price of HK\$0.79 per Wing On Share represents:

- a premium of approximately 11.3% over the closing price of HK\$0.71 per Wing On Share as quoted on the Stock Exchange on 23 March 2006, being the last trading day immediately before trading in the Wing On Shares was suspended pending the release of this announcement;
- a premium of approximately 12.9% over the closing price of HK\$0.70 per Wing On Share as quoted on the Stock Exchange on the Last Full Trading Day; and
- a premium of approximately 10.6% over the average closing price of HK\$0.714 per Wing On Share as quoted on the Stock Exchange for the last 10 trading days up to and including the Last Full Trading Day.

The Initial Conversion Price was determined after arm’s length negotiations between the Subscribers and Wing On with reference to the prevailing market price of the Wing On Shares.

Interest rate: 2.0% per annum

- Maturity:** The fifth anniversary from the date of issue of the Notes
- Redemption:** Unless previously converted or lapsed or redeemed by Wing On, Wing On will redeem the Notes on the Maturity Date at the redemption amount which is 110% of the principal amount of the Notes outstanding.
- In the event of a change of control of Wing On (where person(s) other than CEL and/or its Concert Parties acquire more than 50% equity interests of Wing On or the consolidation or merger of substantially all of the assets of Wing On with such person(s)) prior to the Maturity Date, the Noteholders may require Wing On to redeem at the redemption amount which is 110% of the principal amount of the Notes then outstanding plus interest accrued.
- In the event of the occurrence of events of default specified in the Notes instrument, the Noteholders may also require Wing On to redeem the principal amount of the Notes then outstanding plus interest accrued.
- Transferability:** The Notes are freely transferable but may not be transferred to a connected person of Wing On (unless the Noteholder is already a connected person and the transferee is its associates) without the prior written consent of Wing On. Wing On undertakes to the Stock Exchange that it will promptly notify the Stock Exchange upon becoming aware of any dealings in the Notes by any connected persons of Wing On.
- Conversion period:** Each of the Noteholders shall have the right to convert, on any business day commencing from the 7th day after the date of issue of the Notes up to and including the date which is 7 days prior to the Maturity Date, the whole or any part (in an amount or integral multiple of HK\$1,000,000) of the principal amount of the Notes into Wing On Shares at the then prevailing conversion price.
- Exchange Rights:** Subject to certain restrictions which are intended to facilitate compliance of relevant rules and regulations, each Noteholder shall have the right to exchange from time to time all or part (in the amount of HK\$10,000,000 or integral multiples thereof) of 50% of the initial principal amount of its Note for Spin-off Shares at the price (subject to adjustment for subdivision or consolidation of Spin-off Shares if the Exchange Rights are exercised after the listing date of the Spin-off Shares) at which the Spin-off Shares are actually issued to the public (as defined by the rules of the relevant stock exchange) at the time of the listing on that stock exchange.
- As at the date of this announcement, Wing On does not have any concrete plan as regards any spin-off proposal. Shareholders of Wing On and China Strategic and potential investors should note that the spin-off by Wing On may or may not proceed. Further announcement will be made by Wing On in the event that the spin-off materialises.

Voting: A Noteholder will not be entitled to receive notice of, attend or vote at any general meeting of Wing On by reason only of it being a Noteholder.

Listing: No application will be made for the listing of the Notes on the Stock Exchange or any other stock exchange. An application will be made by Wing On for the listing of, and permission to deal in, the Conversion Shares to be issued as a result of the exercise of the conversion rights attached to the Notes.

Ranking: The Notes will rank pari passu with all other present and future unsecured and un-subordinated obligations of Wing On.

The Conversion Shares to be issued as a result of the exercise of the conversion rights attached to the Notes will rank pari passu in all respects with all other Wing On Shares in issue at the date on which the conversion rights attached to the Notes are exercised.

Based on the terms of the Notes, the expected yield to maturity of the Notes is approximately 3.85% per annum.

INFORMATION ON WING ON

The following table sets out a summary of the audited consolidated results of the Wing On Group for each of the two years ended 31 December 2003 and 2004 and the unaudited consolidated results for the six months ended 30 June 2005 extracted from the relevant annual reports and interim report of Wing On:

	For the six months ended 30 June 2005 HK\$'000 (unaudited)	For the year ended 31 December 2004 HK\$'000 (audited)	For the year ended 31 December 2003 HK\$'000 (audited)
Turnover	836,603	1,722,177	1,416,235
Gross profit	156,168	295,525	157,754
Profit/(loss) before taxation	16,075	37,838	(373,047)
Profit/(loss) attributable to shareholders of parent	<u>17,344</u>	<u>35,377</u>	<u>(370,972)</u>

The following table sets out a summary of the audited consolidated balance sheet of the Wing On Group as at 31 December 2004 and the unaudited consolidated balance sheet as at 30 June 2005 extracted from the 2005 interim report of Wing On:

	As at 30 June 2005 HK\$'000 (unaudited)	As at 31 December 2004 HK\$'000 (audited and restated)
Non-current assets	2,233,936	2,007,832
Current assets	686,798	564,490
Current liabilities	<u>(655,080)</u>	<u>(581,588)</u>
Net current assets/(liabilities)	31,718	(17,098)
Non-current liabilities	<u>(894,280)</u>	<u>(1,062,290)</u>
Net assets	<u>1,371,374</u>	<u>928,444</u>
Total equity	<u>1,371,374</u>	<u>928,444</u>

REASONS FOR THE ISSUE OF THE NOTES AND USE OF PROCEEDS

The principal activity of Wing On is investment holding, with its subsidiaries mainly engaged in the provision of package tours, travel and related services, and hotel operations.

Given the improving economic atmosphere in Hong Kong, the continuous expansion of the Closer Economic Partnership Arrangement and the PRC Individual Visit Scheme to Hong Kong, and the recovery in the outbound market to Southeast Asian countries from the Indian Ocean tsunami happened in 2004, the Wing On Group has achieved satisfactory growth in its travel, hotel and related business in the first half of 2005. The Wing On Directors consider that these positive momentum, coupled with the hosting of the Beijing Olympic Games in 2008 and the staging of the equestrian events of 2008 Olympic Games in Hong Kong, will continue to boost the tourism industry and overall demand for hotel rooms in the region. The Wing On Directors consider that the positive market development will provide the Wing On Group with immense opportunities. The Wing On Group will actively explore new investment opportunities to enlarge its market share through expansion in its branch network and expand its leisure business and hotel network further to the acquisition in February 2005 of the interest in an associated company engaged in hotel business in Macau. The Wing On Directors are of the view that issue of the Notes with conversion feature would strengthen the financial capability of the Wing On Group and raise capital for further possible acquisitions when such opportunities arise without immediate dilution in shareholding to existing Wing On Shareholders. The exchangeable right into shares of the Spin-off Entity is structured into the Notes to provide the Subscribers an opportunity to leverage on future possible positive corporate development of the Wing On Group during the relatively long maturity of the Notes. The Wing On Directors consider the terms of the Subscription and the Notes (including the CEL Subscription Agreement and the CEL Notes which have the same principal terms as those set out in the Subscription Agreements and the Notes to be issued to the Other Subscribers) are fair and reasonable and the Subscription is in the interests of Wing On and its shareholders as a whole.

The net proceeds of approximately HK\$998.8 million raised from the Subscription are expected to be used by the Wing On Group for the purpose of expanding its hotel business and travel related business. The Wing On Directors have been identifying suitable investment targets in the hotel and travel related business for the Wing On Group. However, as at the date of this announcement, no negotiations for investments in any targets have been materialised or proceeded to a mature stage. To the extent that the net proceeds are not immediately applied for the above purposes, the Wing On Directors intend that the net proceeds may be used to reduce the gearing of the Wing On Group. Based on the unaudited 2005 interim report of Wing On, the gearing ratio of the Wing On Group (calculated as total debts and borrowings divided by equity attributable to Wing On Shareholders) as at 30 June 2005 was approximately 106.0%.

Given the improving financial performance of the Wing On Group, the China Strategic Directors are positive about the prospects of the Wing On Group and consider it an opportune time to increase its investment in Wing On. In light of the above intended use of proceeds from the Subscription and the expansion plan of Wing On, the China Strategic Directors consider that the CEL Subscription represents a good opportunity for the China Strategic Group to expand its investments in the hotel and leisure business by leveraging on the extensive experience of the management of Wing On in the tourism and hotel industry. The conversion rights attached to the CEL Notes give China Strategic the flexibility to acquire further equity interests in Wing On should the China Strategic Directors consider it appropriate. Based on the above, the China Strategic Directors consider that the CEL Subscription is in the interests of China Strategic and its shareholders as a whole and the terms of the CEL Subscription Agreement to be fair and reasonable as far as the China Strategic Shareholders are concerned. The China Strategic Group intends to fund the subscription of the CEL Notes by its internal resources and/or debt financing.

SHAREHOLDING STRUCTURE OF WING ON

Set out below is the shareholding structure of Wing On as at the date of this announcement, upon completion of the Placing and assuming conversion of the Notes:

	As at the date of this announcement		Upon completion of the Placing		Upon completion of the Placing and assuming full conversion of the Notes		Upon completion of the Placing and assuming conversion of the CEL Notes only	
	Wing On Shares	%	Wing On Shares	%	Wing On Shares	%	Wing On Shares	%
CEL (Note 1)	121,386,481	27.74	121,386,481	19.81	501,133,316	26.68	501,133,316	50.50
HIL (Note 2)	–	–	–	–	253,164,556	13.48	–	–
Other Subscribers (Note 2)	–	–	–	–	632,911,393	33.69	–	–
Places of the Placing	–	–	175,000,000	28.57	175,000,000	9.32	175,000,000	17.64
Other public Wing On Shareholders	316,199,627	72.26	316,199,627	51.62	316,199,627	16.83	316,199,627	31.86

Total public Wing On Shareholders	<u>316,199,627</u>	<u>72.26</u>	<u>491,199,627</u>	<u>80.19</u>	<u>491,199,627</u>	<u>26.15</u>	<u>491,199,627</u>	<u>49.50</u>
Total	<u>437,586,108</u>	<u>100.00</u>	<u>612,586,108</u>	<u>100.00</u>	<u>1,878,408,892</u>	<u>100.00</u>	<u>992,332,943</u>	<u>100.00</u>

Notes:

1. As at the date of this announcement, CEL, through its wholly-owned subsidiary Million Good Limited, is beneficially interested in 121,386,481 Wing On Shares.
2. Should HIL and each of the Other Subscribers hold less than 10% of the issued Wing On Shares upon full conversion of the Notes, each of them will be treated as a public Wing On Shareholder.

As at the date of the Subscription Agreements, CEL was interested in 121,386,481 Wing On Shares, representing approximately 27.74% of the existing issued Wing On Shares and 19.81% of the issued Wing On Shares on completion of the Placing. Depending on the then shareholding structure of Wing On and the extent to which the conversion rights of the Notes are to be exercised by any of the Subscribers, certain Subscribers may individually become interested in 30% or more of the enlarged issued share capital of Wing On upon conversion of their Notes. In such circumstances, the relevant Subscriber(s) and their Concert Parties will be obliged to make a mandatory offer to the Wing On Shareholders to acquire all the Wing On Shares, other than those already owned or agreed to be acquired by such Subscriber(s) and their Concert Parties, in accordance with Rule 26 of the Takeovers Code unless a waiver thereto is obtained. Such Subscriber(s) and their Concert Parties will comply with the relevant requirements of the Takeovers Code in such event that an obligation for a mandatory general offer arises.

As at the date of this announcement, no decision has been made as to whether or when or the extent to which the conversion rights attached to the CEL Notes are to be exercised by CEL. The extent of exercise of the conversion rights attached to the CEL Notes by CEL would depend on a number of factors such as the future financial position and business prospects of the Wing On Group, the market performance of the Wing On Shares, and the extent to which HIL and the Other Subscribers exercise the conversion rights attached to their Notes. Accordingly, the China Strategic Directors are not in a position to state their intention about the extent of conversion rights that would be exercised by CEL and whether Wing On will become a subsidiary of CEL at this stage.

Wing On and the Wing On Directors will take appropriate steps to ensure that there will be sufficient public float for the Wing On Shares immediately following conversion of the Notes and at any time during the term of the Notes.

The Stock Exchange has indicated that should the Subscription be completed, it will closely monitor trading in the Wing On Shares if less than 25% of the issued Wing On Shares are held by the public. If the Stock Exchange believes that a false market exists or may exist in the trading in the Wing On Shares, or there are too few Wing On Shares in public hands to maintain an orderly market, then it will consider exercising its discretion to suspend trading in the Wing On Shares until a sufficient level of public float is attained.

DILUTION EFFECT ON WING ON SHAREHOLDERS

In view of the future dilution of existing Wing On Shareholders on the exercise of the conversion rights attaching to the Notes, Wing On will keep the Wing On Shareholders informed of the level of dilution and details of conversion as follows:

- (i) Wing On will make a monthly announcement (the “Monthly Announcement”) on the website of the Stock Exchange after Completion. Such announcement will be made on or before the fifth business day following the end of each calendar month and will include the following details in a table form:
 - (a) whether there is any conversion of the Notes during the relevant month. If there is a conversion, details thereof, including the conversion date, number of new Wing On Shares issued and conversion price for each conversion. If there is no conversion during the relevant month, a negative statement to that effect;
 - (b) the number of outstanding Notes after the conversion, if any;
 - (c) the total number of new Wing On Shares issued pursuant to other transactions during the relevant month, including new Wing On Shares issued pursuant to exercise of options under any share option scheme(s) of Wing On (if any); and
 - (d) the total issued share capital of Wing On as at the commencement and the last day of the relevant month; and
- (ii) in addition to the Monthly Announcement, if the cumulative amount of new Wing On Shares issued pursuant to the conversion of the Notes reaches 5% of the issued share capital of Wing On as disclosed in the last Monthly Announcement or any subsequent announcement made by Wing On in respect of the Notes (as the case may be) (and thereafter in a multiple of such 5% threshold), Wing On will make an announcement on the website of the Stock Exchange including details as stated in (a) above for the period commencing from the date of the last Monthly Announcement or any subsequent announcement in respect of the Notes (as the case may be) up to the date on which the total amount of Wing On Shares issued pursuant to the conversion amounted to 5% of the issued share capital of Wing On as disclosed in the last Monthly Announcement or any subsequent announcement made by Wing On in respect of the Notes (as the case may be).

SUMMARY OF EQUITY FUND RAISING ACTIVITIES OF WING ON IN THE PAST TWELVE MONTHS

On 1 March 2006, Wing On announced that it entered into a placing agreement with the Placing Agent pursuant to which the Placing Agent conditionally agreed to place, on a best effort basis, up to 175,000,000 new Wing On Shares at a price of HK\$0.69 per share to not less than six places. The net proceeds from the Placing are estimated to be about HK\$119.7 million which will be used as the Wing On Group’s general working capital. The Placing is conditional on, among others, (i) the passing of the resolution at the special general meeting by the Wing On Shareholders to be held on 10 April 2006; and (ii) the completion of the Capital Reorganisation. As at the date of this announcement, none of the conditions precedent to completion of the Placing has been fulfilled. Details of the Placing are set out in the announcement of Wing On dated 1 March 2006 and circular of Wing On dated 17 March 2006.

Other than the Placing as mentioned above, Wing On has not conducted any other fund raising activities in the past twelve months from the date of this announcement.

LISTING RULES IMPLICATIONS

Wing On:

CEL, a non wholly-owned subsidiary of China Strategic, is the substantial shareholder of Wing On holding approximately 27.74% of the total issued Wing On Shares as at the date of the CEL Subscription Agreement and therefore a connected person of Wing On pursuant to the Listing Rules. Accordingly, the issue of the CEL Notes by Wing On to CEL under the CEL Subscription Agreement constitutes a connected transaction for Wing On pursuant to the Listing Rules. The Subscription Agreements are to be completed at the same time and none of the Subscribers are obliged to complete, if all of the other Subscribers do not complete the Subscription under the relevant Subscription Agreements. On this basis, the Subscription Agreements are subject to the approval of the Independent Wing On Shareholders at a general meeting of Wing On on which voting will be taken by poll. CEL and its associates will abstain from voting on the relevant resolution in relation to the Subscription Agreements.

An independent board committee will be constituted by Wing On to advise the Independent Wing On Shareholders and an independent financial adviser will be appointed by Wing On to advise the Independent Board Committee and the Independent Wing On Shareholders as regards the terms of the Subscription Agreements and the Notes.

China Strategic:

The CEL Subscription under the CEL Subscription Agreement constitutes a major transaction for China Strategic under the Listing Rules. Upon exercise of the conversion rights attached to the CEL Notes, the acquisition of equity interests in Wing On may constitute a very substantial acquisition for China Strategic under the Listing Rules. Accordingly, the CEL Subscription and the transactions contemplated under the CEL Subscription Agreement (including the possible very substantial acquisition of equity interests in Wing On on conversion of the CEL Notes) are subject to the approval of the China Strategic Shareholders at a general meeting of China Strategic. To the best knowledge of the China Strategic Directors, no China Strategic Shareholders have material interests in the CEL Subscription Agreement which are different from other China Strategic Shareholders. Accordingly, no China Strategic Shareholders will be required to abstain from voting on the CEL Subscription and the transactions contemplated under the CEL Subscription Agreement (including the possible very substantial acquisition of equity interests in Wing On on conversion of the CEL Notes). Relevant disclosure and shareholders' approval requirements for China Strategic will be complied in accordance with those relating to very substantial acquisition under the Listing Rules.

GENERAL

A special general meeting of Wing On will be held to consider and, if thought fit, approve the necessary resolutions in respect of the transactions contemplated in the Subscription Agreements including the issue of the Notes and the Conversion Shares which fall to be issued and allotted on exercise of conversion rights attached to the Notes. A circular containing, among others, (i) details of the Subscription Agreements and the Notes; (ii) a letter of advice from the independent financial adviser to the Independent Board Committee and the Independent Wing On Shareholders on the terms of the Subscription Agreements and the Notes; (iii) a letter of recommendation from the Independent Board Committee to the Independent Wing On Shareholders; and (iv) the notice of the special general meeting of Wing On will be sent to the Wing On Shareholders as soon as practicable.

An extraordinary general meeting of China Strategic will be held to consider and, if thought fit, approve the necessary resolutions in respect of the CEL Subscription and the transactions contemplated under the CEL Subscription Agreement (including the possible very substantial acquisition of equity interests in Wing On on conversion of the CEL Notes). A circular containing, among other things, (i) details about the CEL Subscription; and (ii) the notice convening the extraordinary general meeting of China Strategic will be despatched to the China Strategic Shareholders as soon as practicable.

SUSPENSION AND RESUMPTION OF TRADING

At the request of Wing On, trading in the Wing On Shares was suspended with effect from 10:10 a.m. on 23 March 2006 pending the release of this announcement. An application has been made by Wing On to the Stock Exchange for resumption of trading in the Wing On Shares with effect from 9:30 a.m. on 28 March 2006.

At the request of China Strategic, trading in China Strategic Shares on the Stock Exchange was suspended with effect from 10:26 a.m. on 23 March 2006 pending the release of this announcement. An Application has been made by China Strategic to the Stock Exchange for resumption of trading in the China Strategic Shares with effect from 9:30 a.m. on 28 March 2006.

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

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

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

Executive Directors:

Dr. Chan Kwok Keung, Charles

Dr. Yap, Allan

Ms. Chau Mei Wah, Rosanna

Ms. Chan Ling, Eva

Mr. Li Bo

Mr. Chan Kwok Hung

(Alternate to Dr. Chan Kwok Keung, Charles)

Mr. Lui Siu Tsuen, Richard

(Alternate to Dr. Yap, Allan)

Independent Non-executive Directors:

Mr. David Edwin Bussmann

Mr. Wong King Lam, Joseph

Mr. Sin Chi Fai

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the same meanings when used herein.

“associates”	has the meaning ascribed to it under the Listing Rules
“Capital Reorganisation”	the proposed reduction in the nominal value of the issued share capital of Wing On from HK\$1.00 each per existing share to HK\$0.10 per adjusted share by cancelling HK\$0.90 paid-up capital on each issued existing share, and the proposed subdivision of each authorised but unissued existing share of HK\$1.00 in the capital of Wing On into 10 adjusted shares of HK\$0.10 each, details of which are set out in the announcement of Wing On dated 1 March 2006 and the circular of Wing On dated 17 March 2006
“CEL”	China Enterprises Limited, a company incorporated in Bermuda with limited liability, the shares of which are traded on the OTC (over-the-counter) Bulletin Board in the United States of America and is owned as to approximately 55.22% effective equity interest and approximately 88.79% effective voting interest by China Strategic
“CEL Notes”	the HK\$300 million 2% convertible exchangeable notes due 2011 proposed to be issued by Wing On and subscribed by CEL pursuant to the CEL Subscription Agreement, which entitle the holders thereof to convert the outstanding principal amount into the Conversion Shares at the Initial Conversion Price
“CEL Subscription”	the subscription of the CEL Notes by CEL pursuant to the CEL Subscription Agreement
“CEL Subscription Agreement”	a conditional subscription agreement dated 23 March 2006 entered into between CEL and Wing On in relation to the CEL Subscription, subject to the terms and conditions contained therein
“China Strategic”	China Strategic Holdings Limited 中策集團有限公司, a company incorporated in Hong Kong with limited liability and the shares of which are listed on the Main Board of the Stock Exchange
“China Strategic Directors”	directors of China Strategic
“China Strategic Shareholders”	shareholders of China Strategic
“Completion”	completion of the Subscription Agreements
“Concert Parties”	has the meaning ascribed thereto under the Takeovers Code
“connected persons”	has the meaning ascribed to it under the Listing Rules

“Conversion Shares”	the 1,265,822,784 new Wing On Shares which fall to be issued upon exercise in full of the conversion rights attaching to the Notes at the Initial Conversion Price
“Executive”	the Executive Director of the Corporate Finance Division of the Securities and Futures Commission of Hong Kong and any delegate of the Executive Director
“Exchange Rights”	the rights to exchange all or part of the Notes into Exchange Shares pursuant to the instruments of the Notes
“Exchange Shares”	the ordinary shares comprised in the share capital of the Spin-off Entity held by Wing On or its wholly-owned subsidiaries which are to be transferred to the Noteholder upon the exercise of its Exchange Rights
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“HIL”	Hutchison International Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of HWL
“HWL”	Hutchison Whampoa Limited, a company incorporated in Hong Kong with limited liability and the shares of which are listed on the Main Board of the Stock Exchange
“Independent Board Committee”	the independent committee of the board of Wing On, which will comprise the independent non-executive Wing On Directors
“Independent Wing On Shareholders”	Wing On Shareholders other than CEL and its associates
“Initial Conversion Price”	the initial conversion price of HK\$0.79 per Wing On Share (subject to adjustment) of the Notes
“Last Full Trading Day”	22 March 2006, being the last full trading day for the Wing On Shares prior to the suspension of dealings of the Wing On Shares on the Stock Exchange pending the issue of this announcement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Maturity Date”	the fifth anniversary of the date of issue of the Notes
“Noteholders”	holders of the Notes
“Notes”	the HK\$1,000 million 2% convertible exchangeable note (including CEL Notes) due 2011 proposed to be issued by Wing On and subscribed by the Subscribers pursuant to the Subscription Agreements, which entitle the holders thereof to, among others, convert the principal amount outstanding into the Conversion Shares at the Initial Conversion Price, subject to adjustments

“Offers”	the possible voluntary offer to acquire all the shares of Group Dragon Investments Limited not already held by Well Orient Limited and its Concert Parties; and the possible mandatory cash offer to acquire all the shares of China Strategic not already held or agreed to be acquired by Nation Field Limited and its Concert Parties, details of which are set out in the joint announcement of China Strategic dated 19 April 2005 and the circular of China Strategic dated 10 September 2005
“Other Subscribers”	nine subscribers (other than CEL and HIL) of the Notes which are funds managed by global asset management firms and/or professional investor
“Placing”	the placing of up to 175,000,000 new Wing On Shares, on a best effort basis, by the Placing Agent to the placees at HK\$0.69 each under the placing agreement dated 1 March 2006, details of which are set out in the announcement of Wing On dated 1 March 2006 and circular of Wing On dated 17 March 2006
“Placing Agent”	Success Securities Limited
“PRC”	the People’s Republic of China
“Spin-off Entity”	any company which is an affiliated company (as defined in Rule 13.11(2)(a) of the Listing Rules) or subsidiary of Wing On that is to be listed on a stock exchange through an initial public offering
“Spin-off Shares”	shares in the share capital of the Spin-off Entity
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscribers”	CEL, HIL and the Other Subscribers
“Subscription”	the subscription of the relevant Notes by the relevant Subscribers pursuant to the respective Subscription Agreements
“Subscription Agreements”	a total of 8 conditional subscription agreements dated 23 March 2006 entered into between Wing On and each of CEL, HIL, a fund manager (on behalf of four Other Subscribers which are investment funds managed by it) and five Other Subscribers in relation to the Subscription, subject to the terms and conditions contained therein
“subsidiary”	has the meaning ascribed to it under the Listing Rules
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“Wing On”	Wing On Travel (Holdings) Limited, a company incorporated in Bermuda with limited liability and the shares of which are listed on the Main Board of the Stock Exchange
“Wing On Directors”	directors of Wing On
“Wing On Group”	Wing On and its subsidiaries

“Wing On Shareholders”	holders of the Wing On Shares
“Wing On Share(s)”	as at the date of this announcement, share(s) of HK\$1.00 each in the share capital of Wing On, and in the context of the Placing, the Subscription and shares which fall to be issued pursuant thereto, ordinary share(s) of HK\$0.10 each in the capital of Wing On (upon completion of the Capital Reorganisation)
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

By order of the board
WING ON TRAVEL (HOLDINGS) LIMITED
Lui Siu Tsuen, Richard
Executive Director

By order of the board
CHINA STRATEGIC HOLDINGS LIMITED
Chan Ling, Eva
Executive Director

Hong Kong, 27 March 2006