

MATERIAL ACQUISITIONS AND DISPOSALS

During the period under review, Wing Hing Group (BVI) Limited ("Wing Hing Group BVI"), a wholly owned subsidiary of the Company, entered into an acquisition agreement with Complete Success Limited ("Complete Success") pursuant to which Wing Hing BVI acquired the reminding 40% of the entire issued share capital of CSP (HK) Limited from Complete Success. Prior to the acquisition, the entire issued share capital of CSP (HK) Limited was owned as to 60% and 40% by Wing Hing Group (BVI) and Complete Success respectively.

Further details in respect of the above acquisition are set out in the circular dated 29 July 2005.

CAPITAL STRUCTURE

On 12 May 2004, the Company entered into a subscription agreement (the "Note Subscription Agreement") with Grand Legend Limited and Mr. Lo Chun Yang in respect of the subscription of convertible note (the "Note") with an aggregate principal amount of HK\$11,500,000. On 12 May 2005, pursuant to the Note Subscription Agreement, Grand Legend Limited elected to convert the Note with an aggregate principal amount of HK\$11,500,000 into 57,500,000 ordinary shares of HK\$0.10 each at the conversion price of HK\$0.20 per ordinary share. All shares issued upon the conversion rank pari passu in all respects with the then existing shares of the Company.

On 25 August 2005, pursuant to a special resolution passed by the shareholders of the Company, the Company effected a capital reduction by eliminating approximately HK\$138,808,000 standing to the credit of the Company's share premium account. The credit of approximately HK\$138,808,000 arising from such elimination was applied to set off against the accumulated losses of the Company.