

**Dated the 6th day of July 2007**

**COMPASS PACIFIC HOLDINGS LIMITED  
(as Company)**

**AND**

- (1) FORTUNE VENTURE HOLDING LIMITED**
- (2) PRIMARY GLOBAL INTERNATIONAL LIMITED**
- (3) HUANG XIUJUAN (黄秀娟)**  
**(as Placees)**

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**PLACING AGREEMENT**

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### EXECUTION

ANNEXURE      Announcement

**THIS AGREEMENT** is made on the 6th day of July 2007

**BETWEEN:**

- (1) **COMPASS PACIFIC HOLDINGS LIMITED**, a company incorporated in Bermuda and having its registered office at Canon's Court, 22 Victoria Street, Hamilton HM 12, Bermuda and its principal place of business in Hong Kong at Suites 612-617, 6th Floor, Hutchison House, 10 Harcourt Road, Central, Hong Kong (the "**Company**"); and
- (2) The following placees (each a "**Placee**" and collectively, the "**Placees**"):
  - (a) **FORTUNE VENTURE HOLDING LIMITED**, a company incorporated in the British Virgin Islands and having its registered office at the premises of Imperial Trust Limited, Drake Chamber, Road Town, Tortola, British Virgin Islands and its correspondence address at 9th Floor, 969 South Zhongshan Road, Shanghai 200011, The People's Republic of China (the "**First Placee**");
  - (b) **PRIMARY GLOBAL INTERNATIONAL LIMITED**, a company incorporated in the British Virgin Islands and having its registered office at the offices of Offshore Incorporations Limited, P. O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands (the "**Second Placee**"); and
  - (c) **HUANG XIUJUAN (黃秀娟)** (holder of PRC passport no. G07684108) of 9th Floor, 969 South Zhongshan Road, Shanghai 200011, The People's Republic of China (the "**Third Placee**").

**WHEREAS:**

- (A) The Company is an exempted company incorporated in Bermuda. As at the date of this Agreement, the Company has an authorised share capital of HK\$3,000,000,000 divided into 30,000,000,000 Shares, of which 2,465,443,232 Shares have been issued and are fully paid or credited as fully paid. In addition, there are existing the outstanding options (the "**Options**") granted by the Company under the share option scheme(s) adopted by the Company entitling the holders thereof to subscribe for up to 276,262,000 new Shares at the subscription price ranging from HK\$0.114 to HK\$0.69 upon exercise of the subscription rights attaching to the Options.
- (B) A resolution was passed at the annual general meeting of the Company convened and held on 29 June 2007 (the "**AGM**") pursuant to which a general mandate was granted to the directors of the Company to allot, issue and deal with additional Shares or securities convertible into Shares not exceeding 20 per cent. of the aggregate nominal amount of the issued share capital of the Company then existing. At the time of the AGM, the total number of issued Shares was 2,465,443,232 and the maximum number of new Shares which can be issued pursuant to the general mandate is accordingly 493,088,646.
- (C) All the issued Shares are listed and traded on the main board of the Stock Exchange.

- (D) The Company has agreed to offer for subscription the Placing Shares and the First Placee, the Second Placee and the Third Placee have agreed to subscribe for the First Tranche Placing Shares, the Second Tranche Placing Shares and the Third Tranche Placing Shares respectively upon the terms and subject to the conditions set out in this Agreement.
- (E) The Placing Shares will be issued pursuant to the general mandate granted at the AGM.

**NOW IT IS HEREBY AGREED as follows:**

**1. DEFINITIONS**

- 1.1 In this Agreement (including the Recitals), unless the context otherwise requires, the following words and expressions shall have the respective meanings set out below:

<b>“Announcement”</b>	the press announcement in the agreed form annexed hereto as Appendix proposed to be issued on behalf of the Company immediately following the execution of this Agreement (subject to such amendments as the Stock Exchange may require)
<b>“associates”</b>	has the meaning ascribed thereto in the Listing Rules
<b>“Board”</b>	the board of directors of the Company
<b>“Business Day”</b>	a day (other than a Saturday) on which licensed banks in Hong Kong are generally open for business throughout their normal business hours
<b>“CCASS”</b>	the Central Clearing and Settlement System established and operated by Hong Kong Securities Clearing Company Limited
<b>“Companies Ordinance”</b>	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong)
<b>“Completion”</b>	the completion of the Placing in accordance with Clause 6
<b>“Completion Date”</b>	the date falling on the third Business Day after the Condition Precedent has been fulfilled
<b>“Condition Precedent”</b>	the condition set out in Clause 3.1

<b>“First Tranche Placing Shares”</b>	a total of 120,880,000 new Shares, being a portion of the Placing Shares to be placed by the Company to the First Placee;
<b>“Hong Kong”</b>	the Hong Kong Special Administrative Region of the People’s Republic of China
<b>“Listing Committee”</b>	the listing sub-committee of the board of directors of the Stock Exchange
<b>“Listing Rules”</b>	the Rules Governing the Listing of Securities on the Stock Exchange
<b>“Placing”</b>	the offer by way of placing of the Placing Shares by the Company to the Placees upon the terms and conditions set out in this Agreement
<b>“Placing Price”</b>	the price of HK\$0.258 per Placing Share
<b>“Placing Shares”</b>	a total of 241,860,000 new Shares to be allotted and issued pursuant to the Placing
<b>“Second Tranche Placing Shares”</b>	a total of 30,200,000 new Shares, being a portion of the Placing Shares to be placed by the Company to the Second Placee;
<b>“SFC”</b>	the Securities and Futures Commission of Hong Kong
<b>“Share(s)”</b>	ordinary share(s) of HK\$0.10 each in the share capital of the Company
<b>“Stock Exchange”</b>	The Stock Exchange of Hong Kong Limited
<b>“subsidiary”</b>	has the meaning ascribed thereto in section 2 of the Companies Ordinance and “subsidiaries” shall be construed accordingly
<b>“Third Tranche Placing Shares”</b>	a total of 90,780,000 new Shares, being a portion of the Placing Shares to be placed by the Company to the Third Placee;
<b>“Transaction Costs”</b>	such brokerage, Stock Exchange trading fee, investor compensation levy and SFC transaction levy (if any) as may be payable on or in connection with the Placing or issue of the Placing Shares

**“HK\$”**

Hong Kong dollars, the lawful currency for the time being of Hong Kong

1.2 In this Agreement, including the Recitals:

- (1) references to “Recitals” and “Clauses” are to recitals to, and clauses of, this Agreement;
- (2) references to a statute or statutory provision include references:
  - (a) to that statute or statutory provision as from time to time modified or re-enacted;
  - (b) to any repealed statute or statutory provision which it re-enacts (with or without modification); and
  - (c) to any subordinate legislation made under the relevant statute;
- (3) references to the singular include references to the plural and vice versa;
- (4) references to any gender include references to all genders;
- (5) references to persons include references to bodies corporate, unincorporated associations and partnerships; and
- (6) headings to clauses are for convenience only and do not affect interpretation of this Agreement.

## **2. PLACING**

2.1 The Company hereby agrees to place:

- (i) to the First Placee the First Tranche Placing Shares;
- (ii) to the Second Placee the Second Tranche Placing Shares;
- (iii) to the Third Placee the Third Tranche Placing Shares,

in each case, at the Placing Price upon the terms and subject to the conditions set out in this Agreement.

2.2 The First Placee hereby agrees to subscribe for the First Tranche Placing Shares, the Second Placee hereby agrees to subscribe for the Second Tranche Placing Shares and the Third Placee hereby agrees to subscribe for the Third Tranche Placing Shares at the Placing Price upon the terms and subject to the conditions set out in this Agreement.

## **3. CONDITION**

- 3.1 The Placing is conditional upon the Listing Committee granting or agreeing to grant the listing of, and permission to deal in, the Placing Shares.
- 3.2 The Company shall apply to the Stock Exchange as soon as practicable after the execution of this Agreement for the listing and permission referred to in Clause 3.1 and the Company shall use its reasonable endeavours to procure the satisfaction of the Condition Precedent by the time specified in Clause 3.3. No party is entitled to withdraw from this Agreement before that date unless the condition referred to in Clause 3.1 becomes incapable of fulfillment.
- 3.3 In the event that the Condition Precedent not having been fulfilled by 5:00 p.m. on 31 July 2007 (or such later date as may be agreed by the parties hereto) all rights, obligations and liabilities of the parties hereunder (other than Clauses 8 (Placing Expenses), Clauses 11 (Notices) and 12 (Governing Law and Jurisdiction)) shall cease and determine and none of the parties shall have any claim against the other in relation thereto save for antecedent breaches of the provisions of this Agreement.

#### **4. DELIVERY OF DOCUMENTS**

The Company shall as soon as practicable following the execution of this Agreement deliver to each of the Placees a certified copy of the minutes of the meeting of the Board at which resolutions were passed approving and authorising the application for the listing and permission referred to in Clause 3.1, the publication of the Announcement and the execution and completion of this Agreement by the Company.

#### **5. ANNOUNCEMENTS**

- 5.1 The Company shall release the Announcement for publication as soon as practicable after execution of this Agreement, amended as may be agreed between the Company, the Stock Exchange and (where applicable) other regulatory authorities (including the SFC).
- 5.2 Subject to any requirements of the Stock Exchange or other regulatory authorities (including the SFC), none of the parties hereto shall, directly or indirectly, make any announcement or communication other than the Announcement in relation to this Agreement or any matter ancillary thereto without the prior written consent of the other (such consent not to be unreasonably withheld or delayed).

#### **6. COMPLETION**

- 6.1 Completion shall take place at the offices of the Company or such other place as the parties may determine, at or before 4:00 p.m. on the Completion Date when all the acts and requirements set out in Clause 6.3 shall be complied with.
- 6.2 Each of the Placees shall deliver to the Company (and/or to the Stock Exchange and/or other regulatory authorities (including the SFC), if requested by the Company) details of such Placee and such other information as required by the Stock Exchange and/or other regulatory authorities as soon as practicable after the execution of this Agreement.

### 6.3 At Completion:

- (1) each of the Placees shall make payment of the aggregate amount payable for the Placing Shares by way of cashier order issued by a licensed bank in Hong Kong or cheque drawn on a licensed bank in Hong Kong and made payable to the Company, or by way of electronic transfer to such bank account of the Company as may be notified by the Company to each of the Placees not less than one Business Day before the Completion Date, or in such other manner as may be agreed between the Company and each of the Placees;
- (2) the Company shall allot and issue, credited as fully paid, the First Tranche Placing Shares to the First Placee, the Second Tranche Placing Shares to the Second Placee and the Third Tranche Placing Shares to the third Placee and shall procure that (as regards the First Tranche Placing Shares) the First Placee, (as regards the Second Tranche Placing Shares) the Second Placee and (as regards the Third Tranche Placing Shares) the Third Placee are registered on the branch register of members of the Company in Hong Kong as the registered holders of the First Tranche Placing Shares, the Second Tranche Placing Shares and the Third Tranche Placing Shares respectively; and
- (3) the Company shall deliver or procure the delivery to the First Placee, the Second Placee and the Third Placee definitive share certificate(s) in respect of the First Tranche Placing Shares, the Second Tranche Placing Shares and the Third Tranche Placing Shares in the name of the First Placee, the Second Placee and the Third Placee respectively or, if so required by any Placee, share certificates for such number of the Placing Shares to the depositary for HKSCC Nominees Limited for credit to such CCASS participants' accounts or investor participants' accounts as may be designated by the relevant Placee.

## 7. **REPRESENTATIONS AND WARRANTIES BY THE COMPANY**

The Company represents, warrants and undertakes to each of the Placees that:

- (1) the Placing Shares will be allotted and issued in accordance with the memorandum of association and articles of association of the Company, all relevant laws of Hong Kong and Bermuda and the rules and regulations of the Stock Exchange and will rank pari passu in all respects among themselves and with all other Shares in issue as at the date of allotment and issue of the Placing Shares;
- (2) the Company has full power, authority and shareholders' consent to allot and issue the Placing Shares other than the approval referred to in the Condition Precedent;
- (3) the Company has power to enter into this Agreement and this Agreement constitutes or will, when executed, constitute legal, valid and binding obligations on the Company;



- (4) the Company was duly incorporated and is validly existing under the laws of Bermuda;
- (5) all the issued Shares are listed and traded on the main board of the Stock Exchange; and
- (6) all the aforesaid representations and warranties shall remain true up to and including the Completion Date.

## **8. PLACING EXPENSES**

- 8.1 The Company shall pay all brokerage, Stock Exchange trading fee, investor compensation levy and SFC transaction levy (if any) as may be payable in respect of the allotment and issue of the Placing Shares in accordance with the terms of this Agreement, any and all fees payable to the SFC, and all charges, fees and expenses of the Company's share registrar including (without limitation) their fees and expenses in allotting and issuing the relevant number of the Placing Shares, and the issue of definitive share certificates therefor, to each of the Placees.
- 8.2 Without prejudice to the generality of Clause 8.1, the Company shall be responsible for and pay all costs and expenses (including legal expenses) incurred by it in connection with:
- (1) the preparation and release of the Announcement and the negotiation, preparation and completion of this Agreement; and
  - (2) the allotment and issue of the Placing Shares (excluding any transaction levy as may be payable by the Placees to the Stock Exchange for the Placing Shares).

## **9. REPRESENTATIONS AND WARRANTIES BY THE PLACEE**

- 9.1 Each of the Placees represents, warrants and undertakes to the Company as follows:
- (1) the Placee and (if applicable) its ultimate beneficial owner is independent of and not connected with the directors, chief executive or substantial shareholders of the Company or its subsidiaries or any of its or their respective associates;
  - (2) the Placee is not a person who is accustomed to take instructions from a connected person (as defined in the Listing Rules) of the Company in relation to the acquisition, disposal, voting or any other disposition of securities of the Company;
  - (3) the Placee is not an existing shareholder of the Company and does not hold any beneficial interest in any of the Shares of the Company;
  - (4) the Placee is not acting in concert with any of the substantial shareholders of the Company in the obtaining or consolidation of control of the Company through the acquisition of voting rights in the Company;

- (5) the Placee shall supply such information about itself as the Stock Exchange and/or other regulatory authorities (if requested by the Company) may require in connection with the Placing and consent to all information contained in this Agreement being supplied to the Stock Exchange and/or other regulatory authorities (if requested by the Company).
- (6) the Placee is independent from, and not directly or indirectly funded or backed by the Company, or any of its connected person (as defined in the Listing Rules).

## **10. GENERAL PROVISIONS RELATING TO AGREEMENT**

- 10.1 Time shall be of the essence of this Agreement.
- 10.2 Each of the parties hereto undertakes to the other to execute all such documents and to do or procure to be done all such other acts and things as may be necessary to give the other party the full benefit of this Agreement.
- 10.3 This Agreement shall be binding on and enure for the benefit of the successors of the parties but shall not be assignable otherwise than with the prior written consent of the other party.
- 10.4 Any right or remedy conferred on any party for breach of this Agreement (including the breach of any representations, warranties and undertakings) shall be in addition and without prejudice to all other rights and remedies available to it in respect of that breach and the exercise of or failure to exercise any right or remedy in respect of such breach shall not, save as provided herein, constitute a waiver by such party of any other right or remedy it may have in respect of that breach.
- 10.5 Any provision of this Agreement which is capable of being performed after Completion but which has not been performed at or before Completion shall remain in full force and effect notwithstanding Completion.
- 10.6 This Agreement constitutes the entire agreement between the parties hereto with respect to the matters dealt with herein (no party having relied on any representation or warranty made by the other party with respect thereto which is not contained in this Agreement) and this Agreement supersedes all and any previous agreements, arrangements, statements or understandings between the parties hereto relating to the matters referred to in this Agreement and all such previous agreements, arrangements, statements or understandings (if any) shall cease and determine with effect from the date hereof.
- 10.7 No variation of this Agreement shall be effective unless made in writing and signed by each of the parties.
- 10.8 If at any time any provision of this Agreement is or becomes illegal, void or unenforceable in any respect, the remaining provisions hereof shall in no way be affected or impaired thereby.

10.9 This Agreement may be executed by the parties hereto in any number of counterparts and on separate counterparts, each of which when so executed shall be deemed an original but all of which shall constitute one and the same instrument and be binding on all parties.

**11. NOTICES AND PROCESS AGENT**

11.1 Any notice claim, demand, court process, document or other communication to be given under this Agreement (collectively "**communication**" in this Clause) shall be in writing in the English language and must be served or given personally or sent to the facsimile numbers (if any) of the relevant party and marked for the attention and/or copied to such other person as specified in Clause 11.4.

11.2 A change of address or facsimile number of the person to whom a communication is to be addressed or copied pursuant to this Agreement shall not be effective until five days after a written notice of change has been served in accordance with the provisions of this Clause 11 on the other party to this Agreement with specific reference in such notice that such change is for the purposes of this Agreement.

11.3 Except as otherwise provided herein, all communications shall be served by the following means and the addressee of a communication shall be deemed to have received the same within the time stated adjacent to the relevant means of despatch:

<u>Means of despatch</u>	<u>Time of deemed receipt</u>
Local mail or courier	24 hours
Facsimile	On despatch
Air courier/Speedpost	3 days
Airmail	5 days

11.4 The initial addresses and facsimile numbers of the parties for the service of communications, the person for whose attention such communications are to be marked and the person to whom a communication is to be copied are as follows:

If to the Company:

Address : Suites 612-617, 6th Floor, Hutchison House, 10 Harcourt Road, Central, Hong Kong

Facsimile no.: +852 2525 2002

Attention : The Board of Directors

If to the Places:

Address : Rooms 1407-1408, Great Eagle Center, 23 Harbour Road, Wanchai, Hong Kong

Facsimile no.: +8621-63355988

Attention : Ms Li Xiaoqin / Mr Song Alan Anlan

- 11.5 A communication served in accordance with this Clause 11 shall be deemed sufficiently served and in proving service and/or receipt of a communication it shall be sufficient to prove that such communication was left at the addressee's address or that the envelope containing such communication was properly addressed and posted or despatched to the addressee's address or that the communication was properly transmitted by facsimile to the addressee. In the case of facsimile transmission, such transmission shall be deemed properly transmitted on receipt of a report of satisfactory transmission printed out by the sending machine.
- 11.6 Nothing in this Clause shall preclude the service of communication or the proof of such service by any mode permitted by law.
- 11.7 Each of the First Placee and the Second Placee hereby irrevocably appoints Ms Li Xiaoqin and Mr Song Alan Anlan care of Rooms 1407-1408, Great Eagle Center, 23 Harbour Road, Wanchai, Hong Kong as its agent to accept service of legal process out of the courts of Hong Kong in connection with this Agreement. The First Placee and the Second Placee hereby further agree to maintain a duly appointed agent in Hong Kong to accept service of process out of the courts of Hong Kong and to keep the Company informed of the name and address of such agent. Service on such process agents (or its substitutes appointed pursuant to the procedures described above) shall be deemed to be service on the First Placee and/or the Second Placee. The provisions of this Clause 11 shall apply to the service of court process on the process agent(s) of the First Placee and the Second Placee.

## **12. GOVERNING LAW AND JURISDICTION**

- 12.1 This Agreement shall be governed by, and construed in accordance with, the laws of Hong Kong.
- 12.2 Each party hereto irrevocably submits to the non-exclusive jurisdiction of the courts of Hong Kong.

**ANNEXURE**

**ANNOUNCEMENT**

*The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this announcement, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*

[logo]  
**COMPASS PACIFIC HOLDINGS LIMITED**  
**圓通控股有限公司\***  
*(incorporated in Bermuda with limited liability)*  
**Stock Code: 1188**

**PLACING OF NEW SHARES UNDER GENERAL MANDATE  
AND  
RESUMPTION OF TRADING**

**Placing of new Shares**

On 6 July 2007, the Company entered into the Placing Agreement with the Placees in relation to the placing of an aggregate of 241,860,000 new Shares at the placing price of HK\$0.258 per Share.

The Placing Shares represent (i) approximately 9.81% of the existing issued share capital of the Company and (ii) approximately 8.93% of the issued share capital of the Company as enlarged by the Placing.

The Placing Price represents (i) a discount of approximately 16.77% to the closing price of HK\$0.31 per Share as quoted on the Stock Exchange on the Last Trading Day; (ii) a discount of approximately 18.35% to the average closing price per Share of approximately HK\$0.316 as quoted on the Stock Exchange for the last five consecutive trading days ended on the Last Trading Day, (iii) a discount of approximately 17.70% to the average closing price per Share of approximately HK\$0.3115 as quoted on the Stock Exchange for the last ten consecutive trading days ended on the Last Trading Day.

The Placing is conditional upon the Listing Committee granting the listing of, and permission to deal in, the Placing Shares

The gross and net proceeds (net of any expenses, which are estimated to be approximately HK\$[380,000], to be borne by the Company) from the Placing will be approximately HK\$[62,399,880] and approximately HK\$[62,019,880] respectively.

The Board intends to apply the net proceeds to pursue investment opportunities that may arise and any net proceeds not deployed (or if no suitable investment opportunities could be identified in the immediate future) will be used as general working capital of the Group to support its ongoing operations. As at the date of this announcement, the Board has not yet formalised any concrete plans of investment or divestment for the Group.

**Suspension and resumption of trading of Shares**

At the request of the Company, trading in the Shares on the main board of the Stock Exchange was suspended with effect from 2:30 p.m. on 6 July 2007 pending the release of this announcement. Application has been made to the Stock Exchange for the resumption of trading of Shares with effect from 9:30 a.m. on 9 July 2007.

**THE PLACING AGREEMENT****Date**

6 July 2007

**Issuer**

The Company

**Placees**

The Placing Shares will be placed to the following placees:

- (a) the First Placee (namely Fortune Venture Holding Limited), an investment holding company incorporated in the BVI with limited liability, which is solely and beneficially owned by Ms Li XiaoQin;
- (b) the Second Placee (namely Primary Global International Limited), an investment holding company incorporated in the BVI with limited liability, which is beneficially owned as to 50% by Mr Song Alan Anlan and the remaining 50% by Ms Song Suyu Wang);
- (c) the Third Placee (namely Ms Huang Xiujuan).

The Placees were introduced to the Company through an acquaintance of a director of the Company. To the best of the knowledge of the Directors:

- (a) the Placees are (where an individual) independent individual and (where a corporation) independent corporate investor, and who and (where a corporation) whose ultimate beneficial owner (i) are not connected persons (as defined under the Listing Rules) of the Company; and (ii) are independent of the Company and its connected persons (as defined under the Listing Rules); and
- (b) none of the Placees will become substantial shareholders (within the meaning ascribed to it in the Listing Rules) of the Company immediately following the Placing.

**Placing Shares**

A total of 241,860,000 new Shares (representing an aggregate nominal value of HK\$24,186,000), as to:

- (a) the First Tranche Placing Shares (representing a total of 120,880,000 new Shares) to the First Placee;
- (b) the Second Tranche Placing Shares (representing a total of 30,200,000 new Shares) to the Second Placee; and

- (c) the Third Tranche Placing Shares (representing a total of 90,780,000 new Shares) to the Third Placée.

The Placing Shares represent approximately (i) 9.81% of the existing issued share capital of the Company and (ii) approximately 8.93% of the Company's issued share capital of the Company as enlarged by the Placing.

The Placing Shares will rank pari passu in all respects with the Shares in issue on the date of allotment and issue of the Placing Shares.

#### **Lock-up restriction**

The Placing Shares are not subject to any lock-up restriction under the terms of the Placing Agreement.

#### **Placing Price**

The Placing Price of HK\$0.258 per Placing Share was agreed between the Company and the Placée immediately before entering into of the Placing Agreement and represents:

- (i) a discount of approximately 16.77% to the closing price of HK\$0.31 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 8.35% to the average closing price per Share of approximately HK\$0.316 as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day; and
- (iii) a discount of approximately 17.17% to the average closing price per Share of approximately HK\$0.315 as quoted on the Stock Exchange for the last ten consecutive trading days up to and including the Last Trading Day.

The gross and net proceeds (net of any expenses, which are estimated to be approximately HK\$380,000, to be borne by the Company) from the Placing will be approximately HK\$62,399,880 and approximately HK\$62,019,880 respectively. The net Placing Price per Share will be approximately HK\$0.256.

The terms of the Placing Agreement (including the Placing Price) were negotiated on an arm's length basis between the Company and the Placée and having taken into account [the recent share price performance, the trading volume of the Shares, the liquidity of the Shares, the net assets value of the Group as at 31 December 2006 and the future prospects of the Group]. The Directors (including the independent non-executive Directors) consider that the terms of the Placing Agreement (including the Placing Price) to be fair and reasonable based on the current market condition and the entering into of the Placing Agreement in the best interests of the Company and the Shareholders as whole.

#### **Condition precedent of the Placing Agreement**

The Placing Agreement is conditional upon the Listing Committee granting the listing of, and permission to deal in, the Placing Shares. In the event that this condition is not fulfilled on or before 31 July 2007, or such later date as may be agreed between the Company and the Placing Agent, the Placing Agreement will terminate.

#### **Completion of the Placing Agreement**



Completion of the Placing Agreement is to take place on the third Business Day after the condition precedent to the Placing Agreement has been fulfilled.

**Issue of the Placing Shares pursuant to General Mandate**

The Placing Shares will be allotted and issued under the general mandate granted to the Directors to allot, issue and deal with additional Shares pursuant to the resolution passed by the Shareholders at the 2007 AGM. At the time of the 2007 AGM, the total number of issued Shares was 2,465,443,232. The general mandate has not been utilized since it was granted. Accordingly, the maximum number of new Shares which can be issued pursuant to the general mandate is 493,088,646 (representing 20% of the issued share capital of the Company as at the date of the 2007 AGM).

**No change in members or composition of the Board**

There is no present intention or agreement reached between the parties to the Placing Agreement to change the members or composition of the Board as a result of the Placing.

**Reasons for the Placing and use of net proceeds**

The principal business of the Group include operation of indoor family entertainment game centers, manufacturing and selling automobile axles and dealership of motor vehicles and spare parts, operating auto malls, car repairs services and properties development in the PRC.

In order to improve the financial performance of the Group, the Company has been actively re-evaluating its existing business operations and considering the feasibility of downsizing or (if suitable opportunities arise) divesting its loss making operations.

As disclosed in the annual report of the Company for the financial year ended 31 December 2007, the Company is also actively exploring suitable fund raising opportunities for its working capital requirement and its plans of investment and/or expansion. The Board is particularly keen on businesses which it believes to have promising prospects such as the natural resources or health care businesses. The Board is of the view that there is ample room for growth in these industries and any successful investment in any of these industries would enhance the Group's earnings and generate returns on investment for the Group. As at the date of this announcement, the Board has not yet formalised any concrete plans of investment or divestment for the Group.

In view of the current market condition, the Directors consider that the Placing offers a good opportunity to raise funds for the Group. Through the Placing, the Company can broaden its capital base (thereby giving the Company greater flexibility in the funding of its existing and future products (if identified)) and enhance its profitability without any interest burden.

The Board intends, depending on market conditions and availability of investment opportunities, to apply the net proceeds to pursue acquisition opportunities. Any proceeds not deployed (or if no suitable acquisition opportunities could be identified in the immediate future), will be utilized as general working capital to support the ongoing operations of the Group.

**Effect on shareholding structure following completion of the Placing**

The shareholding structure of the Company immediately before and after completion of the Placing is as follows:

Shareholders	Immediately before completion of the Placing Agreement	Approximate percentage of shareholding (%)	Immediately after completion of the Placing Agreement	Approximate percentage of shareholding (%)
Sun East LLC (Note 1)	945,456,600	38.35%	945,456,600	34.92%
Pure Shine Limited ("PSL") (Note 2)	162,951,000	6.61%	162,951,000	6.02%
First Placee	-	-	120,880,000	4.46%
Second Placee	-	-	30,200,000	1.12%
Second Placee	-	-	90,780,000	3.35%
<b>Sub-total:</b>	-	-	241,860,000	8.93%
Public Shareholders	1,357,035,632	55.04%	1,357,035,632	50.13%
<b>TOTAL:</b>	<u>2,465,443,232</u>	<u>100%</u>	<u>2,707,303,232</u>	<u>100%</u>

**Notes:**

1. Sun East LLC is a company owned as to 35% by Mr Yung Yeung (shared equally with his wife under the law of California) and 65% by Mr Manwai Ma and Yuwen Sun as trustees for certain trusts established for the benefit of the children of Mr Yung Yeung on 31 December 2006.
2. PSL is a wholly-owned subsidiary of Brilliance China Automotive Holdings Limited ("BCA"). By virtue of BCA's interest in PSL, BCA is deemed to be interested in the Shares held by PSL.

**Application for listing**

An application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Placing Shares.

**Fund raising activity of the Company in the 12 months immediately preceding the date of this announcement**

The Company has not undertaken any fund raising exercise in the 12 months immediately prior to the date of this announcement.

**ADDITIONAL INFORMATION**

As at the date of this announcement, there were 2,465,443,232 Shares in issue and options carrying the rights to subscribe for up to a total of 276,262,000 new Shares have been granted under the share option scheme(s) adopted by the Company and remained outstanding.

**SUSPENSION AND RESUMPTION OF TRADING**

At the request of the Company, trading in the Shares on the main board of the Stock Exchange was suspended with effect from 2:30 p.m. on 6 July 2007 pending the release of this announcement. Application has been made to the Stock Exchange for the resumption of trading of Shares with effect from [9:30] a.m. on [9] July 2007.

## **DEFINITIONS**

In this announcement, the following words and phrases have the following meanings:

“Board”	the board of Directors
“Business Day”	a day (other than a Saturday) on which licensed banks in Hong Kong are generally open for business throughout their normal business hours
“BVI”	the British Virgin Islands
“Company”	Compass Pacific Holdings Limited, an exempted company incorporated in Bermuda and whose shares are listed on the main board of the Stock Exchange
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Directors”	director(s) of the Company
“First Placee”	Fortune Venture Holding Limited, a company incorporated in the BVI, which is solely and beneficially owned by Ms Li Xiaoqin
“First Tranche Placing Shares”	a total of 120,880,000 new Shares, being a portion of the Placing Shares to be placed by the Company to the First Placee;
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Last Trading Day”	5 July 2007, being the trading day on which Shares were traded on the Stock Exchange immediately preceding the date of the Placing Agreement
“Listing Committee”	the listing sub-committee of the board of directors of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Placee(s)”	the First Placee and the Second Placee collectively
“Placing”	the placing of the Placing Shares by the Company to the Placees pursuant to the terms of the Placing Agreement
“Placing Agreement”	the placing agreement dated 6 July 2007 entered into between the Company and the Placees in relation to the Placing
“Placing Price”	HK\$0.258 per Placing Share

“Placing Shares”	241,860,000 new Shares to be allotted and issued by the Company pursuant to the Placing Agreement
“PRC”	The People’s Republic of China, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Second Placee”	Primary Global International Limited, a company incorporated in the BVI, which is beneficially owned as to 50% by Mr Song Alan Anlan and the remaining 50% by [-]
“Second Tranche Placing Shares”	a total of 30,200,000 new Shares, being a portion of the Placing Shares to be placed by the Company to the Second Placee;
“SFO”	Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
“Share(s)”	ordinary share(s) of nominal value of HK\$0.10 each in the issued share capital of the Company
“Shareholder(s)”	Holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Third Placee”	Ms Huang Xiujuan
“Third Tranche Placing Shares”	a total of 90,780,000 new Shares, being a portion of the Placing Shares to be placed by the Company to the Third Placee;
“2007 AGM”	the annual general meeting of the Company held on 29 June 2007
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

**By Order of the Board**  
**Compass Pacific Holdings Limited**  
Li Jun  
*Director*

Hong Kong, [6] July 2007

\* *For identification purposes only*

*As at the date of this announcement, the board of Directors comprises four executive Directors, namely Mr Yung Yeung, Mr Chunhua Huang, Mr Jun Li, Mr Yuwen Sun, one non-executive Director, namely Mrs Chizuko Kubo and three independent non-executive Directors, namely Mr Bangjie He, Mr Wai Tak Cheung and Mr Zheng Li, Jack.*


IN WITNESS whereof this Agreement has been duly executed by all parties hereto the day and year first above written.

**THE COMPANY**

SIGNED by Mr Li Jun )



for and on behalf of )  
**COMPASS PACIFIC HOLDINGS )  
LIMITED )**


in the presence of:  )

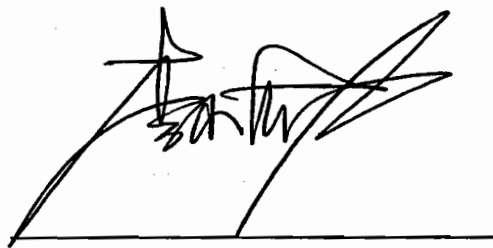
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**THE FIRST PLACEE**

SIGNED by Ms Li Xiaoqin (李小勤), )

director, for and on behalf of )  
**FORTUNE VENTURE HOLDING )  
LIMITED )**


in the presence of:  )

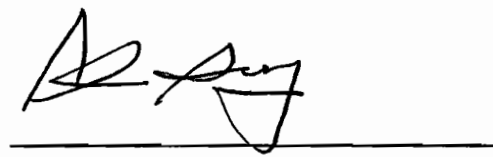


**THE SECOND PLACEE**

SIGNED by Mr Song Alan Anlan )

director, for and on behalf of )  
**PRIMARY GLOBAL )  
INTERNATIONAL LIMITED )**

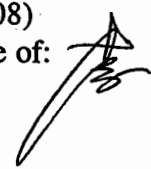
in the presence of:  )



**THE THIRD PLACEE**

SIGNED by Ms Huang Xiujuan )

(黄秀娟) (holder of PRC passport )  
No. G07684108) )

in the presence of:  )

