

DATE: 3 December 2007

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

and

**SUN EAST LLC
(as Underwriter)**

UNDERWRITING AGREEMENT

**relating to a Rights Issue of
not less than 2,723,003,232 Rights Shares
and
not more than 2,982,565,232 Rights Shares
of HK\$0.10 each in
Compass Pacific Holdings Limited
at HK\$0.10 per Rights Share payable in full on acceptance
(in the proportion of one Rights Share
for every one Share held on the Record Date)**

**CHIU & PARTNERS
Solicitors
41st Floor, Jardine House
1 Connaught Place
Central, Hong Kong**

Ref: LC/CLL/270572

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THIS AGREEMENT is dated 3 December 2007

BETWEEN:

- (1) **COMPASS PACIFIC HOLDINGS LIMITED**, a company incorporated in Bermuda, having its registered office at Canon's Court, 22 Victoria Street, Hamilton HM 12, Bermuda and its principal place of business in Hong Kong registered under Part XI of the Companies Ordinance at Suites 1407-8, 14th Floor, Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong (the "**Company**"); and
- (2) **SUN EAST LLC**, a limited liability company incorporated under the laws of California, the United States of America, having its registered office at 17890 Castleton Street, Suite 307, City of Industry, California 91748 and its address for service in Hong Kong at Suites 1407-8, 14th Floor, Great Eagle Centre, 23 Harbour Road, Hong Kong (the "**Underwriter**").

WHEREAS:

- (A) The Company is a company incorporated in Bermuda whose securities are listed on the Main Board of the Stock Exchange having an authorised share capital of HK\$3,000,000,000 divided into 30,000,000,000 Shares, of which 2,723,003,232 Shares are in issue as at the date hereof. In addition, the Company has outstanding Share Options entitling the holders thereof to subscribe for an aggregate of 259,562,000 Shares as at the date hereof.
- (B) The Company proposes to offer to the Qualifying Shareholders, by way of rights, a total of not less than 2,723,003,232 Rights Shares on the basis of one Right Share for every one Share held on the Record Date. The number of Rights Shares which may be issued pursuant to the Right Issue will be increased to 2,982,565,232 if all the subscription rights attaching to the outstanding Share Options are duly exercised on or before the Record Date.
- (C) As at the date of this Agreement, the Underwriter, together with parties acting in concert with it, in aggregate holds 946,018,060 Shares, representing approximately 34.74% of the Company's existing issued share capital. The Underwriter has agreed to underwrite the issue of the Underwritten Shares on the terms and subject to the conditions hereinafter contained.

NOW IT IS HEREBY AGREED as follows:

1. Definitions

- 1.1 In this Agreement including the Recitals hereto, unless the context otherwise requires, the following expressions have the following meanings:

"Announcement"

the announcement to be made by the Company concerning, among other matters, the Rights Issue substantially in the form of the draft annexed hereto marked "A" (subject to such amendments as the Company and the

	Underwriter may agree)
“associates”	has the meaning ascribed thereto in Chapters 1 and 14A of the Listing Rules
“Audited Accounts”	the audited consolidated accounts of the Group for the financial year ended on the Audited Accounts Date
“Audited Accounts Date”	31 December 2006
“Board”	the board of directors of the Company or a duly authorised committee thereof
“business day”	any day (other than a Saturday) on which banks generally are open for business in Hong Kong
“Bye-laws”	the bye-laws for the time being adopted by the Company and as amended from time to time
“CCASS”	the Central Clearing and Settlement System established and operated by Hong Kong Securities Clearing Company Limited
“Circular”	the circular to Shareholders, which will have annexed thereto the notice of the SGM, proposed to be despatched to the Shareholders on or about the Circular Posting Date in the agreed form
“Circular Documents”	the Circular and the proxy form for use at the SGM in the agreed form
“Circular Posting Date”	27 December 2007 or such later date as may be agreed by the Company and the Underwriter
“Company Solicitors”	Chiu & Partners, solicitors, of 41st Floor, Jardine House, 1 Connaught Place, Central, Hong Kong, solicitors for the Company in connection with the Rights Issue
“Conditions Precedent”	the conditions set out in Clause 2.1
“Directors”	directors of the Company for the time being
“Excess Application Form”	the form of application for excess Rights Shares in the agreed form
“Excluded Shareholders”	Overseas Shareholders to whom the Board, based on legal opinions provided by legal

	advisers if the Board considers it necessary, considers it necessary or expedient not to offer the Rights Shares on account either of legal restrictions under the laws of relevant place or the requirements of the relevant regulatory body or stock exchange in that place
“Executive”	the Executive Director of the Corporate Finance Division of the Securities and Futures Commission and any delegate of the Executive Director
“Existing Share Option Scheme”	the share option scheme currently in force and adopted by the Company on 12 June 2003
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Shareholders”	Shareholders other than (1) the Underwriter, its associates and parties acting in concert with any of them and (2) those who are involved in or interested in this Agreement and the Whitewash Waiver and the Rights Issue
“Latest Time for Acceptance”	4:00 p.m. on 24 January 2008 or such later time as may be agreed between the Company and the Underwriter, being the latest time for acceptance of the offer of Rights Shares and if there is a “black” rainstorm warning or a tropical cyclone warning signal number 8 or above in force in Hong Kong on such day at any time between 12:00 noon and 4:00 p.m., the Latest Time for Acceptance will be postponed to the next business day which does not have either of those warnings in force in Hong Kong at any time between 12:00 noon and 4:00 p.m.
“Latest Time for Termination”	4:00 p.m. on the second business day after the Latest Time for Acceptance
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“Overseas Shareholders”	Shareholders with registered addresses (as shown in the register of members of the Company on the Record Date) which are outside Hong Kong

“parties acting in concert”	has the meaning ascribed to it under the Takeovers Code
“Prospectus”	the Rights Issue prospectus in the agreed form expected to be dated the Prospectus Posting Date
“Prospectus Documents”	the Prospectus, the Provisional Allotment Letter and the Excess Application Form
“Prospectus Posting Date”	9 January 2008 or such later date as the Underwriter may agree in writing with the Company
“Provisional Allotment Letter”	the provisional allotment letter to be used in connection with the Rights Issue in the agreed form
“Qualifying Shareholders”	Shareholders whose names appear on the register of members of the Company on the Record Date, other than the Excluded Shareholders
“Record Date”	8 January 2008 or such other date as may be agreed between the Company and the Underwriter in accordance with the relevant regulations or requirements
“Registrar”	the share registrar of the Company in Hong Kong, being Computershare Hong Kong Investor Services Limited of 46th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong
“Rights Issue”	the proposed offer by the Company by way of rights of the Rights Shares at the Subscription Price pursuant to the Prospectus Documents and as contemplated under this Agreement
“Rights Shares”	a total of 2,723,003,232 new Shares to be offered to the Qualifying Shareholders pursuant to the Rights Issue, on the assumption that no outstanding Share Options are exercised on or before the Record Date
“Settlement Date”	the date being the fourth business day after the Latest Time for Acceptance
“SGM”	the special general meeting of the Company to be convened and held on or about the SGM Date

	for the purpose of approving, among other matters, the Rights Issue and the Whitewash Waiver
“SGM Date”	8 January 2007 or such later date as the Underwriter may agree with the Company
“Shareholder(s)”	holder(s) of Shares
“Share(s)”	share(s) of HK\$0.10 each in the share capital of the Company
“Share Options”	the options granted by the Company to subscribe for an aggregate of 259,562,000 Shares pursuant to the Terminated Scheme and the Existing Share Option Scheme, which are outstanding at the date of this Agreement
“Specified Event”	an event occurring or matter arising on or after the date hereof and prior to the Latest Time for Termination which if it had occurred or arisen before the date hereof would have rendered any of the warranties contained in Clause 10.1 untrue or incorrect in any material respect
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	the issue price of HK\$0.10 per Rights Share at which the Rights Shares are proposed to be offered for subscription
“subsidiary”	has the same meaning as in section 2 of the Companies Ordinance
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“Terminated Scheme”	the share option scheme of the Company adopted on 15 March 1995 and terminated by an ordinary resolution of the Company passed on 12 June 2003 at the annual general meeting of the Company held on 12 June 2003
“Underwriting Commission”	commission payable to the Underwriter in amount determined in accordance with Clause 8.1(1)
“Underwritten Shares”	not less than 1,776,985,172 new Shares and not more than 1,989,977,172 new Shares, being the total number of Rights Shares to be issued pursuant to the Rights Issue less the aggregate of

the number of Rights Shares as agreed to be taken up or procured to be taken up by the Underwriter pursuant to Clause 4.3, on the assumption that no outstanding Share Options are exercised on or before the Record Date with regard to the former and on the assumption that the outstanding Share Options are exercised in full on or before the Record Date with regard to the latter

“Verification Notes”

the verification notes to be prepared by the Company Solicitors in the agreed form relating to the Prospectus

“Whitewash Waiver”

a waiver from the Executive pursuant to note 1 of the Notes on dispensations from Rule 26 of the Takeover Code in respect of the obligations of the Underwriter and parties acting in concert with it to make a mandatory general offer for all the securities of the Company not already owned by the Underwriter or parties acting in concert with it which would otherwise arise as a result of the Underwriter subscribing for the Rights Shares

“HK\$”

Hong Kong dollars, the lawful currency of Hong Kong

- 1.2 References to the singular number include the plural and vice versa and references to one gender include every gender.
- 1.3 Any reference to a document being “in the agreed form” means in such form as may following the date of this Agreement be agreed between the Company and the Underwriter, both acting reasonably.
- 1.4 References to Clauses and Recitals are to clauses of and recitals to this Agreement.
- 1.5 References in this Agreement to time are, unless otherwise specified, to Hong Kong time.
- 1.6 Headings are for convenience only and shall not affect the interpretation of this Agreement.

2. Conditions

2.1 The obligations of the Underwriter under Clause 6 are conditional upon:

- (1) the Company despatching the circular to the Shareholders containing, among other matters, details of the Rights Issue and Whitewash Waiver together with the proxy form and notice of SGM;

- (2) the passing by the Independent Shareholders at the SGM by way of poll of an ordinary resolution to approve the Rights Issue (if require by the Securities and Futures Commission, the Stock Exchange or other regulatory authorities) and the Whitewash Waiver by no later than the Prospectus Posting Date;
 - (3) the Executive granting Whitewash Waiver to the Underwriter and parties acting in concert with it and the satisfaction of any condition attached to the Whitewash Waiver granted;
 - (4) the Listing Committee of the Stock Exchange granting or agreeing to grant (subject to allotment) and not having withdrawn or revoked listing of and permission to deal in all the Rights Shares (in their nil-paid and fully-paid forms) by no later than the Prospectus Posting Date;
 - (5) the filing and registration of all documents relating to the Rights Issue, which are required to be filed or registered with the Registrar of Companies in Hong Kong in accordance with the Companies Ordinance;
 - (6) the posting of the Prospectus Documents to Qualifying Shareholders; and
 - (7) compliance with and performance of all the undertakings and obligations of each of the Company and the Underwriter under the terms of this Agreement.
- 2.2. The Underwriter shall use all reasonable endeavours to procure the fulfillment of the Conditions Precedent stated in Clause 2.1(3) by the SGM Date and in particular shall promptly following publication of the Announcement make an application to the Executive for the grant of the Whitewash Waiver, furnish such information, supply such documents, pay such fees, give such undertakings and do all such acts and things as may be necessary in connection with the seeking of the Whitewash Waiver.
- 2.3 Other than the timeline for fulfillment of Conditions Precedent stated in Clause 2.1(3), the Company shall use all reasonable endeavours to procure the fulfillment of all the Conditions Precedent (to the extent it is within its power to do so) by the Latest Time for Acceptance and in particular shall furnish such information, supply such documents, pay such fees, give such undertakings and do all such acts and things as may be necessary in connection with the terms of this Agreement and convene the SGM to be held by the SGM Date.
- 2.4 The Company shall make an application to the Stock Exchange for the listing of and permission to deal in all the Rights Shares in their nil-paid and fully-paid forms.
- 2.5 None of the Company and the Underwriter may waive the Conditions Precedent (1), (2), (3), (4), (5) and (6) set out in Clause 2.1. The Underwriter may waive the Condition Precedent (7) set out in Clause 2.1 in whole or in part by written notice to the Company.
- 2.6 If the Conditions Precedent are not satisfied and/or waived (to the extent such Condition Precedent is capable of being waived) in whole or in part by the Underwriter by the Latest Time for Acceptance or such later date or dates as the

Underwriter may agree with the Company in writing, this Agreement shall terminate and (save in respect of any provisions of Clause 8.2 or Clause 11 and any rights or obligations which may accrue under this Agreement prior to such termination) no party will have any claim against any other party for costs, damages, compensation or otherwise.

3. Publication of the Announcement and Despatch of the Circular

- 3.1 Subject to approval by the Stock Exchange, the Company shall use its reasonable endeavours to procure the publication of the Announcement in accordance with the provisions of the applicable Listing Rules as soon as reasonably practicable following the signing of this Agreement.
- 3.2 The Company shall use its reasonable endeavours to procure the posting of the Circular Documents and the notice of SGM to the Shareholders not later than the close of business on the Circular Posting Date.

4. Provisional Allotment of Rights Shares

- 4.1 Subject to fulfillment of the Conditions Precedent, on or before the Prospectus Posting Date:
- (1) the Company shall procure that the Rights Shares are provisionally allotted by a resolution of the Board on the terms set out in the Prospectus Documents to the Qualifying Shareholders;
 - (2) the Company shall, following the issue of a certificate of authorisation of registration under section 342C of the Companies Ordinance, procure a copy of the Prospectus Documents (duly signed by or on behalf of each of the Directors in accordance with section 342C of the Companies Ordinance) to be delivered to the Registrar of Companies in Hong Kong for registration together with any other documents required by applicable law or regulation to be annexed thereto; and
 - (3) the Company shall (subject to compliance by it with the provisions of Clause 4.1(2) and subject as hereinafter provided) procure the posting of the Prospectus Documents to the Qualifying Shareholders.
- 4.2 The Rights Shares, when allotted and fully-paid, shall rank pari passu in all respects with the then existing Shares in issue on the date of allotment of the Rights Shares in fully-paid form, including the right to receive all dividends and distributions which may be declared, made or paid on or after such date.
- 4.3 The Underwriter hereby represents and irrevocably undertakes to the Company and the Underwriter:
- (1) that the Underwriter and parties acting in concert (collectively, the “**Underwriter Concert Parties**” and each, an “**Underwriter Concert Party**”) with it, in aggregate, hold 946,018,060 Shares as at the date of this Agreement;

- (2) that the 946,018,060 Shares will remain registered under the name of the same Underwriter Concert Party and beneficially owned by the relevant Underwriter Concert Party from the date of this Agreement up to the Record Date and will continue to have registered address (as shown in the register of members of the Company on the Record Date) in Hong Kong;
- (3) to accept, or to procure acceptance, on or prior to the Latest Time for Acceptance of, and pay for, such number of Rights Shares to be provisionally allotted to each of such Underwriter Concert Party or its nominee pursuant to the Rights Issue in respect of (a) its or its nominee's holding of 946,018,060 Shares and (b) the number of Shares to be issued to it/him/her if it/he/she exercises the outstanding Share Options held by it/him/her on or before the Record Date.

4.4 The Company shall make available for subscription by the Qualifying Shareholders by means of the Excess Application Form Rights Shares representing:

- (1) any Rights Shares for which Provisional Allotment Letters (accompanied by the appropriate remittances which shall be honoured on first, or at the discretion of the Underwriter, subsequent presentation and otherwise in compliance with the procedures for such acceptance and application as described in the Prospectus Documents) have not been lodged prior to the Latest Time for Acceptance. For the avoidance of doubt, all Rights Shares provisionally allotted to Underwriter Concert Parties as mentioned in Clause 4.3(3) above shall not in any event be available for application by the Qualifying Shareholders by means of Excess Application Forms; and
- (2) any Rights Shares provisionally allotted to a nominee of the Company but which cannot be sold at a net premium (nil-paid) as set out in Clause 5.2.

The Rights Shares referred to in this Clause are hereinafter referred to as "**Excess Rights Shares**".

4.5 Without prejudice to any other rights or remedies available to the Company or the Underwriter, in default of the Underwriter complying with its obligations under Clause 4.3, the Company shall be entitled and is hereby irrevocably authorised to (and unless otherwise agreed by the Underwriter) treat this Agreement as an application by the Underwriter and/or its nominee(s) for all the Rights Shares agreed to be taken up by it or, as the case may be, other Underwriter Concert Parties under Clause 4.3 and to allocate and procure the issue of the same to the Underwriter and/or such nominee(s) and to procure the registration of the same in its/their name(s) and payment for the aggregate amount of the Subscription Price for all such Rights Shares shall be made by the Underwriter to the Company forthwith.

5. Excluded Shareholders and Fractional Entitlements

5.1 Unless the Board otherwise resolves having taken account of the opinion of its legal advisers of the relevant jurisdictions in which the Overseas Shareholders are situate, the Company shall, on or within two business days after the Prospectus Documents are posted to Shareholders in accordance with Clause 4.1(3), post copies of a letter to

the Excluded Shareholders, in such form as may be agreed between the Company and the Underwriter, explaining the circumstances in which they are not permitted to participate in the Rights Issue, and enclosing a copy of the Prospectus (without the Provisional Allotment Letter or the Excess Application Form marked "For information only") to the Excluded Shareholders.

- 5.2 The Company shall provisionally allot the Rights Shares, which represent the entitlements of the Excluded Shareholders to a nominee of the Company in nil-paid form and the Company shall procure that such nominee shall endeavour to sell the rights as soon as practicable after dealings in nil-paid Rights Shares commence and in any event on or before the last day of dealings in nil-paid Rights Shares at a net premium (nil-paid). If and to the extent that such rights can be so sold, the nominee shall account to the Company for the net proceeds of sale (after deducting the expenses of sale, if any), on the basis that the net proceeds after deducting the expenses of sale (if any) attributable to the sale of the Rights Shares that would otherwise have been allotted to the Excluded Shareholders shall be distributed pro rata (but rounded down to the nearest cent) to the Excluded Shareholders provided that individual amounts of less than HK\$100 shall be retained by the Company for its own benefit. Any of such nil-paid rights which are not sold as aforesaid will be dealt with as Rights Shares not accepted in accordance with Clauses 6.2 and 6.3.
- 5.3 No fractional entitlements to the Rights Shares will be allotted to the Shareholders. All such fractional entitlements will be aggregated and shall be dealt with as Rights Shares not taken up in accordance with Clauses 6.2 and 6.3.

6. Underwriting Obligations

- 6.1 The Underwriter's obligations under this Clause shall terminate if, before the Latest Time for Acceptance:
- (1) Provisional Allotment Letters in respect of all the Underwritten Shares (including any Rights Shares falling within the provisions of Clause 5.2) have been lodged for acceptance (whether by the persons to whom the Underwritten Shares were provisionally allotted or by renounees of the right to accept allotment) in accordance with the terms of the Prospectus Documents, together with cheques or bankers' cashier orders or other remittances for the full amount payable thereunder which are honoured on first or, at the discretion of the Underwriter, subsequent presentation (the Underwritten Shares comprised in Provisional Allotment Letters which are so lodged together with such remittances are herein referred to as having been "**accepted**" and cognate expressions shall be construed accordingly); or
 - (2) the number of Underwritten Shares applied for under Excess Application Forms which have been lodged in accordance with the terms of the Prospectus Documents, together with cheques or banker's cashier orders or other remittances for the full amount payable in connection with the relevant applications which are honoured on first or, at the discretion of the Underwriter, subsequent presentation, is equal to or greater than the aggregate of the number of Underwritten Shares which have not been accepted.

6.2 If Excess Application Forms have been lodged in accordance with the terms of the Prospectus Documents, together with cheques or banker's cashier orders or other remittances for the full amount payable in connection with the relevant applications which are honoured on first or, at the discretion of the Underwriter, subsequent presentation, then the Company shall accept such applications which are honoured on first or, at the discretion of the Underwriter, subsequent presentation, provided that the Company shall only be obliged to accept applications for the aggregate number of the Underwritten Shares which shall not have been accepted and, if that aggregate number is less than the number of Shares applied for under the relevant Excess Application Forms, the Company shall be entitled to determine on a fair and equitable basis on the following principles :

- (1) preference will be given to applications for less than a board lot of Rights Shares where they appear to the Directors that such applications are made to round up odd-lot holdings to whole-lot holdings;
- (2) subject to availability of excess Rights Shares after allocation under principle (1) above, allocation will then be made to satisfy applications for excess Rights Shares by Qualifying Shareholders in proportion to and up to the number of nil-paid Rights Shares provisionally allotted to those Qualifying shareholders who also have applied for the excess Rights Shares and, subject to the availability of excess Rights Shares, applications by Qualifying Shareholders whose number of excess Rights Shares being applied for are equal to or less than the number of excess Rights Shares allocated according to the principle as aforesaid will be satisfied in full;
- (3) subject to availability of excess Rights Shares after allocation under principles (1) and (2) above, any further remaining excess Rights Shares will be allocated to applicants in proportion to the excess Rights Shares applied by them after netting off their respective entitlements as calculated in principle (2) above; and
- (4) in accordance with any further requirements of the Stock Exchange,

which applications are to be accepted or rejected, after consulting with the Underwriter. Underwritten Shares which have either been accepted or which are the subject of accepted applications under Excess Application Forms are herein referred to as having been "**taken up**" and cognate expressions shall be construed accordingly.

6.3 If, however, by the Latest Time for Acceptance any of the Underwritten Shares have not been taken up, the Company shall as soon as practicable thereafter and in any event before 6:00 p.m. on the first business day after the Latest Time for Acceptance notify or procure the Registrar on behalf of the Company to notify the Underwriter in writing of the number of Underwritten Shares not taken up, and the Underwriter shall subscribe or procure subscription on the terms of the Prospectus Documents (so far as the same are applicable) for such Underwritten Shares not taken up by 4:00 p.m. on the third business day after the Latest Time for Acceptance in full.

For the avoidance of doubt, the Underwriter shall only be obliged to take up the Underwritten Shares if and only if there are still Underwritten Shares not having been

taken up after all applications for Excess Rights Shares have been accepted in full.

- 6.4 The Underwriter shall, not later than 4:00 p.m. on the Settlement Date pay or procure payment to the Company by way of banker's draft or cashier's order drawn on a bank in Hong Kong or such other way as agreed between the Company and the Underwriter of the aggregate Subscription Price in respect of the Underwritten Shares for which it is obliged to subscribe or procure subscription in accordance with this Clause, less any amounts payable to the Underwriter pursuant to Clause 8.1. The Company shall arrange for delivery to the Underwriter or its nominee(s) of share certificates in respect of the fully paid Underwritten Shares for which the Underwriter has subscribed or procured subscription in such names and in such denominations as the Underwriter may reasonably require at the same time as share certificates are despatched generally to persons who have accepted Rights Shares or, where the Underwriter has designated an investor participant or CCASS participant stock account for deposit of all or part of the Rights Shares, evidence to the reasonable satisfaction of the Underwriter that such documents and instructions required to effect the crediting of such Rights Shares have been signed or given, as the case may be.
- 6.5 If the Underwriter shall default in complying with its obligations under Clause 6.3, the Company shall be entitled (and is hereby irrevocably authorised) to treat this Agreement as an application by the Underwriter for the Underwritten Shares which have not been taken up on the terms of the Prospectus Documents (so far as the same are applicable) and to allot and issue the same to the Underwriter and register the same in the name of the Underwriter and payment therefor at the aggregate Subscription Price less any amounts payable to the Underwriter for its account pursuant to Clause 8.1 shall be made by the Underwriter to the Company forthwith. The Company shall deliver to the Underwriter (or as it may direct) documentary evidence of entitlement to the Underwritten Shares reasonably satisfactory to the Underwriter.

7. Obligations of the Underwriter

- 7.1 Any transaction carried out by the Underwriter pursuant to Clause 6 (other than the obligation to subscribe or procure subscription for any Underwritten Shares pursuant to Clause 6.3 and the obligations contained in Clause 7.2) shall constitute a transaction carried out at the request of the Company and as its agent and not in respect of any of the Underwriter's own account. The Underwriter (in relation to Clause 6) shall be responsible for any loss or damage to any persons arising from any such transaction or for any alleged insufficiency of any dealing price at which any of the Rights Shares may be sold by any such person or for the timing of any such transaction, except where such loss or damage arises from the negligence or default of the Underwriter or any agent appointed by them for such purpose.
- 7.2 In acting as agent of the Company hereunder, the Underwriter shall comply with all applicable laws and shall not do or omit anything, the doing or omission of which shall or may cause the Company or any of its Directors to be in breach of any applicable laws, and in particular, but without prejudice to the generality of the foregoing, shall ensure that all offers made by it of the Rights Shares are made only in compliance with all applicable law and regulation and do not require the registration of the Prospectus Documents or any of them or any other document as a prospectus or

otherwise in any jurisdiction other than Hong Kong and the Underwriter shall not make or purport to make on behalf of the Company any representation or warranty not contained in the Prospectus Documents.

8. Fees and Expenses

8.1 In consideration of the Underwriter's obligations under this Agreement to underwrite the Underwritten Shares and its services in connection with the issue of the Rights Shares, the Company shall by not later than the date of despatch of the share certificates in respect of the Rights Shares make the payments as indicated below to the Underwriter:

- (1) a commission of 2 per cent. of the aggregate Subscription Price in respect of the maximum number of Underwritten Shares for which the Underwriter has agreed to subscribe or procure subscription pursuant to Clause 6.3;
- (2) all reasonable fees for the preparation, negotiation and execution of this Agreement and other documents incidental thereto and other reasonable out-of-pocket expenses of the Underwriter in respect of the Rights Issue.

8.2 Payment of the amounts referred to in Clause 8.1(1) shall be made only if the obligations of the Underwriter under this Agreement has become unconditional and has not been terminated pursuant to Clause 12. Payment of the amounts referred to in Clause 8.1(2) shall be made whether or not the obligations of the Underwriter under this Agreement become unconditional or are terminated pursuant to Clause 12.

8.3 The amounts payable pursuant to Clause 8.1 may be withheld by the Underwriter from any payment to be made by the Underwriter to the Company pursuant to Clause 6. In the event of the Underwriter not being called upon to subscribe or procure subscribers pursuant to Clause 6.3 and/or the amount of the subscription moneys payable by the Underwriter being less than the full amount due to the Underwriter, the amounts payable pursuant to Clause 8.1, or the balance thereof, shall be due and payable as soon as reasonably practicable and in any event not later than four business days after the Latest Time for Acceptance or such other date as may be agreed between the Company and the Underwriter.

8.4 The Company shall bear its own legal fees, accountancy and other professional fees, the Registrars' fees, the cost of printing and distributing the Announcement, the Circular Documents and the Prospectus Documents and all other costs, charges and expenses relating to the issue of the Rights Shares, convening of the SGM and associated transactions (including, without limitation, all fees payable to the Stock Exchange in connection with the listing of the Rights Shares and capital duty (if any) payable on the increase or issue of its share capital). The Company shall forthwith upon request by the Underwriter reimburse the Underwriter for any such expenses as are referred to above which the Underwriter may have properly paid or incurred on behalf of the Company.

9. Announcements

Save as expressly required hereunder or as otherwise required by the Stock Exchange

or the Securities and Futures Commission, no public announcement or communication to the Shareholders or to the Stock Exchange concerning the Company and/or its subsidiaries which is material in relation to the Rights Issue shall be made or despatched by the Company or the Underwriter between the date hereof and, if all the Underwritten Shares are taken up, the Latest Time for Acceptance or, in any other case, the time at which the Underwriter is obliged to make payment under Clause 6, without prior written approval from the Company and the Underwriter as to the content, timing and manner of making or despatch thereof.

10. Representations, Warranties and Undertakings

10.1 The Company represents and warrants to and undertakes with the Underwriter in the following terms:

- (1) the facts stated in the Recitals to this Agreement are true and accurate in all material respects;
- (2) all statements of fact contained or to be contained in the Announcement, the Circular Documents or in the Prospectus Documents are and will at the date of issue thereof be true and accurate in all material respects and not misleading and all expressions of opinion, intention and expectation expressed therein are and will be fair and made after due and careful consideration;
- (3) there will be no information not disclosed in the Prospectus Documents or the Circular Document and any announcement issued prior to the issuance of the Prospectus Document (i) the omission of which makes any statement therein misleading or which, in the context of the issue of the Rights Shares, might be material for disclosure therein or (ii) which is necessary to enable investors to make an informed assessment of the activities, assets and liabilities, financial position, management, profits and losses and prospects of the Company and of the rights attaching to the Rights Shares;
- (4) save as disclosed in the Audited Accounts, the audited consolidated balance sheet of the Group as at the Audited Accounts Date, the audited consolidated profit and loss account of the Group for the financial year ended on such date (including the notes thereto) were prepared in accordance with the applicable law and on a basis consistent with that adopted in preparing the audited accounts for the previous financial year, except the adoption of new and revised Hong Kong Financial Reporting Standard and such other change in accounting policy required by an accounting standard which came into effect after the year end date of the previous financial year, in accordance with accounting principles, standards and practices generally accepted in Hong Kong so as to give (except to the extent (if any) disclosed therein) a true and fair view of the state of affairs of the Group as at the relevant dates and the profit or loss of the Group for the relevant financial periods, and there has been no material adverse change in the financial or trading position of the Group taken as a whole since the date to which the Audited Accounts were made up;
- (5) the returns for taxation purposes, which ought to have been made by or in

respect of the companies in the Group in Hong Kong and any other part of the world, have been duly made and there are no circumstances known to any company in the Group or any of their respective directors, after making due and careful enquiry, which might be the occasion of any such dispute which is material and all such returns are in all material respects up to date, correct and on a proper basis and are not the subject of any material dispute with the relevant revenue or other appropriate authorities;

- (6) the statements, forecasts, estimates and expressions of opinion contained in the Announcement and to be contained in the Circular or the Prospectus have been and will at the respective dates of issue thereof be made after due and proper consideration, are and will at the respective dates of issue thereof be fair and honest and represent reasonable expectations based on facts known to the Company and/or the Directors or any of them;
- (7) all information necessary for the purpose of, or in the course of preparation of, the Announcement, the Circular and the Prospectus, and the replies to the Verification Notes, or which ought reasonably to have been disclosed or made available by the Company or the Directors was so disclosed or made available to its legal advisers (if any) fully, fairly and accurately and the replies to the Verification Notes (which will be prepared or approved by persons having appropriate knowledge and responsibility to enable them properly to provide such replies) given by the Company and the Directors will be true, accurate and complete in all material respects and will contain all material information and particulars with regard to the subject matter thereof;
- (8) each of the companies in the Group is duly incorporated in and under the laws of its place of incorporation and has full power and authority to conduct its business as now carried on;
- (9) except as previously disclosed by the Company by way of public announcement or other public documents, neither the Company nor any of its subsidiaries is engaged in any litigation, arbitration, prosecution or other legal proceeding of material importance to the Group taken as a whole and which is material in the context of the Rights Issue nor is there any such proceeding pending or threatened against the Company or any of its subsidiaries, nor is there any claim or fact likely to give rise to any claim which in any such case may have or has had a significant effect on the financial position of the Group taken as a whole or which is material in the context of the Rights Issue;
- (10) except as previously disclosed by the Company by public announcement or other public documents, neither the Company nor any of its subsidiaries has entered into any contract or commitment of an unusual or onerous nature which, in the context of Rights Issue, might be material for disclosure;
- (11) except as previously disclosed by the Company by way of public announcement or other public documents, the Company and its subsidiaries has carried on its business in the ordinary and usual course and there has been no material adverse change in the financial or trading position of the Company or any of its subsidiaries which has not been fully and properly disclosed by

the Company in the form of an announcement in accordance with the Listing Rules or otherwise as required by the Listing Rules;

- (12) except as previously disclosed by the Company by way of public announcement or other public documents, no order has been made and no resolution has been passed for the winding up of, or for a provisional liquidator to be appointed in respect of, the Company or any of its subsidiaries, and no petition has been presented and no meeting has been convened for the purpose of winding up any of the same; no receiver has been appointed in respect of the Company or any of its subsidiaries or all or any of its assets;;
- (13) the Circular and the Prospectus Documents will contain all particulars and information required by, and will be in accordance with the Companies Ordinance, the rules and regulations of the Stock Exchange and all other relevant Ordinances and governmental regulations in Hong Kong and Bermuda and the issue of the Rights Shares in accordance with the Prospectus Documents by the Company shall comply with the Companies Ordinance, the Companies Act 1981 of Bermuda, the requirements of the Stock Exchange and all other relevant regulations in Hong Kong and Bermuda and shall not involve any breach of or default under any agreement, trust deed or instrument to which any member of the Group is a party;
- (14) except as previously disclosed by the Company by way of public announcement or other public documents, no material outstanding indebtedness or guarantee or indemnity of any liability of the Company or any of its subsidiaries has become payable by reason of default by the Company or any of its subsidiaries and no event has occurred or is pending which with the lapse of time or the fulfillment of any condition or the giving of notice or the compliance with any other formality may result in any such indebtedness or guarantee or indemnity of any liability becoming so payable;
- (15) the Company shall not from the date hereof until after the Latest Time for Acceptance issue any Shares or issue or grant any share options or other securities which may be convertible into or exchange for or carry rights to acquire Shares (other than the Rights Shares and Shares falling to be issued upon any exercise of the Share Options after the Record Date) which right is exercisable on or prior to the Record Date;
- (16) the Company has power under its memorandum of association and the Articles, has taken all necessary corporate or other action, and no other consents, actions, authorisations or approvals are necessary to enable or authorise it other than the obtaining the consents and approvals referred to in Clauses 2.1:
 - (a) to issue and allot the Rights Shares required to be provisionally allotted pursuant to the terms of this Agreement in accordance with the Prospectus Documents without any sanction;
 - (b) to deal with the Rights Shares attributable to the Excluded Shareholders as may be specified in the Prospectus Documents;

- (c) to enter into and perform its obligations under this Agreement and to make the Rights Issue;
 - (17) the Rights Shares, when fully paid, shall be free from all liens, charges, encumbrances and third party rights, interests or claims of any nature whatsoever; and
 - (18) the obligations of the Company under this Agreement constitute legal, valid and binding obligations of the Company enforceable in accordance with the terms herein.
- 10.2 The Company undertakes to use all reasonable endeavours not to cause or permit any Specified Event to occur prior to the Latest Time for Termination, and, if this Agreement is not rescinded pursuant to Clause 12, all such warranties, representations and undertakings as are contained in Clause 10.1 above shall be deemed to have been repeated as at the Latest Time for Termination with reference to the facts and circumstances then subsisting.
- 10.3 If any Specified Event shall occur or come to the knowledge of the Company prior to the Latest Time for Termination, it shall forthwith give notice to the Underwriter of the same.
- 10.4 The foregoing provisions of Clauses 10.1, 10.2 and 10.3 will continue in full force and effect notwithstanding the completion of the Rights Issue.

11. **Indemnity**

- 11.1 The Company shall on demand indemnify the Underwriter and shall on demand hold the Underwriter indemnified against all loss or liability of any nature (including, without limitation, claims, costs, charges and expenses) whatsoever arising from or in respect of any breach by the Company of any provision of this Agreement, or any claim which may be brought or threatened to be brought against the Underwriter (whether or not such claim is successfully compromised or settled) in each case arising out of or in relation to or by reason of the performance by the Underwriter of its obligations hereunder (and provided that such loss or liability is not connected with any failure by the Underwriter to comply with its obligations under Clause 6.3), by any subscriber of any of the Rights Shares or any subsequent purchaser or transferee thereof or any other person claiming that he has suffered loss in respect of them as a result of:
- (1) the Circular Documents and the Prospectus Documents not containing all the information required by law or pursuant to the rules of the Stock Exchange or other relevant authority or body to be stated therein or on the grounds that any statement, estimate or forecast contained in the Prospectus Documents is untrue, inaccurate or misleading in any material respect;
 - (2) the Circular Documents and the Prospectus Documents failing or being alleged to fail to disclose sufficient information necessary to enable an informed assessment to be made by a sophisticated investor of the assets and liabilities, financial position, profits and losses, and prospects of the Group or

of the rights attaching to the Rights Shares;

- (3) any claims and proceedings arising out of matters which constitute a material breach of the representations and warranties in Clauses 10.1, 10.2 and 10.3;
- (4) any breach of the laws or regulations of any country resulting from the allotment or issue of the Rights Shares or the distribution of the Prospectus Documents;
- (5) any material misrepresentation by either the Company or any of the Directors or any employee of the Company in connection with the Rights Issue; or
- (6) the allotment or issue of the Rights Shares,

including in any such case (but without prejudice to the generality of the foregoing) all reasonable costs, charges and expenses of whatever nature which the Underwriter may properly incur or bear in disputing any such claim made against it or establishing any claim on its part under this Clause 11 provided that this indemnity shall not relate to any claims, proceedings, costs or expenses arising from any negligent act, omission or default, on the part of the Underwriter and that the conduct of the defence (including any settlement of any such claim) shall be carried out by the Underwriter after, and on the basis of, regular consultation with the Company.

11.2 The Company shall not make any claim against the Underwriter to recover any damages which the Company may suffer arising out of the performance by the Underwriter of its obligations hereunder, provided that such damages do not arise from any gross negligent act, wilful omission or default on the part of the Underwriter.

11.3 If the Underwriter becomes aware of any claim relevant for the purposes of Clause 11.1, it shall give notice in writing thereof to the Company and shall take such action as the Company may reasonably request to avoid, dispute, resist, defend or appeal against the claim and any adjudication in respect thereof but subject to the Underwriter being fully indemnified and secured to its satisfaction against all losses and expenses to which it might thereby render itself liable to suffer and incur including, without limitation, legal expenses properly incurred by its legal advisers.

12. Rescission and Termination

12.1 If, prior to the Latest Time for Termination:

- (1) in the reasonable opinion of the Underwriter, the success of the Rights Issue would be materially and adversely affected by:
 - (a) the introduction of any new regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may in the reasonable opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or is materially adverse in the context of the Rights Issue; or

- (b) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date hereof), of a political, military, financial, economic or other nature, or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets which may, in the reasonable opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole; or
 - (c) any material adverse change in the business or in the financial or trading position or prospects of the Group as a whole;
- (2) any material adverse change in market conditions (including, without limitation, a change in fiscal or monetary policy or foreign exchange or currency markets, suspension or restriction of trading in securities, and a change in currency conditions for the purpose of this clause includes a change in the system under which the value of the Hong Kong currency is pegged with that of the currency of the United States of America) occurs which in the reasonable opinion of the Underwriter makes it inexpedient or inadvisable to proceed with the Rights Issue; or
 - (3) the Circular or the Prospectus when published contain information (either as to business prospects or the condition of the Group or as to its compliance with any laws or the Listing Rules or any applicable regulations) which has not prior to the date hereof been publicly announced or published by the Company and which may in the reasonable opinion of the Underwriter is material to the Group as a whole upon completion of the Rights Issue and is likely to affect materially and adversely the success of the Rights Issue or might cause a prudent investor not to accept the Rights Shares provisionally allotted to it,

the Underwriter shall be entitled by a notice in writing to the Company, served prior to the Latest Time for Termination, to terminate this Agreement.

12.2 The Underwriter shall be entitled by a notice in writing to rescind this Agreement if prior to the Latest Time for Termination:

- (1) any material breach of any of the warranties or undertakings contained in Clause 10 above comes to the knowledge of the Underwriter; or
- (2) any Specified Event comes to the knowledge of the Underwriter.

Any such notice shall be served by the Underwriter prior to the Latest Time for Termination.

12.3 If prior to the Latest Time for Termination any such notice as is referred to above is given by the Underwriter, the obligations of all parties under this Agreement (save in respect of this Clause 12 and the provisions of Clause 11 which shall remain in full force and effect and save further that the Company shall pay the fees and expenses

specified in Clause 8 (subject as provided in Clause 8.2)) shall terminate forthwith. For the avoidance of doubt, the Underwriter shall not be entitled to give a notice pursuant to Clause 12.1 or Clause 12.2 at any time after the obligations of the Underwriter under Clause 6 have terminated pursuant to Clause 6.1.

- 12.4 If this Agreement is terminated by the Underwriter at such time before the Latest Time for Termination but after the Underwriter has in accordance with Clause 6.4 paid or procured payment to the Company of the aggregate Subscription Price in respect of the Underwritten Shares for which the Underwriter is obliged to subscribe or procure subscription under the provisions of Clause 6, the Company shall, not later than the end of the second business day after (but not including) the date of receipt of the notice of termination issued by the Underwriter pursuant to Clause 12.1 or Clause 12.2, remit to the Underwriter such amount of aggregate Subscription Price which it has received from the Underwriter. For the avoidance of doubt, notwithstanding the payment of any sum by or on behalf of the Underwriter to the Company, Clause 8.2 shall apply and the amount referred to in Clause 8.1(1) in any event shall not be payable.
- 12.5 Rescission or termination of this Agreement under this Clause 12 shall be without prejudice to any rights of any party in respect of any breach by the other prior to such rescission or termination.

13. Time of the Essence

- 13.1 Any time, date or period mentioned in this Agreement may be extended by mutual agreement between the parties hereto, but as regards any time, date or period originally fixed or any time, date or period so extended as aforesaid, time shall be of the essence.

14. Notices

- 14.1 Any notice required to be given hereunder will be deemed to be duly served if left at or sent by hand, or facsimile transmission or pre-paid post to the registered office or to the following addresses and facsimile numbers and marked for the attention of the following persons:

<u>Party</u>	<u>Address</u>	<u>Facsimile number</u>
The Company	Suites 1407-8, 14th Floor, Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong	(852) 2525 2002
	Attn: The Board of Directors	
The Underwriter	c/o Suites 1407-08, 14/F., Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong	(852) 2525 2002

Attn: Mrs. Rhea Yeung

- 14.2 Any such notice will be deemed to be served if sent by facsimile on receipt of answerback, if sent by hand at the time when the same is handed to or left at the address of the party to be served, and if sent by post on the day (excluding Sundays or Hong Kong public holidays) after the day of posting.
- 14.3 The Underwriter hereby irrevocably appoints Mrs. Rhea Chau Yeung (the "**Process Agent**") of Suites 1407-08, 14/F., Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong as its process agent to accept service of legal process out of the courts of Hong Kong in connection with this Agreement. The Underwriter further agrees 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 other party informed of the name and address of such agent. Service on the Process Agent (or its substitute(s) appointed pursuant to the procedures described above) shall be deemed to be service on the Underwriter. The provisions of this Clause shall apply to the service of court process on the process agent of the Underwriter.

15. Miscellaneous

- 15.1 **Counterparts**: This Agreement may be executed in any number of counterparts which when executed and delivered is an original, but all the counterparts together constitute the same document. Any of the parties hereto may execute this Agreement on a facsimile copy counterpart and deliver its signature and seal by facsimile provided that a party executing this Agreement by facsimile shall deliver to all other parties such facsimile copy counterpart within 7 days after delivering the same by facsimile.
- 15.2 **Compromise or indulgence**: Any liability of any party hereunder to any other party may in whole or in part be released, compounded or compromised and time or indulgence may be given by any party hereunder as regards any other party under such liability without prejudicing that party's rights against any other person under the same or a similar liability.

16. Governing Law

- 16.1 This Agreement shall be governed by and construed in accordance with the laws of Hong Kong.
- 16.2 The parties hereby irrevocably submit to the non-exclusive jurisdiction of the courts of Hong Kong but this Agreement may be enforced in any other court in competent jurisdiction.

IN WITNESS WHEREOF this Agreement has been entered into the day and year first above written.

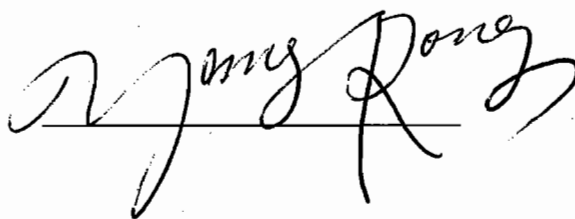
THE COMPANY

SIGNED by Mr Yeung Yung, director,)

for and on behalf of)

COMPASS PACIFIC HOLDINGS LIMITED)

in the presence of:)

A handwritten signature in black ink, appearing to read 'Yeung Yung', written over a horizontal line.

THE UNDERWRITER

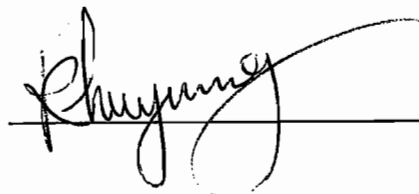
SIGNED by Ms Rhea Chau Yeung,)

authorised signatory,)

for and on behalf of)

SUN EAST LLC)

in the presence of:)

A handwritten signature in black ink, appearing to read 'Rhea Chau Yeung', written over a horizontal line.

"A"

Draft 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.

14.58(1)

This announcement appears for information purposes only and does not constitute an invitation or offer to acquire, purchase, or subscribe for securities.

[LOGO]

COMPASS PACIFIC HOLDINGS LIMITED

圓通控股有限公司*

(incorporated in Bermuda with limited liability)

(Stock code: 1188)

- (1) PROPOSED RIGHTS ISSUE OF NOT LESS THAN 2,723,003,232 RIGHTS SHARES AND NOT MORE THAN 2,982,565,232 RIGHTS SHARES OF HK\$0.10 EACH AT HK\$0.10 PER RIGHTS SHARE PAYABLE IN FULL ON ACCEPTANCE (IN THE PROPORTION OF ONE RIGHTS SHARE FOR EVERY ONE EXISTING SHARE HELD ON THE RECORD DATE)**
- (2) APPLICATION FOR WHITEWASH WAIVER
AND**
- (3) RESUMPTION OF TRADING**

[logo]

Independent Financial Advisers to the Independent Board Committee
Access Capital Limited

Underwriter to the Rights Issue
Sun East LLC

PROPOSED RIGHTS ISSUE

The Company proposes to raise not less than HK\$272.30 million before expenses by issuing not less than 2,723,003,232 Rights Shares and not more than approximately HK\$298.26 million before expenses by issuing not more than 2,982,565,232 Rights Shares at the Subscription Price of HK\$0.10 per Rights Share on the basis of one Rights Share for every one existing Share in issue on the Record Date.

The aggregate number of Rights Shares to be issued pursuant to the terms of the Rights Issue represents 100% of the Company's existing issued share capital as at the date of this announcement and 50% of the enlarged issued share capital of the Company immediately following the completion of the Rights Issue assuming that no Outstanding Options are exercised on or before the completion of the Rights Issue.

The Rights Issue (other than the Rights Shares which will be provisionally allotted to Sun East, the controlling shareholder of the Company, and parties acting in concert with it) will be fully underwritten by the Underwriter, on the terms and subject to the conditions set out in the paragraph headed "Underwriting Arrangements" under the section headed "Proposed Rights Issue" in this announcement below.

As at the date of this announcement:

- (a) Sun East and parties acting in concert with Sun East are beneficially interested in a total of 946,018,060 Shares, representing approximately 34.74% of the existing issued share capital of the Company); and
- (b) parties acting in concert with Sun East are interested in the Outstanding Options attaching subscription right to subscribe for an aggregate of 46,570,000 Shares (representing approximately 1.71% of the Company's existing issued share capital, which Outstanding Options are held by Mr Yeung Yung, an executive Director)

Pursuant to the Underwriting Agreement, Sun East has undertaken, and has undertaken to procure parties acting in concert with it to undertake, that they will accept on or before the Latest Acceptance Time, and pay for, such number of Rights Shares to be provisionally allotted to them or their respective nominee's existing holding of Shares and the number of Shares to be issued to them if they exercise the Outstanding Options held by them on or before the Record Date.

The Rights Issue is conditional upon the fulfillment or waiver of the conditions set out under the paragraph headed "Conditions of the Rights Issue" under the section headed "Proposed Rights Issue" in this announcement below. In particular, it is subject to the Underwriting Agreement not being terminated in accordance with its terms (see the paragraph headed "Termination of the Underwriting Agreement" under the section headed "Proposed Rights Issue" in this announcement below). If the Underwriter terminates the Underwriting Agreement, or the conditions of the Rights Issue are not fulfilled or waived, the Rights Issue

will not proceed.

Any persons contemplating buying or selling Shares from the date of this announcement up to the date on which all the conditions of the Rights Issue are fulfilled or waived, and any dealings in the Rights Shares in their nil-paid form between [28 January] 2008 to [4 February] 2008 (both dates inclusive), bear the risk that the Rights Issue may not become unconditional or may not proceed.

Application will be made to the Stock Exchange for the listing of, and permission to deal in, the Rights Shares in both nil-paid and fully-paid forms.

WHITEWASH WAIVER

In the event that no Qualifying Shareholder (other than the Underwriter and parties acting in concert with it) takes up any Rights Shares under the Rights Issue, the Underwriter has agreed to subscribe for and take up:

- (i) not less than 1,776,985,172 Rights Shares (assuming no Outstanding Options are exercised on or before the Record Date); and
- (ii) not more than 1,989,977,172 Rights Shares (assuming all Outstanding Options are exercised in full on or before the Record Date)

that are not subscribed for under the Rights Issue pursuant to the Underwriting Agreement. Accordingly, the subscription for and underwriting of the Rights Shares under the Rights Issue by the Underwriter and parties acting in concert with it may result in their aggregate shareholdings in the Company being increased from approximately 34.74% (of the existing issued share capital of the Company of 2,723,003,232 Shares) to:

- (i) approximately 67.37% (of the enlarged issued share capital of the Company upon completion of the Rights Issue of 5,446,006,464 Shares) (assuming no Outstanding Options are exercised on or before the Record Date); or
- (ii) approximately 66.64% (of the enlarged issued share capital of the Company upon completion of the Rights Issue of 5,965,130,464 Shares) (assuming all Outstanding Options are exercise on or before the Record Date)

and will trigger an obligation for the Underwriter and parties acting in concert with it to make a mandatory offer under Rule 26 of the Takeovers Code for all the Shares and other securities issued by the Company not already been held by the Underwriter and parties acting in concert with it. A formal application will be made by the Underwriter to the Executive for the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code. The Whitewash Waiver, if granted by the Executive, would be subject to, among other things, the approval by the Independent Shareholders at the SGM by way of poll. If the Whitewash Waiver is not grated by the Executive, the Rights Issue will not proceed.

GENERAL

A circular containing, among other things, details of the Rights Issue and the Whitewash Waiver, the advice and recommendation of the Independent Board Committees (which comprises the three independent non-executive Directors) and the letter from Access Capital (the Independent Financial Adviser appointed by the Company and approved by the Independent Board Committee to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of the Rights Issue and the Whitewash Waiver are fair and reasonable and in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders on how to vote) to the Independent Board Committees and the Independent Shareholders, together with a notice convening the SGM will be despatched to the Shareholders as soon as practicable.

The Rights Issue Documents setting out details of the Rights Issue will be despatched to the Qualifying Shareholders as soon as practicable, subject to the conditions set out in the paragraph headed "Conditions of the Rights Issue" in the section headed "Proposed Rights Issue" of this announcement being satisfied.

SUSPENSION AND RESUMPTION OF TRADING At the request of the Company, trading in the Shares on the Stock Exchange was suspended from 9:30 a.m. on 4 December 2007 pending the release of this announcement. The Company has applied to the Stock Exchange for the resumption of trading in the Shares with effect from 9:30 a.m. on [-] December 2007.

PROPOSED RIGHTS ISSUE

Issue statistics

Basis of the Rights Issue	One Rights Share for every one existing Share held on the Record Date
Number of existing Shares in issue as at the date of this announcement	2,723,003,232 Shares
Number of Rights Shares (assuming no Outstanding Options are exercised on or before the Record Date)	2,723,003,232 Rights Shares
Outstanding derivatives, options, warrants, conversion rights or other similar rights which are convertible or exchangeable into Shares as at the date of this announcement	Outstanding Options attaching subscription right to subscribe for 259,562,000 Shares
Maximum number of Rights Shares	Assuming exercise of the subscription rights attaching to all Outstanding Options on or before the Record Date, the number of Rights Shares to be issued will be 2,982,565,232 Rights Shares

<p>Number of Rights Shares that the Underwriter has undertaken, and has undertaken to procure parties acting in concert with it to take up</p>	<p>The Underwriter has undertaken, and has undertaken to procure parties acting in concert with it to undertake, that they will accept on or before the Latest Acceptance Time, and pay for, (i) 946,018,060 Rights Shares to be provisionally allotted to them or their respective nominees pursuant to the Rights Issue in respect of their or their respective nominees' existing holdings of 946,018,060 Shares and (ii) the number of Shares to be issued them if they exercise the Outstanding Options held by them on or before the Record Date</p> <p><i>(Note: As at the date of this announcement, the Underwriter and parties acting in concert with it are interested in the Outstanding Options attaching subscription rights to subscribe for an aggregate of 46,570,000 Shares, of which:</i></p> <ul style="list-style-type: none"> <i>(i) the Outstanding Options to subscribe for 41,570,000 Shares are beneficially held by Mr Yeung Yung (who is holding 35% of the entire issued share capital of the Underwriter, which is commonly shared with his wife under the law of California, the US); and</i> <i>(ii) the Outstanding Options to subscribe for 5,000,000 Shares are beneficially held by Mr Jimmy Wang (alias Wang Jian), the co-trustee with Mr Ma Manwai (alias Ma Manwai Philip) of the interest in the remaining 65% of the entire issued share capital of the Underwrite held upon certain trusts established for the benefit of the children of Mr Yeung Yung on 30 December 2002).</i>
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Assuming that no Outstanding Options are exercised on or before the completion of the Rights Issue, the nil-paid Rights Shares proposed to be provisionally allotted pursuant to the terms of the Rights Issue represent approximately 100% of the Company's existing issued share capital as at the date of this announcement and 50% of the enlarged issued share capital of the Company immediately following the completion of the Rights Shares.

The number of Rights Shares which may be issued pursuant to the Rights Issue will be increased in proportion to any additional new Shares which may be allotted and issued pursuant to the exercise of the Outstanding Options on or before the Record Date. As at the date of this announcement, there are Outstanding Options attaching subscription right to subscribe for 259,562,000 Shares. If the subscription rights attaching to all the Outstanding Options are duly exercised and Shares are issued and allotted pursuant to such exercise on or before the Record Date, the number of issued Shares is expected to be increased to 2,982,565,232 Shares and the number of Rights Shares that may be issued pursuant to the Rights Issue is expected to be increased to 2,982,565,232 Rights Shares.

As at the date of this announcement, other than the Outstanding Options, the Company has no derivatives, options, warrants and conversion rights or other similar rights which are convertible or exchangeable into Shares.

Subscription Price

The Subscription Price for the Rights Shares is HK\$0.10 per Rights Share, payable in full when a Qualifying Shareholder accepts his/her/its provisional allotment under the Rights Issue or applies for excess Rights Shares or when a transferee of nil-paid Rights Shares subscribes for the Rights Shares.

The Subscription Price represents:

- a discount of approximately 58.39% to the closing price of HK\$0.24 per Share as quoted on the Stock Exchange on the Last Trading Date;
- a discount of approximately 58.5% to the average closing price of HK\$0.241 per Share for the five consecutive trading days up to and including the Last Trading Date;
- a discount of approximately 58.4% to the average closing price of HK\$0.2401 per Share for the 10 consecutive trading days up to and including the Last Trading Date;
- a discount of approximately 41.29% to the theoretical ex-rights price of HK\$0.17 per Share based on the closing price as quoted on the Stock Exchange on the Last Trading Date;

The Subscription Price was arrived at after arm's length negotiation between the Company and the Underwriter with reference to the recent financial conditions of the Group. The Directors consider that, in order to enhance the attractiveness of the Rights Issue and to encourage the Shareholders to participate in the Rights Issue without exerting excessive financial burden on the part of the Shareholders, the discount on the Subscription Price to the current market price of the Shares as proposed is appropriate. Each Qualifying Shareholder is entitled to subscribe for the Rights Shares at the same price in proportion to his/her/its shareholding in the Company held on the Record Date.

Based on the above, the Directors consider that the terms of the Rights Issue (including the Subscription Price) are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Status of the Rights Shares

The Rights Shares, when allotted, issued and fully-paid, will rank pari passu with the then existing Shares in issue on the date of allotment of the Rights Shares in fully-paid form. Holders of such Rights Shares will be entitled to receive all future dividends and distributions which are declared after the date of allotment and issue of the Rights Shares.

Fractions of the Rights Shares

The Company will not provisionally allot fractions of Rights Shares in nil-paid form. All fractions of Rights Shares will be aggregated and all nil-paid Rights Shares arising from such aggregation will be sold in the market and, if a premium (net of expenses) can be achieved, the Company will keep the net proceeds for its own benefit. Any unsold fractions of Rights Shares will be made

available for excess application.

Application for excess Rights Shares

Qualifying Shareholders are entitled to apply for any unsold entitlements of the Excluded Shareholders (see the paragraph headed "Excluded Shareholders" below), any unsold fractions of Rights Shares and any nil-paid Rights Shares provisionally allotted but not accepted by the Qualifying Shareholders.

Applications may be made by completing the form of application for excess Rights Shares and lodging the same with a separate remittance for the excess Rights Shares. The Directors will allocate the excess Rights Shares at their discretion on a fair and equitable basis on the following principles:

- (1) preference will be given to applications for less than a board lot of Rights Shares where they appear to the Directors that such applications are made to round up odd-lot holdings to whole-lot holdings;
- (2) subject to availability of excess Rights Shares after allocation under principle (1) above, allocation will then be made to satisfy applications for excess Rights Shares by Qualifying Shareholders in proportion to and up to the number of nil-paid Rights Shares provisionally allotted to those Qualifying Shareholders who also have applied for the excess Rights Shares and, subject to the availability of excess Rights Shares, applications by Qualifying Shareholders whose number of excess Rights Shares being applied for are equal to or less than the number of excess Rights Shares allocated according to the principle as aforesaid will be satisfied in full;
- (3) subject to availability of excess Rights Shares after allocation under principles (1) and (2) above, any further remaining excess Rights Shares will be allocated to applicants in proportion to the excess Rights Shares applied by them after netting off their respective entitlements as calculated in principle (2) above; and
- (4) in accordance with any further requirements of the Stock Exchange.

Shareholders with their Shares held by a nominee company should note that the Board will regard the nominee company as a single Shareholder according to the register of members of the Company. Accordingly, Shareholders should note that the aforesaid arrangement in relation to the top-up of odd lots for allocation of excess Rights Shares will not be extended to ultimate beneficial owners individually. Shareholders with their Shares held by a nominee company are advised to consider whether they would like to arrange for the registration of the relevant Shares in the name of the beneficial owner(s) prior to the Record Date.

For Shareholders whose Shares are held by their nominees and would like to have their names registered on the register of members of the Company, they must lodge all necessary document with the share registrar of the Company in Hong Kong for completion of the relevant registration by 4:00 p.m. on 15 January 2008.

Share certificates for the Rights Shares

Subject to the fulfillment of the conditions of the Rights Issue, certificates for all fully-paid Rights Shares are expected to be posted to Qualifying Shareholders who have accepted and applied for (where appropriate), and paid for the Rights Shares by [22 February] 2008 at their own risk.

Qualifying Shareholders

The Company will send (i) the Rights Issue Documents to the Qualifying Shareholders; and (ii) the Prospectus, for information only, to the Excluded Shareholders. The Excluded Shareholders will be entitled to attend and vote at the SGM.

To qualify for the Rights Issue, the Shareholders must be registered as members of the Company on the Record Date. In relation to holders of the Outstanding Options (i) they must exercise their respective subscription rights attaching to the Outstanding Options in accordance with the relevant procedures specified in the applicable rules of the Share Option Scheme(s) on or before the Record Date; (ii) they must be registered as the holders of the Shares allotted pursuant to the exercise of the subscription rights of the Outstanding Options on or before the Record Date; and (iii) they must not be an Excluded Shareholder.

In order to be registered as a member of the Company on the Record Date, Shareholders must lodge any transfers of Shares (with the relevant Share certificate(s)) with the Company's share registrar in Hong Kong by 4:00 p.m. on 15 January 2008. The last day of dealings in Shares on a cum-rights basis is therefore expected to be 11 January 2008. The Shares will be dealt with on an ex-rights basis from [15 January] 2008.

The Company's share registrar in Hong Kong is Computershare Hong Kong Investor Services Limited at 49th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong.

It is intended that the Company's register of members will be closed from [16 January] 2008 to [21 January] 2008, both dates inclusive, for the purpose of, among other things, establishing entitlements to the Rights Issue. No transfer of Shares will be registered during this period.

Excluded Shareholders

If there are Overseas Shareholders at the close of business on the Record Date, the Overseas Shareholders may not be eligible to take part in the Rights Issue as explained below.

The Directors will make enquiries, to be based on legal opinions provided by legal advisers if the Directors consider it necessary, as to whether the issue of Rights Shares to the Overseas Shareholders may contravene the applicable securities legislation of the relevant overseas places or the requirements of the relevant regulatory body or stock exchange.

If, after making such enquiry, the Directors are of the opinion that it would be necessary or expedient, on account either of the legal restrictions under the laws of the relevant place or any

requirement of the relevant regulatory body or stock exchange in that place, not to offer the Rights Shares to such Overseas Shareholders, no provisional allotment of nil-paid Rights Shares or allotment of fully-paid Rights Shares will be made to such Overseas Shareholders. In such circumstances, the Rights Issue will not be extended to the Excluded Shareholders.

Further information in this connection will be set out in the Company's circular containing, among other things, details of the Rights Issue, to be despatched to the Shareholders as soon as practicable.

The Company will only send the Prospectus to the Excluded Shareholders for their information. The Excluded Shareholders will be entitled to attend and vote at the SGM.

The Rights Issue Documents are not intended to be registered or filed under the applicable securities legislation of any jurisdiction other than Hong Kong.

Arrangements will be made for the Rights Shares which would otherwise have been provisionally allotted to the Excluded Shareholders to be sold in the open market in their nil-paid form as soon as practicable after dealings in the nil-paid Rights Shares commence, if a premium (net of expenses) can be obtained. The proceeds of such sale, less expenses, of more than HK\$100 will be paid pro rata to the relevant Excluded Shareholders in Hong Kong dollars. The Company will retain individual amounts of HK\$100 or less for its own benefit.

Share Option Scheme

As at the date of this announcement, there are Outstanding Options attaching subscription rights to subscribe for 259,562,000 Shares pursuant to the Share Option Scheme(s) (as to 56,570,000 Shares which were granted under the Terminated Scheme and as to 202,992,000 Shares which were granted under the Existing Scheme).

Pursuant to the terms of the Share Option Scheme(s), adjustments to the Outstanding Options may be made upon the Rights Issue becoming unconditional. The Company will instruct its auditors or an independent financial adviser to certify in writing the adjustment (if any) that ought to be made to the Outstanding Options and announce further details on such adjustment (if any) in accordance with the provisions under the Share Option Scheme(s).

Application for listing of the Right Shares on the Stock Exchange

The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Rights Shares in both nil-paid and fully-paid forms.

Nil-paid Rights Shares are expected to be traded in board lots of 2,000 (Shares then in issue are traded in board lots of 2,000). Dealings in nil-paid and fully-paid Rights Shares will be subject to the payment of stamp duty in Hong Kong.

Conditions of the Rights Issue

The Rights Issue is conditional upon the following conditions being fulfilled:

- (1) the Company despatching the circular to the Shareholders containing, among other matters, details of the Rights Issue and the Whitewash Waiver together with the proxy form and the notice of the SGM;
- (2) the passing by the Independent Shareholders at the SGM by way of poll of ordinary resolutions to approve the Rights Issue and the Whitewash Waiver by no later than the date on which the Prospectus is despatched;
- (3) the Executive granting the Whitewash Waiver to the Underwriter and parties acting in concert with it and the satisfaction of all conditions (if any) attached to the Whitewash Waiver granted;
- (4) the Listing Committee of the Stock Exchange granting or agreeing to grant (subject to allotment) and not having withdrawn or revoked the listing of and permission to deal in all the Rights Shares (in their nil-paid and fully-paid forms) by no later than the date on which the Prospectus is despatched;
- (5) the filing and registration of all documents relating to the Rights Issue, which are required to be filed or registered with the Registrar of Companies in Hong Kong in accordance with the Companies Ordinance (Chapter 32 of the Laws of Hong Kong);
- (6) the posting of the Rights Issue Documents to Qualifying Shareholders; and
- (7) compliance with and performance of all the undertakings and obligations of the Company and the Underwriter under the terms of the Underwriting Agreement.

None of the Company and/or the Underwriter may waive conditions (1), (2), (3), (4), (5) and (6) set out above. The Underwriter may waive condition (7) set out above in whole or in part by written notice to the Company. If any of the conditions of the Rights Issue are not fulfilled or (in respect of condition (7) only) waived on or before the Latest Acceptance Time (or such later time and/or date as the Company and the Underwriter may determine in writing), the Underwriting Agreement shall terminate (save in respect of any rights and obligations which may accrue under the Underwriting Agreement prior to such termination) and neither the Company nor the Underwriter shall have any claim against the other party for costs, damages, compensation or otherwise and the Rights Issue will not proceed.

REASONS FOR THE RIGHTS ISSUE AND THE USE OF THE PROCEEDS

The Company is an investment holding company. The principal business of the Group include 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.

14.58(2)

As disclosed in the announcement of the Company dated 19 November 2007, the Board considers it desirable to explore and capture a wider source and broader range of investment and/or business

opportunities of high growth and yield with a view to diversifying the businesses of, and optimizing the returns to, the Group. The Directors are in the course of considering a number of potential projects. The potential projects being considered are, however, still at a preliminary stage and no definitive plans have been formalized or agreements entered into in respect of any of them. Further announcements will be made by the Company in accordance with or as required under the Listing Rules if any investment and/or opportunity materializes.

The Directors are of the view that the Rights Issue will enable the Company to raise funds and provide the Company with the financial flexibility necessary for the Group's future development and investment purposes as and when suitable opportunities arise. In addition, the Rights Issue would allow the Company to strengthen its capital base and provide an opportunity to all Qualifying Shareholders to participate in the growth of the Company in proportion to their shareholdings. Accordingly, the Directors consider that the proposed Rights Issue is in the interests of the Company and the Shareholders as a whole.

The Company intends to use the net proceeds from the Rights Issue, being approximately HK\$[272.30] million if no Outstanding Options are exercised on or before the Record Date or approximately HK\$[298.26] million if all Outstanding Options are exercised on or before the Record Date, as to approximately:

- (i) 10% for debt reduction;
- (ii) 20% for general working capital of the Group;
- (iii) 70% for future possible investment or acquisition projects if any of them could be materialized or if none of such projects could be materialized, for general working capital of the Group.

FUND RAISING ACTIVITIES OF THE COMPANY WITHIN 12 MONTHS TO THE DATE OF THIS ANNOUNCEMENT

Date of announcement	Event	Net proceeds raised	Proposed use of the net proceeds	Actual use of the net proceeds
6 July 2007	Placing of an aggregate of 241,860,000 new Shares (Note)	Approximately HK\$62,019,880	Depending on market conditions and availability of investment opportunities, the net proceeds for pursuing acquisition opportunities or, if no suitable acquisition opportunities could be identified, as general working capital to support the ongoing operations of the Group	The net proceeds have been partially utilized as follows: approximately 15,000,000 for general working capital purpose approximately HK\$47,000,000 has not been utilized

Note: Such Shares have been issued pursuant to general mandate granted at the annual general meeting of the Company held on 29 June 2007.

Save as disclosed above, the Company did not carry out any rights issue, open offer or other issue of equity securities for fund raising purpose or otherwise within the past 12 months prior to the date of this announcement.

UNDERWRITING ARRANGEMENTS

Underwriting Agreement

Date: 3 December 2007

- Parties :
- (1) the Company
 - (2) The Underwriter (namely, Sun East LLC), the controlling shareholder of the Company, is interested in approximately 34.72% of the existing issued share capital of the Company as at the date of this announcement.

Information on the Underwriter

Sun East is a limited liability company incorporated under the laws of California, the US. Sun East is owned as to (i) 35% by Mr Yeung Yung (shared commonly with his spouse under the law of California, the US), the chairman of the Company and an executive Director and (ii) 65% by Mr Ma Manwai and Mr Jimmy Wang (alias Wang Jian) as co-trustees for certain trusts established for the benefit of the children of Mr Yeung Yung on 30 December 2002.

As Sun East is a connected person of the Company and Rule 7.21(2) of the Listing Rules will be complied with, the transactions entered into between the Company and Sun East under the Underwriting Agreement constitute exempted connected transactions pursuant to Rule 14A.31(3) of the Listing Rules.

Number of Rights Shares that the Underwriter has undertaken, and has undertaken to procure parties acting in concert with it to take up:	<p>The Underwriter has undertaken, and has undertaken to procure parties acting in concert with it to undertake, that they will accept on or before the Latest Acceptance Time, and pay for, (i) the 946,018,060 Rights Shares to be provisionally allotted to them or their respective nominees pursuant to the Rights Issue in respect of their or their respective nominees' existing holdings of 946,018,060 Shares and (ii) the number of Shares to be issued to them if they exercise the Outstanding Options held by them on or before the Record Date</p> <p><i>(Note: As at the date of this announcement, the Underwriter and parties acting in concert with it are interested in the Outstanding Options attaching subscription rights to subscribe for an aggregate of 46,570,000 Shares, of which:</i></p>
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- (i) *the Outstanding Options to subscribe for 41,570,000 Shares are beneficially held by Mr Yeung Yung (who is holding 35% of the entire issued share capital of the Underwriter, which is commonly shared with his wife under the law of California, the US); and*
- (ii) *the Outstanding Options to subscribe for 5,000,000 Shares are beneficially held by Mr Jimmy Wang (alias Wang Jian), the co-trustee with Mr Ma Manwai (alias Ma Manwai Philip) of the interest in the remaining 65% of the entire issued share capital of the Underwrite held upon certain trusts established for the benefit of the children of Mr Yeung Yung on 30 December 2002.*

Number of Underwritten Shares: Not less than 1,776,985,172 Rights Shares (Note 1) and not more than 1,989,977,172 Rights Shares (Note 2).

Notes:

1. *This figure excludes 946,018,060 Rights Shares to be provisionally allotted to the Underwriter and parties acting in concert with it in respect of their beneficial shareholding in the Company, for which the Underwriter has undertaken, and has undertaken to procure parties acting in concert with it, to subscribe in full (assuming no Outstanding Options granted by the Company are exercised on or before the Record Date).*
2. *This figure excludes 992,588,060 Rights Shares to be provisionally allotted to the Underwriter and parties acting in concert with it in respect of their beneficial shareholding in the Company, for which the Underwriter has undertaken, and has undertaken to procure parties acting in concert with it, to subscribe in full (assuming all Outstanding Options are exercised on or before the Record Date).*

Commission: 2% of the total Subscription Price in respect of the maximum number of Rights Shares underwritten by the Underwriter. The commission to be received by the Underwriter will be not less than approximately HK\$3.36 million and not more than approximately HK\$3.99 million. The commission payable to the Underwriter was determined after arm's length negotiations between the Company and the Underwriter. The Directors (including the independent non-executive Directors) consider that such amount is on normal commercial terms and is comparable with market rate.

Under the terms of the Underwriting Agreement, the Company and the Underwriter agreed that if the conditions of the Rights Issue are fulfilled or waived on or before the Latest Acceptance Time (or such later time and/or date as the Company and the Underwriter may determine in writing) and the Underwriting Agreement becomes unconditional and is not terminated in accordance with the terms thereof, the Company shall on or before 6:00 p.m. on the first Business Day after the Latest Acceptance Time notify or procure its share registrar in Hong Kong on behalf of the Company to notify the Underwriter in writing of the number of Underwritten Shares not taken up by Qualifying Shareholders on or before the Latest Acceptance Time ("**Untaken Shares**") and the Underwriter shall subscribe for the Untaken Shares not later than 4:00 p.m. on the third Business Day after the date of the Latest Acceptance Time and pay the relevant Subscription Monies not later than 4:00 p.m. on the fourth Business Day after the date of the Latest Acceptance Time in full.

Termination of the Underwriting Agreement

The Underwriting Agreement contains provisions granting the Underwriter, by notice in writing, the right to terminate the Underwriter's obligations thereunder on the occurrence of certain events. The Underwriter may terminate the Underwriting Agreement on or before the Latest Time for Termination if prior to the Latest Time for Termination:

- (a) in the reasonable opinion of the Underwriter, the success of the Rights Issue would be materially and adversely affected by:**
 - (i) the introduction of any new regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may in the reasonable opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or is materially adverse in the context of the Rights Issue; or**
 - (ii) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date of the Underwriting Agreement), of a political, military, financial, economic or other nature, or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets which may, in the reasonable opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole; or**
 - (iii) any material adverse change in the business or in the financial or trading position or prospects of the Group as a whole; or**
- (b) any material adverse change in market conditions (including, without limitation, a change in fiscal or monetary policy or foreign exchange or currency markets, suspension or restriction of trading in securities, and a change in currency conditions for the purpose of this clause includes a change in the system under which the value of the Hong Kong currency is pegged with that of the currency of the United States of America) occurs which in the reasonable opinion of the Underwriter makes it inexpedient or inadvisable to proceed with the Rights Issue; or**
- (c) the circular in relation to the Rights Issues or the Prospectus when published contain information (either as to business prospects or the condition of the Group or as to its compliance with any laws or the Listing Rules or any applicable regulations) which has not prior to the date hereof been publicly announced or published by the Company and which may in the reasonable opinion of the Underwriter is material to the Group as a whole upon completion of the Rights Issue and is likely to affect materially and adversely the success of the Rights Issue or might cause a prudent investor not to accept the Rights Shares provisionally allotted to it.**

As far as the Company is aware, there is no information falling within paragraph (c) above.

If the Underwriting Agreement is terminated by the Underwriter on or before the aforesaid deadline or does not become unconditional, the Underwriting Agreement shall terminate (save in respect of any rights and obligations which may accrue under the Underwriting Agreement prior to such termination) and neither the Company nor the Underwriter shall have any claim against the other party for costs, damages, compensation or otherwise and the Rights Issue will not proceed.

Pursuant to the Underwriting Agreement, the Underwriter is entitled by notice in writing to rescind the Underwriting Agreement if prior to the Latest Time for Termination:

- (a) any material breach of any of the warranties or undertakings contained in the Underwriting Agreement comes to the knowledge of the Underwriter; or**
- (b) any event occurring or matter arising on or after the date of the Underwriting Agreement and prior to the Latest Time for Termination which if it had occurred or arisen before the date of the Underwriting Agreement would have rendered the warranties contained in the Underwriting Agreement untrue or incorrect in any material aspect comes to the knowledge of the Underwriter.**

WARNING OF THE RISK OF DEALING IN THE SHARES AND NIL-PAID RIGHTS SHARES

The Shares will be dealt in on an ex-rights basis from [14 January] 2008. Dealings in the Rights Shares in the nil-paid form will take place from [28 January] 2008 to [4 February] 2008 (both days inclusive). If the conditions of the Rights Issue are not fulfilled and/or waived on or before the Latest Acceptance Time (or such later time and/or date as the Company and the Underwriter may determine in writing), or the Underwriting Agreement is terminated by the Underwriter, the Rights Issue will not proceed and the Rights Issue will lapse.

Any persons contemplating buying or selling Shares from the date of this announcement up to the date on which all the conditions of the Rights Issue are fulfilled or waived, and any dealings in the Rights Shares in their nil-paid form between [28 January] 2008 to [4 February] 2008 (both dates inclusive), bear the risk that the Rights Issue may not become unconditional or may not proceed.

Any Shareholders or other persons contemplating dealing in the Shares or nil-paid Rights Shares are recommended to consult their own professional advisers.

CHANGES IN SHAREHOLDING STRUCTURE

Set out below is the shareholding structure of the Company as at the date of this announcement and immediately after completion of the Rights Issue assuming that there is no change in the shareholding structure of the Company from the date of this announcement to immediately before completion of the Rights Issue save pursuant to the exercise of Outstanding Options and the transactions contemplated under the Underwriting Agreement:

<p>Immediately after completion of the Rights Issue (assuming no Outstanding Options are exercised on or before completion of the Rights Issue and assuming no Shareholders (other than Sun East) have taken up rights entitlements)</p>	<p>Immediately after completion of the Rights Issue (assuming all Outstanding Options are exercised on or before the Record Date and assuming no Shareholders (other than Sun East) have taken up rights entitlements)</p>
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Name of Shareholder/ Beneficial owner	<u>As at the date of this announcement</u>					
	<u>No. of Shares held</u>	<u>Approximate percentage shareholdings</u>	<u>No. of Shares held</u>	<u>Approximate percentage shareholdings</u>	<u>No. of Shares held</u>	<u>Approximate percentage shareholdings</u>
The Underwriter (Note 1)	[945,456,600]	[34.72]%	[3,667,898,372] (Note 3)	[67.35]%	[3,880,890,372] (Note 4)	65.06%
Parties acting in concert with the Underwriter	561,460 (Note 2)	0.02%	1,122,920	0.02%	[94,262,920] (Note 5)	1.58%
Sub-total:	[946,018,160]	[34.74]%	[3,669,021,292]	[67.37]%	[3,975,153,292]	66.64%
Director(s)	Nil	0%	Nil	0%	[1,000,000] (Note 6)	0.02%
Public	1,776,985,172	65.26%	[1,776,985,172]	32.63%	[1,988,977,172] (Note 7)	33.34%
Total	2,723,003,232	100%	5,446,006,464	100%	5,965,130,464	100%

Notes:

1. *Sun East LLC is the Underwriter of the Underwritten Rights Shares pursuant to the Underwriting Agreement.*
2. *The 561,460 Shares are held by the spouse of Mr Ma Manwai. Mr Ma Manwai is the party acting in concert with the Underwriter by virtue of his holding as co-trustee with Mr Jimmy Wang (alias Wang Jian), an executive Director, of 65% of the equity interest in the Underwriter upon certain trusts established for the benefit of the children of Mr Yeung Yung on 30 December 2002.*
 - (a) *Mr Yeung Yung, the Chairman of the Company and an executive Director, is the party acting in concert with the Underwriter by virtue of his holding of 35% of the equity interest (shared commonly with his spouse under the law of California, the US) in the Underwriter. As at the date of this announcement, Mr Yeung Yung only holds Outstanding Share Options entitling him to subscribe for 41,570,000 Shares.*
 - (b) *Mr Jimmy Wang (alias Wang Jian), an executive Director, is the party acting in concert with the Underwriter by virtue of his holding as co-trustee with Mr Ma Manwai (alias Ma Manwai Philip) of 65% of the equity interest in the Underwriter upon certain trusts established for the benefit of the children of Mr Yeung Yung on 30 December 2002. As at the date of this announcement, Mr Jimmy Wang (alias Wang Jian) only holds Outstanding Share Options entitling him to subscribe for 5,000,000 Shares.*
3. *The 3,667,898,372 Shares represent the sum of (a) the 945,456,600 Shares currently held by Sun East; (b) the 945,456,600 Rights Shares to be provisionally allotted to Sun East that Sun East has undertaken to take up under the Rights Issue and (c) the 1,776,985,172 Rights Shares that Sun East as the Underwriter has undertaken to take up under the Underwriting Agreement (assuming that no Qualifying Shareholder takes up his/her/its entitlement under the Rights Issue and no Outstanding Options are exercised on or before completion of the Rights Issue).*
4. *The 3,880,890,372 Shares represent the sum of (a) the 945,456,600 Shares currently held by Sun East; (b) the 945,456,600 Rights Shares to be provisionally allotted to Sun East that Sun East has undertaken to take up under the Rights Issue, (c) the 1,989,977,172 Rights Shares that Sun East as the Underwriting has undertaken to take up under the Underwriting Agreement (assuming that no Qualifying Shareholder takes up his/her/its entitlement under the Rights Issue and all Outstanding Options are exercised on or before the Record Date).*
5. *The 94,262,920 Shares represent the sum of (a) the 41,570,000 Shares held by Mr Yeung Yung (an executive Director and the party acting in concert with Sun East) assuming his exercise of the Outstanding Options held by him on or before the Record Date), the 41,570,000 Rights Shares to be provisionally allotted to Mr Yeung Yung under the Rights Issue (b) the 561,460 Shares held by the spouse of Mr Ma Manwai (the party acting in concert with Sun East) and 561,460 Rights Shares to be provisionally allotted to the spouse of Mr Ma Manwai and (c) the 5,000,000 Shares held by Mr Jimmy Wang (alias Wang Jian) (an executive Director and the party acting in concert with Sun East) assuming his exercise of the Outstanding Options held by him on or before the Record Date) and 5,000,000 Rights Shares to be provisionally allotted to Mr Jimmy Wang (alias Wang Jian).*
6. *These Shares are held by an executive Director assuming his exercise of the Outstanding Options currently held by him on or before the Record Date.*
7. *The [1,988,977,172] Shares represent the sum of (a) the 1,776,985,172 Shares currently held by the Shareholders (other than Sun East and the parties acting in concert with it) (b) the 211,992,000 Shares held by the Shareholders assuming the exercise of all Outstanding Options held by the Shareholders (other than*

the Outstanding Options held by (i) Mr Yeung Yung (an executive Director and the party acting in concert with Sun East) and (ii) another executive Director)

Shareholders and public investors should note that the above shareholding changes are for illustration purposes only and the actual changes in the shareholding structure of the Company upon completion of the Rights Issue are subject to various factors, including the results of acceptance of the Rights Issue.

EXPECTED TIMETABLE

The expected timetable for the Rights Issue set out below is indicative only and it has been prepared on the assumption that the Whitewash Waiver will be approved by the relevant Independent Shareholders at the SGM. The expected timetable is subject to change, and any changes will be announced in a separate announcement by the Company as soon as practicable.

Despatch of the Company's circular with notice of SGM	28 December 2007
Last day of dealings in Shares on a cum-rights basis	11 January 2008
First day of dealings in Shares on an ex-rights basis	14 January 2008
Latest time for lodging transfer of Shares in order to qualify for the Rights Issue	4:00 p.m. on 15 January 2008
Register of members of the Company closes (both dates inclusive)	16 January 2008 to 21 January 2008
Date of SGM	[10:00] [a.m.] on 21 January 2008
Record Date	22 January 2008
Announcement of results of SGM	22 January 2008
Register of members re-opens	23 January 2008
Despatch of the Rights Issue Documents	24 January 2008
First day of dealings in nil-paid Rights Shares	28 January 2008
Latest time for splitting of nil-paid Rights Shares	4:00 p.m. on 31 January 2008
Last day of dealings in nil-paid Rights Shares	4 February 2008
Latest time for payment and acceptance of Rights Shares	4:00 p.m. on 11 February 2008
Latest time for the Rights Shares to become unconditional	4:00 p.m. on

	20 February 2008
Announcement of results of acceptance of and excess applications for the Rights Issue appears on newspapers	21 February 2008
Despatch of refund cheques in respect of unsuccessful or partially unsuccessful excess applications for excess Rights Shares on or before	22 February 2008
Despatch of certificates for fully-paid Rights Shares on or before	22 February 2008
Commencement of dealings in fully-paid Rights Shares	26 February 2007

WHITEWASH WAIVER

As at the date of this announcement:

- (i) the Underwriter and parties acting in concert with it are beneficially interested in a total of 946,018,060 Shares, representing approximately 34.74% of the existing issued share capital of the Company; and
- (ii) parties acting in concert with the Underwriter are interested in the Outstanding Options attaching subscription right to subscribe for an aggregate of 46,570,000 Shares.

In the event that no Qualifying Shareholder (other than the Underwriter and parties acting in concert with it) takes up any Rights Shares under the Rights Issue, the Underwriter has agreed to subscribe for and take up:

- (iii) not less than 1,776,985,172 Rights Shares (assuming no Outstanding Options are exercised on or before the Record Date); and
- (iv) not more than 1,989,977,172 Rights Shares (assuming all Outstanding Options are exercised in full on or before the Record Date)

that are not subscribed for under the Rights Issue pursuant to the Underwriting Agreement.

Accordingly, the subscription for and underwriting of the Rights Shares under the Rights Issue by the Underwriter and parties acting in concert with it may result in their aggregate shareholdings in the Company being increased from approximately 34.74% (of the existing issued share capital of the Company of 2,723,003,232 Shares) to:

- (iii) approximately 67.37% (of the enlarged issued share capital of the Company upon completion of the Rights Issue of 5,446,006,464 Shares) (assuming no Outstanding Options are exercised on or before the Record Date); or

- (iv) approximately 66.64% (of the enlarged issued share capital of the Company upon completion of the Rights Issue of 5,965,130,464 Shares) (assuming all Outstanding Options are exercise on or before the Record Date)

and will trigger an obligation for the Underwriter and parties acting in concert with it to make a mandatory offer under Rule 26 of the Takeovers Code for all the Shares and securities issued by the Company not already been held by it and parties acting in concert with it.

A formal application will be made by the Underwriter to the Executive for the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code. The Whitewash Waiver, if granted by the Executive, would be subject to, among other things, the approval of the Independent Shareholders at the SGM by way of poll, which the Underwriter and parties acting in concert with it and Shareholders who are involved in or interested in the Rights Issue, the Underwriting Agreement and the Whitewash Waiver will abstain from voting on the relevant resolution.

It is a condition precedent to the completion of the Rights Issue that the Whitewash Waiver is granted by the Executive. If the Whitewash Waiver is not granted by the Executive or if the condition imposed thereon is not fulfilled, the Rights Issue will not proceed.

DEALINGS OF THE SHARES BY THE UNDERWRITER AND ITS CONCERT PARTIES AND OTHER MISCELLANEOUS MATTERS

There has been no dealing of Shares and other securities in the Company by the Underwriter and parties acting in concert with it for the six months period immediately prior to the date of this announcement.

As at the date of this announcement, other than approximately 34.74% of the issued share capital of the Company beneficially owned by the Underwriter and parties acting in concert with it and the Outstanding Options attaching subscription right to subscribe for [46,570,000] Shares held by the parties acting and presumed to be acting in concert with the Underwriter, (a) the Underwriter and parties acting or presumed to be acting in concert with it do not hold any other shares, convertible securities, warrants or options of the Company, or any outstanding derivative in respect of securities in the Company; (b) there is no arrangement (whether by way of option, indemnity or otherwise) in relation to shares of the Underwriter or the Company and which may be material to the Whitewash Waiver and the Rights Issue; and (c) there are no agreements or arrangements to which the Underwriter is a party which related to the circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the Whitewash Waiver and the Rights Issue, other than the transactions contemplated under the Underwriting Agreement and as disclosed in this announcement.

GENERAL

The SGM will be held to consider and, if thought fit, passing the ordinary resolutions by way of poll to approve the Rights Issue and the Whitewash Waiver. The Underwriter and parties acting in concert with it (including Mr Yeung Yung, an executive Director) will abstain from voting on the

relevant resolutions at the SGM.

The Company has established an Independent Board Committee (which comprises all the three independent non-executive Directors, Mr He Bangjie, Mr Li Zheng, Jack and Mr Ting Kwok Kit, Johnny) to advise the Independent Shareholders as to whether the terms of the Rights Issue and the Whitewash Waiver are fair and reasonable and whether the Rights Issue and the Whitewash Waiver are in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders on how to vote, taking into account the recommendations of the independent financial adviser.

In this connection, the Company has appointed Access Capital as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of the Rights Issue and the Whitewash Waiver are fair and reasonable and whether the Rights Issue and the Whitewash Waiver are in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders on how to vote. The Independent Board Committee has approved the appointment of Access Capital as the independent financial adviser.

A circular containing, among other things, details of the Rights Issue and the Whitewash Waiver, the recommendation of the Independent Board Committee and the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders together with a notice convening the SGM will be despatched to the Shareholders as soon as practicable.

The Rights Issue Documents setting out details of the Rights Issue will be despatched to the Qualifying Shareholders as soon as practicable, subject to the conditions set out in the paragraph headed "Conditions of the Rights Issue" in the section headed "Proposed Rights Issue" of this announcement being satisfied.

SUSPENSION AND RESUMPTION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange was suspended from 9:30 a.m. on 4 December 2007 pending the release of this announcement. The Company has applied to the Stock Exchange for the resumption of trading in the Shares with effect from 9:30 a.m. on [-] December 2007.

DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context otherwise requires:

"acting in concert"	has the meaning ascribed to it by the Takeovers Code and the expression "Concert Party(ies)" shall be construed accordingly
"Access Capital"	Access Capital Limited, a licensed corporation to carry on Type 2 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO, and the independent financial adviser to the Independent Board Committee and the Independent

Shareholders in respect of the Rights Issue and the Whitewash Waiver.

"associate"	has the meaning ascribed to it under the Listing Rules
"Board"	the board of Directors
"Business Day"	a day (other than a Saturday or a day on which a tropical cyclone warning signal No. 8 or above or a black rainstorm warning signal is hoisted in Hong Kong at any time between 9:00 a.m. and 4:00 p.m.) on which banks generally are open for business in Hong Kong
"Company"	Compass Pacific Holdings Limited, a company incorporated in Bermuda with limited liability, the Shares of which are listed on the main board of the Stock Exchange
"Director(s)"	the director(s) of the Company
"Excluded Shareholders"	the Overseas Shareholders whom the Board, based on legal opinions provided by legal advisers if the Board considers it necessary or expedient not to offer the Rights Shares to such Shareholders on account either of legal restrictions under the laws of relevant place or the requirements of the relevant regulatory body or stock exchange in that place
"Executive"	the Executive Director of the Corporate Finance Division of the Securities and Futures Commission or any of his delegates
"Existing Scheme"	the share option scheme currently in force and adopted by the Company at the annual general meeting of the Company held on 12 June 2003
"Group"	the Company and its subsidiaries from time to time
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Board Committee"	a committee of the Board (comprising Mr He Bangjie, Mr Li Zheng, Jack and Mr Ting Kwok Kit, Johnny, all being independent non-executive Directors) constituted to advise the Independent Shareholders on the Rights Issue and the Whitewash Waiver
"Independent Financial Adviser"	Access Capital
"Independent Shareholders"	In regard to the Whitewash Waiver and the Rights Issue, Shareholders other than (1) the Underwriter and its associates and parties acting in concert with any of them; and (2) those who are involved in or

interested in the Underwriting Agreement, the Rights Issue and the Whitewash Waiver.

"independent third party"	party who is independent of and not connected with the Company and any of the directors, chief executive and substantial shareholders of the Company or any of its subsidiaries, or any of their respective associates
"Last Trading Date"	3 December 2007, being the last trading day of the Shares prior to the release of this announcement
"Latest Acceptance Time"	being 4:00 p.m. on 24 February 2008 or such later time as may be agreed between the Company and the Underwriter, being the latest time for acceptance of the offer of Rights Shares
"Latest Time for Termination"	4:00 p.m. on the second business day after the Latest Acceptance Time
"Listing Rules"	Rules Governing the Listing of Securities on the Stock Exchange
"Outstanding Options"	the options granted by the Company to subscribe for an aggregate of 259,562,000 Shares pursuant to the Share Option Scheme(s), which are outstanding as at the date of this announcement
"Overseas Shareholder(s)"	the Shareholders with registered addresses (as shown in the register of members of the Company on the Record Date) which are outside Hong Kong
"Placing"	the placing of an aggregate of 241,860,000 new Shares pursuant to the placing agreement dated 6 July 2007 entered into between (i) the Company with (ii) Fortune Venture Holding Limited, Primary Global International Limited and Ms Huang Xiujuan as placees as disclosed in the announcement of the Company dated 6 June 2007
"PRC"	the People's Republic of China
"Prospectus"	the prospectus to be issued by the Company in relation to the Rights Issue
"Qualifying Shareholder(s)"	the Shareholder(s), other than the Excluded Shareholders, whose name(s) appear(s) on the register of members of the Company on the Record Date
"Record Date"	11 January 2008 or such other date as may be agreed between the Company and the Underwriter

"Rights Issue"	the proposed issue of Rights Shares by the Company on the basis of three Rights Share for every ten existing Shares to the Qualifying Shareholders by way of rights or to holders of nil-paid Rights Shares at the Subscription Price, pursuant to the terms and conditions of the issue
"Rights Issue Documents"	the Prospectus, the provisional allotment letter and the form of application for excess Rights Shares
"Rights Share(s)"	not less than [2,723,003,232] new Shares and not more than [2,982,565,232] new Shares to be issued by the Company pursuant to the Rights Issue
"SFO"	the Securities and Futures Ordinance (Chapter 571) of the Laws of Hong Kong
"SGM"	the special general meeting of the Company to be convened for the purposes of considering, among other matters, the Whitewash Waiver
"Share(s)"	the ordinary shares which have a par value of HK\$0.10 each in the capital of the Company
"Share Option Scheme(s)"	the Terminated Scheme and/or the Existing Scheme, as the case may be
"Shareholder(s)"	shareholder(s) of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Subscription Price"	subscription price of HK\$0.10 per Rights Share
"Subscription Monies"	the subscription monies payable by the Underwriter to the Company in respect of the Rights Shares underwritten by the Underwriter
"Takeovers Code"	The Hong Kong Code on Takeovers and Mergers
"Terminated Scheme"	the share option scheme of the Company adopted on 15 March 1995 and terminated by an ordinary resolution of the Company passed on 12 June 2003 at the annual general meeting of the Company held on 12 June 2003
"Underwriter" or "Sun East"	Sun East LLC, a limited liability company incorporated in California, the US and a controlling shareholder of the Company as at the date of this announcement. Sun East is owned as to (i) 35% by Mr Yeung Yung (shared commonly with his spouse under the law of California,

the US), an executive Director and (ii) 65% by Mr Ma Manwai and Mr Jimmy Wang (alias Wang Jian) as co-trustees for certain trusts established for the benefit of the children of Mr Yeung Yung on 30 June 2007.

"Underwritten Shares"	Not less than 1,776,985,172 Rights Shares and not more than 1,989,977,172 Rights Shares to be underwritten by the Underwriter pursuant to the Underwriting Agreement
"US"	the United States of America
"Underwriting Agreement"	the underwriting agreement dated 3 December 2007 entered into between the Company and the Underwriter in relation to the Rights Issue
"Whitewash Waiver"	a waiver from the obligation of the Underwriter and parties acting in concert with it to make a mandatory offer under Rule 26 of the Takeovers Code as a result of the allotment and issue of Right Shares
"HK\$"	Hong Kong dollar(s), the lawful currency of Hong Kong
"RMB"	Renminbi, the lawful currency of the PRC
"%"	per cent.

By order of the Board
Compass Pacific Holdings Limited
Yeung Yung
Chairman

Hong Kong, [-] December 2007

As at the date of this announcement, the executive Directors are Mr Yeung Yung, Mr Liu Quan, Mr Wang Xiaolin, Mr Hui Wing Sang, Wilson; and the independent non-executive Directors are Mr He Bangjie, Mr Li Zheng, Jack and Mr Ting Kwok Kit, Johnny.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this announcement and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement the omission of which would make any statements in this announcement misleading.