

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND ANY RELATED HEDGES

Almost all of the income and expenditure of the Group were denominated in Hong Kong Dollar, Renminbi and United States Dollar. In view of the stability of the exchange rates among these three currencies, the Group has not been subject to exchange rate fluctuation exposure and thus no financial instruments have been adopted for hedging purpose.

NEW BUSINESS, MATERIAL ACQUISITIONS AND DISPOSALS

On 20 March 2006, Ningbo Huadu entered into an Equity Transfer Agreement on the transfer of the 55% equity interest in Jinhua Huada held by Ningbo Huadu with a consideration of RMB6,900,000.

SUBSEQUENT EVENT

June Acquisition

On 6 June 2006, the Company entered into the acquisition agreement (“June Agreement”) with Hygeia Land Group LLC (“the Vendor”) in relation to the acquisition of the entire shareholding interest in the Target Companies (the “June Acquisition”) comprising Hygeia Land LLC (“the US Co”) and Hygeia Land Inc. (“the BVI Co”). Sun East LLC (“Sun East”), as at the date of the announcement made by the Company on 5 July 2006 (the “July Announcement”) holds approximately 38.7% of the issued share capital of the Company, is a connected person of the Company under the Listing Rules. The Vendor is owned as to 60% by Sun East and is an associate of Sun East under the Listing Rules. The US Co. is holding an exclusive worldwide sales and distribution right of Smokeshield™, an anti-oxidant product, granted by the supplier, New Chapter Inc under the Distributorship Agreement. The BVI Co is intended to be the trading arm of the Target Companies. The aggregate consideration for the June Acquisition was HK\$23.4 million which would be satisfied by the allotment and issue to the Vendor, after the Capital Reorganisation became effective, 2,340 million Non-voting Convertible Preference Shares of HK\$0.01 each in the capital of the Company credited as fully paid at an issue price of HK\$0.01 per Non-voting Convertible Preference Share. If the Certified CNP reached HK\$117 million or more during the Reference Period, the Non-voting Convertible Preference Shares would be mandatorily converted into Adjusted Shares pursuant to the terms of the Non-voting Convertible Preference Shares on the basis of one Non-voting Convertible Preference Share for one Adjusted Share (subject to adjustments) and subject to a maximum number of 2,340 million Adjusted Shares. If the Certified CNP never reached HK\$117 million for the whole of the Reference Period, the Non-voting Convertible Preference Shares would be mandatorily converted into Adjusted Share at a ratio of every 10 Non-voting Convertible Preference Shares for one Adjusted Share. The June Acquisition was conditional on, among others, the Capital Reorganisation having become effective. For further information on the June Agreement, the Vendor, the Target Companies, Smokeshield™, the Distribution Agreement, Certified CNP, Adjusted Shares, and the principal terms of the Non-voting Convertible Preference Shares, Capital Reorganisation, the Whitewash Waiver and the Listing Rules Implication, please refer to the July Announcement.

Cancellation of June Agreement

On 26 September 2006, the Company and the Vendor entered a deed of Cancellation of the June Agreement. The parties agreed to mutually release and discharge each other from all obligations, duties, responsibilities, claims and liabilities arising out of or in connection with the June Agreement. None of the Company, the Vendor or the Warrantor is subject to any compensation or penalty as a result of the termination of the June Agreement. The termination of the June Agreement would not give rise to any material adverse impact on the Company.

Capital Reduction

On 26 September 2006, the Board proposed a revised capital reduction by reducing the nominal value of the ordinary shares in the authorised share capital of the Company from HK\$0.10 each to HK\$0.01 each. After the capital reduction, the authorised share capital of the Company would comprise New Shares of HK\$300 million divided into 30,000 million shares of HK\$0.01 each of which 2,444,243,232 New Shares would be in issue.

Sale and Purchase Agreement

On 26 September 2006, the Company and the Vendor entered a Sale & Purchase Agreement (the "SPA") to acquire the Target Companies for a total consideration of HK\$23,166,000 which will be satisfied by the allotment and issue to the Vendor of the Consideration Shares (being 351,000,000 New Shares of HK\$0.01 each in the capital of the Company) credited as fully paid at an issue price of HK\$0.066 per New Share. For further information on the terms of the SPA, please refer to the announcement of 28 September 2006, in respect of a disclosable and connected transaction which involves issue of new shares of the Company and cancellation of June Agreement.

PROPOSED CHANGE OF COMPANY NAME

The Board proposed to change the English name of the Company from "Compass Pacific Holdings Limited" to "Hygeia Land Holdings Limited" and adopt the Chinese translation of its name as "海吉亞萊控股有限公司" in lieu of "圓通控股有限公司" for identification purpose.

PROPOSED AMENDMENTS OF BYE-LAWS

Apart from the necessary amendments to the Bye-Laws regarding the capital reduction, the Board proposed to amend certain provisions of the Bye-Laws regarding the retirement of Directors to align with the Code on Corporate Governance Practices.

PROSPECTS

The bankruptcy of MG Rover Group Ltd in England in 2005 dealt a severe blow to the operations and performances of APG Group, especially its subsidiaries in Guangzhou, which are the targets of a number of litigations. In order to improve the Group's performance, the Board has been considering disposals of certain subsidiaries of the APG Group and curtailing the operations of its subsidiaries in Guangzhou. Upon completion of the acquisition of Hygeia Land companies, the Group will diversify into the development, manufacture, and distribution of food supplement and herbal health products in order to open new venues for generation of revenue and improvement in the Group's financial prospects.