

*Dear Shareholders:*

The year ended 31st December, 2000 was still a difficult year for the Company and its subsidiaries (the "Group").

The Group has recorded an audited consolidated turnover and loss attributable to shareholders of approximately HK\$32,000,000 and HK\$16,912,000 respectively for the year ended 31st December, 2000. Compared with the results for the year ended 31st December, 1999, turnover from continuing operation has decreased by approximately 22.4% from HK\$41,225,000 to HK\$32,000,000. The loss attributable to shareholders has been increased by approximately 35% from HK\$12,524,000 to HK\$16,912,000. The Directors do not recommend the payment of final dividend for the year.

With the turnaround in the last quarter of 1999, the Hong Kong economy has made a slight growth and showed signs of recovery in 2000. The recovery was not distinctive, but to a certain extent, encouraging to the consumer goods and services industries. In face of severe competition and the still adverse economic factors, the Group continued to implement the cost reduction measures, including tight control on expenditures, better utilization of resources, better procurement practice and streamlining of personnel, in trying to improve its overall financial performance. Although the financial position of the Group has improved slightly as a result of such measures, the improvement was still insufficient to return the financial position of the Group to a satisfactory status. The Directors are of the view that it is very difficult to turnaround the financial performance of the Group based on the revenue generated from the existing businesses of the Group.

During the period under review, the Group continued to operate nine entertainment game centres (the "entertainment centres") in the People's Republic of China (the "PRC"), the performances of which were broadly in line with the corresponding period of last year. The Group will keep on searching for local strategic partners to open new entertainment centres in more affluent cities in the PRC, such as Shanghai, Guangzhou and Shenzhen, so as to increase the revenue base. The Directors at the same time believe that prudent financial management could maintain a balance between growth and risk control.

Shenyang Liao Hua Automobile Axles Company Ltd. (the "JV") is engaged in the business of manufacturing and selling automobile components in the PRC. By the last quarter of 2000, the production of the JV has been suspended due to the restructuring of the production lines of its principal customer. The management of the JV is now negotiating with the principal customer with a view to resume production shortly.

In July, 2000, the Directors have successfully raised net proceeds of approximately HK\$24 million through placing by Brilliance China Automotive Holdings Limited ("CBA") of 53,438,000 existing shares to Success Well International Group Limited at the price of HK\$0.30 per share and at the same time, subscription by CBA of 80,592,000 new shares of the Company at the same price.

On 30th August, 2000, the Company has entered into an agreement with Daiweldo Group Limited in relation to the subscription of 780,000,000 new shares of the Company at the price of HK\$0.30 per share, which was completed on 5th October, 2000, and raised net proceeds of approximately HK\$231 million.

With additional funds, the liquidity of the Group has been substantially strengthened. The Directors are committed to expand the earning base of the Group by taking advantage of its business connections in the PRC for higher returns for its shareholders. The Directors have been cautiously exploring opportunities to diversify the business of the Group into areas other than those currently engaged in by the Group. The Directors believe that such move will broaden its assets and income base, as well as to return the Group to profitability and to enhance the value of shareholders' investment in the Company. As the economic relationship between the mainland China and Hong Kong Special Administrative Region strengthens, the Directors intend to actively seek investment opportunities in high-tech and e-commerce ventures in the PRC, with a view to position the Group to benefit from the growth of certain hi-tech and e-commerce opportunities in the PRC. In light of volatility in the technology market, the Directors are extremely cautious in determining whether any such investment will create value for shareholders and refrain from deploying capital resources in circumstances where the levels of risk are out of line with projected returns to shareholders. At present, no specific investment project has been identified, although the Directors have and will continue to review and consider the feasibility studies of various projects.

To reflect the change in control, the anticipated future development and diversification of the Group's businesses, the name of the Company has been changed from "Whimsy Entertainment Co., Limited" to "Compass Pacific Holdings Limited" with effect from 12th October, 2000. The change of name to "Compass Pacific Holdings Limited" and the adoption of the name, for identification purpose, "圓通科技控股有限公司" as the Chinese name of the Company was approved by a special resolution of the shareholders of the Company at a special general meeting held on 5th October, 2000.

In conclusion, I would like to thank you, our shareholders and staff, for your strong support. Your continued support is vital to the future diversification of our business.

**Yung Yeung**  
**Chairman**

Hong Kong, 24th April, 2001