

The Board of Directors (the “Directors”) presents this report together with the audited financial statements of the Company and its subsidiaries (the “Group”) for the year ended 31st December, 2000.

PRINCIPAL ACTIVITIES

The principal activity of the Company is that of an investment holding company. The principal activities of the subsidiaries for the year ended 31st December, 2000 are the operating of the indoor family entertainment centres (the “entertainment centres”) as well as manufacturing and selling automobile components in the People’s Republic of China (the “PRC”).

TURNOVER AND CONTRIBUTION BY ACTIVITY AND LOCATION

The turnover and contribution to operating loss of the Group by location and by nature of business for the year ended 31st December, 2000, are as follows:–

	Turnover HK\$’000	Contribution to operating Profit/(loss) HK\$’000
Analysis by location:		
<i>Continuing operations:</i>		
Hong Kong	–	(11,020)
PRC	32,002	(5,392)
<i>Discontinued operations:</i>		
Hong Kong	–	813
	<u>32,002</u>	<u>(15,599)</u>
Analysis by nature of business:		
<i>Continued operations:</i>		
Self-operated centres	18,166	(8,072)
Sale of automobile components	13,836	2,680
Investment holding	–	(11,020)
	<u>32,002</u>	<u>(16,412)</u>
<i>Discontinued operations:</i>		
Self-operated centres	–	813
	<u>32,002</u>	<u>(15,599)</u>

FINANCIAL RESULTS

The results for the Group for the year ended 31st December, 2000, are set out in the financial statements on page 26.

MANAGEMENT DISCUSSIONS AND ANALYSIS

Despite a slight recovery in the retail market at the commencement of the last quarter and the continuing recovery in the new millennium, the Group continued to operate under very difficult conditions in the year 2000. To weather through the market downturn and be well positioned to capitalize any opportunities when economic conditions improved, the Group continued to implement the cost control measures aiming to lower administrative costs, streamline operations and improve work efficiency.

During the period under review, the Group continued to operate nine entertainment games centres in the PRC, the performances of which were broadly in line with the corresponding period of last year. The joint venture, Shenyang Liao Hua Automobile Axles Company Ltd., which is engaged in the business of manufacturing and selling automobile components, suspended production by the last quarter of 2000 due to the restructuring of the production lines of its principal customer. The management of the joint venture is now negotiating with the principal customer with a view to resume production shortly.

Consequently, the consolidated turnover from continuing operations of the Group for the year decreased by 22.4% to HK\$32,000,000 (as compared with the year ended 31st December, 1999) and the loss attributable to shareholders was increased to HK\$16,912,000.

It is expected that China's accession to the World Trade Organisation will promote further economic development and enhance the vitality of the PRC's economy substantially. As a result of growing affluence, more parents will take their children to entertainment centres. This will have a positive effect on the entertainment centres business of the Group in the PRC. A subsidiary of the Company has secured the registration of the services mark of 歡樂天地 in the PRC. The Group has no current plan to grant new franchise in the PRC. As the outlook is promising, 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 expand its revenue base.

MANAGEMENT DISCUSSIONS AND ANALYSIS *(Cont'd)*

On 21st July, 2000, the Company completed a "top-up" placing of 80,592,000 shares and raised net proceeds of approximately HK\$24 million, part of which were applied to repay the loan due from a substantial shareholder. On 5th October, 2000, the management of the Company completed a subscription of 780,000,000 shares raising net proceeds of approximately HK\$231 million. The balance of the proceeds from the "top-up" placing and the subscription of shares were deposited with the banks for funding future expansion of the Group.

With the abundant cash, the Group's liquidity and its financial resources are strong. The Group will continue to reinforce its strong financial position so that the Company is fully prepared to seize new and attractive investment opportunities. The Directors believe that prudent financial management could maintain a balance between growth and risk control. The Group encourages its subsidiaries to be independent and self-sufficient in funding their business growth from internally generated profits.

As the existing businesses of the Group have been incurring losses in the past, the Directors have been considered and will continue to consider the feasibility of expanding the Group's operations into other areas, such as hi-tech and e-commerce projects, other than existing businesses, so that the Group will be well positioned to benefit from opportunities arising out of the change of the Hong Kong economy to one based on high technology in the new millennium. This is in line with management policy to look for new investment opportunities so as to broaden the assets and income base of the Group and to return the Group to profitability. The shareholders' interest is the primary concern of the Directors in guiding the investments, which will be made at the right time and at the right price, and when long term potential of the market for value creation is sustainable. Given the major shifts in the global technology market and the widespread consolidation of internet business in the industry last year, the Directors are particularly wary in considering any proposal for diversification. However, no specific project has been identified at present and the Directors are still reviewing feasibility studies of various projects.

LIQUIDITY AND FINANCIAL RESOURCES

The cash flow position of the Group for the year ended 31st December, 2000 is set out and analysed on pages 30 to 34 to the financial statements.

DIVIDEND

The Directors do not recommend the payment of final dividend for year ended 31st December, 2000 (1999: Nil), and the Company had not paid any interim dividend during the year under review.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Group for the past five financial years is set out on page 64.

RESERVES

Movements in the reserves of the Group and the Company for the year ended 31st December, 2000 are set out in note 18 to the financial statements.

TANGIBLE FIXED ASSETS

The movements of tangible fixed assets of the Group for the year ended 31st December, 2000 are set out in note 11 to the financial statements.

SHARE CAPITAL

The movements of issued share capital for the year ended 31st December, 2000 are set out in note 17 to the financial statements.

SUBSIDIARIES

Details of the Company's subsidiaries as at 31st December, 2000 are set out in note 12 to the financial statements.

DIRECTORS

The directors of the Company who held office during the year ended 31st December, 2000 and up to the date of this report are:-

Executive directors:

	Date of Appointment	Date of Retirement
Mr. Yung Yeung (<i>Chairman</i>)		
Mr. Siu On Ng (<i>Deputy Chairman</i>)		
Mr. Jun Li (<i>Chief Executive Officer</i>)	1st August, 2000	
Mr. Chunhua Huang (<i>Chief Executive Officer</i>)	1st August, 2000	
Mr. Keung So		
Mr. Xing Hong		
Mr. Mao Zeng Yang		
Mr. To Ho		
Mr. Tung Sun	1st August, 2000	

Independent non-executive directors:

Mr. Junichi Kuba		26th June, 2000
Mr. Min Li Yi		
Madam Chu Qing Yao	20th March, 2000	

Mr. Jun Li, Mr. Chunhua Huang and Mr. Tung Sun will retire in accordance with clause 86(2) of the bye-laws of the Company at the forthcoming annual general meeting of the Company and, being eligible, will offer themselves for re-election.

Mr. Xing Hong and Mr. To Ho will retire by rotation in accordance with clause 87(1) and (2) of the bye-laws of the Company at the forthcoming annual general meeting of the Company and, being eligible, will offer themselves for re-election.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN THE SHARE CAPITAL OF THE COMPANY

As at 31st December, 2000, the register of substantial shareholders maintained under Section 16(1) of the Securities (Disclosure of Interests) Ordinance (Cap.396) of the laws of Hong Kong (the "SDI Ordinance") showed that each of the following persons has an interest of 10 per cent or more in the share capital of the Company:-

Name	Note	Number of shares beneficially held	Percent. of shareholding
Pure Shine Limited ("Pure Shine")		162,951,000	12.90
Brilliance China Automotive Holdings Limited ("CBA")	1	162,951,000	12.90
Daiweldo Group Limited ("DWD")		780,304,400	61.75
Daiweldo Foundation Limited	2	780,304,400	61.75

Notes:-

1. Pure Shine is a wholly-owned subsidiary of CBA. Therefore CBA, by virtue of its interest in Pure Shine, is deemed to be interested in those shares which Pure Shine is interested. The controlling shareholder of CBA is the Chinese Financial Education Development Foundation, a PRC non-governmental non-profit making organization.
2. DWD is a wholly-owned subsidiary of Daiweldo Foundation Limited. Therefore Daiweldo Foundation Limited, by virtue of its interest in DWD, is deemed to be interested in those shares which DWD is interested.

It is noted that DWD disposed 50,000,000 shares of the Company on 22nd January, 2001. Up to the date of this report, DWD is interested in 730,304,400 shares of the Company, representing 57.79% of the issued share capital of the Company. Accordingly, Daiweldo Foundation Limited is deemed to be interested in those shares as well.

Save as disclosed above, no other party was recorded in the register required to be kept by the SDI Ordinance as having an interest of 10% or more of the shares of the Company as at 31st December, 2000.

DIRECTORS' INTERESTS IN THE SHARE CAPITAL OF THE COMPANY

As at 31st December, 2000, the interests of the directors, chief executives and their associates in the share capital of the Company or any of its associated corporations (within the meaning of the SDI Ordinance) which require notification to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Section 28 of the SDI Ordinance (including interests which are taken or deemed to have under Section 31 or Part 1 of the Schedule of the SDI Ordinance) or which will be required, pursuant to Section 29 of the SDI Ordinance, to be entered into the register referred to therein, or which are required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, are as follows:-

Name	<i>Note</i>	Nature of interests	Number of shares held
Yung Yeung	1	Corporate	780,304,400

Note:-

1. Daiweldo Foundation Limited is owned as to 80% by Mr. Yung Yeung and as to 5% by each of Mr. Siu On Ng, Mr. Keung So, Mr. Xing Hong and Mr. To Ho, all of whom are Directors of the Company. The aforementioned 780,304,400 shares are registered in the name of DWD, which is a wholly owned subsidiary of Daiweldo Foundation Limited.

DWD disposed 50,000,000 shares on 22nd January, 2001. Up to the date of this report, DWD is interested in 730,304,400 shares, representing 57.79% of the issued share capital of the Company. Therefore Mr. Yung Yeung, by virtue of his interest in Daiweldo Foundation Limited, is deemed to be interested in those shares which DWD is interested.

DIRECTORS' RIGHTS TO SUBSCRIBE FOR SHARES

On 15th March, 1995, a share option scheme was adopted by the shareholders of the Company under which the Directors, may, at their discretion, grant options (the "Share Options") to the employees of the Group to subscribe for shares of HK\$0.10 each in the share capital of the Company (the "Shares"), subject to the terms and conditions stipulated therein.

DIRECTORS' RIGHTS TO SUBSCRIBE FOR SHARES (Con'd)

During the year, Share Options to subscribe for 34,000,000 and 70,500,000 Shares were granted to certain directors of the Company on the dates mentioned below respectively. Details of Share Options which have been granted to the directors of the Company are as follows:-

Name	Number of Share Options granted on 16th February, 2000 <i>(Note 1)</i>	Number of Share Option granted on 2nd November, 2000 <i>(Note 2)</i>
Yung Yeung	10,000,000	21,570,000
Siu On Ng	8,000,000	11,130,000
Jun Li	–	5,400,000
Chunhua Huang	–	5,400,000
Keung So	4,000,000	5,400,000
Xing Hong	4,000,000	5,400,000
To Ho	4,000,000	5,400,000
Mao Zeng Yang	4,000,000	5,400,000
Tung Sun	–	5,400,000

Up to the date of this report, none of the Share Options have been exercised.

Note:-

1. The Share Options granted on 16th February, 2000 are exercisable at the subscription price of HK\$0.69 per Share at any time during the period of 10 years from 16th February, 2000.
2. The Share Options granted on 2nd November, 2000 are exercisable at the subscription price of HK\$0.382 per Share at any time during the period of 10 years from 2nd November, 2000.

Save as disclosed above, at no time during the year ended 31st December 2000 was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

DIRECTORS' INTERESTS IN CONTRACTS

Except the subscription agreement dated 30th August, 2000 entered into between the Company and DWD for the subscription of 780,000,000 shares, no contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries or associated companies was a party and in which any director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' SERVICE CONTRACTS

The Company entered into service contracts with Mr. Jun Li and Mr. Chunhua Huang, respectively, for their offices of Chief Executive Officer and Chief Financial Officer, for a period of one year from 1st August, 2000. Such service contracts shall continue thereafter until terminated by either party by giving the other party one month's written notice.

Save as disclosed above, none of the directors of the Company for re-election at the forthcoming annual general meeting has proposed to have a service contract with the Company or any of its subsidiaries (other than contracts expiring, or determinable by the employer within one year without payment of compensation, other than statutory compensations).

PURCHASE, SALE OR REDEMPTION OF SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's securities during the year.

ANALYSIS OF BORROWINGS AND INTEREST CAPITALISED

The particulars of the Group's bank loans and other borrowings as at the end of the year are set out in notes 19 to 21 to the financial statements respectively.

No interest was capitalised by the Group during the year.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's bye-laws or the laws of Bermuda which oblige the Company to offer new shares on a pro-rata basis to existing shareholders. Such obligations are provided for in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). At the annual general meeting of the Company held on 26th June, 2000, a general mandate was granted to the Directors, at their discretion, for issuing new shares not exceeding 20 per cent of the aggregate nominal amount of the issued share capital of the Company at that date.

MAJOR CUSTOMERS AND SUPPLIERS

The percentage of the Group's sales and purchases attributable to the major customers and suppliers for the year are as follows:-

Sales

The largest customer	43%
The five largest customers in aggregate (<i>Note 1</i>)	43%

Purchases

The largest supplier	79%
The five largest suppliers in aggregate	85%

As far as the directors are aware, no directors of the Company or any of its subsidiaries, their associates or any shareholders of the Company (who to the directors' knowledge is interested in or owns more than 5 per cent. of the Company's share capital) has any shareholding in the suppliers or customers referred to above.

Note:-

1. Save as the largest customer, the other four largest customers are mainly from the retail sectors and the sales contributed by them are insignificant to the Group's sales.

CONNECTED TRANSACTIONS

1. During the six months ended 30th June, 2000, Shenyang Liao Hua Automobile Axles Company Limited (瀋陽遼華汽車車橋有限公司) (the “Joint Venture”), a 51% owned subsidiary of the Company, has acquired major components required for the manufacturing of automobile axles (the “Transactions”) from 瀋陽輕型汽車車橋製造廠 (the “Holding Company”), a holding company of Shenyang Song Liao Jin Hua Automobile Axles Manufactory Limited (瀋陽松遼金華車橋有限公司), the 49% holder of the Joint Venture. The Holding Company is a connected person of the Company within the meaning of the Listing Rules”. Accordingly, the Transactions constitute connected transactions for the Company and are subject to the disclosure and shareholders’ approval requirements of the Listing Rules. The Company has made an announcement of these events on 25th May, 2000.

Subsequent to the six month’s period, the Joint Venture is able to source the supply of components directly from independent third parties (who are not connected parties as defined in the Listing Rules) at the same prices and credit periods as those offered by the Holding Company and the Transactions have discontinued with effect from 1st July, 2000.

2. On 30th August, 2000, the Company has entered into an agreement with DWD in relation to the subscription of 780,000,000 new shares of the Company at the price of HK\$0.30 per share (the “Subscription Agreement”). DWD is wholly owned by Daiweldo Foundation Limited which is wholly and beneficially owned by certain directors of the Company (the “Management”). Accordingly, DWD is deemed to be a connected person of the Company within the meaning of the Listing Rules. The said subscription constitutes a connected transaction of the Company and is subject to the approval of independent shareholders. Upon completion of the Subscription Agreement (the “Completion”), DWD and the parties acting in concert with it would become interested in 942,951,000 shares, representing approximately 74.62% of the issued share capital of the Company as enlarged by the subscription of 780,000,000 new shares. Under Rule 26 of The Hong Kong Code on Takeovers and Mergers, DWD, upon Completion, was required to make unconditional cash offer of HK\$0.30 per share for all the issued shares of the Company (other than those already owned or agreed to be subscribed by DWD and the parties acting in concert with it) and a cash offer of HK\$0.01 per option to all the holders for all the outstanding Share Options (other than those held by the Management). On 30th October, 2000, the unconditional cash offer was completed, under which two valid acceptances in respect of 304,400 shares have been received, and DWD and the parties acting in concert with it became interested in 943,255,400 shares, representing approximately 74.65% of the entire issued share capital of the Company. The Company has made announcement on 31st August and 9th October, 2000 and issued a circular and a composite document in respect of the unconditional cash offer dated 18th September and 7th October, 2000 respectively.

CHANGE OF COMPANY NAME

The Company has made an announcement that with the approval of the Registrar of the Companies in Bermuda, 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. The Company received the certificate of incorporation on change of name issued by the Registrar of Companies in Bermuda on 30th October, 2000.

SIGNIFICANT POST BALANCE SHEET EVENTS

Details of a significant post balance sheet event are set out in note 25 to the financial statements.

CORPORATE GOVERNANCE

None of the directors of the Company is aware of any information that would reasonably indicate that the Company is not or was not for any part of the period under review in compliance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules (the “Code”), except that the independent non-executive directors were not appointed for specific terms but appointed to their offices for such terms and subject to retirement in accordance with clause 87 of the bye-laws of the Company.

In compliance with the Code, the Company has established an Audit Committee and has adopted the terms of reference governing the authority and duties of the Audit Committee.

YEAR 2000 COMPUTER COMPLIANCE

The Group functioned normally when entering year 2000 and to date. The Group will continue to monitor any problems associated with the Year 2000 issue and the Directors believe that the Group’s operations will not be affected by the Year 2000 issue.

AUDITORS

The financial statements have been audited by Arthur Andersen & Co who will retire and, being eligible, offer themselves for re-appointment. A resolution will be submitted to the Annual General Meeting to re-appoint Arthur Andersen & Co as auditors of the Company.

On behalf of the Board

Jun Li

Director

Hong Kong, 24th April, 2001