



Compass Pacific Holdings Limited
圓通科技控股有限公司



Interim Report **2001**

UNAUDITED INTERIM RESULTS

The Board of Directors (the "Board") of Compass Pacific Holdings Limited (the "Company") announces the unaudited consolidated financial statements of the Company and its subsidiaries (the "Group") for the six months ended 30th June, 2001, together with the comparative figures for the six months ended 30th June, 2000 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE SIX MONTHS ENDED 30TH JUNE, 2001

(Expressed in thousands of Hong Kong dollars except per share amount)

		For the six months ended 30th June,	
	<i>Note</i>	2001 (Unaudited)	2000 (Unaudited) <i>(Note 12)</i>
TURNOVER	2	7,698	23,044
COST OF SALES		(1,520)	(11,255)
GROSS PROFIT		6,178	11,789
OTHER REVENUES	2	4,706	1,188
ADMINISTRATIVE EXPENSES		(21,244)	(15,023)
LOSS FROM OPERATIONS		(10,360)	(2,046)
FINANCE COSTS		(100)	(2,435)
LOSS BEFORE TAXATION	3	(10,460)	(4,481)
TAXATION	4	-	-
LOSS BEFORE MINORITY INTERESTS		(10,460)	(4,481)
MINORITY INTERESTS		365	(1,632)
LOSS ATTRIBUTABLE TO SHAREHOLDERS		(10,095)	(6,113)
LOSS PER SHARE	6	(0.80) cents	(1.52) cents

A separate statement of recognised gains and losses is not presented because there were no recognised gains or losses other than the net loss for the period.

CONDENSED CONSOLIDATED BALANCE SHEET AS AT 30TH JUNE, 2001

(Expressed in thousands of Hong Kong dollars)

	Note	As at 30th June, 2001 (Unaudited)	As at 31st December, 2000 (Audited)
INVESTMENT PROPERTY		2,800	2,800
FIXED ASSETS		19,689	21,354
RENTAL, UTILITIES AND OTHER DEPOSITS		1,183	1,180
CURRENT ASSETS			
Inventories		1,548	1,572
Prepayments and deposits		6,998	723
Other receivables		1,445	1,729
Accounts receivable	7	2,805	3,048
Amount due from a related company	9	-	25,095
Cash and bank balances		<u>209,897</u>	<u>200,713</u>
		<u>222,693</u>	<u>232,880</u>
CURRENT LIABILITIES			
Accounts payable	8	(613)	(600)
Accruals and other payables		(3,361)	(3,504)
Provision for costs of redemption		(1,024)	(1,024)
Amount due to a related company	9	(1,495)	(2,608)
Long-term borrowing - due within one year		<u>(290)</u>	<u>(290)</u>
		<u>(6,783)</u>	<u>(8,026)</u>
Net current assets		<u>215,910</u>	<u>224,854</u>
Total assets less current liabilities		<u>239,582</u>	<u>250,188</u>
Financed by:			
SHARE CAPITAL		126,363	126,363
SHARE PREMIUM	10	260,592	260,592
RESERVES	10	<u>(169,863)</u>	<u>(159,768)</u>
SHAREHOLDERS' FUNDS		217,092	227,187
MINORITY INTERESTS		20,755	21,120
LONG-TERM BORROWING		<u>1,735</u>	<u>1,881</u>
		<u>239,582</u>	<u>250,188</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT FOR THE SIX MONTHS ENDED 30TH JUNE, 2001

(Expressed in thousands of Hong Kong dollars)

	For the six months ended 30th June, 2001 (Unaudited)
NET CASH INFLOW FROM OPERATING ACTIVITIES	5,780
NET CASH INFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	4,418
TAXATION	-
NET CASH OUTFLOW FROM INVESTING ACTIVITIES	(868)
NET CASH INFLOW BEFORE FINANCING	9,330
NET CASH OUTFLOW FROM FINANCING ACTIVITIES	(146)
INCREASE IN CASH AND CASH EQUIVALENTS	9,184
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	200,713
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	209,897

NOTES TO THE FINANCIAL STATEMENTS

(Amounts expressed in Hong Kong dollars unless otherwise stated)

1. BASIS OF PRESENTATION AND ACCOUNTING POLICIES

The condensed interim financial statements have been prepared in accordance with Statement of Standard Accounting Practice No. 25 "Interim financial reporting" issued by the Hong Kong Society of Accountants ("SSAP 25") except that no comparative figures have been presented for the condensed consolidated cash flow statement, being the first consolidated cash flow statement included in the interim report relating to accounting period ended on or after 1st July, 2000. Such departure from SSAP 25 is permitted under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The accounting policies and basis of preparation used in the preparation of the condensed interim financial statements are the same as those used in the annual financial statements for the year ended 31st December, 2000.

Several new accounting standards issued by the Hong Kong Society of Accountants are effective for this financial period. These accounting standards have no material effect on the condensed interim financial statements.

The condensed interim financial statements have been reviewed by the Company's audit committee.

2. TURNOVER

Revenues recognised during the period were as follows:

	For the six months ended 30th June,	
	2001 (Unaudited) HK\$'000	2000 (Unaudited) HK\$'000
Turnover		
Revenues from games, rides and other amusement facilities	7,668	9,775
Sale of automobile components	30	13,269
	<u>7,698</u>	<u>23,044</u>
Other revenues		
Interest income	4,646	125
Miscellaneous	60	1,063
	<u>4,706</u>	<u>1,188</u>
Total revenues	<u>12,404</u>	<u>24,232</u>

2. TURNOVER (Cont'd)

An analysis of the Group's turnover and contribution to loss before taxation for the period by principal activities and principal markets was as follows:

	Turnover		Contribution to loss before taxation	
	For the six months ended 30th June, 2001		For the six months ended 30th June, 2000	
	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Principal activities:				
Operation of indoor game centres	7,668	9,775	(670)	(3,746)
Manufacture and sale of automobile components	30	13,269	(746)	3,330
Investment holding	-	-	(9,044)	(4,065)
	<u>7,698</u>	<u>23,044</u>	<u>(10,460)</u>	<u>(4,481)</u>
Principal markets:				
PRC	7,698	23,044	(1,416)	(416)
Hong Kong	-	-	(9,044)	(4,065)
	<u>7,698</u>	<u>23,044</u>	<u>(10,460)</u>	<u>(4,481)</u>

3. OPERATING LOSS BEFORE TAXATION

Loss before taxation in the condensed consolidated income statement was determined after charging or crediting the following items:

	For the six months ended 30th June, 2001	
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
After charging:		
Staff costs (including directors' emoluments)	9,921	2,710
Depreciation	2,533	6,588
Interest expenses	87	2,083
Research and development cost	<u>2,666</u>	<u>-</u>
After crediting:		
Gain on disposal of fixed assets	-	62
Interest income from bank deposits	4,248	125
Interest income from a related company	<u>398</u>	<u>-</u>

4. TAXATION

No provision for Hong Kong profits tax has been made in the condensed interim financial statements as the companies within the Group incurred tax losses for the period.

Overseas taxation is calculated at the rates prevailing in the respective jurisdictions.

5. INTERIM DIVIDEND

The Directors do not recommend the payment of a dividend for the period ended 30th June, 2001 (2000: Nil).

6. LOSS PER SHARE

The calculation of loss per share is based on the loss attributable to shareholders of HK\$10,095,000 (2000: HK\$6,113,000) and on the weighted average number of 1,263,634,000 (2000: 403,042,000) ordinary shares in issue during the period.

No diluted loss per share has been presented as the effect of the potential ordinary shares outstanding is anti-dilutive.

7. ACCOUNTS RECEIVABLE

General credit terms are 90 days.

As at 30th June, 2001, the aging analysis of the accounts receivable of the Group was as follows:

	As at 30th June, 2001 (Unaudited) HK\$'000	As at 31st December, 2000 (Audited) HK\$'000
Current	–	272
Over 90 days	2,805	2,776
	<u>2,805</u>	<u>3,048</u>

8. ACCOUNTS PAYABLE

As at 30th June, 2001, the aging analysis of the accounts payable of the Group was as follows:

	As at 30th June, 2001 (Unaudited) HK\$'000	As at 31st December, 2000 (Audited) HK\$'000
Current	70	63
30-90 days	67	61
Over 90 days	476	476
	<hr/> 613 <hr/>	<hr/> 600 <hr/>

9. RELATED PARTY TRANSACTIONS

- (a) Amount due to a related company is unsecured, non-interest bearing and has no fixed repayment terms.
- (b) Amount due from a related company was unsecured, carried interest at 6% per annum, and was repayable within six months from the date of advance. All the outstanding balance and related interest were fully settled during the period.
- (c) During the period, the Group entered into the following significant transactions with related companies:

	For the six months ended 30th June, 2001 (Unaudited) HK\$'000	2000 (Unaudited) HK\$'000
Interest expense on loan from a shareholder	-	1,225
Purchases from a related company of a joint venture partner	-	9,364
Interest income from a related company of a shareholder	398	-

The above transactions were carried out after negotiations between the Group and the related companies in the ordinary course of business and on the basis of estimated market value as determined by the Directors.

10. SHARE PREMIUM AND RESERVES

	Share premium HK\$'000	Translation reserve HK\$'000	Accumulated deficits HK\$'000	Total HK\$'000
As 1st January, 2000	91,409	(2,237)	(140,540)	(51,368)
Loss for the period	-	-	(6,113)	(6,113)
Exchange difference arising from translation of financial statements of overseas subsidiaries	-	(939)	-	(939)
As 30th June, 2000	<u>91,409</u>	<u>(3,176)</u>	<u>(146,653)</u>	<u>(58,420)</u>
As 1st January, 2001	260,592	(2,316)	(157,452)	100,824
Loss for the period	<u>-</u>	<u>-</u>	<u>(10,095)</u>	<u>(10,095)</u>
At 30th June, 2001	<u>260,592</u>	<u>(2,316)</u>	<u>(167,547)</u>	<u>90,729</u>

11. COMMITMENTS

Capital commitments authorised and contracted for as at 30th June, 2001 were approximately HK\$16,800,000 of which approximately HK\$4,300,000 is payable in the next twelve months. The Company has the right to exercise early termination in the first eighteen months after the date the agreement was signed, which was 3rd January, 2001, upon six months written notice. The commitment pertained to sponsorship of research conducted in the field of antigen/antibody microarrays for use in immunological diagnostic and functional genomic applications. The Company would have exclusive rights of the results of the said research.

12. COMPARATIVE FIGURES

Certain of the 2000 comparative figures have been reclassified to conform to the current period's presentation.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30th June, 2001 (2000: nil).

BUSINESS REVIEW AND OUTLOOK

With the slowdown of the global economy, foreign trade and direct investments in Hong Kong continue to diminish. The official Gross Domestic Product percentage increase estimate for this year has been revised to a low percentage. Facing with an uncertain economic climate, consumer confidence declines significantly and desire for spending shrinks. Internal demand cannot drive for economic growth in light of deflationary pressure. Continual reduction of bank interest rate fails to stimulate an increase in private investments. Stock prices are under pressure, which will ultimately have an adverse effect on accumulation of wealth. All these negative factors have undermined the future economic and investment prospective of Hong Kong. Without doubt, the Group has been operating under very difficult conditions. To weather through the market downturn and be well positioned to capitalize any opportunities when economic conditions improved, the Group continues to implement 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 (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 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 reviewing the situation.

Due to the suspension of production of the joint venture, the consolidated turnover of the Group for the period under review decreased by 66.6% to HK\$7,698,000 (as compared with the six months ended 30th June, 2000). Though the management of the entertainment centres in the PRC succeeded in lowering the administrative and operating costs, the Group's loss attributable to shareholders has increased to HK\$10,095,000.

It is expected that China's accession to the World Trade Organisation (the "WTO") 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. As the PRC regulatory authorities continue to rationalize the relevant laws and regulations regulating the entertainment centres business, the Board is on the outlook for any policy or rule changes and is acting cautiously in formulating any expansion plans and the direction of any future business developments.

Despite the unfavourable operating results, the Group's liquidity and financial resources remained strong. The Group had cash and bank balances of approximately HK\$210 million (31st December 2000: HK\$201 million) together with a mortgage loan of approximately HK\$2.03 million (31st December, 2000: HK\$2.17 million). The Group will continue to reinforce its strong financial position so that the Company is fully prepared to seize new and attractive investment opportunities whenever the appropriate opportunities emerged. The Board believes that prudent financial management will 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 Board has been considered the feasibility of expanding the Group's operations into other areas, such as hi-tech and e-commerce projects, so that the Group will be well positioned to benefit from opportunities arising out of the changes in the Hong Kong economy. 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.

On 3rd January, 2001, the Company entered into a collaboration agreement with the Trustee of Columbia University in the City of New York ("Columbia"), pursuant to which Columbia is to conduct research of antigen and antibody-based biochips for the use of immunological diagnostic and functional genomic applications. In consideration of an aggregate sum of US\$2,500,000 (payable in five years) as the financial support for the said research, the Company obtains the invention disclosure reports and research information reports to be furnished by Columbia from time to time, and the Company is entitled to an option to enter into exclusive licence agreement with Columbia in respect of each invention disclosure or researched information. The collaboration provides the Company with ongoing opportunities to access and exploit the novel development of antibody-based biochips and their applications and share the invaluable findings at a reasonable budgeted outlay. The arrangement also helps the Company to reduce the strategic risk for diversification of business, and at the same time enables the Group to capture the advantages of joint information and technical synergies. Revenues will be in the form of license fees, sub-license fees and royalties of the licensed products developed from technology transfer activities. At the initial stage of research, the findings have not yet been proven to be able for reducing into practices and processes for commercial production, sale and distribution.

Following the major shifts in the global technology market and the consolidation of internet business in the industry last year, the Board is particularly wary in considering any proposals for diversification of business into the hi-tech areas. Barring the unforeseen circumstances and based on the performance achieved to date, e-commerce and internet business cannot sustain growth in the foreseeable future. Given the recent volatilities in global hi-tech industries, it will remain difficult to locate good investment targets at reasonable and reliable valuations. Hence the Company's strategy will remain highly selective in investing in the hi-tech areas. The shareholders' interest is the primary concern of the Board 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. In anticipation of China's entry into the WTO and further opening up of its financial markets, the Company intends to focus more on the PRC's and Hong Kong's financial services.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN THE SHARE CAPITAL OF THE COMPANY

As at 30th June, 2001, 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	<i>Note</i>	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")		630,304,400	49.88
Daiweldo Foundation Limited	2	630,304,400	49.88

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.

- 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.

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 30th June, 2001.

DIRECTORS' INTERESTS IN THE SHARE CAPITAL OF THE COMPANY

As at 30th June, 2001, 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	630,304,400

Note:-

- 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 630,304,400 shares are registered in the name of DWD, which is a wholly owned subsidiary of Daiweldo Foundation Limited. Up to the date of this report, DWD is interested in 630,304,400 shares of the Company, representing 49.88% 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 Board 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.

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 which are as follows:-

Name	Number of Share to be subscribed pursuant to the Share Options granted on 16th February, 2000 <i>(Note 1)</i>	Number of Share to be subscribed pursuant to the Share Options 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 six months ended 30th June, 2001 was the Company or any of its subsidiaries a party to any arrangement 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.

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 six months.

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 six months under review in compliance with the Code of Best Practice as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (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 by rotation 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. The audited committee has held a meeting to review and consider the unaudited consolidated financial statements for the six months ended 30th June, 2001.

By order of the Board
Yung Yeung
Chairman

Hong Kong, 28th August, 2001