

Report of the Directors

The directors submit their report together with the audited accounts for the year ended 31st December 2000.

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The principal activity of the Company is investment holding. Its subsidiaries are principally engaged in (i) contracting activities for installation of fire prevention and fighting systems; (ii) maintenance and servicing of fire prevention and fighting system; and (iii) the trading and sourcing of pipes, fittings and other parts in relation to fire prevention and fighting systems.

An analysis of the Group's turnover and contributions to loss before taxation for the year by principal activity is set out in note 2 to the accounts.

RESULTS AND APPROPRIATIONS

The results for the year are set out in the consolidated profit and loss account on page 25.

The directors do not recommend the payment of a dividend.

Report of the Directors

FIVE YEAR FINANCIAL SUMMARY

The consolidated results, assets and liabilities of the Group for the last five financial years as extracted from the audited accounts of the Group and restated are summarised below:

Results

	Year ended 31st December				
	2000 HK\$'000	1999 HK\$'000	1998 HK\$'000	1997 HK\$'000	1996 HK\$'000
					(as restated)
Turnover	70,569	116,497	200,512	394,490	237,330
Operating (loss)/profit after finance cost	(58,617)	(60,845)	339,206	(852,681)	37,677
Share of losses of associated companies	–	–	–	–	(4,319)
(Loss)/profit before taxation	(58,617)	(60,845)	339,206	(852,681)	33,358
Taxation	–	7	(69)	(4,549)	(3,031)
(Loss)/profit before minority interests	(58,617)	(60,838)	339,137	(857,230)	30,327
Minority interests	–	–	–	83	–
(Loss)/profit attributable to shareholders	(58,617)	(60,838)	339,137	(857,147)	30,327

Assets and liabilities

	As at 31st December				
	2000 HK\$'000	1999 HK\$'000	1998 HK\$'000	1997 HK\$'000	1996 HK\$'000
					(as restated)
Total assets	263,318	206,617	310,141	172,837	824,043
Total liabilities and minority interests	(106,298)	(101,527)	(174,975)	(647,191)	(536,865)
	157,020	105,090	135,166	(474,354)	287,178
Share capital	404,243	301,016	270,254	50,363	36,243
Reserves	(247,223)	(195,926)	(135,088)	(524,717)	250,935
Shareholders' equity/ (capital deficiency)	157,020	105,090	135,166	(474,354)	287,178

Notes: The 1996 figures were restated as a result of the prior year adjustment made in 1997.

Report of the Directors

RESERVES

Movements in the reserves of the Group and the Company during the year are set out in note 18 to the accounts.

In view of the losses sustained by the Company, the directors are of the view that the Company had no reserves available for distribution at 31st December 2000.

FIXED ASSETS

Details of the movements in fixed assets are set out in note 9 to the accounts.

PROPERTIES

Details of the Group's properties are set out on page 58.

SHARE CAPITAL, OPTIONS AND WARRANTS

Details of movements in the Company's issued share capital, options and warrants during the year and outstanding at 31st December 2000 are set out in notes 16 and 17 to the accounts.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Bye-laws and the laws in Bermuda.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

The Company has not redeemed any of its securities during the year. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's listed securities.

CONVERTIBLE NOTES

Details of the movements in the convertible notes of the Group and the Company during the year are set out in note 19 to the accounts.

Report of the Directors

SUBSIDIARIES

Details of the Company's principal subsidiaries at 31st December 2000 are set out in note 26 to the accounts.

DIRECTORS

The directors of the Company during the year and up to the date of this report were:

Executive directors

Kyota Yamada	(appointed on 20th September 2000)
Yiu Ying Fai	(appointed on 20th September 2000)
Hong Cheong Fye	(appointed on 20th September 2000)
Masahiro Funayama	(appointed on 20th September 2000)
Tetsuji Yamada	(appointed on 20th September 2000)
Hiroshi Higashiomori	(appointed on 10th November 2000)
Chan Ting Chuen	(resigned on 10th November 2000)
Li Kwok Lung, Alfred Ronald	(redesignated as non-executive director on 5th May 2000 and resigned on 20th September 2000)
Sze Sun Sun, Tony	(resigned on 20th September 2000)
Law Wai Chung, Allen	(resigned on 10th November 2000)
Wong Mo Wah, Gordon	(resigned on 20th September 2000)
Chu Hon Pong	(redesignated as non-executive director on 5th May 2000 and resigned on 20th September 2000)
Cheung Fung Chiu, Augustine	(resigned on 20th September 2000)

Independent non-executive directors

Lai Wing Kwan	(appointed on 6th February 2001)
Pun How Wai	(appointed on 26th March 2001)
Ko Ying	(resigned on 6th February 2001)
Lee Pak Wing, Patrick	(resigned on 26th March 2001)

In accordance with clauses 91 and 99(B) of the Company's Bye-laws, Yiu Ying Fai, Hong Cheong Fye, Masahiro Funayama, Hiroshi Higashiomori, Tetsuji Yamada, Lai Wing Kwan and Pun How Wai will retire and all the aforesaid directors being eligible, offer themselves (except Tetsuji Yamada) for re-election at the forthcoming annual general meeting.

Report of the Directors

BIOGRAPHICAL DETAILS OF DIRECTORS

Brief biographical details of directors and senior management are as shown below:

Executive directors

Kyota Yamada, aged 57, was appointed as Chief Executive Officer and Chairman of the Company on 20th September 2000. Mr Yamada is an entrepreneur and investor from Japan. He started his career as an engineer in an electronic parts manufacturer in Japan. Later, Mr Yamada started his own company in a new and revolutionary field of electronics which listed successfully on the Tokyo Stock Exchange after 15 years. Mr Yamada has an extensive interest in Hong Kong business and actively promotes the area to other Japanese investors. He not only reads and writes but also speaks fluent Cantonese. Mr Yamada holds an industrial degree from the Musashi University in Japan.

Yiu Ying Fai, aged 42, was appointed as an Executive Director on 20th September 2000 and Vice-Chairman on 15th January 2001. He holds a Bachelor of Commerce degree from the University of Melbourne and a Postgraduate Diploma in Hotel Management in Switzerland. He is a qualified accountant and members of both the Hong Kong Society of Accounting and CPA Australia. He has over 5 years of professional experience with one of the big five accounting firms specialising in corporate recovery and restructuring, liquidation and receivership. Prior to joining the Mansion Group, Mr Yiu has over 10 years senior management experience with an international group of companies with business interests in garment trading and manufacturing, hotel management, property development and investment.

Hong Cheong Fye, aged 45, was appointed as an Executive Director on 20th September 2000. Mr Hong has worked in a variety of Japanese financial markets, from the foreign exchange and bond markets to the equity markets. He has been involved with Japanese business for over eighteen years and held senior management positions in foreign securities houses and banks in Japan. His area of expertise is in capital restructuring, mergers and acquisitions, and raising funds from the capital markets.

Hiroshi Higashiomori, aged 61, was appointed as General Manager on 20th October 2000 and was also appointed as an Executive Director on 10th November 2000. Mr Higashiomori holds a degree of B.A. in Foreign Language (Spanish) from the Sophia University (Jochi Daigaku), Tokyo, Japan. He has over 30 years of management experience in international trade, sales, marketing and administration in a number of multi-national corporations in USA, Japan and Hong Kong. He had worked for Sansui Electric Co since 1969 and was appointed as the President of Sansui Electronics Corporation in USA from 1986 to 1990. He was also the Vice President of Scripto-Tokai in USA from 1990 to 1993.

Report of the Directors

BIOGRAPHICAL DETAILS OF DIRECTORS (continued)

Executive directors (continued)

Masabiro Funayama, aged 41, was appointed as an Executive Director on 20th September 2000. Prior to his appointment, he was senior financial controller of the entertainment group, Round One Corporation, which was listed on the first section of the Tokyo Stock Exchange during his tenure. In a thirteen-year career with the giant Japanese contractor Aoki Corporation, he worked in Los Angeles, Florida and Washington DC on major construction projects as the chief financial officer. Mr Funayama has an MBA from the New York University.

Tetsuji Yamada, aged 28, was appointed as an Executive Director on 20th September 2000. He graduated from the Attached High School of Musashi Institute of Technology in 1991. Mr Yamada has established Quants Inc., a private company in Japan and acted as the President of Quants Inc. in 1995. In 1999, Quants Inc. became a public company in Japan. Mr Yamada was appointed as the General Manager of IT Division of e-Lux Corporation in March 2000 and he is also a director of e-Lux Corporation.

Independent non-executive directors

Lai Wing Kwan, aged 38, was appointed as an Independent Non-executive Director on 6th February 2001. Mr Lai graduated from the University of London with a Bachelor of Law degree in 1984. He is a solicitor by profession and is a practising solicitor for more than 12 years. Mr Lai also acts as the managing director of a public company for more than 12 years. He is a consultant of K.B. Chau & Co.

Pun How Wai, aged 65, was appointed as Independent Non-executive Director on 26th March, 2001. Mr. Pun has a Bachelor of degree in Architecture and holds the qualification of RJBA, ARAIA,ARB. Mr. Pun had worked with the Architectural Services Department of the former Hong Kong Government for over 23 years and held the post of chief architect on retirement. During his service with the Government one of the major projects he completed was the “Prince of Wales Building” at Tamar site in Central. He is the founder and Managing Director of First City Consultants International Limited since 1994. He has wide experience in the building management services.

DIRECTORS' SERVICE CONTRACTS

None of the directors who are proposed for re-election at the forthcoming annual general meeting has a service contract with the Company, which is not determinable within one year without payment of compensation, other than statutory compensation.

Report of the Directors

DIRECTORS' INTERESTS IN CONTRACTS AND CONNECTED TRANSACTIONS

During the year, the Group entered into transactions with Chan Ting Chuen and Tony Sze Sun Sun, directors of the Company, and companies related to them. Details of these transactions, which also constitute connected transactions under the Listing Rules, and the aforesaid directors' interests therein are set out in note 25 to the accounts under the section headed "Related party transactions".

Save as aforesaid, there are no other connected transactions and contracts of significance in relation to the Group's business to which the Company or its subsidiaries was a party and in which a 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' INTERESTS IN EQUITY OR DEBT SECURITIES

At 31st December 2000, the interests of the directors and chief executive in the shares of the Company as recorded in the register maintained by the Company under Section 29 of the SDI Ordinance or as otherwise notified to the Company were as follows:

Name of director	<i>Notes</i>	Nature of interests	Number of shares
Kyota Yamada	(1)	Corporate	805,570,000
Yiu Ying Fai	(2)	Family	35,000,000

Notes:

- (1) 805,570,000 shares in the Company are held by e-Compact Ltd., a company wholly owned by Mr Yamada.
- (2) HKSCC Nominee Ltd, held shares for Ms. Tsang Kit Man, Kitty, the spouse of Mr. Yiu Ying Fai, held 35,000,000 shares in the Company. Mr. Yiu is deemed to be interested in these shares.

Save as disclosed above, at 31st December 2000, none of the directors and chief executive (including their spouses and children under 18 years of age) had any interest in, or had been granted, or exercised, any rights to subscribe for shares (or warrants or debentures, if applicable) of the Company or any of its associated corporations (as defined in the SDI Ordinance).

Report of the Directors

SUBSTANTIAL SHAREHOLDERS

As at 31st December 2000, the following party was interested in 10% or more of the issued share capital of the Company as recorded in the register kept by the Company under Section 16(1) of the SDI Ordinance.

Name of shareholder	Number of shares
e-Compact Limited	805,570,000

e-Compact Limited held 805,570,000 shares in the Company, representing approximately 19.927% of the issued capital of the Company.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the company were entered into or existed during the year.

MAJOR CUSTOMERS AND SUPPLIERS

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

Purchases

– the largest supplier	32%
– five largest suppliers combined	60%

Sales

– the largest customer	9%
– five largest customers combined	22%

None of the directors, their associates or any shareholders (which to the knowledge of the directors own more than 5% of the Company's share capital) had an interest in the major suppliers or customers noted above.

Report of the Directors

COMPLIANCE WITH THE CODE OF BEST PRACTICE OF THE LISTING RULES

In the opinion of the directors, the Company has complied with the Code of Best Practice as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Ltd. (“Listing Rules”) throughout the accounting period covered by the annual report except that independent non-executive directors of the Company are not appointed for specific terms and they are subject to retirement by rotation at the annual general meeting in accordance with the provisions of the Company’s bye-laws.

AUDIT COMMITTEE

The written terms of reference which describe the authority and duties of the Audit Committee were prepared and adopted with reference to “A Guide for The Formation of An Audit Committee” published by the Hong Kong Society of Accountants.

The Audit Committee provides an important link between the Board and the company’s auditors for matters coming within the scope of the Group’s audit. It also reviews the effectiveness both of the external and internal audit and of internal controls and risk evaluation. The Committee comprises two independent non-executive directors, namely Lai Wing Kwan and Pun How Wai. Two meetings were held by the Audit Committee during the current financial year.

DIRECTORS’ INTERESTS IN COMPETING BUSINESS

There is no information required to be disclosed pursuant to rule 8.10(2) of the Listing Rules.

SIGNIFICANT POST BALANCE SHEET EVENT

Details of significant post balance sheet event is set out in note 27 to the accounts.

Report of the Directors

AUDITORS

The accounts have been audited by PricewaterhouseCoopers, who retire and being eligible offer themselves for re-appointment.

On behalf of the Board

Kyota Yamada

Chairman

Hong Kong
6th April 2001