1 PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these accounts are set out below:

(a) Basis of preparation

The accounts have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Society of Accountants ("HKSA"). They have been prepared under the historical cost convention as modified by the revaluation of investment properties.

In the current year, the Group adopted the following Statements of Standard Accounting Practice ("SSAPs") issued by the HKSA which are effective for accounting periods commencing on or after 1 January 2002 and are applicable to these accounts:

SSAP 1 (revised)	:	Presentation of financial statements
SSAP 11 (revised)	:	Foreign currency translation
SSAP 15 (revised)	:	Cash flow statements
SSAP 33	:	Discontinuing operations
SSAP 34 (revised)	:	Employee benefits

The adoption of the new and revised standards has no material impact on the Group's current year results on prior year's accounts other than that certain presentation changes have been made to comply with the disclosure requirements of the new or revised standards.

(b) Group accounting

(i) Consolidation

The consolidated accounts include the accounts of the Company and its subsidiaries made up to 31st December.

Subsidiaries are those entities in which the Company, directly or indirectly, controls more than one half the voting power; has the power to govern the financial and operating policies; to appoint or remove the majority of the members of the board of directors; or to cast majority of votes at the meetings of the board of directors.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated profit and loss account from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All significant intercompany transactions and balances within the Group are eliminated on consolidated.

The gain or loss on the disposal of a subsidiary represents the difference between the proceeds of the sale and the Group's share of its net assets together with any unamortised goodwill or capital reserve and any exchange difference which was not previously charged or recognised in the consolidated profit and loss account.

1 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(b) Group accounting *(Continued)*

(i) Consolidation (Continued)

Minority interests represent the interests of outside shareholders in the operating results and net assets of subsidiaries.

In the Company's balance sheet, the investments in subsidiaries are stated at cost less provision for any impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

(ii) Translation of foreign currencies

Transactions in foreign currencies are translated at exchange rates ruling at the transaction dates. Monetary assets and liabilities expressed in foreign currencies at the balance sheet date are translated at rates of exchange ruling at the balance sheet date. Exchange differences arising in these cases are dealt with in the profit and loss account.

The balance sheet of overseas subsidiaries expressed in foreign currencies are translated at the rates of exchange ruling at the balance sheet date whilst the profit and loss accounts are translated at an average rate. Exchange differences are dealt with as a movement in reserves. Upon disposal of an overseas subsidiary, the related cumulative exchange difference is included in the profit and loss account as part of gain or loss on disposal.

(c) Revenue and profit recognition

(i) Revenue and profit from long-term contract works are recognised, when the outcome of contracts can be reasonably foreseen by virtue of being more than 30% completed, based on value of work certified by qualified architects or engineers to date to the estimated total value of the contract and billed to customers. Provision is made for foreseeable losses as soon as they are anticipated by management.

(ii) Revenue and profit from short-term contracts are recognised on completion of the contracts.

1 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(c) Revenue and profit recognition *(Continued)*

(iii) Revenue from the sale of products is recognised on the transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and the title has passed.

(iv) Rental income is recognised on a straight-line basis.

(v) Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.

(vi) Management fee income is recognised when the services are rendered.

(d) Fixed assets

(i) Investment properties

Investment properties are interests in land and buildings which are held for their investment potential, any rental income being negotiated at arm's length.

Investment properties are valued annually by independent valuers. The valuations are on an open market value basis related to individual properties and separate values are not attributed to land and buildings. The valuations are incorporated in the accounts. Increases in valuation are credited to the investment properties revaluation reserve. Decreases in valuation are first set off against increases on earlier valuations on a portfolio basis and thereafter are debited to operating profit. Any subsequent increases are credited to operating profit up to the amount previously debited.

Investment properties held on leases with unexpired periods of 20 years or less are depreciated over the remaining portion of the leases.

Upon the disposal of an investment property, the relevant portion of the revaluation reserve realised in respect of previous valuations is released from the investment properties revaluation reserve to the profit and loss account.

1 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(d) Fixed assets *(Continued)*

(ii) Other fixed assets

Leasehold land and buildings and other fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Cost represents the purchase price of the asset and other costs incurred to bring the asset into its existing use.

Leasehold land is depreciated over the period of the lease while other fixed assets are depreciated at rates sufficient to write off their cost less accumulated impairment losses over their expected useful lives on a straight-line basis. The principal annual rates are as follows:

Buildings	5% or the period of the leases, whichever is shorter
Furniture, fixtures and office equipment	20% to 33%
Motor vehicles	20%

Major costs incurred in restoring fixed assets to their normal working condition are charged to the profit and loss account. Improvements are capitalised and depreciated over their expected useful lives to the Group.

(iii) Impairment and gain or loss on sale

At each balance sheet date, both internal and external sources of information are considered to assess whether there is any indication that assets included in fixed assets, other than investment properties which are dealt with note1(d)(i) above, are impaired. If any such indication exists, the recoverable amount of the asset is estimated and where relevant, an impairment loss is recognised to reduce the asset to its recoverable amount. Such impairment losses are recognised in the profit and loss account.

(e) Intangibles

(i) Goodwill/negative goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net assets of the acquired subsidiary at the date of acquisition.

Goodwill on acquisitions occurring on or after 1st January 2001 is included in intangible assets and is amortised using the straight-line method over its estimated useful life of 5 to 10 years. Goodwill on acquisitions that occurred prior to 1st January 2001 was written off against reserves. The Group has taken advantage of the transitional provision 1(a) in SSAP 30 and goodwill previously written off against reserves has not been restated. However any impairment arising on such goodwill is accounted for in accordance with SSAP 31.

Negative goodwill represents the excess of the fair value of the Group's share of the net assets acquired over the cost of acquisition.

1 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(e) Intangibles *(Continued)*

(i) Goodwill/negative goodwill (Continued)

For acquisitions prior to 1st January 2001, negative goodwill was taken directly to reserves on acquisition. The Group has taken advantage of the transitional provisions in SSAP 30 and such negative goodwill has not be restated.

For acquisitions after 1st January 2001, negative goodwill is presented in the same balance sheet classification as goodwill. To the extent that negative goodwill relates to expectations of future losses and expenses that are identified in the Group's plan for the acquisition and can be measured reliably, but which do not represent identifiable liabilities, the portion of negative goodwill is recognised in the profit and loss account when the future losses and expenses are recognised. Any remaining negative goodwill, not exceeding the fair values of the non-monetary assets acquired, is recognised in the profit and loss account over the remaining weighted average useful life of those assets; negative goodwill in excess of the fair values of those assets is recognised in the profit and loss account immediately.

The gain or loss on disposal of an entity includes the unamortised balance of goodwill relating to the entity disposed of or, for pre 1st January 2001 acquisitions, the related goodwill written off against reserves to the extent it has not previously been realised in the profit and loss account.

(ii) Patents

Expenditure on acquired patents is capitalised and amortised using the straight-line method over their estimated useful lives, but not exceeding 20 years.

(iii) Impairment of intangible assets

Where an indication of impairment exists, the carrying amount of any intangible asset, including goodwill previously written off against reserves, is assessed and written down immediately to its recoverable amount.

1 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(f) Inventories

Inventories comprise stocks and work in progress and are stated at the lower of cost and net realisable value. Cost, calculated on the weighted-average basis, comprises materials, direct labour and an appropriate proportion of all production overhead expenditure. Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

In prior years, the cost of inventories was calculated on the first-in, first out basis. This is a change in accounting policy, however, prior year's accounts have not been restated as the effect of this change is not material to the Group.

(g) Contract work in progress

Contract work in progress is stated at cost plus estimated attributable profits, less provisions for foreseeable losses and progress payments received and receivable.

Cost comprises direct materials, costs of subcontracting, direct labour and an appropriate proportion of variable and fixed construction overheads. The estimated attributable profits and provisions for foreseeable losses are recognised on the bases set out in note 1(c)(i).

Claims made to clients including variation orders are accounted for only to the extent of the amount which can be reasonably estimated and are likely to be collectible.

Where progress payments received and receivable exceed direct costs incurred to date plus estimated attributable profits less foreseeable losses, the surplus is shown on the balance sheet as progress payments on account.

Where anticipated loss on individual contracts exceeds cost less progress billings received and receivable, the excess amount is included in current liabilities under provisions.

(h) Accounts receivable

Provision is made against accounts receivable to the extent which they are considered to be doubtful. Accounts receivable in the balance sheet are stated net of such provision.

1 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(i) Operating lease

Leases where substantially all the risks and rewards of ownership of assets remain with the leasing company are accounted for as operating leases. Payments made under operating leases net of any incentives received from the lessor are charged to the profit and loss account on a straight-line basis over the lease periods.

(j) Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held at call with banks and bank overdrafts.

(k) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Group expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

(l) Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) Retirement benefit

The Group's contributions to the defined contribution retirement schemes are expensed as incurred and are reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions, if any. The assets of the schemes are held separately from those of the Group in independently administered funds.

(m) Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

1 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(m) Contingent liabilities and contingent assets *(Continued)*

A contingent liability is not recognised but is disclosed in the notes to the accounts. When a change in the probability of an outflow occurs so that outflow becomes probable, it will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group.

Contingent assets are recognised but are disclosed in the notes to the accounts when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

(n) Deferred taxation

Deferred taxation is accounted for at the current taxation rate in respect of timing difference between profits as computed for taxation purposes and profit as stated in the accounts to the extent that a liability or an asset is expected to be payable or recoverable in the foreseeable future.

(o) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of contracts work in progress. All other borrowing costs are charged to the profit and loss account in the year in which they are incurred.

(p) Segment reporting

In accordance with the Group's internal financial reporting the Group has determined that business segment be presented as the primary reporting format and geographical segments as the secondary reporting format.

Unallocated revenues represent interest income and management fee income. Unallocated costs represent corporate expenses. Segment assets consist primarily of intangible assets, fixed assets, inventories, receivables and operating cash. Segment liabilities comprise operating liabilities and exclude items such as taxation and certain corporate borrowings. Capital expenditure comprises additions to intangible assets (note 11) and fixed assets (note 12), including additions resulting from acquisitions through purchases of subsidiaries (note 22(c)).

In respect of geographical segment reporting, sales are based on the country in which the customer is located. Total assets and capital expenditure are where the assets are located.

2 TURNOVER, REVENUE AND SEGMENT INFORMATION

The Group was principally engaged in the installation, maintenance and servicing, manufacturing and trading of fire prevention and suppression systems equipment. In January 2002 and September 2002, the Group disposed of certain of its wholly-owned subsidiaries which were principally engaged in the building services contracting activities for installation of fire prevention and fighting systems to independent third parties. Subsequent to the disposal, the Group has reorganised its operational structure and has classified its operations into the following business segments:

(i) fire prevention and suppression – installation, maintenance and servicing, manufacturing and trading of fire prevention and suppression systems and equipment; and

(ii) property investment.

Comparative figures have been reclassified to conform to the current year's presentation.

Revenues recognised during the year are as follows:

	2002	2001
	HK$'000	HK$'000
Turnover		
Continuing operations		
Fire prevention and suppression	**48,543**	24,657
Rental income	**4,788**	4,311
Discontinued operations		
Building services contracting	**13,321**	47,005
	66,652	75,973
Other revenues		
Interest income	**125**	2,063
Management fee income	**182**	–
	307	2,063
Total revenues	**66,959**	78,036

2 TURNOVER REVENUE AND SEGMENT INFORMATION *(Continued)*

Primary reporting format – business segments

	Continuing operations		Discontinued operations – Building services contracting	
	Fire prevention and suppression 2002 HK$'000	Property investment 2002 HK$'000	2002 HK$'000	Total 2002 HK$'000
Turnover	48,543	4,788	13,321	66,652
Segment results	(11,619)	(2,781)	(4,904)	(19,304)
Unallocated revenues				307
Unallocated costs				(13,872)
Gain on disposal of subsidiaries engaged in discontinued operations				29,355
Operating loss				(3,514)
Finance costs				
– continuing operations				(184)
– discontinued operations			(187)	(187)
				(371)
Loss before taxation				(3,885)
Taxation				(506)
Loss after taxation				(4,391)
Minority interests				433
Loss attributable to shareholders				(3,958)
Segment assets	59,985	135,443	–	195,428
Unallocated assets				9,510
Total assets				204,938
Segment liabilities	17,928	14,056	–	31,984
Unallocated liabilities				7,971
Total liabilities				39,955

In previous years, the discontinued operations were included in both contracting activities, maintenance and servicing business segments.

There are no sales between the business segments.

2 TURNOVER, REVENUE AND SEGMENT INFORMATION *(Continued)*

Primary reporting format – business segments *(Continued)*

	Continuing operations: Fire prevention and suppression 2002 HK$'000	Continuing operations: Property investment 2002 HK$'000	Discontinued operations – Building services contracting 2002 HK$'000	Total 2002 HK$'000
Segment capital expenditure	**9,449**	**559**	**32**	**10,040**
Unallocated capital expenditure				**572**
				10,612
Segment depreciation	**1,035**	**–**	**955**	**1,990**
Unallocated depreciation				**2,025**
				4,015
Amortisation of goodwill and patents	**4,707**	**–**	**–**	**4,707**
Deficit on revaluation of investment properties	**–**	**3,778**	**–**	**3,778**

	Continuing operations: Fire prevention and suppression 2001 HK$'000	Continuing operations: Property investment 2001 HK$'000	Discontinuing operations – Building services contracting 2001 HK$'000	Total 2001 HK$'000
Turnover	24,657	4,311	47,005	75,973
Segment results	(5,282)	(142)	(909)	(6,333)
Unallocated revenues				2,063
Unallocated costs				(6,630)
Operating loss				(10,900)
Finance costs				(1)
Loss before taxation				(10,901)
Taxation				(403)
Loss attributable to shareholders				(11,304)

2 TURNOVER, REVENUE AND SEGMENT INFORMATION *(Continued)*

Primary reporting format – business segments *(Continued)*

	Continuing operations		Discontinuing operations – Building services contracting	
	Fire prevention and suppression 2001 HK$'000	Property investment 2001 HK$'000	2001 HK$'000	Total 2001 HK$'000
Segment assets	30,234	100,205	21,522	151,961
Unallocated assets				84,169
Total assets				236,130
Segment liabilities	6,517	17,073	43,786	67,376
Unallocated liabilities				9,038
Total liabilities				76,414
Segment capital expenditure	1,684	486	5,531	7,701
Unallocated capital expenditure				700
				8,401
Segment depreciation	266	–	2,021	2,287
Unallocated depreciation				3,791
				6,078
Amortisation of goodwill	2,466	–	–	2,466
Deficit on revaluation of investment properties	–	4,000	–	4,000
Reversal of impairment losses on land and builidings	–	4,629	–	4,629

Segment assets and liabilities are stated after elimination of balances between the business segments.

2 TURNOVER, REVENUE AND SEGMENT INFORMATION *(Continued)*

Secondary reporting format – geographical segments

	Turnover 2002 HK$'000	Total assets 2002 HK$'000	Capital expenditure 2002 HK$'000
Hong Kong			
– continuing operations	**34,791**	**164,567**	**572**
– discontinued operations	**13,321**	**–**	**32**
Mainland China			
– continuing operations	**18,540**	**40,371**	**10,008**
	66,652	**204,938**	**10,612**

	Turnover 2001 HK$'000	Total assets 2001 HK$'000	Capital expenditure 2001 HK$'000
Hong Kong			
– continuing operations	27,747	198,608	2,843
– discontinuing operations	47,005	21,522	5,531
Mainland China			
– continuing operations	1,221	16,000	27
	75,973	236,130	8,401

There are no sales between the geographical segments.

3 GAIN ON DISPOSAL OF SUBSIDIARIES ENGAGED IN DISCONTINUED OPERATIONS

The Group discontinued the segment of building services contracting (the "Discontinued Segment") by the disposal of certain of its subsidiaries, respectively on 31st January 2002 and 12th September 2002, which were principally engaged in the Discontinued Segment. The sales, results and the total assets and liabilities of the Discontinued Segment as at and for the periods up to the dates of disposal, respectively are as follows:

	2002 **HK$'000**	2001 HK$'000
Turnover	**13,321**	47,005
Other revenues	**76**	371
Operating costs	**(18,301)**	(48,285)
Operating loss	**(4,904)**	(909)
Finance costs	**(187)**	–
Loss for the year	**(5,091)**	(909)
Net operating cash (outflow)/inflow	**(2,204)**	3,373
Net investing cash outflow	**(4,128)**	(957)
Total net cash (outflow)/inflow	**(6,332)**	2,416

	2002 **HK$'000**	2001 HK$'000
Fixed assets (note 12)	**3,558**	4,481
Current assets	**22,545**	17,041
Total assets	**26,103**	21,522
Total liabilities	**538,406**	528,734
Net liabilities	**(512,303)**	(507,212)
Net liabilities disposed	**512,303**	
Waiver of net amounts due from the subsidiaries disposed	**(484,948)**	
Proceeds from sale	**2,000**	
Gain on disposal of subsidiaries engaged in discontinued operations	**29,355**	

The gain on disposal of subsidiaries does not give rise to Hong Kong profits tax. The subsidiaries disposed of did not have assessable profits for Hong Kong profits tax up to the dates of the disposal and for the year ended 31st December 2001.

3 GAIN ON DISPOSAL OF SUBSIDIARIES ENGAGED IN DISCONTINUED OPERATIONS *(Continued)*

	2002 HK$'000
The net cash inflow on sale is determined as follows:	
Proceeds from sale	2,000
Less: cash and cash equivalents in subsidiaries disposed	(154)
Sale of subsidiaries, net of cash disposed	1,846

4 OPERATING LOSS

Operating loss is stated after crediting and charging the following:

	Group	
	2002 HK$'000	2001 HK$'000
Crediting		
Write-back of losses on litigation cases *	–	3,752
Reversal of impairment losses on land and buildings *	–	4,629
Gain on disposal of fixed assets	–	1,467
Write-back of provision for bad and doubtful debts	–	1,875
Charging		
Staff costs, excluding directors' emoluments (note 9)	18,641	17,823
Auditors' remuneration	873	885
Legal and professional fees	5,311	6,464
Provision for losses on litigation cases *	2,500	–
Depreciation of fixed assets	4,015	6,078
Operating lease rental in respect of premises	1,575	1,616
Cost of inventories sold	12,734	864
Provision for stock obsolescence	2,325	–
Loss on disposal of fixed assets	3	–
Provision for bad and doubtful debts	2,526	–
Amortisation of goodwill	4,662	2,466
Amortisation of patents	45	–
Deficit on revaluation of investment properties *	3,778	4,000

* Included in other operating (expenses)/income, net

5 FINANCE COSTS

	Group	
	2002	2001
	HK$'000	HK$'000
Interest expenses on		
– trust receipt loans	**58**	1
– bank overdrafts	**313**	–
	371	1

6 TAXATION

(a) Hong Kong profits tax has been provided at the rate of 16% (2001: 16%) on the estimated assessable profit for the year. Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the country in which the Group operates.

The amount of taxation charged to the consolidated profit and loss account represents:

	2002	2001
	HK$'000	HK$'000
Hong Kong profits tax		
– under provisions in prior years	**336**	–
Overseas taxation	**170**	403
	506	403

(b) Deferred taxation

There were no material unprovided deferred tax liabilities as at 31st December 2002 and 2001.

No provision has been made in the accounts as it is uncertain whether the deferred tax asset amounting to HK$4,841,000 (2001: HK$96,289,000 including tax losses of subsidiaries disposed of during the year ended 31st December 2002) in respect of potential tax losses will be crystallised in the foreseeable future.

7 LOSS FOR THE YEAR ATTRIBUTABLE TO THE SHAREHOLDERS

Included in the loss for the year attributable to the shareholders is a loss of HK$6,524,000 (2001: HK$44,439,000) which has been dealt with in the accounts of the Company.

8 LOSS PER SHARE – GROUP

The calculation of basic loss per share is based on the Group's loss attributable to the shareholders of HK$3,958,000 (2001: HK$11,304,000) and the number of 4,182,438,973 (2001: 4,182,438,973) shares in issue during the year.

The exercise of share options would have an anti-dilutive effect on basic loss per share and accordingly no diluted loss per share for the year is presented.

9 STAFF COSTS

Staff costs which exclude directors' emoluments are as follows:

	2002	2001
	HK$'000	HK$'000
Wages and salaries	**17,223**	16,767
Unutilised annual leave	**207**	–
Defined contribution retirement plans	**681**	852
Other staff welfare	**530**	204
	18,641	17,823

10 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) The aggregate amounts of emoluments payable to directors of the Company during the year are as follows:

	2002	2001
	HK$'000	HK$'000
Directors' fees		
Executive directors	**74**	120
Independent non-executive directors	**113**	125
	187	245
For management		
Basic salaries, housing allowances, other allowances and benefits in kind	**4,457**	5,432
Retirement benefits scheme contributions	**141**	141
Compensation for loss of office as director paid by the Company	**141**	–
	4,926	5,818

(b) The emoluments of directors fell within the following bands:

Emolument bands	**Number of directors**	
HK$	**2002**	2001
Nil – 1,000,000	**8***	8*
1,000,001 – 1,500,000	**1**	–
1,500,001 – 2,000,000	**1**	2

* Included 4 (2001: 4) non-executive directors.

No directors waived emoluments in respect of the years ended 31st December 2002 and 2001.

10 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS *(Continued)*

(c) All the five individuals whose emoluments were the highest in the Group for the year are directors of the Company whose emoluments are reflected in the analysis presented above. For the year ended 31st December 2001, four out of the five individuals whose emoluments were the highest in the Group were directors of the Company whose emoluments are also reflected in the analysis presented above. The total emolument payable to the remaining individual in that year was as follows:

	2001 HK$'000
Basic salaries, housing allowances, other allowances and benefits in kind	884

11 INTANGIBLE ASSETS

	Goodwill HK$'000	Patents HK$'000	Total HK$'000
Year ended 31st December 2002			
Opening net book amount	12,214	–	12,214
Acquisition of subsidiaries (note 22(c))	8,514	943	9,457
Amortisation charge (note 4)	(4,662)	(45)	(4,707)
Closing net book amount	16,066	898	16,964
As at 31st December 2002			
Cost	23,194	943	24,137
Accumulated amortisation	(7,128)	(45)	(7,173)
Net book amount	16,066	898	16,964
As at 31st December 2001			
Cost	14,680	–	14,680
Accumulated amortisation	(2,466)	–	(2,466)
Net book amount	12,214	–	12,214

12 FIXED ASSETS – GROUP

	Leasehold land and buildings HK$'000	Investment properties HK$'000	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost or valuation					
As at 1st January 2002	74,183	82,615	13,279	1,640	171,717
Additions	921	–	1,541	603	3,065
Acquisition of subsidiaries	4,245	–	2,359	–	6,604
Transfer	(68,000)	68,000	–	–	–
Revaluation	–	(16,528)	–	–	(16,528)
Disposals	–	–	(5)	–	(5)
Disposals of subsidiaries	–	(487)	(8,062)	(1,317)	(9,866)
As at 31st December 2002	**11,349**	**133,600**	**9,112**	**926**	**154,987**
Accumulated depreciation					
As at 1st January 2002	13,238	–	7,079	1,543	21,860
Charge for the year	2,182	–	1,711	122	4,015
Transfer	(12,750)	12,750	–	–	–
Revaluation	–	(12,750)	–	–	(12,750)
Disposals	–	–	(2)	–	(2)
Disposals of subsidiaries	(4)	–	(4,987)	(1,317)	(6,308)
As at 31st December 2002	**2,666**	**–**	**3,801**	**348**	**6,815**
Net book value					
As at 31st December 2002	**8,683**	**133,600**	**5,311**	**578**	**148,172**
As at 31st December 2001	60,945	82,615	6,200	97	149,857

The analysis of the cost or valuation as at 31st December 2002 of the above assets is as follows:

	Leasehold land and buildings HK$'000	Investment properties HK$'000	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
At cost	11,349	–	9,112	926	21,387
At valuation	–	133,600	–	–	133,600
	11,349	133,600	9,112	926	154,987

The analysis of the cost or valuation as at 31st December 2001 of the above assets is as follows:

	Leasehold land and buildings HK$'000	Investment properties HK$'000	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
At cost	74,183	–	13,279	1,640	89,102
At valuation	–	82,615	–	–	82,615
	74,183	82,615	13,279	1,640	171,717

12 FIXED ASSETS – GROUP *(Continued)*

(a) The investment properties were revalued as at 31st December 2002 on the basis of their open market value by Vigers Hong Kong Ltd, an independent professional valuers. The net deficit on revaluation arisen amounting to HK$3,778,000 was charged to the consolidated profit and loss account.

As at 31st December 2002, the carrying amount of investment properties would have been HK$155,115,000 (2001: HK$87,115,000) had they been stated at cost.

(b) The Group's interests in investment properties and land and buildings at their net book values are analysed as follows:

	Group	
	2002	2001
	HK$'000	HK$'000
In Hong Kong held on:		
Leases of over 50 years	**120,000**	68,000
Leases of between 10 to 50 years	**3,750**	61,431
In Mainland China, held with land use right certificate for 50 years	**18,533**	14,129
	142,283	143,560

(c) As at 31st December 2002, the net book value of fixed assets pledged as security for banking facilities granted to the Group amounted to HK$55,000,000 (2001: HK$56,950,000).

(d) In August 2000, a subsidiary of the Company entered into a 6-year lease rental agreement with a tenant, a company beneficially owned by two former directors, and received rental in advance for the entire lease period of approximately HK$20,898,000 (being the net present value of the aggregate rental of HK$350,000 per month for the whole period, discounted at the rate of 6.5625% per annum). The Group has the right to terminate the lease at any time from 1st August 2001 by refunding the pro-rata undue rental prepaid upon termination. Details of the transaction were disclosed in the accounts of the Group for the year ended 31st December 2000. As at 31st December 2002, the outstanding prepaid rental amounted to HK$13,379,000 (2001: HK$16,586,000) which was included in accruals and other payables in note 18(c) to the accounts.

In February 2003, a subsidiary of the Company entered into an agreement (the "Agreement") with the aforementioned tenant for the purpose of the early termination of the lease agreement and purchase of the office furniture and equipment situated in that property. Pursuant to the Agreement, the subsidiary settled the refund of the pro-rata undue rental prepaid as at the date of the Agreement of HK$13,102,000 by means of the issue by the Company of approximately 131 million of the Company's new shares of HK$0.1 each at par. The subsidiary purchased the aforementioned fixed assets at a consideration of HK$ 7,898,000, settled by the issue by the Company of approximately 69 million of the Company's new share of HK$0.1 each at par plus cash of HK$1,000,000.

13 INVESTMENTS IN SUBSIDIARIES

	Company	
	2002	2001
	HK$'000	HK$'000
Unlisted shares, at cost	**11,501**	45,167
Amounts due from subsidiaries	**665,709**	658,984
	677,210	704,151
Less: provision for:		
impairment loss on cost of investments	**(9,567)**	(43,233)
doubtful debts	**(509,264)**	(499,774)
	158,379	161,144

The amounts due from subsidiaries are unsecured, interest-free and have no fixed terms of repayment. Particulars of the principal subsidiaries of the Company are set out in note 27.

14 CONTRACT WORK IN PROGRESS

	Group	
	2002	2001
	HK$'000	HK$'000
Contract costs incurred plus attributable profits less foreseeable losses to date	**–**	152,184
Less: progress payments received and receivable	**–**	(144,930)
	–	7,254

15 INVENTORIES

	Group	
	2002	2001
	HK$'000	HK$'000
Raw materials	**1,907**	–
Work in progress	**1,011**	–
Finished goods	**5,647**	4,183
	8,565	4,183

As at 31st December 2002, the amount of provision for inventories was HK$2,325,000 (2001: Nil).

16 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2002	2001	**2002**	2001
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade receivables (note a)	**18,544**	23,274	**–**	–
Retention monies receivable (note b)	**4,462**	2,132	**–**	–
Prepayments and other receivables	**3,039**	4,602	**3,807**	164
	26,045	30,008	**3,807**	164

Notes:

(a) The Group normally allows an average credit period of 60 days to trade customers. As at 31st December 2002, the ageing analysis of the Group's trade receivables was as follows:

	2002	2001
	HK$'000	HK$'000
Current	**4,061**	9,195
31 – 60 days	**5,891**	2,915
61 – 90 days	**1,779**	547
over 90 days	**6,813**	10,617
	18,544	23,274

(b) As at 31st December 2002, retention monies receivables amounting to HK$3,163,000 (2001: HK$1,903,000) are receivable after one year from the balance sheet date.

17 CASH AND BANK BALANCES

Included in the balance of the Group is an amount of HK$942,000 (2001: Nil) denominated in Renminbi. Renminbi is not a freely convertible currency.

18 TRADE AND OTHER PAYABLES

		Group		Company	
		2002	2001	**2002**	2001
	Notes	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Trade payables	(a)	**10,345**	18,263	**–**	–
Retention monies payable	(b)	**613**	16,693	**–**	–
Accruals and other payables	(c)	**17,623**	27,622	**1,173**	448
		28,581	62,578	**1,173**	448

Notes:

(a) As at 31st December 2002, the ageing analysis of the Group's trade payables was as follows:

	2002	2001
	HK$'000	HK$'000
Current	**6,595**	8,866
31 – 60 days	**1,780**	800
61 – 90 days	**762**	734
over 90 days	**1,208**	7,863
	10,345	18,263

(b) As at 31st December 2002 retention monies payable amounting to HK$525,000 (2001: HK$11,570,000) are payable after one year from the balance sheet date.

(c) Included in the balance was an amount of HK$13,379,000 (2001: HK$16,586,000) which was the balance of a prepaid rental of HK$20,898,000 made in 2000. On 15th March 2003, the prepaid pro-rata rental outstanding as at that date of approximately HK$13,102,000 was settled by means of the issue by the Company of approximately 131 million new shares of HK$0.10 at par each in the Company. Details are disclosed in note 12(d) to the accounts.

19 PROVISIONS

	Group and Company
	HK$'000
As at 1st January 2002	2,570
Less: Amount utilised	(2,570)
Add: Provision made during the year	2,500
As at 31st December 2002	2,500

As at 31st December 2002, the Company and Group made a provision of HK$2.5 million for an outstanding exposure in an outstanding litigation against the Company's performance guarantee given in 1997 for contract undertaken by a former associated company of the Group. The directors, having sought independent legal advice, are of opinion that the Group has made adequate provision.

20 SHARE CAPITAL

	Authorised	
	Number of shares	HK$'000
Ordinary shares of HK$0.10 each		
As at 31st December 2001 and 2002 (note (d))	20,000,000,000	2,000,000

	Issued and fully paid	
	Number of shares	HK$'000
Ordinary shares of HK$0.10 each		
As at 1st January 2001	4,042,436,573	404,243
Issue of shares	140,000,000	14,000
Exercise of warrants	2,400	–
As at 31st December 2001	4,182,438,973	418,243
As at 1st January 2002 and 31st December 2002	4,182,438,973	418,243

20 SHARE CAPITAL *(Continued)*

(a) Share option scheme

Pursuant to the share option scheme adopted on 18th May 2001, the Company may grant options to employees, including executive directors, of the Group to subscribe for shares of the Company, subject to a maximum of 10% of the issued share capital of the Company from time to time excluding for this purpose share issued on exercise of options. The options are exercisable within two years starting from six months after the date of grant and before 17th May 2011. The subscription price will be determined by the directors, and will not be less than the higher of the nominal value of the shares and 80% of the average closing prices of the share quoted on The Stock Exchange of Hong Kong Limited for the five trading days immediately preceding the date of granting the options. During the year, 22,130,000 of these options lapsed in connection with the cessation of employment of certain employees.

Movements of share options during the year are as follows:

	Number of options	
	2002	2001
	'000	'000
As at 1st January	**377,060**	–
Granted	**–**	377,060
Lapsed	**(22,130)**	–
As at 31st December	**354,930**	377,060

The outstanding options were granted on 2nd August 2001 with an exercise price of HK$0.10.

(b) All warrants lapsed in 2001 and there was no outstanding warrant as at 31st December 2001 and 2002.

(c) In February 2003, a subsidiary of the Company entered into a transaction for the early termination of a lease agreement and purchase of fixed assets situated in that property by means of the issuance by the Company of its shares. Particulars of the transaction are disclosed in note 12(d) to the accounts.

20 SHARE CAPITAL *(Continued)*

(d) In April 2003, the directors proposed a capital reduction scheme for the approval by shareholders at a special general meeting to be convened on 30th May 2003, particulars of the scheme are as follows.

(i) reduce HK$394 million of the Company's share capital by reduction in the nominal value of issued share capital from HK$0.1 each to HK$0.01 each;

(ii) reduce the Company's share premium account by HK$257 million;

(iii) a share subdivision under which each of the authorized but unissued shares (including the unissued shares arising from the capital reduction) will be re-designated and subdivided into ten new shares;

(iv) apply the aggregate amount mentioned in items (i) and (ii), totally HK$651 million, to eliminate the accumulated losses of the Company and then apply the balance to the contributed surplus and

(v) reduce the authorised share capital from HK$2,000 million divided into 20,000 million shares of HK$0.10 each to HK$750 million, divided into 7,500 million share of HK$0.10 each.

21 RESERVES

Group

	Share premium	**Reserve on consolidation**	**Accumulated losses**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000
As at 1st January 2001	257,073	3,000	(507,296)	(247,223)
Loss for the year	–	–	(11,304)	(11,304)
As at 31st December 2001	257,073	3,000	(518,600)	(258,527)
As at 1st January 2002	**257,073**	**3,000**	**(518,600)**	**(258,527)**
Loss for the year	–	–	(3,958)	(3,958)
As at 31st December 2002	**257,073**	**3,000**	**(522,558)**	**(262,485)**

21 RESERVES *(Continued)*

Company

	Share premium HK$'000	Contributed surplus HK$'000	Accumulated losses HK$'000	Total HK$'000
As at 1st January 2001	257,073	16,714	(486,123)	(212,336)
Loss for the year	–	–	(44,439)	(44,439)
As at 31st December 2001	257,073	16,714	(530,562)	(256,775)
As at 1st January 2002	**257,073**	**16,714**	**(530,562)**	**(256,775)**
Loss for the year	–	–	(6,524)	(6,524)
As at 31st December 2002	**257,073**	**16,714**	**(537,086)**	**(263,299)**

Note:

The contributed surplus of the Group represents the excess of the nominal value of the shares issued by the Company over the nominal value of the issued share capital of subsidiaries acquired pursuant to a group reorganisation which took place in 1992.

22 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of loss before taxation to net cash outflow from operating activities

	Group	
	2002	2001
	HK$'000	HK$'000
Loss before taxation	**(3,885)**	(10,901)
Depreciation of fixed assets	**4,015**	6,078
Amortisation of goodwill and patent rights	**4,707**	2,466
Loss/(gain) on disposal of fixed assets	**3**	(1,467)
Gain on disposal of subsidiaries	**(29,355)**	–
Deficit on valuation of properties	**3,778**	–
Interest income	**(125)**	(2,063)
Interest expenses	**371**	1
Loss before working capital changes	**(20,491)**	(5,886)
Increase in inventories	**(879)**	(280)
Decrease in net contract work in progress	**737**	2,627
(Increase)/decrease in trade and other receivables	**(11,834)**	2,094
Decrease/(increase) in trade, other payables, provisions, progress payment on account and trust receipt loans	**10,592**	(35,756)
Net cash outflow generated from operations	**(21,875)**	(37,201)

22 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT *(Continued)*

(b) Analysis of changes in financing during the year

	Share capital (including premium) 2002 HK$'000	2001 HK$'000
As at 1st January	**675,316**	661,316
Purchase of a subsidiary (note 22(c))	**–**	14,000
As at 31st December	**675,316**	675,316

(c) Purchase of a subsidiary

	2002 HK$'000	2001 HK$'000
Non-current assets acquired		
Intangible assets (note 11)	**943**	–
Fixed assets	**6,604**	1,652
Current assets acquired		
Inventories	**3,503**	4,267
Cash and bank balances	**8,660**	401
Minority shareholders' interest	**(9,658)**	–
	10,052	6,320
Goodwill	**8,514**	14,680
	18,566	21,000
Satisfied by:		
Issue of shares	**–**	14,000
Cash	**18,566**	7,000
	18,566	21,000

The subsidiary acquired during the year paid HK$2.4 million (2001: contributed by HK$1.6 million) in respect of the Group's net operating cash flows.

23 PLEDGE OF ASSETS AND GUARANTEES

(a) As at 31st December 2002, the Group's banking facilities including guarantees, performance bonds, trust receipt loans and bank overdrafts were secured by the following:

(i) Cross guarantees totalling HK$ 25,000,000 (2001: HK$25,000,000) (including guarantees given in respect of performance bonds) had been given by the Company and certain of its subsidiaries in respect of a shared banking facility to be used by the Company and these subsidiaries. The facilities are also secured by a pledge of certain investment properties of the Group with a total net book value of HK$55 million as at 31 December 2002 (note 12(c)).

(ii) A performance bond for HK$ 391,477 (2001: HK$2,775,128) had been issued in favour of a customer of the Group without expiry date.

(b) In April 2003, the Group obtained a loan of HK$10 million from a financial institution which loan is secured by certain investment properties of the Group with a total net book value of approximately HK$65 million as at 31st December 2002 and bears interest at prime lending rate of the Hong Kong and Shanghai Banking Corporation Limited. The loan is repayable by monthly instalment of approximately HK$106,000 each, maturing in 2013.

24 CONTINGENT LIABILITIES

Save as disclosed in notes 19 and 23(a) above, as at 31st December 2002, there was a material outstanding litigation which was commenced by a third party contractor in April 2002, claiming against a bank which had served a third party notice to the Company, for a performance bond amounting to HK$8.6 million given by the Company to a former subsidiary in order for it to undertake an installation project with the third party contractor. The Company issued a fourth party notice to seek recourse from the former subsidiary. The directors, having sought independent legal advice, are of the opinion that the case is unclear at this stage as the amount of liability could not be measured with sufficient reliability. Accordingly, no provision has been made in the accounts in respect of the claim.

25 COMMITMENTS UNDER OPERATING LEASES

As at 31st December 2002, the Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings as follows:

	Group	
	2002	2001
	HK$'000	HK$'000
Not later than one year	**615**	527
Later than one year and not later than five years	**644**	42
Later than five years	**–**	569
	1,259	1,138

26 RETIREMENT BENEFIT SCHEME

The Group contributes to defined contribution provident funds, including the scheme set up pursuant to the Hong Kong Mandatory Provident Fund Ordinance ("MPF Scheme"), which are available to all employees. In accordance with the terms of the provident funds, contributions to the schemes by the Group and the employees are calculated as a percentage of the employees' basic salaries. For the MPF Scheme, both the employees and the employer are required to contribute 5% of the employees' monthly salaries up to a maximum of HK$1,000 ("mandatory contribution") and employees can choose to make additional contributions. The employees are entitled to 100% of the employer's mandatory contributions upon their retirement age of 65 years old, death or total incapacity. For non-MPF Scheme, the unvested benefits of employees forfeited upon termination of employment can be utilized by the Group to reduce future levels of contributions. During the year, the aggregate amount of employer's contribution made by the Group was approximately HK$681,000 (2001: HK$1,074,000), after deduction of forfeited contribution of approximately HK$181,000 (2001: HK$141,000).

A subsidiary operating in Mainland China is required to participate in a defined contribution retirement plan organised by the local government. The subsidiary is required to make contributions to the retirement plan at 2 percent of basic salary for each Mainland China employee of the Group.

27 PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries as at 31st December 2002 are as follows:

Company	Country or place of incorporation/ operation	Issued share capital/ registered share capital	Effective equity interest attributable to the group indirectly	Nature of business
Mansion Fire Engineering (H.K.) Company Limited	Hong Kong	HK$10,000	100%	Property holding in Hong Kong
Cornwick Investments Limited	Hong Kong	HK$2	100%	Property holding in Hong Kong
Alion Development Limited	Hong Kong	HK$10,000	60%	Property holding in Mainland China
Unique Profit Development Limited	Hong Kong	HK$10,000	60%	Property holding in Mainland China
Mansion Fire Services Company Limited	Hong Kong	HK$2	100%	Installation and maintenance of fire prevention and suppression systems
Mansion International Trading Limited	Hong Kong	HK$2	100%	Trading of fire prevention and suppression equipment and parts

27 PRINCIPAL SUBSIDIARIES *(Continued)*

Company	Country or place of incorporation/ operation	Issued/ share capital/ registered share capital	Effective equity interest attributable to the group indirectly	Nature of business
Merito Technical Services Limited	Hong Kong	HK$1,000,000	100%	Trading and maintenance of fire prevention and suppression systems and equipment
QM Systems Limited	Hong Kong	HK$300,000	100%	Trading of fire prevention and suppression systems and equipment
Topfield Industrial Limited	BVI/Hong Kong	US$100	100%	Investment holding
Sai Chak Company Limited	Hong Kong	HK$100,000	100%	Property holding in Hong Kong
Shanghai Mansion Wananda Fire System Company Limited*	PRC	RMB18,000,000	51%	Manufacturing and trading of fire prevention and suppression systems and equipment

* Shanghai Mansion Wananda Fire System Company Limited is a Sino-foreign equity joint venture.

Save as stated separately, the above companies' places of operation are the same as their respective places of incorporation.

The above list includes the subsidiaries which, in the opinion of the directors, materially affect the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

28 SIGNIFICANT SUBSEQUENT EVENTS

Save as disclosed in notes 12(d), 18(c), 20(c), 20(d) and 23(b), the Group did not have any significant events which took place subsequent to the balance sheet date.

29 COMPARATIVE FIGURES

Certain comparative figures have been restated or reclassified as a consequence of the change in the Group's presentation of segmental information and the adoption of SSAP 15 (revised) and SSAP 33.

30 APPROVAL OF ACCOUNTS

The accounts were approved by the board of directors on 23rd April 2003.