

CHAIRMAN'S STATEMENT

The year 2001 has at best, seen sluggish growth across major markets in the world, and the fire protection industry was not immune from this global slowdown. Management made every effort to improve the overall efficiency of the Group and explored new sources of revenue. With these efforts, both turnover and loss attributable to shareholders have shown improvement.

With a new operational platform and business strategy, we are delighted to report a consolidated turnover of HK\$71,662,000 for the year ended 31st December, 2001, representing an increase of 1.5% as compared with HK\$70,569,000 in the previous year. Gross profit decreased from HK\$25,168,000 to HK\$18,891,000, representing a reduction of 25%. Loss attributable to shareholders was HK\$11,304,000, showing a great improvement from the loss of HK\$58,617,000 recorded in the previous year (which included the loss of HK\$42 million in litigation cases). Management continued to put great effort in resolving all outstanding litigation cases and expects there will be no significant adverse impact on the Group's results for the year under review.

During the year, the maintenance and servicing division increased its contribution to the Group, accounting for 50% of the Group's turnover. This trend is expected to continue in the next few years. The Group will allocate more resources to expanding the businesses of this division and the trading and sourcing division by diversifying the product range and enhancing maintenance capabilities. In view of the market slowdown in contracting activities in Hong Kong, the Group is diversifying its business into the electrical and mechanical field to enhance the Group's competitiveness when tendering for an entire package of service works.

In the midst of a gloomy and bearish business environment, there are several bright spots for the Group. Firstly, the China market stands out as a strong growth area. This is especially true in view of the country's entry into WTO and its hosting of the 2008 Olympic Games. The need to build new infrastructure is paramount and immediate. Alongside any infrastructure project there is a need for fire protection services. To capture this tremendous opportunity, the Group formed a joint venture company, named "Shanghai Mansion Wananda Fire System Co., Ltd ("Shanghai JV Company"), with the internationally recognized Zhe Jiang Wananda Fire Fighting Equipment Co., Ltd ("Wananda"), to provide quality fire fighting systems and products for industrial and commercial fire prevention projects both in China and overseas markets.



Establishment of Shanghai Mansion Wananda Fire System Co., Ltd

CHAIRMAN'S STATEMENT

Coupled with Wananda's reputation and business network in the PRC, and the Group's professional expertise, the Shanghai JV company will be able to rapidly increase revenues and profits. One concrete example of our success is the tunnel fire sprinkler systems which the joint venture has developed and tested. It is expected that the number of new tunnels scheduled to be built is large and we intend to be a major player in this niche market. Another product which has already garnered revenue is the manufacture of fire shutter doors. The Shanghai JV company has the single largest order for fire shutter doors in Shanghai. The high quality of the product and our price competitiveness ensures our dominant position in this market.

A further bright spot is the strength of the manufacturing prowess of Shanghai JV Company. Leveraging this strength, the factory in Shanghai will seek to manufacture parts and components for other fire protection companies outside China where the costs of manufacturing is high. The prime markets will be Japan and the USA.

Thirdly, the Group will devote more resources to develop the trading division. This is the area where Hong Kong companies have traditionally been very strong. The Group will add staff to aggressively acquire distribution rights for the different types of fire protection equipment from all over the world. We are working with other internationally known fire protection companies, like Nomi Bosai of Japan, to build strategic alliances which will allow us to complement each others weakness as well as strengths. Furthermore, the Group will leverage our distribution network in China with the help of our Shanghai joint venture partner who has a network of 26 offices across all the major cities in the country.

Moving into 2002, we will continue to explore new business opportunities in promising markets. At the moment, through our joint venture in Shanghai, it would be most natural and appropriate to focus on the China market. The fire-protection market there is fragmented and in need of some consolidation. The Group will seek out the most suitable partners in China and add value to the company through acquisitions and partnerships. With our streamlined and rationalized operations in addition to our focused strategy in China, we are confident that the Group will yield the best return on resources and bring better value to shareholders.

Kyota Yamada

Chairman

Hong Kong

8th April, 2002