

## BUSINESS REVIEW AND OUTLOOK

### BUSINESS REVIEW

#### Contracting Division

In the past few years, contracting activities for the installation of fire prevention and fire-fighting systems have experienced severe competition and a market downturn. Faced with these challenges, the Group has introduced stringent cost controls and has prudently selected projects to ensure profitability. Accordingly, the Group has disposed of a wholly-owned subsidiary which was engaged in the Government term contract to a third party on 31st January, 2002 and reallocated its resources to other business divisions to maximize the profit margin of the Group.



*Project of the Commercial Complex at Tin Shui Wai Area 101 Phase 3.*

After obtaining the appropriate licences from the Architectural Services Department, the Group is able to tender for government projects in air-conditioning and refrigeration installations. By applying our extensive experience in fire protection contracting services to building services such as air-conditioning, electrical, plumbing and drainage installations, we have sharpened our competitive edge and are able to tender for both private and government projects on a package basis. Contracts for electrical and mechanical services amounting to approximately HK\$7.3 million were awarded during the year under review.

Leveraging our quality contracting services and proven track record, the Group successfully bid for 2 projects for the Housing Authority – Tai Po Complex and Tse On Estate Phase 3 with a total contract sum of approximately HK\$12 million. Currently, the Group has outstanding contract works in sum of HK\$34 million approximately.

#### Maintenance and Servicing Division

Benefiting from the higher fire safety and prevention standards imposed by the Government, the Group reported a turnover of HK\$35,771,000 in maintenance works, representing an increase of 43% as compared with the previous year.



*Maintenance service – Lincoln House*

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*Maintenance service – Henry House*

Our strengths were further strengthened during the year with our acquisition of Merito, a well-known fire engineering company in Hong Kong. The client base has also been expanded with a number of new major clients which are Merito's clients, such as MTR Corporation Limited and its associated properties, the Kowloon-Canton Railway Corporation, Route 3 (CPS) Co. Ltd., New Hong Kong Tunnel Company Limited, Hopewell Property Management Limited and PCCW, etc.

With the complementary support of Merito in its maintenance workshop facilities and its servicing expertise, the Group was successfully awarded the tender for portable fire equipment for the Hong Kong Convention and Exhibition Center, Phase I. Additionally, the Group obtained new maintenance contracts for United Center, Wing On Center, Tsing Yi Estate and Tin Chak Estate in addition to our

existing services to several hundred prestigious buildings in Hong Kong.

As a domestic sub-contractor carrying out fire services improvement works to buildings under the Government A.S.D term contract, the Group has completed 25 jobs with 20 still in progress. In 2002, we expect to receive an additional 10 new job orders.

### Trading and Sourcing Division

Although the turnover had a slightly drop to HK\$1.8 million from HK\$1.9 million last year, representing a decrease of 9%, the Group is committed to expand the trading of specialized fire protection equipment, acting as the sole agent for a number of reputable



*Fogtec Watermist System*

international brands of fire extinguishers and fire detection systems.

These include Amerex, Kidde (UK), Fogtec and Edwards among others.



*EST Automatic Fire Alarm System*

Subsequent to the September 11 terror attack in the US, global awareness for fire safety has risen. Demand for fire safety products such as Home Fire Safety

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Kits, smoke alarms and smoke masks has surged. Responding to this need, the Group has placed a great deal of effort into strengthening the trading arm and as a result shipped various such fire protection products overseas.

### Subsequent Event

The Group had signed a Memorandum of Understanding with Wananda, for the establishment of a joint venture company in the PRC on 8th November, 2001. The completion of the joint venture was finalized in 11th January, 2002. Details of the transaction can be referred to the announcements published on 19th November, 18th December, 2001 and 14th January, 2002 respectively.

The joint venture, named "Shanghai Mansion Wananda Fire System Co., Ltd", will be engaged in the research, development, manufacture and sale of fire fighting systems and related services. Its target customers will be petrochemical corporations, transportation infrastructure projects, airports, harbours and major large-scale integrated commercial buildings. Leveraging Wananda's strong research and development capabilities, as well as comprehensive sales and distribution network, backed by a well-equipped production plant in Shanghai and Ningbo, the Group will be able quickly to become a dominant player in the industrial and commercial fire-protection systems market in China.

### Liquidity and Financial Resources

The Group continues to adopt prudent funding and treasury policies. As at 31st December, 2001, the Group had net current liabilities of HK\$2,355,000 including cash and bank balances of HK\$32.6 million approximately. In addition, the Group maintained an ordinary banking facilities of HK\$25 million which is secured by guarantees and a pledge of certain properties of the Group. The gearing ratio of the Group, based on the total liabilities to shareholders' equity, decreased from 0.68 at the previous year end to 0.48 as at 31st December, 2001.

### Employees of the Group

The Group adopts a competitive remuneration package for its employees based on their performance. Aside from salary payments, other benefits include contributions to provident fund schemes and medical subsidies. In general, salary



*Amerex Fire Extinguisher*

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review is conducted annually. The Group is committed to continue its staff development and training programs. The Group offers study leave to assist staff in specific external training and development courses.

As at 31st December, 2001, the total headcount of the Group was approximately 100 people.

### OUTLOOK

The Hong Kong economy and its property market seem to be static resulting in a period of stagnation for the fire-protection industry. However, legislation by the Hong Kong Government on the upgrading in the levels of fire services in buildings that are more than 20 years old and the Government's proposed huge infrastructure projects which will be amounted to several thousand millions dollars brought new business potential to the Group. In view of the huge market potential in Hong Kong, the Group will diversify its business and shifts its focus to strengthening the maintenance and servicing division.

Apart from successfully obtaining the distribution rights for the two most advanced fire services systems worldwide – an automatic fire detection system from a US manufacturer, Edwards, and a water mist system from a German manufacturer, Fogtec, the Group is obtaining a dealership from a Russian company, which manufactures various products including smoke masks, fire resistant coat etc. These products are expected to contribute to the revenues of the Group.

Capturing the business opportunities rising from China's entry to WTO and the hosting of the 2008 Olympic Games, the Group will benefit from infrastructure projects through our joint venture in Shanghai. Additionally, Mansion's products will rapidly enter the China market via Wananda's branches and sales offices across 26 cities in the PRC. This will help the Group establish solid foundations in the market and greatly enhance business development in China.

Looking ahead, the Group will continue to develop business in the PRC through partnership and joint ventures. As the fire protection industry in China is still in its early stage, the management has every confidence that it will capture promising business opportunities arising from this fast changing and expanding market.