

Chairman's Statement

The year 2000 is a landmark for both people and companies. It is important because it marks how far we have advanced and where we go from here.

The Group has had a difficult history. We have inherited a legacy of legal disputes which has been the main cause of the other losses of HK\$41,924,000 suffered for the year. We have since contained these potential damages and they should diminish rapidly next year. Since 20th September, 2000, we have appointed a new Board of Directors and the new Management Team. They will dedicate their full effort to settle outstanding litigation and ensure the fulfilment of all commitments and restore the goodwill and reputation of the Group.

During the year ended 31st December, 2000, the turnover of the Group amounted to HK\$70,569,000 representing a decrease of 39% as compared with the previous year. The substantial drop in turnover was mainly due to the prolonged economic down turn coupled with the increase in competition and the subsequent squeeze in profit margins. I regret to report that the Group's audited loss attributable to shareholders for the year amounted to HK\$58,617,000 and the operating loss before taxation also amounted to HK\$58,617,000 which was decreased by 4% as compared with the previous year.

The Group has no long-term debts and has sufficient resources and cash flow to not only continue its present operations but to expand and widen its current businesses.

One immediate focus of the Group will be in growing and acquiring operations in the fire protection services. This has been the main strength of the Group over many years. It enjoys the reputation of being one of the largest and the only listed company in this business in Hong Kong. It is only logical that we place resources to deepen and widen this area of business. To this end I am pleased to announce the recent acquisition of the Merito Group. This group has strengths in the areas of handling of dangerous goods, in servicing and maintenance of blue chip corporations, and in trading of specialised fire protection equipment. The businesses are entirely complimentary and we can look forward to the benefits of the synergies in action.



Project of the New Medical Complex at the University of Hong Kong

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The Group will also expand into areas related to fire protection services, namely into mechanical works and air-conditioning works. We will be able to be more competitive when tendering for the entire package of services works instead of restricting ourselves to just fire protection. To this effect, we have obtained some new government licenses to participate in this new area of business.

There will soon be new legislation in Hong Kong regarding the improvement and in some instances the installation of fire protection services in older buildings. This new legislation is extremely sensible and timely. The Group will give the government full support in its endeavour to eliminate the loss of life and destruction of property which fires can bring about. We will be putting into place personnel and resources to meet this challenge. We will also consider ways to help finance buildings where there is economic difficulty in raising sufficient funds for these works.

Since 7th December, 2000, the offices and operations of the Group have moved from Citicorp Tower in Causeway Bay to our own building in Tai Kok Tsui. We want to show our commitment in fire services business by going back to our roots. The location is in a light industrial zone where

a fire protection services company is best suited. In the past, the Group went through its most successful years here and we shall be able to repeat the same thing once again.

In conclusion, alongside from the main goal of building the largest and most profitable fire protection services company in Hong Kong, it will be my personal aim to bring about stronger economic and business ties between Hong Kong and Japan. I will strive to promote the business opportunities within our Group to companies in Japan and bring about joint ventures which will be profitable to all. I believe that as we head into the 21st century, we will have a new and fresh start, our energies will be building to a peak and consequently the future for the Group will be bright and promising.

Kyota Yamada

Chairman

Hong Kong
6th April, 2001