Wanyou Fire Safety Technology Holdings Limited
萬友消防科技控股有限公司

(Incorporated in the Cayman Islands with limited liability)

HALF-YEARLY RESULTS ANNOUNCEMENT FOR 2003

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is publication on the Internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM Website in order to obtain up-to-date information on GEM-listed issuers.

The Stock Exchange takes no responsibility for the contents of this announcement, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

This announcement, for which the directors (the "Director") of Wanyou Fire Safety Technology Holdings Limited (the "Company" or "Wanyou") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief:– (1) the information contained in this announcement is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this announcement misleading; and (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

FINANCIAL HIGHLIGHTS

- During the first half of 2003, the Group suffered a short term set back through the impact of SARS. The outbreak of SARS in the PRC impacted our second quarter business though management had taken prudent steps to reduce the impact. For the six months ended 30 June 2003, the Group recorded an unaudited turnover of approximately RMB111 million and net profit of approximately RMB48 million representing a drop of approximately 7.5% and 22.7% respectively from the corresponding periods in 2002.
- With the lifting of SARS travel warning by the World Health Organization in June 2003, the business activities of the Group are gradually returning to normal. As the Group's business activities get back on track, we anticipate an improved performance in the second half year as compared with the first half year.
- Earnings per share for the six months ended 30 June 2003 was RMB2.4 cents.
- The management of the Group regards the impact of SARS as temporary and long term growth prospects of the Group remain strong. Therefore, the Board recommends an interim dividend of 1 HK cent per share.

HALF-YEARLY RESULTS (UNAUDITED)

The Board of Directors (the "Board") of Wanyou Fire Safety Technology Holdings Limited (the "Company") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (hereafter collectively referred to as the "Group") for the six months ended 30 June 2003, together with the comparative figures for the corresponding period in 2002, as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

		For the six months ended 30 June		**For the three months ended 30 June**	
		2003	**2002**	**2003**	**2002**
		Unaudited	**Unaudited**	**Unaudited**	**Unaudited**
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Turnover	*3*	110,914	119,885	51,125	78,483
Cost of sales		(50,200)	(43,198)	(26,577)	(28,245)
Gross profit		60,714	76,687	24,548	50,238
Other operating income		722	694	386	174
Distribution costs		(789)	(1,105)	(359)	(749)
Administrative expenses		(7,783)	(5,602)	(3,020)	(2,498)
Profit from operations	*4*	52,864	70,674	21,555	47,165
Finance costs		(114)	(308)	(57)	(152)
Profit before taxation		52,750	70,366	21,498	47,013
Taxation	*5*	(4,610)	(8,039)	(1,465)	(7,217)
Profit after taxation		48,140	62,327	20,033	39,796
Minority interests		(109)	(163)	(45)	(147)
Net profit for the year		48,031	62,164	19,988	39,649
Interim dividends declared	*6*	21,200	–	–	–
Earnings per share					
Basic (RMB cents)	*7*	2.40	4.06	1.00	2.48

CONDENSED CONSOLIDATED BALANCE SHEET

	Notes	At 30 June 2003 Unaudited *RMB'000*	At 31 December 2002 Audited *RMB'000*
Non-current assets			
Fixed assets	*8*	143,862	115,856
Retention receivables – due after one year		1,403	1,331
Goodwill	*9*	8,480	9,962
		153,745	127,149
Current assets			
Inventories		1,794	3,457
Rentention receivables – due within one year		2,716	1,862
Amount due from contract customers		194	1,109
Trade receivables	*10*	64,099	45,994
Other receivables and prepayments	*11*	31,424	16,482
Bank balances and cash		190,424	204,913
		290,651	273,817
Current liabilities			
Trade and other payables	*12*	28,542	26,161
Amount due to contract customers		7,041	56
Tax liabilities		4,050	7,160
Bank borrowings – due within one year		731	731
		40,364	34,108
Net current assets		250,287	239,709
Total assets less current liabilities		404,032	366,858
Non-current liabilities			
Bank borrowings – due after one year		3,352	3,718
Minority interest		671	562
		400,009	362,578
Capital and reserves			
Share capital	*13*	21,200	21,200
Reserves	*14*	378,809	341,378
		400,009	362,578

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	For the six months ended 30 June	
	Unaudited	**Unaudited**
	2003	**2002**
	RMB'000	*RMB'000*
Net cash from (used in) operating activities	33,763	(19,304)
Net cash used in investing activities	(37,286)	(2,704)
Net cash (used in) from financing activities	(10,966)	58,655
Net (decrease) increase in cash and cash equivalents	(14,489)	36,647
Cash and cash equivalent at 1 January	204,913	57,836
Cash and cash equivalent at 30 June	190,424	94,483

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	For the six months ended 30 June	
	Unaudited	**Unaudited**
	2003	**2002**
	RMB'000	*RMB'000*
Total equity at 1 January	362,578	34,618
Increase in share capital in accordance with the Group Reorganization	–	83
Arising from new issue of shares in a subsidiary pursuant to Group Reorganization	–	57,840
Final dividend paid	(10,600)	–
Profit for the period	48,031	62,164
Total equity at 30 June	400,009	154,705

1. SEGMENT INFORMATION

(i) Business segments

The Group is currently organised into the following operating divisions – installation of fire prevention and fighting systems, sale of fire prevention and fighting equipment and provision of maintenance services. These divisions are the basis on which the Group reports its primary segment information.

Principal activities are as follows:

For the six months ended 30 June 2003

	Installation of fire prevention and fighting systems *RMB'000*	Sale of fire prevention and fighting equipment *RMB'000*	Provision of maintenance services *RMB'000*	Elimination *RMB'000*	Consolidated *RMB'000*
TURNOVER					
External sales	35,795	61,855	13,264	–	110,914
Inter-segment sales	–	3,715	–	(3,715)	–
Total	35,795	65,570	13,264	(3,715)	110,914

Inter-segment sales are charged at prevailing market rates

	Installation of fire prevention and fighting systems *RMB'000*	Sale of fire prevention and fighting equipment *RMB'000*	Provision of maintenance services *RMB'000*	Elimination *RMB'000*	Consolidated *RMB'000*
RESULTS					
Segment results	14,482	29,123	11,810	–	55,415
Finance costs					(114)
Unallocated corporate expenses					(2,551)
Profit before taxation					52,750
Taxation					(4,610)
Profit before minority interests					48,140
Minority interests					(109)
Net profit for the period					48,031
Amortisation and depreciation	1,759	2,680	–	–	

For the six months ended 30 June 2002

	Installation of fire prevention and fighting systems *RMB'000*	Sale of fire prevention and fighting equipment *RMB'000*	Provision of maintenance services *RMB'000*	Elimination *RMB'000*	Consolidated *RMB'000*
TURNOVER					
External sales	47,070	70,455	2,360	–	119,885
Inter-segment sales	–	10,898	–	(10,898)	–
Total	47,070	81,353	2,360	(10,898)	119,885
	Inter-segment sales are charged at prevailing market rates				
RESULTS					
Segment results	25,971	42,965	2,219	–	71,155
Finance costs					(308)
Unallocated Corporate expenses					(481)
Profit before taxation					70,366
Taxation					(8,039)
Profit before minority interests					62,327
Minority interests					(163)
Net profit for the period					62,164
Amortisation and depreciation	1,518	1,473	–	–	

(ii) Geographical segments

No geographical segment information in respect of the Group's operations has been presented as all the Group's operations was derived from the PRC.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The Company was incorporated in the Cayman Islands on 3 January 2002 as an exempted company with limited liability under the Companies Law Cap. 22 (Laws of 1961, as consolidated and revised) of the Cayman Islands.

Pursuant to a group reorganisation ("Group Reorganisation") of the Group in preparation for the listing of the Company's shares on the GEM of the Stock Exchange, the Company became the holding company of the Group in September 2002. The shares of the Company have been listed on the GEM since 30 September 2002.

The Group resulting from the Group Reorganisation is regarded as a continuing entity. Accordingly, the financial statements of the Group have been prepared using the principles of merger accounting basis in accordance with the Statement of Standard Accounting Practice ("SSAP") 27 "Accounting for Group Reconstructions" issued by the Hong Kong Society of Accountants ("HKSA").

Further details of the Group Reorganisation are set out in the prospectus issued by the Company dated 23 September 2002 ("Prospectus").

The unaudited condensed consolidated interim financial statements are prepared in accordance with SSAP 25 "Interim Financial Reporting" issued by the HKSA, and Chapter 18 of the Listing Rules of the GEM of the Stock Exchange. The interim financial statements should be read in conjunction with the 2002 annual financial statements.

The accounting policies and methods of computation used in the preparation of the interim financial statements consistent with those used in the annual financial statements for the year ended 31 December 2002, except that the Group has adopted the new and revised SSAP 12 (revised) "Income Taxes" issued by the HKSA which became effective on 1 January 2003. The adoption of SSAP 12 (revised) has no material impact on the Group's interim financial statements.

3. TURNOVER

Turnover represents the aggregate of the value of installation contract work carried out, the sales proceeds of goods sold and income from provision of maintenance services during the period, and is analysed as follows:

	For the six months ended 30 June		For the three months ended 30 June	
	2003	**2002**	**2003**	**2002**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Revenue from installation contracts	36,863	48,384	25,558	43,284
Sale of goods	61,855	70,455	21,214	34,427
Provision of maintenance services	13,675	2,404	5,226	1,954
	112,393	121,243	51,998	79,665
Less: Sales tax	(1,479)	(1,358)	(873)	(1,182)
	110,914	119,885	51,125	78,483

Sales tax represents various local tax levied on the invoiced value of goods sold.

4. PROFIT FROM OPERATIONS

	For the six months ended 30 June		For the three months ended 30 June	
	2003	**2002**	**2003**	**2002**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Profit from operations has been arrived at after charging:				
Depreciation of property, plant and equipment	2,993	1,522	1,786	876
Amortization of goodwill	1,482	1,475	741	741
Allowance for doubtful debts	–	168	–	168
and after crediting:				
Allowance for doubtful debts written back	–	418	–	418
Interest income	722	274	376	173

5. TAXATION

	For the six months ended 30 June		For the three months ended 30 June	
	2003	**2002**	**2003**	**2002**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
The charge comprises:				
The PRC – income tax	4,610	8,039	1,465	7,217

No provision for Hong Kong Profits Tax has been made as the Group's income neither arises in, nor is derived from Hong Kong.

Income tax on profits arising from the PRC has been provided based on the prevailing tax rates applicable to the respective companies comprising the Group.

After Fujian Wanyou Fire Fighting Science and Technology Co., Ltd. ("Fujian Wanyou") change of status to a wholly foreign-owned enterprise in December 2001, Fujian Wanyou is entitled to the two year's exemption from income tax followed by three years of 50% tax reduction commencing from the first-profit-making year with effective from 2002.

There is no significant unprovided deferred taxation for the period or as at the balance sheet date.

6. INTERIM DIVIDENDS

The Board declared an interim dividend for the six months ended 30 June 2003 of 1 HK cent per share based on 2,000,000,000 shares in issue (2002: Nil). The interim dividend will be payable on or before 7 October 2003 to shareholders whose names appear on the shares register of member of the Company at 17 September 2003.

The shares register of shareholders of the Company will be closed from 15 September 2003 to 17 September 2003 (both days inclusive), for the purposes of interim dividend.

In order to qualify for the interim dividend, all transfers accompanied by the relevant share certificates must be loged with the Company's branch share registrar, Computershare Hong Kong Investor Services Limited located on 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, by 4:00 p.m. on 11 September 2003.

7. EARNINGS PER SHARE

The calculation of the basic earnings per share for the six months ended 30 June 2003 is based on the profit for the period of RMB48,031,000 (2002: RMB62,164,000) and on the weighted average of 2,000,000,000 (2002: 1,530,400,000) shares that would have been in issue throughout the period on the assumption that the Group Reorganisation has been completed as at 1 January 2001.

The calculation of the basic earnings per share for the three months ended 30 June 2003 is based on the profit for the period of approximately RMB19,988,000 (2002: RMB39,649,000) and on the weighted average of 2,000,000,000 (2002: 1,600,000,000) shares that would have been in issue throughout the period on the assumption that the Group Reorganization has been completed as at 1 January 2001.

There is no diluted earnings per share because there were no potential dilutive ordinary shares outstanding during the six months and three months ended 30 June 2003 and 2002.

8. FIXED ASSETS

	Six months ended 30 June 2003 *RMB'000*	**Year ended 31 December 2002** *RMB'000*
At the beginning of the period/year	115,856	36,841
Additions	30,999	82,443
Depreciation charge	(2,993)	(3,428)
At the end of the period/year	143,862	115,856

As at 30 June 2003, certain land and buildings of the Group with an aggregate net book value of approximately RMB8,200,000 (31 December 2002: RMB8,328,000) were under mortgage.

9. GOODWILL

	RMB'000
Cost	
At 1 January 2003 & 30 June 2003	14,823
Amortization	
At 1 January 2003	4,861
Provided for the period	1,482
At 30 June 2003	6,343
Net book value	
At 30 June 2003	8,480
At 31 December 2002	9,962

The goodwill is amortizated over 5 years.

10. TRADE RECEIVABLES

The credit period allowed by the Group to its customers is normally 30-90 days. As the outbreak of SARS in PRC, the Board approved to grant addition 30-90 days credit period for our good credit customers temporarily up to the end of June 2003. The Group seeks to maintain strict control over its outstanding receivables and overdue balances are reviewed regularly by management.

The aged analysis of trade receivables is as follows:

	Six months ended 30 June 2003 RMB'000	Year ended 31 December 2002 RMB'000
Within 30 days	34,343	39,769
31-60 days	3,254	4,927
61-90 days	9,106	561
Over 90 days	17,396	737
	64,099	45,994

11. PREPAYMENTS AND OTHER RECEIVABLES

	Six months ended 30 June 2003 RMB'000	Year ended 31 December 2002 RMB'000
Deposits paid for purchase of property, plant and equipment	20,860	14,850
Prepayments and other receivables	12,868	3,936
Less: allowance for doubtful debts	(2,304)	(2,304)
	31,424	16,482

12. TRADE AND OTHER PAYABLES

	Six months ended 30 June 2003 *RMB'000*	**Year ended 31 December 2002** *RMB'000*
Trade Payables	694	625
Amount payable on acquisition of plant and equipment	10,700	10,700
Accrued costs and charges	17,061	11,617
Receipt in advances	87	3,219
	28,542	26,161

The aged analysis of trade payables included in trade and other payables is as follows:

Within 30 days	556	326
31-60 days	60	139
61-90 days	–	–
Over 90 days	78	160
	694	625

13. SHARE CAPITAL

	At 30 June 2003 and 31 December 2002	
	Number of shares	*Nominal value* *HK$'000*
Authorised	10,000,000,000	100,000
Issued and fully paid	2,000,000,000	20,000
		RMB'000
Shown in the financial statements		21,200

14. RESERVES

	Share premium *RMB'000*	Special reserves *RMB'000*	Capital reserves *RMB'000*	Statutory surplus fund *RMB'000*	Statutory public welfare fund *RMB'000*	Statutory reserve fund *RMB'000*	Accumulated profits *RMB'000*	Total *RMB'000*
At 1 January 2002	–	–	–	7,080	7,493	1,888	7,972	24,433
Arising from issue of shares for cash	–	–	57,840	–	–	–	–	57,840
Profit for the period	–	–	–	–	–	–	22,515	22,515
At 31 March 2002	–	–	57,840	7,080	7,493	1,888	30,487	104,788
Net profit for the period	–	–	–	–	–	–	39,649	39,649
At 30 June 2002	–	–	57,840	7,080	7,493	1,888	70,136	144,437
Share swap in accordance with the Group Reorganization	–	(6,692)	–	–	–	–	–	(6,692)
Premium arising from issue of shares for cash by means of placing	165,360	–	–	–	–	–	–	165,360
Expenses incurred in connection with the issue of shares	(25,440)	–	–	–	–	–	–	(25,440)
Transfer	–	–	–	3,006	1,502	10,271	(14,779)	–
Net profit for the period	–	–	–	–	–	–	63,713	63,713
At 31 December 2002	139,920	(6,692)	57,840	10,086	8,995	12,159	119,070	341,378
Final dividend declared and paid	–	–	–	–	–	–	(10,600)	(10,600)
Net profit for the period	–	–	–	–	–	–	28,043	28,043
At 31 March 2003	139,920	(6,692)	57,840	10,086	8,995	12,159	136,513	358,821
Net profit for the period	–	–	–	–	–	–	19,988	19,988
At 30 June 2003	139,920	(6,692)	57,840	10,086	8,995	12,159	156,501	378,809

15. CONTINGENT LIABILITIES

As at 30 June 2003 and 31 December 2002, the Group did not have any material contingent liabilities.

16. PLEDGE OF ASSETS

As at 30 June 2003, the Group had a mortgage loan of approximately RMB4.1 million (31 December 2002: RMB4.4 million) which were secured by certain land and buildings of the Group with an aggregate net book value of approximately RMB8.2 million (31 December 2002: RMB8.3 million).

17. COMMITMENTS

The Group had the following commitments which were not provided for in the condensed consolidated financial statements of the Group:

a. Capital commitments

	At 30 June 2003 *RMB'000*	At 31 December 2002 *RMB'000*
Capital expenditure contracted for but not provided for in respect of:		
– acquisition of moulds and equipment	–	10,917
– acquisition of technical know-how	1,340	3,350
– leasehold improvements	–	10,500
	1,340	24,767

b. Operating lease commitments

The Group had the commitments under non-cancellable operating leases in respect of premises are as follows:

	At 30 June 2003 *RMB'000*	At 31 December 2002 *RMB'000*
Amounts payable:		
– within one year	334	522
– in the second to fifth year inclusive	330	964
– Over five years	–	1,615
	664	3,101

18. FOREIGN CURRENCY RISK

The Group's entire present operation is carried out in the PRC. Most of its receipts and payments in relation to the operation are denominated in RMB. The Group is not exposed to any foreign currency exchange risk in its operation.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS AND FINANCIAL REVIEW

The business model of the Group is providing total solution for fire prevention and fighting system which comprises design and manufacture of fire prevention and fighting products, providing fire prevention and fighting installation services as well as maintenance services. The management of the Group believes that this industry offers excellent long term prospects for growth.

However, during the first half of 2003, the Group suffered a short term set back through the impact of SARS in PRC. The outbreak of SARS in the PRC impacted our second quarter business though management had taken prudent steps to reduce the impact. Most of our safety system installation and maintenance projects were delayed or were temporarily postponed. Product sales also faced price pressure as our competitors were forced to clear the backlog of inventory created by the soft demand. For the six months ended 30 June 2003, the Group recorded an unaudited turnover of approximately RMB111 million and net profit of approximately RMB48 million representing a drop of approximately 7.5% and 22.7% respectively from the corresponding period in 2002.

With the lifting of SARS travel warning by the World Health Organization in June 2003, the business activities of the Group are gradually returning to normal. As the Group's business activities get back on track, we anticipate an improved performance in the second half year as compared with the first half year. The management of the Group regards the impact of SARS as temporary and long-term prospects remain strong.

Turnover

The Group is principally engaged in the fire prevention and fighting system solution in the PRC, with its main activities including the following:

- sale of fire prevention and fighting products;
- provision of fire and prevention system installation services;
- provision of fire prevention and fighting system maintenance services.

An analysis of the Group's turnover by regions is as follows:

	For the six months ended 30 June		**For the three months ended 30 June**	
	2003	**2002**	**2003**	**2002**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Sale of goods				
Fujian Province	38,753	30,138	11,403	18,360
Other Provinces	23,102	40,317	9,811	16,067
	61,855	70,455	21,214	34,427
Provision for installation services				
– Fujian Province	35,817	48,384	25,558	43,284
– Other Provinces	1,046	–	–	–
	36,863	48,384	25,558	43,284
Provision for maintenance services				
– Fujian Province	13,675	2,404	5,226	1,954
	112,393	121,243	51,998	79,665
Less: Sales tax	(1,479)	(1,358)	(873)	(1,182)
	110,914	119,885	51,125	78,483

Sale of fire prevention and fighting products

For the six months ended 30 June 2003, the sales of fire prevention and fighting products decreased by approximately 12% as compared with the corresponding period in 2002. The major reasons for the decrease were as follows:

– As our major customers for fire prevention and fighting products are the property developers and construction contractors, during the first half year of 2003, the outbreak of SARS in the PRC caused many construction projects to be delayed or temporarily postponed.

– Since the second half year of 2002, the fire safety market has become more competitive when the cross provinces sales restrictions were lifted.

Provision of fire prevention and fighting system installation services

For the six months ended 30 June 2003, the revenue from the provision of fire prevention and fighting system installation services decreased by approximately 23.8% as compared with the corresponding period in 2002. The decrease was mainly due to the outbreak of SARS in the PRC, most of our safety system installation projects were delayed or were temporarily postponed. With the lifting of SARS travel warning by the World Health Organization in June 2003, installation projects are back to track. During the six months ended 30 June 2003, the Group completed 13 projects (2002: 12 projects) and had 15 projects (2002: 12 projects) in progress.

Provision of fire prevention and fighting system maintenance services

For the six months ended 30 June 2003, the revenue from fire prevention and fighting system maintenance services increased by approximately 4.7 times as compared with the corresponding period in 2002. The increase was mainly due to the tightening and reinforcement of fire safety regulations especially after the announcement of the Regulation of Fire Safety Administration for Government Offices, Organizations, Corporations and Business Units. The regulations were in force from May 2002.

Gross and net margin

The net profit margin of the Group for the six months ended 30 June 2003 decreased to 43.3% from 51.9% in the corresponding period of 2002. The gross profit margin decreased by approximately 9.3% as compared with the corresponding period in 2002. The decrease was mainly due to the following reasons:

– product sales faced price pressure as our competitors were forced to clear the backlog of inventory build-up created by soft demand during SARS period;

– the fire safety market has become more competitive when the cross provinces sales restrictions were lifted;

– administrative cost increased as a result of increased efforts to market and promote and more management staff were recruited to match the future expansion of the Group's business.

In response to these challenges, the Group has taken proactive measures to tackle with the effects of market competition and reduction in selling price by:

– improving technology of the Group's production facilities to reduce the average production cost;

– increasing market share in other provinces through more competitive pricing strategies, acquisition and cooperation with other provinces' enterprises;

– continuing to exercise stringent control over subcontracting, operating and financial costs in order to maximize returns to the Company's shareholders;

– well manage administration and distribution costs to match the future expansion plan of the Group's business.

PROSPECTS

The prospects for the industry in PRC are good, benefiting from PRC growth in construction, upgrading buildings and increased public awareness. However there will be an increase in competitions as companies can now compete more freely due to reduction of cross provinces sales restrictions. The management of the Group believes that it is well positioned in the fire safety industry during this competitive phase and will take advantage of opportunities for consolidation. Looking ahead, we expect the fire safety market to become more competitive. The Group will make every effort to become a leading enterprise in the fire safety industry. The Group will focus on the following strategies:

– expand our sales and distribution network to the low market penetration provinces outside Fujian through vertical and horizontal expansion;

– continue to focus on small and medium-sized cities with high GDP per capita as the Directors believe that the improvements in living standard as well as rising awareness in fire safety in such cities will create significant market potentials for the Group;

– increase the product varieties by utilising into the fire retardant material and other fire protection related products;

– accelerate the public awareness of fire safety by cooperating on the review of fire safety laws and regulations enforcement in order to increase the awareness of importance in fire safety systems maintenance as well as expanding our maintenance business.

The Group is well equipped with the latest technology, fire safety expertise and experienced management team to face the new challenges of the market. We believe that the Group will continue to grow steadily and generate good returns to its shareholders.

FINANCIAL RESOURCES AND LIQUIDITY

As at 30 June 2003, current assets and current liabilities of the Group amounting to approximately RMB291 million and RMB40 million respectively (31 December 2002: RMB274 million and RMB34 million respectively). The current ratio was approximately 7.3 (2002: 8.0) reflecting the abundance of financial resources to meet the Group's liabilities. The gearing ratio of the Group, calculated as total borrowings divided by shareholders equity, was continued to maintain at approximately 1% (31 December 2002: 1%).

As at 30 June 2003, the Group had cash and cash equivalent amounted to approximately RMB190 million (31 December 2002: RMB205 million) and bank borrowings amounted to approximately RMB4.1 million (31 December 2002: RMB4.4 million). The borrowing is denominated in Renminbi with interest rate of approximately 8.07% per annum and provided by the PRC bank and secured by the Group's certain land and buildings with a net book value of approximately RMB8.2 million (31 December 2002: RMB8.3 million). Except for the pledge of assets disclosed above, none of the Group's assets have been subject to charges or mortgages.

During the period under review, the Group did not use any financial instrument for hedging purposes and the Group did not have any hedging instrument outstanding and had no material contingent liabilities as at 30 June 2003 and 31 December 2002.

In view of the above strong financial and liquidity positions, it is evident that the Group will have sufficient resources to meet the needs of its operation and future expansion.

CAPITAL EXPENDITURE

The Group invested a total amount of approximately RMB37 million in the capital expenditure for the six months ended 30 June 2003 (2002: RMB2.7 million). It was mainly used for establishment of new production bases and new research and development centre in Fuzhou City and the purchase of new equipment and facilities. As at 30 June 2003, the contracted for capital commitments of the Group amounted to approximately RMB1.3 million (31 December 2002: RMB27 million) which are related to the expansion of production facilities in Fuzhou. And there are approximately RMB20.8 million (31 December 2002: RMB14.9 million) deposits paid for purchase of plant and equipment. The required capital expenditure will be primarily financed by the Group's self generated working capital and the remaining proceeds from the initial placing of shares.

Save for disclosed in the section headed "Statement of business objectives" in the Prospectus, the Company has no other future plan for material investment.

There is no significant investments held by the Company as at 30 June 2003 and 31 December 2002.

RESEARCH AND DEVELOPMENT

As at 30 June 2003, the Group had over 12 experienced in-house research and development staff. The in-house research and development team targets on new products development, quality control, improvement of production technologies and operation efficiency.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2003, the Group had approximately 539 full-time employees (30 June 2002: 529). Total amount of staff costs for the six months ended 30 June 2003 was approximately RMB3,183,000 (30 June 2002: approximately RMB1,937,000). The increase in staff cost was mainly due to the increase in staff number as more management staff was recruited and salary increment. Employees of the Group, particularly the front-line staff, are rewarded on a performance related basis. A wide range of benefits, including, medical scheme, provident funds and retirement plans are provided to each full-time employee. The performance of each employee is reviewed on a half yearly basis with a view to ensure regular communication and timely feedback.

COMPARISON OF THE BUSINESS PLANS AND ACTUAL PROGRESS

Set out below is a summary of the actual business progress of the Group as measured against the business objectives up to 30 June 2003 as set out in the Prospectus:

Development of new products with application of advanced technology

a. New products to be applied in the existing business

The Group will applied advanced technology in various new products in the existing business which comprises of online monitoring system of fire prevention and fighting systems, intelligent power supply safety protection monitoring and control system, intelligent fire detector operated by CPUs and crystal luminous emergency lighting system.

Expected progress	**Actual progress**
Finalize networking hardware requirements and commence setting of software specification for online monitoring system of fire prevention and fighting systems. Develop pilot samples of the products of intelligent power supply safety protection monitoring and control system, intelligent fire detector operated by CPUs and crystal luminous emergency lighting system.	The Group has finalized bill of materials and networking requirements for online monitoring system of fire prevention and fighting systems. Pilot samples of intelligent power supply safety protection monitoring and control system and intelligent fire detector operated by CPUs have been developed. For the crystal luminous emergency lighting system, 4 models of pilot samples has been developed and pass the trial production test.

b. New product lines and new types of services

The Group will also develop new product lines and new types of services, fire retardant materials, fire service equipment and fire services installation project for specialized industries, in order to provide more comprehensive services to customers and seize the opportunities in the growing fire safety market.

Expected progress	**Actual progress**
Identify potential companies manufacturing or supplying fire retardant material and fire service equipment.	The Group has completed the feasibility studies and market research of fire retardant material sector. Potential companies manufacturing and supplying fire retardant material was also identified and under negotiation for cooperation. In November 2002, the Group entered into agreement with Morita Corporation to be sole distributor of Morita's fire engines and equipment in Fujian Provinces and Zhejiang Province.

Improve the existing equipment and recruit technical personnel to perform fire services installation project for specialized industries.	The Group has completed the feasibility studies and market research of fire services installation projects and recruited expertise for these industries to meet the future expansion in this sector.

Enhancement of a strong research and development team

The Group intends to further expand the existing research and development team by establishing a research and development centre equipped with more advanced equipment and a laboratory specialized in upgrading the technological level of its products.

Expected progress	**Actual progress**
Commence the construction of research and development centre.	All construction works were completed and commenced operation at the end of June 2003.
Confirm specific research projects with professional organizations on the research of fire prevention and fighting technology.	Currently cooperate with two academic institutes, Fuzhou Research Institute and Shenyang Research Institute, to develop advanced technology in fire safety sector.

Establishment of new production bases and the purchase of new equipment and facilities

In order to meet future production needs and increase the production capacity, new production base is planned to be established in Fujian.

Expected progress	**Actual progress**
Commence preparation work, design of the new production facilities and commence the construction of the new production facilities. Initial payment for the purchase of new production equipment.	Land and buildings has been acquired in the Fuzhou Development Zone with a total area of land and floor area of approximately 20,599 m^2 and 28,590 m^2 respectively. New equipment installation was completed and under trial run at the end of June 2003. Most of the payment for new production equipment has been made.

Expansion of sales and distribution network

The Group places great emphasis on building and expansion of its sales network by establishment of branches offices and demonstration services centre in key regional markets.

Expected progress	Actual progress
Decoration and purchase equipment for the 5 new sales offices in Shenyang, Shijianzhong, Xian, Wuhan and Chengdu of the PRC. Decorate the existing 13 sales offices, purchase new office equipment and recruit experienced sales personnel for the existing office. Search for appropriate 5 sales offices in Hefei, Changsha, Chongqing, Wenzhou and Guangzhou and display service centres in Beijing and Shenyang of the PRC.	As the Group will focus on the small to medium-sized cities with high GDP per capita. The Group need more time to evaluate the performance of existing sales and distribution networks. And due to the outbreak of SARS in the PRC, travelling among Provinces was restricted. The decoration and purchase of new equipment for the existing sales offices and new sales offices were delayed. Now the Company is in progress to select more appropriate location for new sales offices and display centres in the PRC in according to the Group's sales strategies and future expansion.
Commence operations of the display service centre in Shanghai.	The display services centre in Shanghai has operated during the period.

Marketing, promotion and brand building

The Group plans to strengthen its reputation through advertisements, formation of alliances with professional associations and academic institutions and participation in various trade shows and exhibitions.

Expected progress	Actual progress
Launch television or radio commercials in the PRC and advertise the Group's products on journals and magazines to promote the brand name recognition of the Group's products.	In view of the nature of products, the Board considered to place commercials on television and radio is not cost effective. Therefore the Group placed its principal products on many fire safety journals, magazine and fire safety websites in the PRC.
Organise and attend conferences and seminars relating to fire prevention and fighting technology.	Conferences and seminars relating to fire prevention and fighting technology has been organised and will participate in many trade fairs and seminars in the PRC in the third quarter of 2003.

Business collaborations and acquisitions

Potential business collaborations and acquisitions will intensify the growth of the Group. Accordingly, vertical and horizontal acquisition activities will run concurrently with other operational strategies of the Group.

Expected progress

Identify potential manufacturing enterprises in the PRC which engaged in the sector of fire service equipment and fire retardant materials and acquire the companies which reach mutual agreement with the Group.

Identify potential enterprises in the PRC, Hong Kong, Singapore and Japan which engaged in the similar product sector complementary to the Group.

Explore and evaluate the opportunities to establish co-operation arrangement, collaboration or alliances with the companies identified.

Negotiate with the management of the companies identified and develop collaboration or alliances or acquisitions with the companies identified.

Actual progress

The Group commenced to identify potential enterprises in fire retardant materials and similar product sector in order to increase the product varieties of the Group.

At the same time, the Group is looking for vertical and horizontal acquisition opportunities in order to strengthen the competitive advantages in the fire safety market.

Proceeds from Issuance of new shares

The net proceeds from the Company's placement of new shares on September 2002 amounted to approximately HK$136 million of which HK$6 million will be used as working capital. The proceeds were partially applied up to 30 June 2003 as follows:

	Notes	**Total planned use of proceeds as set in the Prospectus** *HK$'million*	**Planned use of proceeds as set in the Prospectus up to 30 June 2003** *HK$'million*	**Actual use of proceeds up to 30 June 2003** *HK$'million*
Development of new products	*(i)*	20	15	11.3
Establishment of a research and development centre	*(ii)*	10	6	7.9
Establishment of new production bases and the purchase of new equipment and facilities	*(iii)*	50	20	33.3
Expansion of sales and distribution network	*(iv)*	20	16	–
Marketing, promotion and brand building	*(v)*	10	7	0.57
Business collaborations and acquisitions	*(vi)*	20	–	–
Total		130	64	53.07

Expected investment	Actual investment
Notes:	
(i) The anticipated investment would be HK$15 million.	The actual investment of RMB12 million (equivalent to approximately HK$11.3 million) was mainly used for development of moulds for the new crystal luminous emergency lighting products. The difference between the anticipated and actual investment amounts is attributable to the fact that part of the intelligent power supply safety protection monitoring and control system development still in progress.
(ii) The anticipated investment would be HK$6 million.	The actual investment of approximately RMB8.4 million (equivalent to approximately HK$7.9 million) was mainly used for the new research and development centre construction. The difference between the anticipated and actual investment amounts is attributable to the fact that the construction progress of research and development centre is faster than expected.
(iii) The anticipated investment would be HK$20 million.	The actual investment amounted to approximately RMB35.3 million (equivalent to approximately HK$33.3 million). The capital paid excess its anticipated investment is mainly due to the earlier acquisition of land and buildings for the establishment of production base. In order to meet the growing market of fire safety industry in the PRC, the total production capacity of the new production base also increased. The land area increased from anticipated 10,000 m^2 to 20,599 m^2.
(iv) The anticipated investment would be HK$16 million.	Actual investment has not been made as the Group is still reviewing the performance of existing branches offices. And the decoration work for existing branches offices has not yet been commenced.
(v) The anticipated investment would be HK$7 million.	The actual investment amounted to RMB0.6 million (equivalent to approximately HK$0.57 million). The expenses mainly paid for advertisement placed on fire safety journals and websites. The difference between anticipated investment and actual investment was mainly due to that no large exhibition or conference for fire safety industry has been attended by the Group.
(vi) The anticipated investment would be HK$20 million.	No investment has been made. As stated in the Prospectus, the use of proceeds in such connection is dependent on the opportunity available and negotiation outcome. The Directors believe that it is inappropriate to earmark specific amount in each of the periods.

The proceeds from the Company's placement of new shares on September 2002 which has not been utilized as at 30 June 2003 amounted to approximately HK$76.9 million, which will continue to be used in accordance to the plan as described in the Prospectus and is currently deposited in the Hong Kong and PRC's banks.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2003, the interests or short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Future Ordinance ("SFO")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required, pursuant to Rules 5.40 to 5.58 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

Long positions in the shares of the Company

Name of director	Capacity	Type of interest	Number of ordinary shares	Percentage of shareholding
Mr. Jiang Xiong	Beneficial owner	Personal	1,281,600,000	64.08%

Save as disclosed above, none of the Directors or chief executive of the Company had, as at 30 June 2003, any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to Rules 5.40 to 5.58 of the GEM Listing Rules.

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

So far as is known to any Director or chief executive of the Company, as at 30 June 2003, shareholders (other than Directors or chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Long positions of substantial shareholders in the shares of the Company

Name of shareholder	Capacity	Number of ordinary shares	Percentage of shareholding
Cantus Limited	Beneficial owner	160,000,000	8%
Aria Investment Partners L.P.	Interest of a controlled corporation	160,000,000 *(Note 1)*	8%
CLSA Private Equity Management Limited	Investment Manager	160,000,000 *(Note 2)*	8%
CLSA (S.E.A.) Limited	Interest of a controlled corporation	160,000,000 *(Note 3)*	8%
Credit Lyonnais Securities Asia BV	Interest of a controlled corporation	160,000,000 *(Note 4)*	8%
Credit Lyonnais Capital Markets Asia BV	Interest of a controlled corporation	160,000,000 *(Note 5)*	8%
Credit Lyonnais Capital Markets International SASU	Interest of a controlled corporation	160,000,000 *(Note 6)*	8%
Credit Lyonnais S.A.	Interest of a controlled corporation	160,000,000 *(Note 7)*	8%

Notes:

1. Aria Investment Partners, L.P. is beneficially interested in the entire issued share capital of Cantus Limited and is deemed or taken to be interested in the 160,000,000 shares in which Cantus Limited has declared an interest for the purpose of the SFO.

2. CLSA Private Equity Management Limited is the investment manager of Aria Investment Partners, L.P..

3. CLSA (S.E.A.) Limited is beneficially interested in the entire issued share capital of CLSA Private Equity Management Limited and is deemed or taken to be interested in the 160,000,000 shares in which CLSA Private Equity Management Limited has declared an interest for the purpose of the SFO.

4. Credit Lyonnais Securities Asia BV is indirectly interested in the entire issued share capital of CLSA Private Equity Management Limited and is deemed or taken to be interested in the 160,000,000 shares in which CLSA Private Equity Management Limited has declared an interest for the purpose of the SFO.

5. Credit Lyonnais Capital Markets Asia BV is beneficially interested in 65% of the share capital of Credit Lyonnais Securities Asia BV and is deemed or taken to be interested in the 160,000,000 shares in which CLSA Private Equity Management Limited has declared an interest for the purpose of the SFO as mentioned in Note 4 above.

6. Credit Lyonnais Capital Markets International SASU is beneficially interested in the entire issued share capital of Credit Lyonnais Capital Markets Asia BV and is deemed or taken to be interested in the 160,000,000 shares in which CLSA Private Equity Management Limited has declared an interest for the purpose of the SFO as mentioned in Notes 4 and 5 above.

7. Credit Lyonnais S.A. is beneficially interested in the entire issued share capital of Credit Lyonnais Capital Markets International SASU and is deemed or taken to be interested in the 160,000,000 shares in which CLSA Private Equity Management Limited has declared an interest for the purpose of the SFO as mentioned in Notes 4, 5 and 6 above.

Save as disclosed above, as at 30 June 2003, the Company has not been notified by any persons (other than Directors or chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

None of the directors or the management shareholders of the Company and their respective associates (as defined in the GEM Listing Rules) had an interest in a business which competes or may compete with the businesses of the Group and any other conflicts of interest, which any such person has or may have with the Group.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contracts of significance to which the Company, or any of 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 period or at any time during the period.

SPONSOR'S INTERESTS

As updated and notified by the Company's sponsor, Core Pacific-Yamaichi Capital Limited ("CPY Capital"), as at 30 June 2003, Core Pacific-Yamaichi Securities Co., Ltd., an associate (as referred to in Note 3 to Rule 6.35 of the GEM Listing Rules) of CPY Capital, held 335,000 shares in the Company. Save as disclosed herein, neither CPY Capital nor its directors or employees or associates (as referred to Note 3 to Rule 6.35 of the GEM Listing Rules) had any interests in the share capital of the Company as at 30 June 2003. Pursuant to a sponsor agreement dated 20 September 2002 entered into between the Company and CPY Capital, CPY Capital received and will receive fees for acting the Company's retained sponsor for the remaining period up to 31 December 2004 or until the sponsor agreement is terminated upon the terms and conditions set out therein.

SHARE OPTION SCHEMES

The Company's share option scheme was adopted pursuant to a resolution passed on 20 September 2002 (the "Scheme") for the primary purpose of providing incentives to directors and eligible employees, and will expire in January 2012. Under the Scheme, the Board may grant options to full-time employees, including directors (executive and non-executive) of the Company and its subsidiaries, to subscribe for shares in the Company.

Subject to the condition that the total number of shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the Scheme and any other schemes of the Company must not exceed 30% of the shares of the Company in issue from time to time, the total number of shares in respect of which options may be granted under the Scheme when aggregated with any shares subject to any other schemes is not permitted to exceed 10% of the shares of the Company immediately upon the listing of the shares on the Stock Exchange, without prior approval from the Company's shareholders. The number of shares in respect of which options may be granted to any individual in aggregate within any 12-month period is not permitted to exceed 1% of the shares of the Company in issue, without prior approval from the Company's shareholders. Options granted to substantial shareholders or independent non-executive directors in any one year exceeding the higher of 0.1% of the Company's shares in issue and with a value in excess of HK$5 million must be approved by the Company's shareholders.

Options granted must be taken up within 21 days of the date of grant, upon payment of HK$1 per option. Options may be exercised at any time from the date of acceptance of the share option to such date as determined by the board of directors but in any event not exceeding 10 years. The exercise price is determined by the Directors and will be not less than the higher of the closing price of the Company's shares on the date of grant, the average closing prices of the shares for the five business days immediately preceding the date of grant and the nominal value of the Company's shares.

No option was granted by the Company during the period from the adoption of the Scheme to 30 June 2003.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of the subsidiaries purchased, redeemed or sold any of the Company's listed securities during the period.

BOARD PRACTICES AND PROCEDURES

The Company has complied, throughout the six months ended 30 June 2003, the code of best practice as set out in Rules 5.28 to 5.39 of the GEM Listing Rules.

AUDIT COMMITTEE

The audit committee comprises two members – Mr. Liu Shi Pu and Mr. Wong Hon Sum, both of whom are independent non-executive Directors. The primary duties of the audit committee are to review the Company's annual report and accounts, half-yearly reports and quarterly reports and to provide advice and comments thereon to the Board. The audit committee will also be responsible for reviewing and supervising the financial reporting process and internal control procedures of the Group.

During the period under review, the audit committee held two meetings to review and comment on the Company's draft quarterly and interim financial reports.

By order of the Board
Wanyou Fire Safety Technology Holdings Limited
Jiang Xiong
Chairman

14 August 2003, Hong Kong

This announcement will remain on the GEM website with the domain name of www.hkgem.com on the "Latest Company Announcements" page for not less than 7 days from the day of its posting.