



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)

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This announcement, for which the directors (the “Directors”) of Wanyou Fire Safety Technology Holdings Limited (the “Company”) 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.

FIRST QUARTERLY RESULTS ANNOUNCEMENT FOR 2003

HIGHLIGHTS

- Turnover of the Group for the three months ended 31st March, 2003 was approximately RMB60 million, representing an increase of approximately 44% as compared with the corresponding period in 2002.
- The Group achieved a net profit of approximately RMB28 million for the three months ended 31st March, 2003, representing an increase of approximately 25% as compared with the corresponding period in 2002.
- Earnings per share for the three months ended 31st March, 2003 was RMB1.4 cents.

RESULTS

The board of Directors (the “Board”) of Wanyou Fire Safety Technology Holdings Limited (the “Company”) is pleased to announce the unaudited consolidated quarterly results of the Company and its subsidiaries (collectively referred to as the “Group”) for the three months ended 31st March, 2003, together with the comparative unaudited results for the corresponding periods in 2002 (the “Relevant Periods”) as follows:–

		For the three months ended 31st March,	
		2003 (Unaudited) RMB'000	2002 (Unaudited) RMB'000
	<i>Notes</i>		
Turnover	2	59,789	41,402
Cost of sales		(23,623)	(14,953)
Gross profit		36,166	26,449
Other revenue		–	418
Interest income		336	102
Distribution costs		(430)	(356)
Administrative expenses		(4,763)	(3,104)
Profit from operations		31,309	23,509
Finance costs		(57)	(156)
Profit before taxation		31,252	23,353
Taxation	3	(3,145)	(822)
Income before minority interests		28,107	22,531
Minority interests		(64)	(16)
Net profit		28,043	22,515
Dividend		–	–
Earnings per share			
– Basic and diluted (RMB cents)	4	1.40	1.54

1. Group reorganization and basis of presentation

The Company was incorporated in the Cayman Islands under the Companies Law Cap.22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands as an exempted company with limited liability on 3rd January, 2002. Pursuant to a group reorganization (the “Reorganization”) to rationalize the structure of the Group in preparation for the listing of the Company’s shares (the “Shares”) on GEM on 30th September, 2002. The Company became the ultimate holding company of the Group on 20th September, 2002. Further details of the Reorganization are set out in the Company’s prospectus (the “Prospectus”) dated 23rd September, 2002. The Shares have been listed on GEM since 30th September, 2002.

The unaudited consolidated results have been prepared using the merger basis of accounting. Under this basis, the Company has been accounted for as the holding company of its subsidiaries acquired through the Reorganization for both period presented, rather than from the date of their acquisition through the Reorganization on 20th September, 2002. Accordingly, the unaudited consolidated results of the Group for the three months ended 31st March, 2003 and 2002 include the results of the Company and its subsidiaries with effect from 1st January, 2002 or since their respective dates of incorporation, where this is a shorter period.

The Group’s unaudited consolidated results have been prepared in accordance with generally accepted accounting principles in Hong Kong and comply with accounting standards issued by the Hong Kong Society of Accountants. The accounting policies adopted in preparing the unaudited consolidated results for the period ended 31st March, 2003 and 2002 are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31st December, 2002.

The Company is an investment holding company and the principal activities of the Group are the production and sale of fire prevention and fighting products and the provision of installation and maintenance services for fire prevention and fighting systems.

2. 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 Relevant Period, and is analyzed as follows:

	For the three months ended 31st March,	
	2003	2002
	<i>RMB’000</i>	<i>RMB’000</i>
Sales of goods	40,641	36,028
Revenue from installation contracts	11,305	5,100
Provision of maintenance services	8,449	450
	<hr/>	<hr/>
	60,395	41,578
less: sales tax	(606)	(176)
	<hr/>	<hr/>
	59,789	41,402
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An analysis of the Group's turnover by geographical regions is as follows:

	For the three months ended 31st March,	
	2003	2002
	<i>RMB'000</i>	<i>RMB'000</i>
Sales of goods		
Fujian Province	27,350	11,778
Other Provinces	13,291	24,250
	<u>40,641</u>	<u>36,028</u>
Revenue from installation contracts		
– Fujian Province	10,259	5,100
– Other Provinces	1,046	–
	<u>11,305</u>	<u>5,100</u>
Provision of maintenance services		
– Fujian Province	8,449	450
Total sales before provision of sales tax	60,395	41,578
less: sales tax	(606)	(176)
	<u>59,789</u>	<u>41,402</u>

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

3. Taxation

- (i) No provision for Hong Kong profits tax has been made in the accounts as the Group income neither arises in, nor is derived from Hong Kong.
- (ii) 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 the change of status to a wholly foreign-owned enterprise in December 2001, one of the subsidiary, Fujian Wanyou Fire Fighting Science and Technology Co., Ltd. is entitled to the two years' exemption from income tax followed by three years of 50% tax reduction commencing from the first-profit-making year with effect from 2002.

There is no significant unprovided deferred taxation during the Relevant Period.

4. Earnings per share

The calculation of basic earnings per share for the three months ended 31st March, 2003 was based on the net profit of approximately RMB28,043,000 (2002: RMB22,515,000) divided by the weighted average number of shares of 2,000,000,000 (2002: 1,461,680,000) that would have been in issue throughout the year on the assumption that the Group's Reorganization has been completed as at 1st January, 2002.

There is no diluted earnings per share because there were no potential dilutive ordinary shares outstanding during the Relevant Period.

INTERIM DIVIDENDS

The Board does not recommend the payment of an interim dividend for the three months ended 31st March, 2003 (2002: Nil).

MOVEMENT ON RESERVES

	Share premium <i>RMB'000</i>	Special reserve <i>RMB'000</i>	Capital reserve <i>RMB'000</i>	Statutory surplus reserve <i>RMB'000</i>	Statutory public welfare fund <i>RMB'000</i>	Statutory reserve fund <i>RMB'000</i>	Accumulated profits <i>RMB'000</i>	Total <i>RMB'000</i>
At 1st January, 2002	-	-	-	7,080	7,493	1,888	7,972	24,433
Arising from issue of shares of a subsidiary	-	-	57,840	-	-	-	-	57,840
Net profit for the period	-	-	-	-	-	-	22,515	22,515
At 31st March, 2002	<u>-</u>	<u>-</u>	<u>57,840</u>	<u>7,080</u>	<u>7,493</u>	<u>1,888</u>	<u>30,487</u>	<u>104,788</u>
At 1st January, 2003	139,920	(6,692)	57,840	10,086	8,995	12,159	119,070	341,378
Net profit for the period	-	-	-	-	-	-	28,043	28,043
Final dividend declared	-	-	-	-	-	-	(10,600)	(10,600)
At 31st March, 2003	<u>139,920</u>	<u>(6,692)</u>	<u>57,840</u>	<u>10,086</u>	<u>8,995</u>	<u>12,159</u>	<u>136,513</u>	<u>358,821</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS

Business review

The Group actively followed the business strategy of the year in 2003 to focus on enlarging production scale and capacity and increasing sales revenues and market share, as well as enhancing research and development of new products, so as to further enhance the overall business performance and sustained growth of the Group. The economy of the PRC, the key market of the Group, has been experiencing continuous growth, and provided the Group with a favorable operating environment. During the three months ended 31st March, 2003, the Group achieved encouraging results. Turnover and net profit amounted to approximately RMB60 million and RMB28 million, representing an increase of approximately 44% and 25% respectively as compared with the corresponding period of 2002.

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.

Sale of fire prevention and fighting products

The sales of fire prevention and fighting products increased approximately 13% as compared with the corresponding period in 2002. The reasons contributing to the increase in product sales were the Group's reputation in Fujian Province continuing to consolidate and the improvement in living standard as well as rising awareness in public safety, demand for fire fighting and prevention products increased accordingly.

Provision of fire prevention and fighting system installation services

The revenue from provision of fire prevention and fighting system installation services was substantially increased by approximately 1.22 times as compared with the corresponding period in 2002. The increase was mainly due to the success of business development given its competitive service quality and pricing strategy of the Group's installation services in the market.

The fire prevention and fighting system installation service is protected by each province before 2002, all revenue from providing installation services were generated from Fujian Province. Since the nationwide recognized Class One Certificate for contractors of professional fire prevention and fighting system can perform installation services outside its registered province in July 2002, the Group has successfully obtained many installation contracts from other provinces and first time recorded installation revenue from other provinces for the three months ended 31st March, 2003 amounted to approximately of RMB1 million. During the period the Group has completed 7 projects.

Provision of fire prevention and fighting system maintenance services

The revenue from fire prevention and fighting system maintenance services was dramatically increased by approximately 18 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 Regulation of Fire Safety Administration for Government Offices, Organizations, Corporations and Business Units. The regulations were in force commencing from May 2002. During the period the Group has completed 6 one-off maintenance projects which amounted to approximately of RMB2.5 million. And the remaining maintenance revenue were generated from provision of continuous fire prevention and fighting system maintenance services.

Gross and net margin

During the period, the Group continued to exercise stringent control over subcontracting, raw material, operating and financial costs in order to maximize returns to the Company's shareholders. Administration and distribution costs have been well managed to match the future expansion plan of the Group's business.

The gross profit margin decreased by 3.1% as compared with the corresponding period in 2002 was mainly due to lower selling price of product sales in certain provinces in order to increase the market share.

Research and development

In order to reinforce the competitive advantage and keep ahead of its competitors, the Group places emphasis on improving product quality and developing a more diversified range of products. The products currently under development include various types of modified emergency lightings. We expect to launch these products to market in the second quarter of 2003 and will provide substantial contribution to the Group.

BUSINESS OBJECTIVES

The Group adopts an aggressive business development strategy with the objective of being a leader in the PRC fire prevention and fighting industry. The Group is going to capitalize on the advantage of the existing successful business model in Fujian Province and expand the Group's market share to other provinces by application of the existing successful business model in Fujian, the latest technology, enhancement of quality and expansion of the sales network. In order to facilitate the achievement of the above objectives and business objectives set out in the Prospectus, there are proposed strategic plans with (i) development of new products with application of advanced technology; (ii) enhancement of a strong research and development team; (iii) establishment of new production bases and the purchase of new equipment and facilities (iv) expansion of sales and distribution network (v) marketing, promotion and brand building (vi) business collaborations and acquisitions.

As at the date of this report, there has been no material change in business objectives since the issuance of Prospectus.

FUTURE PROSPECTS

The Group aims at enlarging its market share, increasing its turnover and profits by looking for new business partners; making extra effort in the marketing of the Group's products and services.

With the continuous and rapid growth of the PRC economy, the degree of urbanization and industrialization has been increasing accordingly. Many new governmental and commercial facilities constructed that create great demand for the fire prevention and fighting equipment and installation services. Looking ahead, tightening of laws and regulations enforces the governments and private sectors to put more budgets on new fire prevention and fighting systems installation and old systems maintenance.

In view of the above favorable operating environment, the Group will continue to focus on marketing and promoting its successful business model of providing total solution for fire prevention and fighting systems in other provinces in order to grow nationwide demand with low market penetration rate especially the small to medium-sized cities in the PRC with high GDP per capita. The Group is in excellent industry. We believe that we can deliver consistent growth for investors in the future.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SECURITIES

As of 31st March, 2003, the interest of directors of the Company ("Directors") and chief executive and their respective associates in the Company and its associated corporations (within the meaning of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance")) as recorded in the register required to be kept by the Company under Section 29 of the SDI Ordinance, or required pursuant to Rules 5.40 to 5.59 of the Rules Governing the listing of Securities on the GEM (the "GEM Listing Rules"), to be notified to the Company and the Stock Exchange were as follows:

Name	Number of Shares			
	Personal Interest	Family Interest	Corporate Interest	Other Interest
Mr. Jiang Xiong	1,281,600,000	N/A	N/A	N/A

Save as disclosed above, as of 31st March, 2003, none of the Directors and chief executive or their associates had any interests in any securities in the Company and its associated corporations. None of the Directors, nor their spouses or children under 18 years of age were granted or had exercised any rights to subscribe for the securities of the Company.

SUBSTANTIAL SHAREHOLDER

As of 31st March, 2003, according to the register required to be kept under Section 16(1) of the SDI Ordinance the shareholder with an interest of 10% or more in the issued share capital of the Company were as follows:

Name	Number of shares held	Percentage of the Company's share capital
Mr. Jiang Xiong	1,281,600,000	64.08%

Save as disclosed above, as of 31st March, 2003, the Company is not aware of any person with an interest of 10% or more in the issued share capital.

SHARE OPTION SCHEME

Pursuant to a share option scheme adopted by the Company on 20th September, 2002, the Directors may, at their discretion, offer options to full-time employees of the Group and the Directors to subscribe for shares in the Company subject to the terms and conditions set out therein. A summary of the principle terms and conditions of the share option scheme are set out in the section headed "Share Option Scheme" in Appendix VI of the Prospectus.

As of 31st March, 2003, none of the Directors and full-time employees of the Group were granted options to subscribe for shares under the Share Option Scheme.

COMPETING INTEREST

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

SPONSOR'S INTEREST

As notified by the Company's sponsor, Core Pacific-Yamaichi Capital Limited ("CPY Capital"), as of 31st March, 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 1,540,000 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 31st March, 2003.

Pursuant to a sponsor agreement dated 20th September, 2002 entered into between the Company and CPY Capital, whereby, for a fee, CPY Capital will act as the Company's retained sponsor for the period from 30th September, 2002 to 31st December, 2004 or until the sponsor agreement is terminated upon the terms and conditions set out therein.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the three months ended 31st March, 2003, neither the Company nor any of its holding companies or subsidiaries purchased, sold or redeemed any listed securities of the Company.

COMPLIANCE WITH RULES 5.28 TO 5.39 OF THE GEM LISTING RULES

The Company has complied with the code of best practice as set out in Rules 5.28 to 5.39 of the GEM Listing Rules throughout the Relevant Period.

AUDIT COMMITTEE

Pursuant to the Rule 5.23 of the GEM Listing Rules, the Company has set up an audit committee. In compliance with the Rules 5.24 and 5.25 of the GEM Listing Rules, the authority and responsibility of the audit committee has been properly written out. The primary duties of the audit committee are to review the Company's annual reports and accounts, half-year reports and quarterly reports and to provide advice and comments thereon to the Board. The audit committee of the Board will also be responsible for supervising and reviewing the financial reporting process and internal control system of the Group. The audit committee now comprises two independent non-executive Directors, namely Mr. Liu Shi Pu and Mr. Wong Hon Sum. Mr. Wong is the chairman of the audit committee. One meeting has been held by the audit committee during this quarter.

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

Hong Kong, 29th April, 2003

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