

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Wanyou Fire Safety Technology Holdings Limited, you should at once hand this circular to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.



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)

**GENERAL MANDATE TO ISSUE SECURITIES
AND
GENERAL MANDATE TO REPURCHASE SHARES**

The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) takes no responsibility for the contents of this circular, 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 circular.

This circular, for which 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 (the “GEM Listing Rules”) on the Growth Enterprise Market of the Stock Exchange (“GEM”) for the purpose of giving information with regard to the Company. The directors of the Company, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (i) the information contained in this circular is accurate and complete in all material respects and not misleading; (ii) there are no other matters the omission of which would make any statement in this circular misleading; and (iii) all opinions expressed in this circular have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

A proxy form for the annual general meeting for the year ended 31 December 2002 is enclosed with the 2002 annual report. Whether or not you propose to attend the annual general meeting, you are requested to complete the proxy form and return the same to the Company’s branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited of 17th Floor, Hopewell Centre, 183 Queen’s Road East, Hong Kong in accordance with the instructions printed thereon not less than 48 hours before the time appointed for the meeting. Completion and delivery of the proxy form will not preclude you from attending and voting at the annual general meeting if you so wish.

This circular will remain on the GEM website at www.hkgem.com on the “Latest Company Announcements” page for 7 days from the date of its posting.

24 March 2003

LETTER FROM THE BOARD OF DIRECTORS



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)

Executive Directors:

Jiang Xiong (*Chairman*)
Jiang Qing
Chen Shu Quan

Independent non-executive Directors:

Liu Shi Pu
Wong Hon Sum

Registered office:

Century Yard,
Cricket Square,
Hutchins Drive,
P.O. Box 2681GT,
George Town,
Grand Cayman,
British West Indies

*Head office and principal place
of business in the PRC*

8th Floor,
Gaojing Trade Centre,
No. 158 Wu Yi Bei Road,
Fuzhou City,
Fujian Province, PRC.

*Principal place of business
in Hong Kong*

Units 6-7, Office B, 5th Floor,
K. Wah Centre,
No. 191 Java Road,
North Point, Hong Kong

24 March 2003

To the shareholders of the Company

Dear Sir or Madam,

**GENERAL MANDATE TO ISSUE SECURITIES
AND
GENERAL MANDATE TO REPURCHASE SHARES**

At a meeting of the board of directors of the Company held on 17 March 2003, the directors of the Company (the “Directors”) resolved that at the forth coming annual general meeting of the Company to be held on 17 April 2003 (the “AGM”), resolutions for the granting to the Directors of a general mandate to issue securities of the Company (the “Securities”) and to repurchase shares of the Company (the “Shares”) will be proposed for the shareholders of the Company (the “Shareholders”) to approve. The purpose of this circular is to provide Shareholders with details of the proposed general mandates to be dealt with at the AGM.

LETTER FROM THE BOARD OF DIRECTORS

GENERAL MANDATE TO ISSUE SECURITIES

At the AGM, ordinary resolutions will be proposed to grant a general mandate to the Directors to allot, issue and otherwise deal with Securities not exceeding the sum of 20% of the aggregate nominal amount of the share capital of the Company in issue at the date of passing such resolution and the aggregate nominal amount of the shares repurchased under the Repurchase Mandate (as defined below). The Directors wish to state that they have no present intention to issue any new shares pursuant to such general mandate.

GENERAL MANDATE TO REPURCHASE SHARES

At the AGM, an ordinary resolution will also be proposed to grant a general mandate to the Directors to exercise the power of the Company to repurchase Shares (the “Repurchase Mandate”) up to a maximum of 10% of the aggregate nominal amount of the share capital of the Company in issue at the date of passing such resolution. The explanatory statement, required by the GEM Listing Rules to be sent to Shareholders, is set out in the Appendix to this circular, which contains all the information reasonably necessary to enable the Shareholders to make an informed decision on whether to vote for or against the resolution for the Repurchase Mandate.

RECOMMENDATION

The relevant resolutions for the aforesaid general mandates are set out in the notice of the AGM, which is set out in the 2002 annual report of the Company despatched to the Shareholders together with this circular. The Directors are of the opinion that the granting of general mandates to issue Securities and to repurchase Shares referred to in this circular are in the best interests of the Company and its Shareholders and therefore recommend you to vote in favour of the relevant resolutions to be proposed at the AGM.

Yours faithfully,
By Order of the Board
Wanyou Fire Safety Technology Holdings Limited
Jiang Xiong
Chairman

This is an explanatory statement given to all shareholders of the Company relating to the resolution to be proposed at the AGM approving the Repurchase Mandate. This explanatory statement contains all the information required pursuant to Rules 13.08 of the GEM Listing Rule.

1. EXERCISE OF THE REPURCHASE MANDATE

As at 20 March 2003, being the latest practicable date (the “Latest Practicable Date”) prior to the printing of this circular, the issued share capital of the Company comprised of 2,000,000,000 Shares of HK\$0.01 each. Subject to the passing of the resolution approving the Repurchase Mandate and on the basis that no further Shares are issued or repurchased by the Company prior to the AGM, the Company would be allowed under the Repurchase Mandate to repurchase a maximum of 200,000,000 Shares, represent 10% of the total issue shares of the Company.

2. REASONS FOR REPURCHASES

The Directors believe that the Repurchase Mandate is in the best interests of the Company and its Shareholders as it would enable the Directors to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value and/or earnings per Share and will only be made when the Directors believe that such repurchase will benefit the Company and its Shareholders.

3. FUNDING OF REPURCHASES

Any repurchase may only be financed out of funds of the Company legally available for such purpose in accordance with its memorandum and articles of association and the applicable laws of the Cayman Islands. The Company will not repurchase Shares on the GEM for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time.

There might be a material adverse impact on the working capital or gearing position of the Company (as compared with the position disclosed in its audited consolidated financial statements for the year ended 31 December, 2002) in the event that the Repurchase Mandate is exercised in full. However, the Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of the Company or its gearing level which in the opinion of the Directors are from time to time appropriate for the Company.

4. SHARE PRICES

The highest and lowest prices at which the Shares were traded on GEM since the listing of the Shares on GEM on 30 September 2002 were as follows:

	Price per Share	
	Highest <i>HK\$</i>	Lowest <i>HK\$</i>
2002		
September (from 30 September 2002)	0.410	0.375
October	0.410	0.300
November	0.340	0.260
December	0.290	0.250
2003		
January	0.310	0.255
February	0.405	0.305
March (up to 20 March 2003 being the Latest Practicable Date prior to the printing of this document)	0.400	0.350

5. UNDERTAKING OF THE DIRECTORS

The Directors have undertaken to the Stock Exchange that they will exercise the power of the Company to repurchase Shares pursuant to the Repurchase Mandate in accordance with the GEM Listing Rules, the memorandum and articles of association of the Company and the applicable laws of the Cayman Islands.

6. DISCLOSURE OF INTEREST

None of the Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their respective associates, has a present intention to sell any Shares to the Company if the Repurchase Mandate is approved by the Shareholders.

No connected person (as defined in the GEM Listing Rules) of the Company has notified the Company that he/she/it has a present intention to sell Shares to the Company, or has undertaken not to do so, if the Repurchase Mandate is approved by the Shareholders.

7. GENERAL

If as a result of a repurchase of Shares, a Shareholder's proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition for the purposes of the Hong Kong Code on Takeovers and Mergers (the "Code"). As a result, a Shareholder or a group of Shareholders acting in concert (within the meaning under the Code) could, depending on the level of increase of the Shareholder's interests, obtain or consolidate control of the Company and then becomes obliged to make a mandatory offer in accordance with Rule 26 of the Code.

As at the Latest Practicable Date, Mr. Jiang Xiong was interested in 64.08% of the issued share capital of the Company. Details of Jiang Xiong are set out in the Company's prospectus dated 23 September 2002.

Assuming the full exercise of the power under the buyback mandate to repurchase Shares, the aggregate interest of Jiang Xiong in the issued share capital of the Company will be increased from around 64.08% to around 71.2% as reduced by such repurchase(s). Jiang Xiong may, according to the Code, be presumed to be acting in concert with each others unless the contrary is established. In the case of such increase, Jiang Xiong being held to be acting in concert with each others, would not become obliged to make a mandatory offer in accordance with Rule 26 of the Code in the event that the Repurchase Mandate is exercised in full. Save as disclosed above, the Directors are not aware of any Shareholder or a group of Shareholders acting in concert who may become obliged to such mandatory offer in the event that the Repurchase Mandate is exercised in full.

8. SHARE PURCHASE MADE BY THE COMPANY

No repurchases of Shares have been made by the Company since dealing in Shares on the GEM commenced on 30 September 2002, whether on the Stock Exchange or otherwise.