

CHAIRMAN'S STATEMENT

On behalf of the board of directors of Hong Tong Holdings Limited (the "Company"), I am pleased to present the annual report of the Company and its subsidiaries (collectively the "Group") for the year ended 31 March 2003 (the "Year").

CHANGE OF COMPANY NAME

The Company has changed its name from "Yew Sang Hong (Holdings) Limited" to "Hong Tong Holdings Limited" on 5 May 2003. Trading of the Company's shares under the new name commenced on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 9 May 2003. The change of the Company's name is to better reflect the Group's diversified business activities in Hong Kong and the People's Republic of China (the "PRC") and to enhance the Company's corporate image.

BUSINESS REVIEW

The change of the Company's name provided a good footnote to the Group's endeavors made during the Year. In the past, the Group focused mainly on the electrical engineering contracting business. With the series of vertical integration and horizontal diversification measures taken during the Year, the Group has successfully expanded its business scope.

The Group's diversification is made in light of the structural change in the Hong Kong building construction market, which has an adverse impact on the industry that is fundamental and not cyclical in nature. In particular, the termination of the Home Ownership Scheme has dealt a severe blow to the Group's operations. Added to the economic plight were the uncertainties brought by the United State's war against Iraqi and the outbreak of severe acute respiratory syndrome ("SARS"). Under the circumstances, Hong Kong suffered recalcitrant deflation and record high unemployment, with almost each and every sector teetering in pain, which directly and indirectly cast ill fortunes on the electrical engineering market.

The difficult operating environment was bad enough for the electrical engineering industry; worse, however, was the change in the rule of the game. Ever since 1997, the Hong Kong economy has been spiraling downwards. To stimulate the economy, the government abandoned its goal of providing 85,000 housing units a year, then suspended (and later terminated) the Home Ownership Scheme, and finally scaled down public housing development. This abrupt reversal of policy has great impact on electrical engineering service providers including the Group and other building construction related sectors. Adding salt to their wounds is the fact that the government faced with a fiscal deficit decided to reduce public development spending, which resulted in the cancellation or suspension of some major projects including the Tamar site redevelopment.

Vertical integration

Given the above, despite some of the Group's subsidiaries being suspended by several government bodies from tendering for electrical engineering and materials supply projects, nonetheless such projects available for tender were substantially less during the Year as a result of reduced public housing projects and other public works. While the Group focused on completing its projects on hand, it



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diverted its core business towards electrical engineering maintenance and the supply of electrical materials that provide steadier revenue, targeting at property developers, estate management companies, public utilities, hotels, schools and educational institutions. Moreover, the Group has been seeking opportunities for its electrical engineering and maintenance businesses in the PRC. During the Year, the Group completed an electrical installation project at an amount of approximately HK\$5.1 million for a printing factory in Dongguan, Guangdong, which is expected to be a stepping-stone for the Group to increase its PRC exposure. The Group is now planning to tender for a number of similar projects in the PRC.

On 19 December 2002, the Company entered into a joint venture agreement with 深圳市一輝實業有限公司 (Shenzhen Brilliant Industrial Co., Ltd.) to form a joint venture company known as 深圳耀生行建築諮詢服務有限公司 (Shenzhen Yew Sang Hong Construction Consultant Services Limited) to engage in consultancy and advisory services in respect of various construction engineering and equipment and materials trading business in the PRC.

Horizontal diversification

As I mentioned earlier, apart from vertical integration the Group also made horizontal diversification in order to better utilize its capital and to enhance the returns for shareholders. It should be emphasized that careful consideration and strong caution are the prerequisites before the Group is committed to any project.

In April 2002, the Group established a number of companies to engage in corporate and business consultancy, direct investments and securities businesses. The Group believes that the financial sector will play a more important role in Hong Kong amidst the transformation of the economy. Hong Kong will continue to be a major financial centre of the Southeast Asia region. The Group is therefore optimistic about the prospects of its securities business.

In June 2002, the Group entered into a joint venture agreement with 大公國際資信評估有限公司 (Dagong International Credit Rating Company Limited) to form a joint venture. The joint venture is engaged in the provision of various kinds of credit information services in the PRC to domestic and overseas institutional investors. In July 2002, the Group acquired a 60% equity interest in Cyber Touch Limited which owns a 100% interest in 北京易行商盟在線網絡技術有限公司 (「北京易行」), a PRC company engaged in the provision of internet travel booking service.

Subsequent to the Year-end, the Group suspended a proposed investment of acquiring a 24.9% interest in a PRC company that is engaged in investment management services. As the PRC company failed to complete its internal assets reorganization on schedule, the Group could not complete the due diligence review and decided to suspend the proposed investment.

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OUTLOOK

The Group is now in a state of transition. On the one hand, the Group is striving to minimize the adverse impact brought by the contraction of the electrical engineering market. Solid measures include expanding the private sector business, extending service to the PRC market, and vertically integrating into construction related businesses to capitalize on the Group's strong experience and competitive advantages. On the other hand, the Group is actively making horizontal diversification to increase its sources of revenue and profit, with Hong Kong as the base and the PRC the major market.

We are now addressing two fronts: one concerns the Group's core businesses and related services, the other concerns the Group's new businesses. The Hong Kong economy is not expected to improve significantly in the short term. The Group must spend greater efforts to outmaneuver the competitors and speed up its business development in the PRC market. The main tactics for securing the second front boil down to ensuring that the new businesses can deliver the expected returns and closely monitoring their performance and progress.

Nonetheless, we are optimistic about the Group's long-term prospects. The PRC economy is moving on the right track, attracting an increasing amount of foreign investment. Overseas financial firms are being admitted as Qualified Foreign Institutional Investors ("QFII") to operate in the PRC capital markets. It is also expected that those PRC firms with Qualified Domestic Institutional Investors ("QDII") status will be allowed to invest in Hong Kong's financial market within this year. With the opening up of the financial market in the PRC and its further integration with the Hong Kong counterpart, there will be great development potential for the Group's corporate and business consultancy, direct investments and securities businesses, as well as its finance related investment projects.

Moreover, now that Hong Kong and the PRC have signed the Closer Economic Partnership Arrangement ("CEPA"), various categories of products made in Hong Kong will enjoy "zero tariff" for their imports into the PRC, which will create new opportunities for the Group's electrical and component trading business. Furthermore, with the PRC's increasing emphasis on environmental protection and technology improvement, there are favorable investment opportunities available for consideration, and the Group is currently evaluating several projects related to environmental protection utilizing electrical engineering technology.

While we cannot say for sure when the Group can turn the odds around, we will seize every second and minute to ensure that the Group can achieve a successful transformation as soon as possible.



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APPRECIATION

I would like to take this opportunity to express my sincerest gratitude to our shareholders for their support, and to all our staff, business associates and customers for their trust and guidance.

On behalf of the Board

Hon Ming Kong

Chairman

Hong Kong, 18 July 2003