

The Stock Exchange of Hong Kong Limited 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.



YEW SANG HONG (HOLDINGS) LIMITED **耀生行 (集團) 有限公司***

(Incorporated in the Cayman Islands with limited liability)

ANNOUNCEMENT

The Directors noted the recent increases in the market price of the Shares and wish to state that the Board is not aware of any reason for such increases. To clarify the current position of the Group, information regarding the financial position, share price and trading volume, public float and recent transactions of the Group is set out in this announcement.

At the request of the Company, trading in the Shares was suspended with effect from 10:01 a.m. on Thursday, 25 July, 2002 pending the publication of this announcement. Application has been made to the Stock Exchange for resumption of trading in the Shares with effect from 9:30 a.m. on Thursday, 1 August 2002.

Shareholders and investors should note that the closing price of the Shares has increased from HK\$0.69 on 18 December 2001 to HK\$9.20 on 24 July 2002 and there is a high concentration of the Shares in the hands of a small number of Shareholders, details of which are set out in this announcement. The Directors have been advised that the SFC is conducting an enquiry in respect of the dealings in the Shares. Investors are advised to exercise caution when dealing in the Shares and to seek professional advice if they are in doubt.

INTRODUCTION

The directors (the “Directors”) of Yew Sang Hong (Holdings) Limited (the “Company”) noted the recent increases in the market price of the shares (the “Shares”) in the Company and wish to state that the board of Directors (the “Board”) is not aware of any reason for such increases. To clarify the current position of the Company and its subsidiaries (the “Group”), information regarding the financial position, share price and trading volume, public float and recent transactions of the Group is set out in this announcement.

FINANCIAL POSITION

Based on the audited consolidated results of the Group for the year ended 31 March 2002 as announced on 30 July 2002, the audited profit attributable to the shareholders of the Company (the “Shareholders”) for the year ended 31 March 2002 was approximately HK\$885,000, representing earnings per Share of approximately HK\$0.0044 based on 200,000,000 Shares in issue as at 31 March 2002. The audited consolidated net assets of the Group as at 31 March 2002 were approximately HK\$105,784,000, representing net asset value per Share of approximately HK\$0.53 based on 200,000,000 Shares in issue as at 31 March 2002.

SHARE PRICE AND TRADING VOLUME

To illustrate the price performance and trading volume of the Shares on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”), (i) the highest closing price; (ii) the lowest closing price; (iii) the total trading volume; (iv) the average daily trading volume; and (v) the percentage of the average daily trading volume of the Shares as compared with the total number of Shares in issue during the period from 18 December 2001 (being the date of the announcement of the interim results of the Group) to 24 July 2002 (being the last trading day prior to the suspension of trading of the Shares) are set out as follows:

Month	Highest closing price (HK\$)	Lowest closing price (HK\$)	Total trading volume for the month (in Shares)	Average daily trading volume (in Shares)	Average daily trading volume to total number of Shares in issue
2001					
December (<i>Note 1</i>)	0.850	0.690	924,000	115,500	0.06%
2002					
January	1.550	0.840	6,018,000	273,545	0.14%
February	2.850	1.440	27,775,900	1,633,876	0.82%
March	3.325	2.825	59,428,000 (<i>Note 2</i>)	2,971,400 (<i>Note 2</i>)	1.49% (<i>Note 2</i>)
April	4.850	2.925	12,818,000	640,900	0.32%
May	6.150	4.525	38,628,000	1,829,429	0.91%
June (<i>Note 3</i>)	6.200	5.850	15,586,000	779,300	0.35%
July (<i>Note 3</i>)	9.200	6.300	9,430,000	523,889	0.23%

Note 1: since 18 December 2001, being the date of announcement of the interim results of the Group

Note 2: the total trading volume for the month of March includes 56,000,000 Shares which were disposed of by YSH Investments Limited to Highworth Venture Limited, a company wholly owned by Mr. Hon Ming Kong, details of which are set out in the announcement of the Company dated 4 March 2002. Without taking into account the 56,000,000 Shares being disposed of, the average daily trading volume for the month of March would be 171,400 Shares, representing approximately 0.09% when compared with the total number of 200,000,000 Shares in issue in that month.

Note 3: based on total number of 223,800,000 Shares in issue upon completion of a placing of new Shares in June 2002

Source: www.hkex.com.hk

As illustrated in the above table, the lowest closing price was HK\$0.69 recorded on 18 December 2001 and the highest closing price was HK\$9.20 recorded on 24 July 2002, representing an increase of around 12 times during the said period. The highest closing price of HK\$9.20 represents **a price earnings multiple of around 2,091 times and a premium of around 16.4 times** over the audited net asset value per Share of approximately HK\$0.53 based on 200,000,000 Shares in issue as at 31 March 2002. Based on the existing total number of 223,800,000 Shares in issue and the closing price of HK\$9.20 as at 24 July 2002, the market capitalisation of the Company was around **HK\$2.1 billion**.

PUBLIC FLOAT

As detailed in the announcement of the Company dated **28 June 2002**, the Company received a letter dated **10 June 2002** from the Stock Exchange in relation to a high concentration of the public float of the Company in the hands of a small number of Shareholders. The Directors have been informed by the Stock Exchange that, on the basis of the information provided by the Securities and Futures Commission (the “SFC”) to the Stock Exchange, as at 21 May 2002:

- (i) YSH Investments Limited, a company beneficially owned by Mr. Lai Sai Sang and his wife, being the Chairman of the Company and a Director respectively, held 94,000,000 Shares, representing 47.0% of the then issued share capital of the Company (based on 200,000,000 Shares in issue as at 21 May 2002);
- (ii) Highworth Venture Limited, a company wholly owned by Mr. Hon Ming Kong, being a Director, held 56,000,000 Shares, representing 28.0% of the then issued share capital of the Company (based on 200,000,000 Shares in issue as at 21 May 2002); and
- (iii) 10 Shareholders held 38,862,000 Shares, representing approximately 19.4% of the then issued share capital of the Company (based on 200,000,000 Shares in issue as at 21 May 2002).

The shareholding as set out in items (i) to (iii) collectively accounted for approximately 94.4% of the then issued share capital of the Company. Accordingly, there is a high concentration of the public float of the Company in the hands of a small number of investors.

As detailed in the announcement of the Company dated 21 May 2002, the Company has entered into a placing and underwriting agreement in respect of the placing of 23,800,000 new Shares with independent investors. The placing has been completed on 19 June 2002. The information on the high concentration of Shares was not provided to the the placing agents or the places prior to completion of the placing.

The Company also noted that, for the period from 22 May 2002 to 25 June 2002, YSH Investments Limited has disposed of 15,298,000 Shares (the “Disposed Shares”), representing approximately 6.8% of the issued share capital of the Company as at 28 June 2002, in the market. Based on information provided by the SFC to the Stock Exchange, the SFC found that 14,134,000 Shares, representing approximately 92.4% of the Disposed Shares, were taken up by 4 overseas entities. These 4 overseas entities are amongst the 10 investors previously identified holdings the Shares as at 21 May 2002.

The Company was further informed by the Stock Exchange that, based on further enquiry by the SFC, the situation of high concentration of the Shares continued. Based on information provided to the Company, on or around 5 July 2002, the three substantial shareholders (namely, YSH Investments Limited, Highworth Venture Limited and AWH Fund Limited) together with 10 investors held a total of 201,666,000 Shares, representing approximately 90.1% of the total issued Shares. Under such circumstances, the Directors are considering to conduct an investigation under Section 18 of the Securities (Disclosure of Interests) Ordinance (Cap.396) to establish the identity of the Shareholders and their respective shareholdings in the Company. Separate announcements will be made when (i) the Company commences the investigation; and (ii) the result of the investigation is available.

RECENT TRANSACTIONS

Subsequent to the announcement of the interim results of the Group for the six months ended 30 September 2001, the Company has completed a number of transactions.

On 2 May 2002, the Company entered into a letter of intent with an independent party in the People's Republic of China (the "PRC") relating to the formation of a joint venture company in the PRC. The joint venture company is expected to be principally engaged in consultancy and advisory services in respect of various construction engineering (including electrical and mechanical engineering) and equipment and materials trading business (including electrical and mechanical engineering equipment and materials) in the PRC. At present, the Company and the PRC party are in the process of arranging the formation of the joint venture company.

On 21 May 2002, the Company entered into a conditional placing and underwriting agreement with two independent placing agents for the placing of 23,800,000 new Shares at a placing price of HK\$5.13 per placing share to independent investors. The placing has been completed on 19 June 2002.

In accordance with the corporate strategy of the Company as mentioned in the interim report of the Company, the Directors have always been exploring investment opportunities in the PRC for the Group. To diversify the business portfolio of the Group, the Company has established certain companies to engage in corporate and business consultancy and securities businesses.

In anticipation of the upsurge of investment activities in the capital market of the PRC after the accession of the PRC into the World Trade Organisation, an indirect wholly-owned subsidiary of the Company on 27 June 2002 has entered into a co-operative agreement, a joint venture agreement and a capital injection agreement with Dagong International Credit Rating Company Limited in relation to the formation of a joint venture company in the PRC. The joint venture is expected to be principally engaged in the provision of various kinds of credit information services to local and overseas institutional investors, financial institutions, regulatory authorities, government departments and economic research houses. At present, the Company and Dagong International Credit Rating Company Limited are in the process of arranging the formation of the joint venture company.

Details of the transactions were disclosed in the announcements of the Company dated 3 May 2002, 21 May 2002 and 28 June 2002 respectively.

Subsequent to the announcement of the above transactions, an indirect subsidiary of the Company also entered into a sale and purchase agreement dated 18 July 2002 with two independent third parties in relation to the **acquisition of 60% of the issued share capital in Cyber Touch Limited**, a holding company incorporated in the British Virgin Islands, for **an aggregate consideration of HK\$18 million**. The principal asset of the holding company is its 100% interest in 北京易行商盟在線網絡技術有限公司 (the “Project Company”), a company incorporated in the PRC in June 2000 and has been principally engaged in the manufacture and sale of computer software and network products. Based on the unaudited management accounts of the Project Company for the five months ended 31 May 2002, the Project Company recorded **a net loss of approximately RMB0.4 million and net assets of approximately RMB1.3 million**. To ascertain the business potentials of Cyber Touch Limited, the Company performed financial due diligence review on the Project Company and obtained a business valuation of Cyber Touch Limited as at 30 June 2002 at approximately HK\$30.37 million as prepared by VC Partners (Asia) Limited, an independent valuer. In view that the consideration represents a slight discount of approximately 1.2% to the valuation and taking into account the business prospects of the Project Company, the Directors are of the opinion that the acquisition is in the interests of the Company. Such acquisition does not constitute a notifiable transaction for the Company under the Rules Governing the Listing of Securities on the Stock Exchange.

Further, the Company is currently ascertaining the feasibility of making a strategic investment in an investment and trust company in the PRC. The discussion is still at preliminary stage and no terms and conditions have been agreed in this regard. Accordingly, the investment may or may not materialise.

GENERAL

Save as mentioned herein, the Directors confirm that there are no negotiations or agreements relating to intended acquisitions or realisations which are discloseable under paragraph 3 of the Listing Agreement nor are the Directors aware of any matter discloseable under the general obligation imposed by paragraph 2 of the Listing Agreement which is or may be of a price sensitive nature.

At the request of the Company, trading in the Shares was suspended with effect from 10:01 a.m. on Thursday, 25 July, 2002 pending the publication of this announcement. Application has been made to the Stock Exchange for resumption of trading in the Shares with effect from 9:30 a.m. on Thursday, 1 August 2002.

Shareholders and investors should note that the closing price of the Shares has increased from HK\$0.69 on 18 December 2001 to HK\$9.20 on 24 July 2002 and there is a high concentration of the Shares in the hands of a small number of Shareholders. The Directors have been advised that the SFC is conducting an enquiry in respect of the dealings in the Shares. Investors are advised to exercise caution when dealing in the Shares and to seek professional advice if they are in doubt.

By Order of the Board
Yew Sang Hong (Holdings) Limited
Lai Sai Sang
Chairman

Hong Kong, 31 July 2002

* *For identification purpose only*

Please also refer to the published version of this announcement in The Standard.