



Report of the Directors

The directors present their report and the audited financial statements of the Company and the Group for the year ended 31 March 2001.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the Group's principal subsidiaries are set out in note 13 to the financial statements. There were no significant changes in the nature of the Company's and the Group's principal activities during the year.

SEGMENTAL INFORMATION

An analysis of the Group's turnover and contribution to profit from operating activities by principal activity and geographical location of operations for the year ended 31 March 2001 is as follows:

	Turnover		Contribution to profit from operating activities	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
By activity:				
Sale of laminates	190,294	151,622	14,880	10,105
Sale of printed circuit boards ("PCBs")	70,868	72,728	4,741	2,482
Sale of copper foils	11,030	9,963	3,518	2,255
	<u>272,192</u>	<u>234,313</u>	<u>23,139</u>	<u>14,842</u>
By geographical location:				
People's Republic of China ("PRC"):				
Hong Kong	198,765	166,171	16,461	11,065
Elsewhere	24,283	21,146	1,899	1,401
Overseas	49,144	46,996	4,779	2,376
	<u>272,192</u>	<u>234,313</u>	<u>23,139</u>	<u>14,842</u>

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 March 2001 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 23 to 48.

An interim dividend of 1 HK cent per ordinary share was paid during the year. The directors recommended the payment of a final dividend of 1 HK cent per ordinary share in respect of the year, to shareholders whose names appear on the Register of Members on 23 August 2001. This recommendation has been incorporated in the financial statements.

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SUMMARY FINANCIAL INFORMATION

A summary of the published results and of the assets and liabilities of the Group for the last five financial years, as extracted from the audited financial statements, after the prior year adjustment in relation to the deferred pre-operating expenses in 2000 and reclassified as appropriate, is set out below:

	Year ended 31 March				
	2001 HK\$'000	2000 HK\$'000	1999 HK\$'000	1998 HK\$'000	1997 HK\$'000
Turnover	<u>272,192</u>	<u>234,313</u>	<u>232,706</u>	<u>347,024</u>	<u>309,588</u>
Profit/(loss) before tax	12,892	3,486	(20,455)	21,702	16,957
Tax	<u>(1,833)</u>	<u>(302)</u>	<u>1,920</u>	<u>81</u>	<u>(711)</u>
Net profit/(loss) from ordinary activities attributable to shareholders	<u>11,059</u>	<u>3,184</u>	<u>(18,535)</u>	<u>21,783</u>	<u>16,246</u>
	As at 31 March				
	2001 HK\$'000	2000 HK\$'000	1999 HK\$'000	1998 HK\$'000	1997 HK\$'000
Fixed assets	188,513	207,627	214,033	224,347	253,203
Trademark	2,166	2,156	2,156	–	–
Current assets	132,043	145,045	143,351	200,249	237,803
Current liabilities	<u>(96,316)</u>	<u>(117,308)</u>	<u>(135,241)</u>	<u>(180,590)</u>	<u>(193,703)</u>
Net current assets	<u>35,727</u>	<u>27,737</u>	<u>8,110</u>	<u>19,659</u>	<u>44,100</u>
Total assets less current liabilities	226,406	237,520	224,299	244,006	297,303
Long term portion of bank loans and other borrowings	(2,213)	(4,969)	(9,812)	(14,727)	(60,946)
Long term portion of finance lease creditors	(629)	(861)	(3,740)	(120)	(256)
Deferred tax	<u>–</u>	<u>–</u>	<u>–</u>	<u>(1,732)</u>	<u>(1,732)</u>
Net assets	<u>223,564</u>	<u>231,690</u>	<u>210,747</u>	<u>227,427</u>	<u>234,369</u>

FIXED ASSETS

Details of movements in the Group's fixed assets are set out in note 12 to the financial statements.

PROPERTIES HELD FOR RESALE

Details of the Group's properties held for resale are set out in note 16 to the financial statements.



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SUBSIDIARIES

Details of the Company's principal subsidiaries are set out in note 13 to the financial statements.

BANK LOANS AND OTHER BORROWINGS

Details of the bank loans and other borrowings of the Group at the balance sheet date are set out in note 18 to the financial statements.

SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the Company's share capital and share options during the year, together with reasons therefor, are set out in note 21 to the financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's bye-laws or the laws of Bermuda which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the year, the Company repurchased certain of its shares on The Stock Exchange of Hong Kong Limited and these shares were all subsequently cancelled by the Company. Further details of these transactions are set out in note 21 to the financial statements.

Apart from the foregoing, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 22 to the financial statements.

DISTRIBUTABLE RESERVES

At the balance sheet date, the Company's reserves available for cash distribution and/or distribution in specie amounted to HK\$82,186,000. In addition, the Company's share premium account may be distributed in the form of fully paid bonus shares.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, the turnover attributable to the Group's five largest customers accounted for less than 25% of the total turnover for the year.

In the year under review, the purchases attributable to the Group's five largest suppliers accounted for approximately 73% of the total purchases for the year and purchases from the largest supplier included therein amounted to approximately 35%.



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MAJOR CUSTOMERS AND SUPPLIERS (Continued)

As far as the directors are aware, neither the directors, their associates, nor those shareholders which to the best knowledge of the directors own more than 5% of the Company's share capital, had any beneficial interest in the Group's five largest customers and suppliers.

DIRECTORS

The directors of the Company during the year were:

Executive directors:

Mr Lau Kwai
Mr Lau Chung Yim
Mr Lau Chung Hung
Mr Lau Hing Hai
Ms Lau May Wah
Mr Lau Chung Man

Independent non-executive directors:

Mr Chan Wai Nam
Mr Leung Hon Ming

In accordance with clause 87 of the Company's bye-laws, Mr Lau Chung Hung and Ms Lau May Wah will retire at the forthcoming annual general meeting and, being eligible, will offer themselves for re-election.

BRIEF BIOGRAPHICAL DETAILS IN RESPECT OF DIRECTORS AND SENIOR MANAGEMENT STAFF

Executive directors:

Mr Lau Kwai, aged 81, is the chairman of the Group. He is responsible for overseeing the management of the Group and formulating the overall strategic plans of the Group. He founded the Group in 1977 and has over 35 years' experience in the laminate and PCB industries. He is the member of Hong Kong Chiu Kiu Fraternity Ltd.

Mr Lau Chung Yim, aged 50, is the managing director of the Group and a son of Mr Lau Kwai. He assists the chairman in corporate planning and is also responsible for the overall administration of the Group. He holds a bachelor's degree in mechanical engineering from University Mass at Lowell, United States of America (the "USA"). He joined the Group in 1977 and has over 23 years' experience in the production of laminates and PCBs.

Mr Lau Chung Hung, aged 48, is a son of Mr Lau Kwai and is in charge of the sales and marketing of laminate products. He holds a master's degree in business administration from the University of East Asia, Macau and a bachelor's degree in business administration from Shue Yan College, Hong Kong. He joined the Group in 1977 and has over 27 years' experience in the trading of laminates and PCBs.



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BRIEF BIOGRAPHICAL DETAILS IN RESPECT OF DIRECTORS AND SENIOR MANAGEMENT STAFF (Continued)

Executive directors: (Continued)

Mr Lau Hing Hai, aged 46, is a son of Mr Lau Kwai and is in charge of the corporate policies, corporate development, and the set-up of a new laminate plant in Suzhou, the PRC. He holds a bachelor's degree in business administration from the University of Southwestern Louisiana, USA. He joined the Group in 1978 after his graduation and has 23 years' experience in the corporate product lines and market development.

Ms Lau May Wah, aged 53, is a daughter of Mr Lau Kwai and is in charge of the Group's overall administration. She joined the Group in 1977 and has over 27 years' experience in administration.

Mr Lau Chung Man, aged 37, is a son of Mr Lau Kwai and is the assistant managing director of Bangkok Industrial Laminate Company Limited. He is responsible for overseeing the administration and production aspects of the copper foil plant located in Bangkok, Thailand. Before joining the Group in 1994, he had 5 years' experience in electrical engineering design in the fields of integrated circuits and electronic ballast. He graduated with a bachelor of science degree in electrical engineering from the University of Southern California, USA, and holds a master of science degree in electrical engineering from the University of California, San Diego, USA. He is one of the co-inventors of two US patents.

Independent non-executive directors:

Mr Chan Wai Nam, aged 82, is a director and general manager of Singapore Trading Co., Ltd., the chairman and general manager of Ping Shan Enterprise Co., Ltd., the vice-chairman of Sui Ping Enterprise Co., Ltd., the chairman of Hong Kong Maize & Feed Importers Association, the president of Hong Kong Chiu Chow Chamber of Commerce, the permanent president of Chao Zhou Natives Association (Macau), the Honorary Chairman of CPPCC Shantou Committee. Mr Chan has over 55 years' experience in the import and export business and animal feed industry. He is also the deputy of the 8th Guangdong Provincial Committee of the People's Congress of the PRC and a member of the first Hong Kong Selection Committee. Mr Chan has been awarded the titles of Honourable Citizen of Guangzhou, Honourable Citizen of Shantou, Honourable Citizen of Chaozhou, the Badge of the Fifth Class White Elephant Exalted by the Royal of Thailand and the Bronze Bauhinia Star exalted by the Government of HKSAR. He was appointed as a non-executive director in 1994.

Mr Leung Hon Ming, aged 48, is a director of Seniorman Design Limited. He holds a bachelor's degree in architecture from the University of Southwestern Louisiana, USA. He is a member of the Hong Kong Institute of Architects and the Royal Institute of British Architects, and has been registered as an Authorised Person (List 1) since 1981. Mr Leung has over 21 years of professional experience in architectural, interiors and urban planning in Hong Kong and the PRC. He was appointed as a non-executive director in 1995.

Senior management staff:

Mr Yeung Ching Wan, aged 30, is the financial controller and company secretary of the Group. He is responsible for the finance, legal, company secretarial and accounting functions of the Group. He holds a bachelor's degree in accountancy and is a fellow member of the Association of Chartered Certified Accountants. He is also an associate member of the Hong Kong Society of Accountants, the Institute of Chartered Secretaries and Administrators, and the Hong Kong Institute of Company Secretaries. Prior to joining the Group, he worked for international accounting firms and a financial institution. Mr Yeung joined the Group in March 2000.

BRIEF BIOGRAPHICAL DETAILS IN RESPECT OF DIRECTORS AND SENIOR MANAGEMENT STAFF (Continued)

Senior management staff: (Continued)

Mr Ho Siu Long, aged 32, is the senior marketing manager of the industrial laminate division of the Group. He is responsible for the marketing and sale of laminate products in Hong Kong and overseas. He graduated from the Chinese University of Hong Kong with a bachelor's degree in business administration. Mr Ho joined the Group in 1996 and has 5 years' experience in the marketing of industrial laminates and PCBs. Prior to that, he worked as the plant manager of a plastic injection factory in the PRC.

Ms Lau Mei Chun, Samantha, aged 43, is a daughter of Mr Lau Kwai. She is the marketing manager for the printed circuit board division, specialising in the development of the North American market. Before joining the Group in 1998, she had 14 years of experience in the finance and accounting fields with several major multinational corporations in the USA and Canada. She holds a bachelor's degree in science from the University of Southern California, USA and a master's degree in business administration from the California State University, Los Angeles, USA.

Mr Leung Kuing Cheung, aged 52, is the general manager of Bangkok Industrial Laminate Company Limited. He is responsible for overseeing the entire operation of the electrodeposited copper foil plant in Thailand. Before joining the Group in late 2000, he has more than 26 years experience in electronics industry in Hong Kong. Of which, 22 years engaged in the printed circuit board industry and the related raw materials in both manufacturing and marketing aspects. He has a master's degree in business administration from Kennedy Western University, California, USA as well as a fellow member of the Institute of Manufacturing and the Professional Business and Technical Management of the United Kingdom.

Mr Lau Chung Pun, Daniel, aged 34, is a son of Mr Lau Kwai and is the production manager of Zhongshan Nam Hing Insulating Material Limited. He holds a bachelor's degree and a master's degree in electrical engineering from the University of Southern California, USA. He had extensive experience in computer software simulations before joining the Group in 1995.

Mr Ma Xin Sheng, aged 42, is the manager of Suzhou Nam Hing Industrial Laminate Company Limited and is in charge of the construction of the Suzhou factory. He joined the Group in 1996. Mr Ma holds a master's degree in chemical engineering from the East China University of Science and Technology, PRC, and is a member of the council of the Membrane Science Society of the PRC. He has 14 years' experience working in the research and production of chemicals and has received prize from the National Education Committee of the PRC for some of his research.

EMOLUMENTS OF DIRECTORS AND THE SEVEN HIGHEST PAID EMPLOYEES

Details of the emoluments of the directors and the seven highest paid employees are set out in notes 6 and 7 to the financial statements, respectively.



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DIRECTORS' SERVICE CONTRACTS

On 1 January 2000, the Company entered into service contracts with each of the executive directors, with the exception of Ms Lau May Wah, for the provision of management services by these directors to the Group for a period of three years.

On 1 January 2000, the Company entered into a service contract with Emerald Hope Investments Limited for the provision of management services by Ms Lau May Wah to the Group for a period of three years. Mr Lau Kwai, Mr Lau Chung Yim and Ms Lau May Wah are the directors of Emerald Hope Investments Limited.

All service contracts have a remaining unexpired period of 21 months as at the balance sheet date.

Save as disclosed above, no director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

During the year, the Company had service contracts with certain directors, as disclosed in the section headed "Directors' service contracts" above.

Apart from the above, no director had a material beneficial interest in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

DIRECTORS' INTERESTS IN THE SECURITIES OF THE COMPANY OR ITS ASSOCIATED CORPORATIONS

At the balance sheet date, the interests of the directors in the securities of the Company recorded in the register required to be kept under Section 29 of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance") were as follows:

	Notes	Number of shares held and nature of interest	
		Personal interests	Other interests
Mr Lau Kwai	(a)	1,500,000	87,696,000
Mr Lau Chung Yim	(b)	15,798,000	42,078,400
Mr Lau Chung Hung		17,000,000	–
Mr Lau Hing Hai	(c)	–	15,851,200
Ms Lau May Wah	(d)	1,500,000	17,539,200
Mr Lau Chung Man		5,070,000	–
Mr Chan Wai Nam		1,100,000	–



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DIRECTORS' INTERESTS IN THE SECURITIES OF THE COMPANY OR ITS ASSOCIATED CORPORATIONS (Continued)

Notes:

- (a) The shares held under other interests are held by Woohei Inc. as trustee of The Woohei Unit Trust, all the units (other than one unit which is beneficially owned by Mr Lau Kwai's spouse, Ms Fong Shun Yum) of which are beneficially owned by The Lau Kwai Trust, a discretionary trust, the beneficiaries of which include the spouse and issue of Mr Lau Kwai.
- (b) The shares held under other interests are held by Dragon Power Inc. as trustee of The Dragon Power Unit Trust, all the units (other than one unit which is beneficially owned by Mr Lau Chung Yim's spouse, Ms Tam Wai Ling, Josephine) of which are beneficially owned by The Jopat Trust, a discretionary trust, the beneficiaries of which include Mr Lau Chung Yim, his spouse and issue.
- (c) The shares held under other interests are held by Inland Inc. as trustee of The Inland Unit Trust, all the units (other than one unit which is beneficially owned by Mr Lau Hing Hai's spouse, Ms Chan Ka Lam) of which are beneficially owned by The Hingka Trust, a discretionary trust, the beneficiaries of which include Mr Lau Hing Hai, his spouse and issue.
- (d) The shares held under other interests are held by Joybless Inc. as trustee of The Joybless Unit Trust, all the units (other than one unit which is beneficially owned by Mr Lau Chung Yim) of which are beneficially owned by The Lau May Wah Trust, a discretionary trust, the beneficiaries of which include the issue of Ms Lau May Wah.

The interests of the directors in the share options of the Company are separately disclosed in the section headed "Directors' rights to acquire shares".

Save as disclosed above, none of the directors, chief executives or their associates had any personal, family, corporate or other interests in the securities of the Company or its associated corporations as recorded in the register required to be kept under Section 29 of the SDI Ordinance, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.



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DIRECTORS' RIGHTS TO ACQUIRE SHARES

Pursuant to the Company's share option scheme, the Company has granted options on the Company's ordinary shares in favour of certain directors, the details of which are as follows:

Name of director	Number of share options at 31 March 2000	Number of share options lapsed during the year	Number of share options outstanding at end of year	Exercise period of share options	Exercise price of share options HK\$
Mr Lau Kwai	2,400,000	(2,400,000)	–	From 8 July 1997 to 7 July 2000	0.48
	1,500,000	–	1,500,000	From 7 January 2000 to 6 January 2003	0.262
Mr Lau Chung Yim	2,400,000	(2,400,000)	–	From 8 July 1997 to 7 July 2000	0.48
	1,500,000	–	1,500,000	From 7 January 2000 to 6 January 2003	0.262
Mr Lau Chung Hung	2,400,000	(2,400,000)	–	From 8 July 1997 to 7 July 2000	0.48
	3,000,000	–	3,000,000	From 7 January 2000 to 6 January 2003	0.262
Mr Lau Hing Hai	2,400,000	(2,400,000)	–	From 8 July 1997 to 7 July 2000	0.48
	3,000,000	–	3,000,000	From 7 January 2000 to 6 January 2003	0.262
Ms Lau May Wah	2,400,000	(2,400,000)	–	From 8 July 1997 to 7 July 2000	0.48
	1,500,000	–	1,500,000	From 7 January 2000 to 6 January 2003	0.262
Mr Lau Chung Man	500,000	(500,000)	–	From 5 May 1997 to 4 May 2000	0.44
	<u>23,000,000</u>	<u>(12,500,000)</u>	<u>10,500,000</u>		

Save as disclosed above, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the Company's directors, or their associates, to acquire such benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Further details of the Company's share option scheme are set out in note 21 to the financial statements.



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SUBSTANTIAL SHAREHOLDERS

At the balance sheet date, the following shareholders had notified the Company of an interest in 10% or more of the issued share capital of the Company:

Name	Number of shares held
Woohei Inc.	87,696,000
Dragon Power Inc.	42,078,400

These interests have also been disclosed as “Other interests” of Mr Lau Kwai and Mr Lau Chung Yim, respectively, in the section headed “Directors’ interests in the securities of the Company or its associated corporations” above.

Save as disclosed above, no other person had registered an interest in the share capital of the Company as recorded in the register required to be kept under Section 16(1) of the SDI Ordinance.

PENSION SCHEME

Details of the pension scheme of the Group and the employer’s pension costs charged to the profit and loss account for the year are set out in notes 2 and 4 to the financial statements, respectively.

CODE OF BEST PRACTICE

In the opinion of the directors, the Company has complied with the Code of Best Practice (“the Code”) as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited throughout the accounting period covered by the annual report, except that the non-executive directors of the Company were not appointed for specific terms, but are subject to rotation and re-election at each annual general meeting in accordance with the bye-laws of the Company. The Company established an audit committee in 1999 in accordance with paragraph 14 of the Code.

AUDITORS

Ernst & Young retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

Lau Kwai
Chairman

Hong Kong
19 July 2001