



Chairman's Statement

I am pleased to report to shareholders the annual report of Nam Hing Holdings Limited (the "Company") and its subsidiaries (collectively referred to the "Group") for the year ended 31 March 2002.

DIVIDEND

The Board of Directors of the Company does not recommend the payment of a final dividend for the current year.

BUSINESS REVIEW

Last year was a challenging year for the Group. The global economic climate deteriorated dramatically during the year especially after the terrible events of 11 September 2001 and the Group was of no exception.

The Group's consolidated turnover for the year ended 31 March 2002 was HK\$218,046,000 (2001: HK\$272,192,000), represented a decrease of 20% from that of last year. During the second half of the financial year, the market demand and also the pricing of electronic products were undergoing a slowdown and the sluggish global economic environment further speeded up the downturn. The gross profit margin dropped from 24% to 11% during the year. The Group recorded a net loss from ordinary activities attributable to shareholders amounting to HK\$20,083,000 (2001: a net profit from ordinary activities attributable to shareholders amounted to HK\$11,059,000). In view of the sluggish economic situation, management took a conservative approach for the financial year to write off and provide for inventories amounting to HK\$5,289,000, bad and doubtful debts amounting to HK\$2,118,000 and also impairment in value of the Group's properties held for resale at Fo Tan and Yuen Long, New Territories amounting to HK\$1,300,000. Interest expenses had successfully been reduced from HK\$10,247,000 for the year ended 31 March 2001 to HK\$6,941,000 for the year ended 31 March 2002. The remarkable improvement by 32% is attributed to the lower interest rates and management's effort in better utilisation of the Group's financial resources.



Industrial Laminate Manufacturing Plant in Zhongshan, PRC

Industrial Laminate

For the year ended 31 March 2002, the sale of industrial laminate recorded a decrease of 28% to HK\$136,514,000 (2001: HK\$190,294,000). This was mainly attributable to the sharp decrease in product pricing and the downturn of demand of

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industrial laminate for producing telecommunication and computer related products. In order to maintain competitiveness of the products, the Group continued to control the cost of raw materials as well as production costs and strengthen its credit risk management.

Despite that the current economic situation is unstable, management considered there are still enormous opportunities in the PRC after its entry into the World Trade Organisation. The construction of the Suzhou plant in the PRC is currently well in progress. Upon completion of the Suzhou plant, the Group is able to serve the demand of industrial laminates in Northern China, as well as to further expand the overseas markets.



Industrial Laminates Manufacturing Plant in Zhongshan, PRC

Printed Circuit Board ("PCB")

For the year ended 31 March 2002, the PCB business recorded a slight increase in turnover of 3% to HK\$73,157,000 (2001: HK\$70,868,000).

Though the market demand for computer and electronic telecommunication related products dropped sharply during the financial year, there was increasing demand for household products and thus drove the turnover of the PCB business upward. With the aim to cope with the keen market competition of the business, certain new production lines and machineries were acquired during the year to enhance the production capacity and efficiency.

On top of the ISO 9002 quality certificate granted to the PCB division of the Group in 1997, the division plans to obtain the QS 9000 quality certificate in near future. The granting of such certificate would facilitate the division to explore further new markets, in particular the motor vehicle industry.



PCB Manufacturing Plant in Dongguan, PRC

Copper Foil

The copper foil plant in Thailand is a long term strategic investment of the Group and a substantial portion of the products was supplied to other group companies, which manufacture industrial laminates and multi-layer PCBs. Such vertical integration can definitely maintain the competitive edge of our industrial laminate and PCB businesses. For the year ended 31 March 2002, the copper foil business recorded a drop in sale to external third parties of 24% from HK\$11,030,000 to HK\$8,375,000.



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Copper Foil Manufacturing Plant in Thailand

It is management intention to place continuous emphasis on the research and development of the copper foil plant and explore new markets for this product in the Asia-Pacific Region. These actions can further enhance the quality and increase the turnover of such high technological product.

Prospects

Owing to the downturn of the global economy during the year, the pricing and demand of electronic products are inevitably affected. In order to maintain competitiveness within the industry, the Group would continuously adopt a conservative operating strategy, including streamlining the business structure, tightening the control over operating costs, and strengthening its credit risk management. In August 2002, a new production line for paper laminates at the existing Zhongshan plant will be launched and the production capacity of industrial laminates will be increased by 30%. Besides, following the launch of the industrial laminate plant in Suzhou, the PRC, the Group will penetrate into Northern China domestic market for its products and be definitely benefited from the entry of the PRC into the World Trade Organisation. In addition, the exploration of Southern China domestic market for industrial laminates by the Group's production base at Zhongshan has an impressive progress and the management expected that the promising domestic China market will be the major profit contributor to the Group in future.



New Industrial Laminate Manufacturing Plant in Suzhou, PRC

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It is also the aim of the management to maintain good management quality and implement the quality assurance system of the Group's various production bases. The industrial laminate plant in Zhongshan, has upgraded from ISO 9002 (1994 version) quality certificate to ISO 9001 (2000 version) quality certificate during the year; while the PCB plant in Dongguan plans to obtain the QS 9000 quality certificate in near future. By so doing, the quality assurance of these plants can be further enhanced, and various new markets can be explored.



New Industrial Laminate Manufacturing Plant in Suzhou, PRC

Liquidity and Financial Resources

The Group mainly relies upon internally generated funds as well as bank borrowings to finance its operations and expansion projects. As at 31 March 2002, the current ratio of the Group maintained at approximately 1.23 (2001: 1.42) and the net current assets were approximately HK\$23 million (2001: HK\$39 million), which represented a decrease of 41% when compared with the corresponding amount at 31 March 2001.

Owing to the low market interest rates, management considered that it is advantageous for the Group to obtain additional, but not excessive, banking facilities for expanding its production capacity and improving efficiency. Though the total interest-bearing borrowings increased from HK\$51 million as at 31 March 2001 to HK\$77 million as at 31 March 2002, the Group's gearing ratio, which was calculated based on the total interest-bearing borrowings and the shareholders' equity, could still maintain at a comfortable level of 0.37 (2001: 0.22) in view of its current operating capability. The increase in gearing ratio was mainly attributable to the drawdown of bank loans for financing the construction of the Suzhou plant and the new production line at Zhongshan plant.



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To minimise exposure to foreign exchange fluctuations, the Group's borrowings and cash balances are primarily denominated in Hong Kong dollars, United States dollars and Renminbi. The Group has no significant exposure to foreign exchange rate fluctuation. Besides, the Group's medium-term borrowings have not been hedged by any interest rate financial instruments due to the easing of interest rates.

Contingent liabilities

At 31 March 2002, the Company had guarantees given to banks in connection with facilities granted to its subsidiaries to the extent of approximately HK\$99,458,000 (2001: HK\$66,668,000), of which HK\$61,662,000 (2001: HK\$46,302,000) had been utilised at the balance sheet date.

Pledge of assets

At 31 March 2002, the amount of the Group's assets pledged as security for banking facilities was HK\$48,205,000 (2001: HK\$43,054,000).

Employment, Training and Remuneration Policy

During the year, the Group continued to adopt a conservative approach towards the size of workforce and commit to staff development and training programs. The Group has approximately 1,036 employees as at 31 March 2002. The remuneration package of the employees are approved by the Board of Directors, and the discretionary bonus are reviewed based on individual performance and the Group's operating results.



Brushing Machine in Zhongshan Plant

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Monday, 19 August 2002 to Friday, 23 August 2002 (both days inclusive), during which period no transfer of shares of the Company will be registered and no shares will be allotted and issued on the exercise of the subscription rights attaching to the outstanding share options granted by the Company. In order to qualify for attending the forthcoming Annual General Meeting of the Company, all transfers of shares of the Company accompanied by the relevant share certificates and the appropriate transfer forms must be lodged with the Company's Share Registrar in Hong Kong, Tengis Limited, at 4/F, Hutchison House, 10 Harcourt Road, Central, Hong Kong for registration not later than 4:00 p.m. on Friday, 16 August 2002.



Hydraulic Hot-press Laminating Machine in Zhongshan Plant

APPRECIATION

On behalf of the Board of Directors, I would like to express my sincere appreciation to all the management and staff for their diligence and continuing support.

On behalf of the Board

Lau Kwai

Chairman

Hong Kong, 19 July 2002