



Report of the Directors

The directors present their report and the audited financial statements of Nam Hing Holdings Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) for the year ended 31 March 2002.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of its principal subsidiaries are set out in note 15 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.

RESULTS AND DIVIDENDS

The Group’s loss for the year ended 31 March 2002 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 21 to 56.

The directors do not recommend the payment of any dividends in respect of the year.

SEGMENT INFORMATION

An analysis of the Group’s turnover and contribution to results by principal activity and geographical area of operations for the year ended 31 March 2002 is set out in note 4 to the financial statements.

SUMMARY OF 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 and reclassified as appropriate, is set out below. The amounts of current liabilities as at 31 March 1998 and 2001 have been adjusted for the effects of the retrospective change in accounting policy affecting dividends, as detailed in note 2 to the financial statements.

	Year ended 31 March				
	2002	2001	2000	1999	1998
	HK\$’000	HK\$’000	HK\$’000	HK\$’000	HK\$’000
Turnover	<u>218,046</u>	<u>272,192</u>	<u>234,313</u>	<u>232,706</u>	<u>347,024</u>
Profit/(loss) before tax	(19,539)	12,892	3,486	(20,455)	21,702
Tax	<u>(544)</u>	<u>(1,833)</u>	<u>(302)</u>	<u>1,920</u>	<u>81</u>
Net profit/(loss) from ordinary activities attributable to shareholders	<u>(20,083)</u>	<u>11,059</u>	<u>3,184</u>	<u>(18,535)</u>	<u>21,783</u>

SUMMARY OF FINANCIAL INFORMATION (Continued)

	As at 31 March				
	2002 HK\$'000	2001 HK\$'000 (Restated)	2000 HK\$'000	1999 HK\$'000	1998 HK\$'000 (Restated)
Fixed assets	195,655	188,513	207,627	214,033	224,347
Trademark	2,177	2,166	2,156	2,156	–
Current assets	121,967	132,043	145,045	143,351	200,249
Current liabilities	(99,302)	(92,598)	(117,308)	(135,241)	(177,498)
Net current assets	<u>22,665</u>	<u>39,445</u>	<u>27,737</u>	<u>8,110</u>	<u>22,751</u>
Total assets less current liabilities	220,497	230,124	237,520	224,299	247,098
Long-term portion of bank loans and other borrowings	(7,552)	(2,213)	(4,969)	(9,812)	(14,727)
Long-term portion of finance lease creditors	(7,414)	(629)	(861)	(3,740)	(120)
Deferred tax	–	–	–	–	(1,732)
	<u><u>205,531</u></u>	<u><u>227,282</u></u>	<u><u>231,690</u></u>	<u><u>210,747</u></u>	<u><u>230,519</u></u>

FIXED ASSETS

Details of movements in the Group's fixed assets are set out in note 14 to the financial statements.

PROPERTIES HELD FOR RESALE

Details of the Group's properties held for resale 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 the reasons therefor, are set out in note 23 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

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year.



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RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 24 to the financial statements.

DISTRIBUTABLE RESERVES

At 31 March 2002, the Company's reserves available for cash distribution and/or distribution in specie amounted to HK\$73,218,000. In addition, the Company's share premium account in the amount of HK\$120,339,000 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 60% of the total purchases for the year and purchases from the largest supplier included therein amounted to approximately 21%.

As far as the directors are aware, neither the directors of the Company, their associates, nor those shareholders which to the best knowledge of the directors own more than 5% of the Company's issued share capital, had any beneficial interest in the Group's five largest customers and five largest 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 Chan Wai Nam and Mr Leung Hon Ming will retire at the forthcoming annual general meeting and, being eligible, will offer themselves for re-election.

Report of the Directors



*Mr Lau Kwai
Chairman*

BRIEF BIOGRAPHICAL DETAILS IN RESPECT OF DIRECTORS AND SENIOR MANAGEMENT STAFF

Executive directors:

Mr Lau Kwai, aged 82, 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 36 years' experience in the laminate and printed circuit board ("PCB") industries. He is a member of Hong Kong Chiu Kiu Fraternity Ltd.

Mr Lau Chung Yim, aged 51, 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 24 years' experience in the production of laminates and PCBs.



*Mr Lau Chung Yim
Managing Director*

Mr Lau Chung Hung, aged 49, is a son of Mr Lau Kwai and is in charge of the sales and marketing of industrial 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 28 years' experience in the trading of laminates and PCBs.

Mr Lau Hing Hai, aged 47, is a son of Mr Lau Kwai and is in charge of the corporate policies and corporate development of the Group. 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 24 years' experience in the corporate product lines and market development.

Ms Lau May Wah, aged 54, is a daughter of Mr Lau Kwai and is the general manager of Nam Hing Circuit Board (Dongguan) Co., Ltd.. She joined the Group in 1977 and has over 28 years' experience in PCB industry.

Mr Lau Chung Man, aged 38, is a son of Mr Lau Kwai. 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.



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

Independent non-executive directors:

Mr Chan Wai Nam, aged 83, is a president of Federation of HK Chiu Chow Community Organisations, 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 Zhao Natives Association (Macau), the Honorary Chairman of CPPCC Shantou Committee. Mr Chan has over 56 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 the HKSAR. He was appointed as a non-executive director in 1994.

Mr Leung Hon Ming, aged 49, 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 22 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 Ho Siu Long, aged 33, 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 6 years' experience in the marketing of industrial laminates and PCBs. Before joining the Group, he worked as the plant manager of a plastic injection factory in the PRC.

Ms Lau Mei Chun, Samantha, aged 44, is a daughter of Mr Lau Kwai. She is the marketing manager for the PCB division, specialising in the development of the North American market. Before joining the Group in 1998, she had 14 years of experience in 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 Thanos Suphaya – Achin, aged 32, is the assistant general manager of Bangkok Industrial Laminate Company Limited. He is responsible for overseeing the entire operation of the electrodeposited copper foil plant in Thailand. He has a master's degree in Business Economics from National Institute of Development Administration and a bachelor degree in Biology from Srinakharinwirot University. Mr Suphaya has joined the Group since July 2000 and has 9 years experience in manufacturing industries.

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

Senior management staff: (Continued)

Mr Lau Chung Pun, Daniel, aged 35, 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 Xinsheng, aged 43, is the manager of Suzhou Nam Hing Industrial Laminate Co., Ltd. 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 15 years' experience working in the research and production of chemicals and has received prizes from the National Education Committee of the PRC for some of his research.

Mr Leung Kwok Keung, aged 39, is the financial controller and company secretary of the Group. He holds a bachelor's degree in accountancy. He is a fellow member of The Association of Chartered Certified Accountants and an associate member of the Hong Kong Society of Accountants. Before joining the Group in January 2002, he worked for an international accounting firm in Hong Kong for 12 years.

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 had a remaining unexpired period of 9 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.



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

At 31 March 2002, the interests of the directors and chief executives and their associates in the securities of the Company or any of its associated corporations, as recorded in the register maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance") or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

Name of director	Notes	Number of ordinary 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)	19,582,000	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	–

Notes:

- 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.
- 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.
- 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.
- 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 "Share option scheme" below.

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 pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Apart from as disclosed under the heading "Share option scheme" below, 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.

DIRECTORS' INTEREST IN COMPETING BUSINESS

During the year and up to the date of this report, none of the directors who are considered to have interests in the business which compete or are likely to compete, either directly or indirectly, with the businesses of the Group other than those businesses where the directors have been appointed or were appointed as directors to represent the interests of the Company and/ or the Group, pursuant to the Listing Rules.

SHARE OPTION SCHEME

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include the Company's directors, including independent non-executive directors, and other employees of the Group. The Scheme was adopted by the Company's shareholders on 12 January 1994 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of shares in respect of which share options permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue from time to time excluding any shares issued pursuant to the Scheme. The total number of shares issuable under share options to each eligible participant in the Scheme should not exceed 25% of the aggregate number of shares for the time being issued and issuable under the Scheme.

The offer of a grant of share options may be accepted within 28 days from the date of the offer with HK\$1.00 as consideration for the grant thereof being payable by the grantee. The exercise period of the share options granted is determinable by the directors and in any event such period shall not exceed a period of 3 years commencing on the expiry of 6 months after the acceptance of the options and expiring on the last day of such period or the expiry date of the Scheme, whichever is earlier.

The exercise price of the share options is determinable by the directors, and shall be the higher of (a) the nominal value of the shares of the Company; and (b) a price being not less than 80% of the average closing price of the Company's shares on the Stock Exchange for the five trading days immediately preceding the date of the offer.

Shall there be a paragraph stating that most of the terms of the Scheme do not comply with the new Chapter 17 of the Listing Rules and that resolution will be proposed at the Company's forthcoming annual general meeting to terminate the Scheme and to adopt a new share option scheme complying with such new Listing Rules.



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SHARE OPTION SCHEME (Continued)

The following information on share options is required to be disclosed pursuant to the Listing Rules:

Name or category of participant	Number of share options outstanding at 1 April 2001	Number of share options exercised during the year	Number of share options lapsed during the year	Number of share options outstanding at 31 March 2002	Date of grant of share options	Exercise period of share options	Exercise price of share options
							HK\$
<i>Directors</i>							
Mr Lau Kwai	1,500,000	-	-	1,500,000	7 July 1999	From 7 January 2000 to 6 January 2003	0.262
Mr Lau Chung Yim	1,500,000	-	-	1,500,000	7 July 1999	From 7 January 2000 to 6 January 2003	0.262
Mr Lau Chung Hung	3,000,000	-	-	3,000,000	7 July 1999	From 7 January 2000 to 6 January 2003	0.262
Mr Lau Hing Hai	3,000,000	-	-	3,000,000	7 July 1999	From 7 January 2000 to 6 January 2003	0.262
Ms Lau May Wah	1,500,000	-	-	1,500,000	7 July 1999	From 7 January 2000 to 6 January 2003	0.262
<i>Other employees</i>							
	150,000	(50,000)*	(100,000)	-	10 February 1998	From 10 August 1998 to 8 August 2001	0.168
	1,270,000	-	(420,000)	850,000	22 May 2000	From 22 November 2000 to 21 November 2003	0.2104
	1,270,000	-	(420,000)	850,000	22 May 2000	From 22 November 2001 to 21 November 2003	0.2104
	1,270,000	-	(420,000)	850,000	22 May 2000	From 22 November 2002 to 21 November 2003	0.2104
	<u>14,460,000</u>	<u>(50,000)</u>	<u>(1,360,000)</u>	<u>13,050,000</u>			

* The weighted average closing price of the shares immediately before the date on which the options were exercised is HK\$0.239.

Summary details of the Company's share option scheme are also set out in note 23 to the financial statements.

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SUBSTANTIAL SHAREHOLDERS

At 31 March 2002, the following shareholders had notified the Company of an interest in 10% or more of the issued share capital of the Company:

Name of shareholder	Number of shares held	Percentage of the Company's issued capital
Woohei Inc.	87,696,000	23.58%
Dragon Power Inc.	42,078,400	11.32%

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.

CODE OF BEST PRACTICE

In the opinion of the directors, the Company 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 throughout the accounting period covered by the annual report, except that the independent non-executive directors of the Company were not appointed for specific terms as required by paragraph 7 of the Code, but are subject to rotation and re-election at each annual general meeting in accordance with the bye-laws of the Company.

AUDIT COMMITTEE

The Company has an audit committee which was established in accordance with the requirements of the Code, for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. The audit committee comprises the two independent non-executive directors of the Company.

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 2002