

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 2003.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of its principal subsidiaries are set out in note 16 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 2003 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 20 to 61.

An interim dividend of 1 HK cent per ordinary share was paid during the year. The directors do not recommend the payment of a final dividend in respect of the year.

SUMMARY OF FINANCIAL INFORMATION

A summary of the published results and 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 turnover and profit before tax for the year ended 31 March 2001 have been adjusted for the retrospective changes in accounting policy affecting foreign currencies, as detailed in notes 2, 3 and 26(a) to the financial statements.

	Year ended 31 March				
	2003 HK\$’000	2002 HK\$’000	2001 HK\$’000 (Restated)	2000 HK\$’000	1999 HK\$’000
Turnover	<u>223,722</u>	<u>218,046</u>	<u>277,143</u>	<u>234,313</u>	<u>232,706</u>
Profit/(loss) before tax	<u>(9,800)</u>	<u>(19,539)</u>	<u>14,233</u>	<u>3,486</u>	<u>(20,455)</u>
Tax	<u>(178)</u>	<u>(544)</u>	<u>(1,833)</u>	<u>(302)</u>	<u>1,920</u>
Net profit/(loss) from ordinary activities attributable to shareholders	<u>(9,978)</u>	<u>(20,083)</u>	<u>12,400</u>	<u>3,184</u>	<u>(18,535)</u>

SUMMARY OF FINANCIAL INFORMATION (continued)

	2003	2002	At 31 March		
			2001	2000	1999
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Fixed assets	192,380	195,655	188,513	207,627	214,033
Investment property	4,330	–	–	–	–
Trademark	2,171	2,177	2,166	2,156	2,156
Current assets	121,777	121,967	132,043	145,045	143,351
Current liabilities	(114,221)	(99,302)	(92,598)	(117,308)	(135,241)
Net current assets	7,556	22,665	39,445	27,737	8,110
Total assets less current liabilities	206,437	220,497	230,124	237,520	224,299
Long term portion of bank and other borrowings	(10,025)	(7,552)	(2,213)	(4,969)	(9,812)
Long term portion of finance lease payables	(3,927)	(7,414)	(629)	(861)	(3,740)
	192,485	205,531	227,282	231,690	210,747

FIXED ASSETS

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

INVESTMENT PROPERTY

Details of movements in the Group's investment property are set out in note 15 to the financial statements.

PROPERTIES HELD FOR RESALE

Details of the Group's properties held for resale are set out in note 19 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 25 to the financial statements.

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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 ordinary shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), and these shares were all subsequently cancelled by the Company. Further details of these transactions are set out in note 25 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 26 to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

At 31 March 2003, the Company's reserves available for cash distribution and/or distribution in specie amounted to HK\$76,114,000. In addition, the Company's share premium account in the amount of HK\$120,372,000 may be distributed in the form of fully paid bonus shares.

MAJOR CUSTOMERS AND SUPPLIERS

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

In the year under review, the purchases attributable to the Group's five largest suppliers accounted for approximately 56% of the total purchases for the year and purchases from the largest supplier included therein amounted to approximately 25%.

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.

Report of the Directors

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

(resigned on 1 November 2002)

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 Hing Hai will retire at the forthcoming annual general meeting and, being eligible, will offer himself for re-election.



Mr Lau Kwai
Chairman

BRIEF BIOGRAPHICAL DETAILS IN RESPECT OF DIRECTORS AND SENIOR MANAGEMENT STAFF

Executive directors:

Mr Lau Kwai, aged 83, 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 37 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
Managing Director

Mr Lau Chung Yim, aged 52, 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") and is a registered professional engineer in the province of Ontario, Canada. He joined the Group in 1975 and has over 27 years' experience in the production of laminates and PCBs.

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

Mr Lau Chung Hung, aged 50, is a son of Mr Lau Kwai and is in charge of the sales and marketing of the Group's industrial laminate products. He holds a master's degree in business administration from the University of East Asia, Macau, a post-graduate diploma in corporate administration from City University of Hong Kong, Hong Kong and a diploma in business administration from Shue Yan College, Hong Kong. Mr Lau is an associate member of The Hong Kong Institute of Company Secretaries and The Institute of Chartered Secretaries and Administrators. He joined the Group in 1977 and has over 29 years' experience in the trading of laminates and PCBs.

Mr Lau Hing Hai, aged 48, 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, the USA. He joined the Group in 1978 after his graduation and has 25 years' experience in the corporate product lines and market development.

Ms Lau May Wah, aged 55, 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 29 years' experience in the PCB industry.

Independent non-executive directors:

Mr Chan Wai Nam, aged 84, is a chairman of the 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., the chairman of Hong Kong Maize and Feed Importers Association, the permanent president of Chao Zhou Natives Association (Macau), the Honorary Chairman of CPPCC Shantou Committee and the vice-chairman of Sui Ping Enterprise Co., Ltd. Mr Chan has over 57 years' experience in the import and export business and animal feed industry. He is also 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 and 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. Chan is also a member of the Audit Committee of the Company.

Mr Leung Hon Ming, aged 50, is a director of Seniorman Design Limited. He holds a bachelor's degree in architecture from the University of Southwestern Louisiana, the 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 23 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. He is also a member of the Audit Committee of the Company.

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

Senior management staff:

Ms Lau Mei Chun, Samantha, aged 45, is a daughter of Mr Lau Kwai. She is the marketing manager of 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 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, the USA and a master's degree in business administration from the California State University, Los Angeles, the USA.

Mr Lau Chung Pun, Daniel, aged 36, 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, the USA. He had extensive experience in computer software simulations before joining the Group in 1995.

Mr Thanee Suphaya-Achin, aged 33, 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 holds a master's degree in business economic from the National Institute of Development Administration and a bachelor's degree in biology from Srinakharinwirot University. Mr Suphaya has joined the Group since July 2000 and has 10 years' experience in manufacturing industries.

Mr Leung Kwok Keung, aged 40, 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 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.

Ms Chan Ching Man, aged 43, is the administrative manager of the Group. She joined the Group in 1981 and has extensive experience in office administration and human resources field.

Mr Chi Shui Fong, aged 53 is the administrative manager of Zhongshan Nam Hing Insulating Material Limited and Suzhou Nam Hing Industrial Laminate Limited, wholly-owned subsidiaries of the Company. He joined the Group in 1987.

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 also the directors of Emerald Hope Investments Limited.

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DIRECTORS' SERVICE CONTRACTS (continued)

On 1 January 2003, the Company entered into service contracts with each of the executive directors for the provision of management services by these directors to the Group for a term of three years.

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 SHARES

At 31 March 2003, the interests of the directors and chief executives and their associates in the share capital 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 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)	24,394,000	42,078,400
Mr Lau Chung Hung		17,000,000	–
Mr Lau Hing Hai	(c)	–	15,851,200
Ms Lau May Wah		19,039,200	–
Mr Chan Wai Nam		1,100,000	–

Notes:

- (a) The shares held under other interests are held by Woohai Inc. as trustee of The Woohai 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.

DIRECTORS' INTERESTS IN SHARES (continued)

- (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.

In addition to the above, certain directors of the Company hold shares in certain subsidiaries of the Company in a non-beneficial capacity, solely for the purpose of complying with the minimum company membership requirements.

The interests of the directors in the share options of the Company are separately disclosed in note 25 to the financial statements.

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 in the share option scheme disclosures in note 25 to the financial statements, 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' INTERESTS IN A COMPETING BUSINESS

During the year and up to the date of this report, none of the directors who are considered to have interests in a business which competes or is 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 Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

SHARE OPTION SCHEMES

Due to the adoption of Statement of Standard Accounting Practice No. 34 "Employee benefits" during the year, most of the detailed disclosures relating to the Company's share option schemes have been moved to note 25 to the financial statements.

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SUBSTANTIAL SHAREHOLDERS

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

Name	Number of shares held	Percentage of the Company's issued share capital
Woohei Inc.	87,696,000	23.59%
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 shares" 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 Listing Rules 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

25 July 2003