

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 2004.

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 2004 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 60.

The directors do not recommend the payment of any dividends by the Company 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. This summary does not form part of the audited financial statements.

	Year ended 31 March				
	2004	2003	2002	2001	2000
	HK\$’000	HK\$’000	HK\$’000	HK\$’000	HK\$’000
Turnover	257,599	223,722	218,046	277,143	234,313
Profit/(loss) before tax	(15,525)	(9,800)	(19,539)	14,233	3,486
Tax	38	(178)	(544)	(1,833)	(302)
Net profit/(loss) from ordinary activities attributable to shareholders	(15,487)	(9,978)	(20,083)	12,400	3,184

SUMMARY OF FINANCIAL INFORMATION (continued)

	At 31 March				
	2004	2003	2002	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Fixed assets	188,186	192,380	195,655	188,513	207,627
Investment property	4,480	4,330	–	–	–
Trademark	2,170	2,171	2,177	2,166	2,156
Current assets	131,142	121,777	121,967	132,043	145,045
Current liabilities	(119,280)	(114,221)	(99,302)	(92,598)	(117,308)
Net current assets	11,862	7,556	22,665	39,445	27,737
Total assets less current liabilities	206,698	206,437	220,497	230,124	237,520
Long term portion of bank and other borrowings	(13,944)	(10,025)	(7,552)	(2,213)	(4,969)
Long term portion of finance lease payables	(1,749)	(3,927)	(7,414)	(629)	(861)
	191,005	192,485	205,531	227,282	231,690

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.

PROPERTY HELD FOR RESALE

Details of the Group's property 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.

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, REDEMPTION OR SALE 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.

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

As at 31 March 2004, the Company's reserves available for cash distribution and/or distribution in specie amounted to HK\$74,889,000. In addition, the Company's share premium account in the amount of HK\$124,711,000 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 30% 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 57% of the total purchases for the year and purchases from the largest supplier included therein amounted to approximately 23%.

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.

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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

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 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 84, 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 38 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 53, 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 28 years' experience in the production of laminates and PCBs.

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

Executive directors: (continued)

Mr Lau Chung Hung, aged 51, 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 30 years' experience in the trading of laminates and PCBs.

Mr Lau Hing Hai, aged 49, 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 26 years' experience in the corporate product lines and market development.

Ms Lau May Wah, aged 56, 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 30 years' experience in the PCB industry.

Independent non-executive directors:

Mr Chan Wai Nam, aged 85, 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, Mr Chan has over 58 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 51, 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 24 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. Mr. Chan is also a member of the Audit Committee of the Company.

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

Senior management staff:

Ms Lau Mei Chun, Samantha, aged 46, 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 37, 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 34, 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 economic from the National Institute of Development Administration and a bachelor's degree in biology from Srinakharinwirot University. Mr Suphaya-Achin joined the Group in July 2000 and has 11 years' experience in manufacturing industries.

Mr Leung Kwok Keung, aged 41, 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 44, 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 54, is the administrative manager of Suzhou Nam Hing Industrial Laminate Limited. He joined the Group in 1987.

DIRECTORS' SERVICE CONTRACTS

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.

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DIRECTORS' INTERESTS IN CONTRACTS

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

Apart from the above, no director had a material beneficial interest, either directly or indirectly, 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 AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 March 2004, the interests of the directors of the Company in the shares of the Company which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the Securities and Futures Ordinance (the "SFO") (including interests which he/she was deemed or taken to have under such provisions of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, to be notified to the Company and the Stock Exchange were as follows:

Interests in the Company:

Name of director	Long/ Short position	Capacity	Note	Number of ordinary shares of the Company interested	Percentage of the Company's issued share capital
Mr Lau Kwai	Long	Beneficial owner		1,500,000	0.37
	Long	Founder of a discretionary trust	(a)	87,696,000	21.82
	Long	Founder of a discretionary trust	(b)	42,078,400	10.47
	Long	Founder of a discretionary trust	(c)	15,851,200	3.94
Mr Lau Chung Yim	Long	Beneficial owner		26,806,000	6.67
	Long	Beneficiary of a trust	(a)	87,696,000	21.82
Mr Lau Chung Hung	Long	Beneficiary of a trust	(b)	42,078,400	10.47
	Long	Beneficial owner		16,000,000	3.98
Mr Lau Hing Hai	Long	Beneficiary of a trust	(a)	87,696,000	21.82
	Long	Beneficiary of a trust	(c)	15,851,200	3.94
Ms Lau May Wah	Long	Beneficial owner		19,039,200	4.74
Mr Chan Wai Nam	Long	Beneficiary of a trust	(a)	87,696,000	21.82
	Long	Beneficial owner		1,100,000	0.27

Notes:

- The shares were held by Woohei Inc. as trustee of The Woohei Unit Trust, all the units (other than one unit which was beneficially owned by Mr Lau Kwai's spouse, Ms Fong Shun Yum) of which were beneficially owned by The Lau Kwai Trust, a discretionary trust, the beneficiaries of which included the family members of Mr Lau Kwai.
- The shares were held by Dragon Power Inc. as trustee of The Dragon Power Unit Trust, all the units (other than one unit which was beneficially owned by Mr Lau Chung Yim's spouse, Ms Tam Wai Ling, Josephine) of which were beneficially owned by The Jopat Trust, a discretionary trust, the beneficiaries of which included Mr Lau Chung Yim, his spouse and issue.
- The shares were held by Inland Inc. as trustee of The Inland Unit Trust, all the units (other than one unit which was beneficially owned by Mr Lau Hing Hai's spouse, Ms Chan Ka Lam) of which were beneficially owned by The Hingka Trust, a discretionary trust, the beneficiaries of which included Mr Lau Hing Hai, his spouse and issue.

In addition to the above, as at 31 March 2004, certain directors of the Company held shares in certain subsidiaries of the Company in a non-beneficial capacity, solely for the purpose of complying with the minimum company membership requirements.

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DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

(continued)

Save as disclosed herein, as at 31 March 2004, none of the directors or chief executive of the Company had any interest/short position in the shares, underlying shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was deemed or taken to have under such provisions of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, to be notified to the Company and the Stock Exchange.

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").

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 31 March 2004, the following persons, not being a director or chief executive of the Company, had an interest in the shares of the Company, as recorded in the register required to be kept under section 336 of the SFO or as the directors are aware:

Name of substantial shareholder	Long/ Short position	Capacity	Note	Number of ordinary shares of the Company interested	Percentage of the Company's issued share capital
Ms Chan Ka Lam	Long	Interest of spouse	(a)	103,547,200	25.77
Ms Fong Shun Yum	Long	Interest of spouse	(b)	147,125,600	36.61
Mr Lo Tin Yuen	Long	Interest of spouse	(c)	106,735,200	26.56
Ms Tam Wai Ling Josephine	Long	Interest of spouse	(d)	156,580,400	38.97
Ms Wong Yuk Ching	Long	Interest of spouse	(e)	103,696,000	25.81
Woohei Inc.	Long	Trustee	(f)	87,696,000	21.82
Dragon Power Inc.	Long	Trustee	(f)	42,078,400	10.47
MeesPierson Trust (Asia) Limited	Long	Trustee	(f)	145,625,600	36.24

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SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES AND UNDERLYING SHARES (continued)

Notes:

- (a) Ms Chan Ka Lam was deemed to be interested in 103,547,200 shares of the Company through interest of her spouse, Mr Lau Hing Hai.
- (b) Ms Fong Shun Yum was deemed to be interested in 147,125,600 shares of the Company through interest of her spouse, Mr Lau Kwai.
- (c) Mr Lo Ting Yuen was deemed to be interested in 106,735,200 shares of the Company through interest of his spouse, Ms Lau May Wah.
- (d) Ms Tam Wai Ling Josephine was deemed to be interested in 156,580,400 shares of the Company through interest of her spouse, Mr Lau Chung Yim.
- (e) Ms Wong Yuk Ching was deemed to be interested in 103,696,000 shares of the Company through interest of her spouse, Mr Lau Chung Hung.
- (f) These interests have also been disclosed as the interests of the directors (other than Mr Chan Wai Nam) in the section headed "Directors' interests and short positions in shares and underlying shares" above.

Save as disclosed herein, as at 31 March 2004, no person, other than the directors of the Company whose interests are set out in the section headed "Directors' interests and short positions in the shares and underlying shares" above, had an interest or a short position in shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO.

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
23 July 2004