

# 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 as the "Group") for the year ended 31 March 2005.

## BUSINESS REVIEW AND PROSPECTS

The Group's consolidated turnover for the year ended 31 March 2005 was HK\$277,082,000, represented an increment of 7.6% from HK\$257,599,000 of last year. The results from ordinary activities attributable to shareholders has improved remarkably from a net loss of HK\$15,487,000 in 2004 to a net profit of HK\$5,018,000 in 2005. Gross profit margin grew significantly from 9.54% to 16.25% and the basic earnings per share increased to HK1.2488 cents during the year ended 31 March 2005.

### Industrial Laminate Division



New Industrial Laminate Plant in Suzhou, the PRC

The industrial laminate business, the key business unit of the Group, achieved a turnover of HK\$176 million for the year ended 31 March 2005. The gross profit margin of the division improved significantly from 4.8% for the year ended 31 March 2004 to 11.8% for the year under review.

For the year ended 31 March 2005, the pricing of the industrial laminates improved significantly. Such remarkable increase was attributable to the shortage of raw materials for producing the industrial laminates, as well as the huge demand of telecommunication and consumer electronics products such as audio and visual products by the end users. The division supplied 100% of industrial laminates to the Group's PCBs division. During the year under review, such inter-division sales have increased by around 30%, as a result of both the rise in quantity and unit price.

The installation of machinery of the Group's second laminate plant located in Suzhou is in the final stage and trial run is expected to be started in the fall of 2005. This project is financed by internally generated resources and additional banking facilities. Upon completion, the production capacity of the division will be increased substantially, and it is the Group's strategic plan to serve the potential customers in the eastern part of China.

### PCBs Division

For the year ended 31 March 2005, the PCBs business recorded a significant increase of turnover by 41.2% from HK\$70.1 million to HK\$99.0 million. Such increase was attributable to the increase in both the actual output and sale value, which were mainly due to the increase in demand of household audio and video products, and also the broadening of the Group's client bases to new geographical locations of the division.



One of the Drilling Machine in Dongguan Plant

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To cope with the keen competition, additional production accessories and machinery have been acquired in the Dongguan plant during the year under review to enhance the production capacity and efficiency. As such, the gross profit margin of the division improved from 20.9% in 2004 to 24.6% in 2005, and the segment results also improved significantly from HK\$25.4 million in 2004 to HK\$42.1 million in 2005.



Copper Foil Manufacturing Plant in Thailand

### Copper Foil Division

The copper foil plant in Thailand serves the role of an internal supplier of copper foil, a major raw material, to the other two business segments. Such vertical integration can definitely ensure the adequate supply and constant quality of copper foil and thus maintain the competitive edge of the Group's industrial laminate and PCBs businesses.

For the year ended 31 March 2005, the copper foil plant was able to maintain its operating efficiency and fulfilled more than 90% of the demand of the industrial laminate division. This plant is a long term capital investment of the Group and still has the capacity to produce more copper foil to fulfill additional demand of the product to the existing laminate plant in Zhongshan, as well as the second laminate plant in Suzhou.

Continuous emphasis will be placed on the research and development of the plant to further enhance the efficiency and yield of this high-end product, and additional effort will also be made on exploring new markets in the Asian Pacific Region.

### Conclusion

As the general market situation recovered gradually during the year ended 31 March 2005, the pricing of both the industrial laminates and PCBs can be maintained at a reasonable level. With a view to maintaining the Group's competitiveness in the industry, the management will keep on tightening the credit and costs controls, streamlining business structure, strengthening foreign currency risks management, as well as broadening product range and customers base.



Front View of the Industrial Laminate Plant in Zhongshan, the PRC

Moreover, the Group endeavours to maintain good management quality in the production plants to ensure competitiveness. All of the Group's three plants in Zhongshan, Dongguan and Thailand have implemented quality assurance system and obtained the ISO9001:2000 quality certificates.

With the Group's strong foundation and management expertise, and the management's commitment in quality assurance and continuous research and development, the management is optimistic in the performance of the Group in the future.

## LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2005, the current ratio of the Group maintained at 1.13 and the net current assets at HK\$13 million, represented an improvement of 3% and 11% respectively when compared with the corresponding figures as at 31 March 2004.

It is the Group's policy to rely on internally generated funds and bank borrowings to finance its operations and expansion projects. As at 31 March 2005, the Group's total cash and bank balances and pledged fixed deposits amounted to HK\$9.5 million (2004: HK\$12.6 million), while the total interest-bearing borrowings amounted to HK\$55.2 million (2004: HK\$74.0 million).

Due to the improvement of the operating results of the Group, its gearing ratio, which was calculated based on the total interest-bearing borrowings and the shareholders' equity, improved to a more comfortable level of 0.28 (2004: 0.39). Together with low market interest rates, the finance costs reduced to HK\$3.4 million from HK\$5.5 million for the corresponding year ended 31 March 2004.

The debt maturity profile of the Group is analysed as follows:

	<b>As at 31 March</b>	
	<b>2005</b>	2004
	<b>HK\$'000</b>	HK\$'000
Repayable within one year	<b>47,669</b>	58,326
Repayable in the second year	<b>2,906</b>	7,662
Repayable in the third to fifth years, inclusive	<b>4,116</b>	6,137
Repayable over the fifth year	<b>540</b>	1,894
	<b>55,231</b>	74,019

To minimise exposure on foreign exchange fluctuations, the Group's borrowings and cash and bank balances are primarily denominated in Hong Kong dollars, Thai baht and Renminbi. Besides, the Group's borrowings have not been hedged by any interest rate financial instruments due to the low interest rates.

### Contingent Liabilities

	<b>As at 31 March</b>	
	<b>2005</b>	2004
	<b>HK\$'000</b>	HK\$'000
Debts factored with recourse	<b>28,125</b>	38,657

At 31 March 2005, the Company had guarantees given to banks in connection with facilities granted to its subsidiaries to the extent of approximately HK\$70.0 million (2004: HK\$105.3 million), of which HK\$52.4 million (2004: HK\$68.0 million) had been utilised at the balance sheet date.

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The Group has a contingent liability in respect of possible future long service payments to employees under the Hong Kong Employment Ordinance, with a maximum possible amount of HK\$0.5 million (2004: HK\$0.6 million).

### Pledge of Assets

As at 31 March 2005, the Group's assets pledged as a security for banking facilities amounted to approximately HK\$47.5 million (2004: HK\$51.8 million).

### Employment, Training and Remuneration Policy

During the year under review, the Group continued to adopt a series of measures towards the size of workforce and commit to staff development and training programs. The Group has approximately 1,121 employees as at 31 March 2005 (2004: 1,187). Remunerations are commensurate with the nature of jobs, experience and market conditions. Eligible employees are offered with discretionary bonus and share options on individual and the Group's performance.

## CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Tuesday, 13 September 2005 to Friday, 16 September 2005 (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 to be held on Friday, 16 September 2005, 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 Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Monday, 12 September 2005.

## APPRECIATION

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

ON BEHALF OF THE BOARD

**Lau Kwai**

*Chairman*

Hong Kong  
26 July 2005