

The Directors submit their report together with the audited accounts for the year ended 31st December 2004.

### Principal Activities and Geographical Analysis of Operations

The principal activity of the Company is investment holding. Its subsidiaries are principally engaged in the manufacturing and trading of electric cable and wire products. The activities of the subsidiaries are set out in note 26 to the accounts.

An analysis of the Group's performance for the year by business and geographical segments is set out in note 2 to the accounts.

### Five Year Financial Summary

A summary of the results, assets and liabilities of the Group for the last five financial years is set out below:

	2000 HK\$'000	2001 HK\$'000	2002 HK\$'000	2003 HK\$'000	2004 HK\$'000
Turnover	241,130	205,510	227,635	238,928	<b>303,143</b>
Profit/(loss) attributable to shareholders	4,515	(9,142)	8,479	15,719	<b>15,150</b>
Total assets	219,251	186,478	187,141	201,200	<b>275,228</b>
Total liabilities	(90,087)	(72,066)	(66,240)	(65,913)	<b>(108,993)</b>
Shareholders' funds	129,164	114,412	120,901	135,287	<b>166,235</b>

### Analysis of the Group's Performance

An analysis of the Group's performance is shown in the Chairman's Statement on pages 9 to 11.

## REPORT OF THE DIRECTORS

### Major Customers and Suppliers

The percentages of purchases and sales for the year attributable to the Group's major suppliers and customers are as follows:

	%
Purchases	
– the largest supplier	<b>25</b>
– five largest suppliers combined	<b>68</b>
Sales	
– the largest customer	<b>19</b>
– five largest customers combined	<b>35</b>

None of the directors, their associates or any shareholder (which to the knowledge of the directors owns more than 5% of the Company's share capital) had an interest in the major suppliers or customers noted above.

### Results and Appropriations

The results of the Group for the year are set out in the consolidated profit and loss account on page 26.

The directors have declared an interim dividend of HK\$0.01 per ordinary share, totalling approximately HK\$1,990,000, which was paid on 21st October 2004.

The directors recommend the payment of a final dividend of HK\$0.02 per ordinary share, totalling approximately HK\$3,980,000.

### Share Capital

Details of share capital of the Company are set out in the note 18 to the accounts.

### Reserves

Movements in the reserves of the Group and of the Company during the year are set out in note 19 to the accounts.

### Distributable Reserves

At 31st December 2004, the distributable reserves of the Company amounted to HK\$83,438,000.

## Donations

Charitable donations made by the Group during the year amounted to HK\$1,141,000.

## Fixed Assets

Details of the movements in fixed assets of the Group are set out in note 11 to the accounts.

## Pre-emptive Rights

There are no provisions for pre-emptive rights under the Company's Bye-laws and there are no restriction against such rights under the laws of Bermuda.

## Purchase, Sale and Redemption of the Company's listed securities

The Company has not redeemed any of its shares during the year. Neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's shares during the year.

## Analysis of Bank Loans and Other Borrowings

The Group's bank loans and other borrowings as at 31st December 2004 are repayable over the following periods:

	<b>Bank loans</b>	<b>Hire purchase</b>	<b>Trust receipt loan</b>	<b>Total</b>
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
On demand or not exceeding one year	4,235	3,511	28,837	36,583
More than one year but not exceeding two years	3,349	3,695	–	7,044
More than two years but not exceeding five years	5,043	1,928	–	6,971
More than five years	244	–	–	244
	12,871	9,134	28,837	50,842

## REPORT OF THE DIRECTORS

### Directors

The Directors during the year were:

#### Executive Directors

MON Chung Hung (*Chairman*)

KOO Di An, Louise (*Deputy Chairman*)

SIU Yuk Shing, Marco

LI Man Wai

MON Tiffany

LI Ho Cheong (appointed on 30th September 2004)

#### Independent Non-Executive Directors

LAM Hon Mo, Frederick (resigned on 8th May 2004)

LAU Chun Kay

CHENG Kwok Kit, Edwin

LIAO Zhixiong (appointed on 1st September 2004)

Lau Chun Kay retires in accordance with clause 111(A) of the Company's Bye-laws and, being eligible, offer himself for re-election.

### Biographical Details of Directors and Senior Management

The biographical details of the Directors and senior management of the Company are set out as follows:

#### Executive Directors

*Mr Mon Chung Hung*, aged 54, is the Chairman of the Company. He is the founder of the Group and has over 27 years of experience in the electric cable and wire industry. He is responsible for the Group's overall strategic planning and policy making.

*Ms Koo Di An, Louise*, aged 53, is the Deputy Chairman and the Administration Director of the Company. She joined the Group in 1979 and is responsible for the overall administration of the Group. She is the wife of Mr Mon.

*Mr Siu Yuk Shing, Marco*, aged 46, is the Sales Director and is responsible for sales of the Group's products and product development. He joined the Group in 1986 and has over 17 years of experience in the electric cable and wire industry.

*Mr Li Ho Cheong*, aged 52, is the Marketing Director of the Company and is responsible for marketing of the Group's products and developing overseas clients and also developing new cables for the computer sector. He joined the Group in 1997 and has over 25 years of experience in the cable and wire industry.

*Ms Li Man Wai*, aged 50, is a Fellow of the Association of Chartered Certified Accountants of the United Kingdom and a Fellow of the Hong Kong Institute of Certified Public Accountants. She has more than 30 years of experience as a senior executive in finance and accounting primarily for manufacturing and trading companies. She also is experienced in office and factory management and for 13 years specialised in production and material control, and sales and marketing in China. She joined the Group in 2001 mainly responsible for finance and administration and she was appointed as the company secretary and qualified accountant on 5th February 2005.

*Ms Mon Tiffany*, aged 24, Marketing Communications Manager of the Group, responsible for developing various marketing strategies and overall internal or external communications. Attained a bachelor's double major degree in Economics and Management from the University of Sydney, Australia. She joined the Group since 2002.

### **Independent Non-Executive Directors**

*Mr Lau Chun Kay*, BSc, MBA, MIEE, MHKIE, aged 56, is a director of Analogue Holdings Ltd, an engineering group. He holds a master's degree in business administration and a bachelor's degree in electrical engineering from the University of Hong Kong, and is a registered professional engineer. Mr Lau is also the President of the Hong Kong Electrical Contractors' Association, and President of The Federation of Asian and Pacific Electrical Contractors Associations. He has over 32 years of experience in management and engineering.

*Mr. Cheng Kwok Kit, Edwin*, aged 42, is an independent non-executive director of our Company, who has been a practicing solicitor in Hong Kong for over 7 years. Mr. Cheng holds bachelor's degree of Business Administration from the Chinese University of Hong Kong; bachelor's degree of Laws from the Manchester Metropolitan University, United Kingdom; Postgraduate Certificate in Laws from the University of Hong Kong; bachelor's degree of Laws, master's degree of Laws and doctorate degree of Laws from Peking University, China. He has been admitted as a solicitor in England and Wales and Hong Kong. Mr. Cheng is an Associate Member of the Hong Kong Institute of Certified Public Accountants; a Fellow Member of the Association of Chartered Certified Accountants; an Associate Member of the Hong Kong Institute of Company Secretaries; an Associate Member of the Institute of Chartered Secretaries and Administrators; an Associate Member of the Taxation Institute of Hong Kong; a Member of the Hong Kong Institute of Directors; and a Member of the Hong Kong Securities Institute.

*Mr Liao Zhixiong*, aged 36, has been practicing as a lawyer in the People's Republic of China ("PRC") since 1996. Mr. Liao has also been appointed as Legal Consultant for the Local Taxation Bureau of Shenzhen Municipality, PRC since 1996. Mr. Liao graduated from the Renmin University in PRC and holds a bachelor's degree in Economics, a master's degree in Law as well as a PhD in Law with major in Economics and Commercial Law. Mr. Liao was bestowed by the national government of PRC the honor of "Lawyer" in 1994 and the honor of "Economist" in 1995.

## REPORT OF THE DIRECTORS

### Senior Management

*Ms Wong Wai Ping*, aged 53, is the Group's General Manager responsible for Sales and Marketing activities. She joined the Group in 1993 and has over 30 years of experience in the electric cable and wire industry and electronics and communications industry.

*Mr Xiao Xiao Quan*, CICPA, aged 36, is the Finance Manager for Mainland China's accounting operation. He holds a bachelor's degree in accounting from Hu Nan Business University. He joined the Group in September 2001 and has over 12 years of working experience in accounting field.

*Mr Curtis Layn Rutter*, aged 42, is the Group's Regional Sales Manager for America, and is responsible for sales of the Group's products and development clients within the United States, Mexico and Canada Region. He joined the Group in April 2002 and has over 17 years of proven accomplishments of sales management.

*Mr Warner H Tabor, Jr*, aged 59, is the Group's Regional Sales Manager for America, and is responsible for sales of the Group's products and development clients within the North America. He joined the Group in May 2004 and has over 20 years of domestic and international experience in the wire and cable, wiring harness and cable assembly business.

*Mr Loong Kwan Kheong*, aged 54, is the General Operations Manager and is responsible for the overall management of China factory operations. He holds a bachelor's degree of electrical and electronic engineering from University of Adelaide, Australia. He joined the Group in 2001 and has over 28 years of working experience in production statistics, manufacturing methodology and quality control.

*Mr Tian Nan Lu*, aged 35, is the Assistant General Manager – Manufacturing and is responsible for supervising and managing the production activities in Mainland China. He holds a bachelor's degree in mechanical engineering from Xian Jiaotong University in Mainland China. He joined the Group in 1994 and has 6 years of experience in the chemical processing industry.

*Mr Zhou You Bin*, aged 33, is the Administration Manager and is responsible for supervising and monitoring administration department and Warehouse and Store operation including shipment. He holds a diploma in business administration from Chong Qing University, China. He joined the Group in 2002 and has over 8 years of working experience in management control.

*Mr Zhou Jing Zhuan*, aged 51, is the Production Manager – Wire Division and is responsible for the daily operations of Group's Electric Cable division in Mainland China. He joined the Group in 1992 and has over 17 years of experience in factory operation.

*Mr He Jian Hua*, aged 42, is the Production Manager – Wire Harness Division and is responsible for the daily operations of Group's Wire Harness division in Mainland China. He holds a bachelor's degree in geography from Hua Tong University. He joined the Group in 1996 and has over 14 years of working experience in factory operation.

*Mr Ding Yong*, aged 31, is the Production Manager – Power Cord Division and is responsible for the daily operations of Group Power Cord division in Mainland China. He holds a bachelor's degree in Business Administration from Chong Qing University. He joined the Group in 1998 and has over 7 years of experience in power cord industry.

*Mr Luo Ke Hui*, aged 35, is the Production Manager – Plastic Division and is responsible for the daily operations of Group's Plastic division in Mainland China. He holds a bachelor's degree in chemical engineering from Hu Bei Industry University. He joined the Group in 1996 and has 5 years of working experience in plastic manufacturing.

*Mr Chia Chee Fook*, aged 35, is the Engineering Manager and is responsible for the Engineering division in Hong Kong and Mainland China. He joined the Group in 2004 and has over 9 years of experience in electronics and wire industry.

### **Directors' Service Contracts**

On 31st March 2004, MON Chung Hung and KOO Di An, Louise entered into service contracts with the Company for a term of 21 calendar months ending on 31st December 2005. Each of the contracts will be terminated by either party serving not less than a term notice in writing to the other or payment in lieu. The term notice of MON Chung Hung is 12 months and of KOO Di An, Louise is 3 months. However, the contracts should be deemed to have been renewed automatically for one consecutive year period under the same terms and conditions of the existing contract unless notice of non-renewal is served by either party to the other at least 2 months prior to the end of the term.

On 4th November 2003, SIU Yuk Shing, Marco entered into a service contract with the Company for a term of 4 years ending on 31st December 2007. Siu Yuk Shing, Marco may at any time during the term terminate the contract by giving the Company not less than 6 months of prior notice or payment in lieu in the years of 2004 and 2005, and 3 months prior notice or payment in lieu for the years of 2006 and 2007. However, the Company is entitled to terminate the contract at any time of the term by serving not less than 3 months prior notice or, in lieu of such notice, payment of a sum equivalent to 3 monthly instalments of salary. The contract should be deemed to have been renewed automatically for one consecutive year period under the same terms and conditions of the existing contract unless notice of non-renewal is served by either party to the other at least 2 months prior to the end of the term.

On 4th November 2003, LI Ho Cheong entered into a service contract with the Company for a term of 4 years ending on 31st December 2007. LI Ho Cheong may at any time during the term terminate the contract by giving the Company not less than 6 months of prior notice or payment in lieu in the years of 2004 and 2005, and 3 months prior notice or payment in lieu for the years of 2006 and 2007. However the Company is entitled to terminate the contract at any time of the term by serving not less than 3 months prior notice or, in lieu of such notice, payment of a sum equivalent to 3 monthly instalments of salary. The contract should be deemed to have been renewed automatically for one consecutive year period under the same terms and conditions of the existing contract unless notice of non-renewal is served by either party to the other at least 2 months prior to the end of the term.



## REPORT OF THE DIRECTORS

On 29th March 2003, MON Tiffany entered into a service contract with the Company for a term of 2 years and 9 months ending on 31st December 2005. Either party may at any time during the term terminate the contract by giving the other not less than 3 months of prior notice or, in lieu of such notice, payment of a sum equivalent to 3 monthly instalments of salary. The contract should be deemed to have been renewed automatically for one consecutive year period under the same terms and conditions of the existing contract unless notice of non-renewal is served by either party to the other at least 2 months prior to the end of the term.

On 3rd September 2001, LI Man Wai entered into a service contract with the Company for a term of 2 years ending on 2nd September 2004. Either party may at any time during the term terminate the contract by giving the other not less than 3 months of prior notice or, in lieu of such notice, payment of a sum equivalent to 3 monthly instalments of salary. The contract should be deemed to have been renewed automatically for one consecutive year period under the same terms and conditions of the existing contract unless notice of non-renewal is served by either party to the other at least 2 months prior to the end of the term.

On 31st August 2004, LIAO Zhixiong entered into a service contract with the Company for a term of 2 years ending on 31st August 2006. Either party may at any time during the term terminate the contract by giving the other not less than 2 months of prior notice.

On 1st April 2003, CHENG Kwok Kit, Edwin entered into a service contract with the Company and, either party may at any time during the term terminate the contract by giving the other not less than 3 months of prior notice.

On 31st December 2002, LAU Chun Kay entered into a service contract with the Company and, either party may at any time during the term terminate the contract by giving the other not less than 3 months of prior notice.

Apart of the above, none of the Directors proposed for re-election has a service contract with the Company which is not determinable by the Company within one year and without payment of compensation other than under normal statutory obligations.

### **Directors' Interests in Contracts**

No contracts of significance in relation to the Group's business to which the Company, its holding company or its subsidiaries was a party, and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.



## Directors' and Chief Executives' Interests in Equity or Debt Securities

At 31st December 2004, the interests of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept under section 352 of the SFO or as notified to the Company were as follows:

### (a) Ordinary shares of HK\$0.10 each in the Company ("Shares")

Name	Number of shares				Total interests	Total interests as % of the relevant issued share capital
	Personal interests	Family interests	Corporate interests	Other interests		
MON Chung Hung	2,000,000	–	141,000,000(note 1)	–	143,000,000	71.87%
SIU Yuk Shing, Marco	300,000	–	–	–	300,000	0.15%
LAU Chun Kay	138,000	–	–	–	138,000	0.07%
LI Ho Cheong (note 2)	118,000	–	–	–	118,000	0.06%
LI Man Wai	1,150,000	–	–	–	1,150,000	0.58%

note 1: The 141,000,000 shares were held in the name of Spector Holdings Limited, the issued share capital of which is beneficially owned as to 99.9% by Mr MON Chung Hung and as to the remaining 0.1% by Ms KOO Di An, Louise.

note 2: Mr LI Ho Cheong was appointed as Director of the Company on 30th September 2004.

### (b) Share options

At a special general meeting of the Company held on 23rd April 2003 ("Adoption Date"), resolutions had been passed to terminate the share option scheme adopted on 5th December 1996 (the "1996 Scheme") and to adopt a new share option scheme (the "2003 Scheme") for the benefit of employees and executive directors of the Company.

## REPORT OF THE DIRECTORS

The principal terms of the 2003 Scheme are summarized as follows:

(i) *Eligible person*

Any employee (whether full time or part time), senior executive or officer, manager, director (including executive, non-executive and independent non-executive director) or consultant of any members of the Group or any invested entity, who, in the sole discretion of the Directors, have contributed or will contribute to the growth and development of the Group or any invested entity.

(ii) *Maximum number of shares*

The total number of shares which may be issued upon exercise of all options to be granted under the 2003 Scheme and any other share option scheme(s) of the Company must not in aggregate exceed 10% of the shares in issue at the Adoption Date unless the Company obtains a fresh approval from its shareholders. Such 10% represents 19,895,800 shares on the basis of 198,958,000 shares in issue as at the date of this annual report.

The maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the 2003 Scheme and any other share option scheme(s) of the Company shall not in aggregate exceed 30% of the shares in issue from time to time. No option may be granted under the 2003 Scheme and any other share option scheme(s) of the Company if such limit is exceeded.

(iii) *Options period*

The option period shall be notified by the Board to each grantee upon grant of each option, provided that it shall commence on a date not earlier than the date from which the option is granted or deemed to be granted in accordance with the terms of the 2003 Scheme ("Commencement Date") and not be more than 10 years from the Commencement Date.

(iv) *Amount payable on application or acceptance*

The eligible person must accept any such offer notified to him or her within 10 business days from the date on which an offer is made to an eligible person, which must be a business day ("Offer Date"), failing which it shall be deemed to have been rejected. Upon acceptance of the offer, the grantee shall pay HK\$1.00 to the Company as consideration for the grant.

(v) *Subscription price*

The subscription price shall be a price determined by the Directors at its absolute discretion and notified to an eligible person and shall not be less than the highest of (1) the closing price of the shares as stated in the daily quotations sheet of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on the Offer Date; (2) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the 5 business days immediately preceding the Offer Date; and (3) the nominal value of a Share.

(vi) *Term of the 2003 Scheme*

The 2003 Scheme will remain in force for a period of 10 years commencing from the Adoption Date, after which no further options shall be granted but the options which are granted during the life of the 2003 Scheme may continue to be exercisable in accordance with their terms of issue and the provisions of the 2003 Scheme shall in all other respects remain in full force and effect in respect thereof.

Up to 31st December 2004, no options have been granted under the 1996 Scheme or the 2003 Scheme.

Apart from the above, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the Directors or chief executives of the Company or any of their associates to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

**Substantial Shareholders' Interests in the Share Capital of the Company**

Other than the interests of the Directors and chief executives of the Company as disclosed above, as at 31st December 2004, the register maintained by the Company pursuant to section 336 of the SFO recorded interests (as defined in the SFO) in the Company of the following corporation:

Name	Number of shares				Total interests	Total Interests as % of the relevant issued share capital
	Personal interests	Family interests	Corporate interests	Other interests		
Spector Holdings Limited	141,000,000	–	–	–	141,000,000	70.87%

The share capital of the above company is owned as to 99.9% by Mr MON Chung Hung and as to the remaining 0.1% by Ms KOO Di An, Louise.

All the interests stated above represent long positions. As at 31st December 2004, no short positions were recorded in the Register of Interests in Shares and Short Positions of substantial shareholders required to be kept under section 336 of the SFO.

Save as disclosed above, so far as the Directors of the Company are aware, there was no person who, as at 31st December 2004, directly or indirectly held or was beneficially interested in shares representing 5% or more of the issued share capital of the Company.

## REPORT OF THE DIRECTORS

### Management Contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

### Compliance with the Code of Best Practice

The Code of Best Practice (Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules")) has been complied with by the Company throughout the year except that the Independent Non-Executive Directors are not appointed for a specific term as recommended in the Code of Best Practice. According to the Bye-laws of the Company, Independent Non-Executive Directors of the Company will retire by rotation and their appointments will be reviewed when they are due for re-election. In the opinion of the Directors, this meets the same objectives as of the Code of Best Practice.

### Audit Committee

The written terms of reference which describe the authority and duties of the Audit Committee were prepared and adopted with reference to "A Guide for The Formation of An Audit Committee" published by the Hong Kong Institute of Certified Public Accountants.

The Audit Committee provides an important link between the Directors and the Company's auditors in matters coming within the scope of the Groups' audit. It also reviews the effectiveness of both the external and internal audit and of internal controls and risk evaluation. The Audit Committee of the Company comprises three Independent Non-Executive Directors, namely Mr. CHENG Kwok Kit, Edwin, Mr. LAU Chun Kay and Mr. LIAO Zhixiong. Two meetings were held during the current financial year.

### Directors' Interest in Competing Business

None of the Directors have an interest in any business constituting a competing business to the Group.

### Auditors

The accounts have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment.

By Order of the Board

**MON Chung Hung**

*Chairman*

Hong Kong, 30th March 2005