

The directors present their report and the audited financial statements of the Company and the Group for the year ended 31 December 2004.

## PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the principal subsidiaries are set out in note 14 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

## RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 December 2004 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 22 to 54.

The directors recommend the payment of a final dividend of HK1.2 cents per ordinary share in respect of the year to shareholders on the register of members on 25 May 2005. This recommendation has been incorporated in the financial statements as an allocation of retained profits within the capital and reserves section of the balance sheet.

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## FINANCIAL INFORMATION SUMMARY

The following is a summary of the published combined/consolidated results and assets and liabilities of the Group for the five years ended 31 December 2000, 2001, 2002, 2003 and 2004, prepared on the basis set out in the note below:

### Results

	Year ended 31 December				
	2004 HK\$'000	2003 HK\$'000	2002 HK\$'000	2001 HK\$'000	2000 HK\$'000
TURNOVER	<b>486,779</b>	421,717	502,793	441,458	273,627
PROFIT FROM OPERATIONS	<b>91,238</b>	61,292	76,331	60,542	37,623
Finance costs	<b>(567)</b>	(84)	(1,102)	(796)	(536)
PROFIT BEFORE TAXATION	<b>90,671</b>	61,208	75,229	59,746	37,087
Taxation	<b>9,356</b>	(4,312)	(12,866)	(9,658)	(5,929)
NET PROFIT ATTRIBUTABLE TO SHAREHOLDERS	<b>100,027</b>	56,896	62,363	50,088	31,158

### Assets and liabilities

	At 31 December				
	2004 HK\$'000	2003 HK\$'000	2002 HK\$'000	2001 HK\$'000	2000 HK\$'000
NON-CURRENT ASSETS	<b>213,401</b>	152,849	102,940	86,582	44,002
CURRENT ASSETS	<b>300,415</b>	243,235	218,153	156,517	86,771
TOTAL ASSETS	<b>513,816</b>	396,084	321,093	243,099	130,773
CURRENT LIABILITIES	<b>150,806</b>	152,969	124,476	94,981	75,678
NON-CURRENT LIABILITIES	<b>37,500</b>	161	415	4,352	4,011
TOTAL LIABILITIES	<b>188,306</b>	153,130	124,891	99,333	79,689
	<b>325,510</b>	242,954	196,202	143,766	51,084



*Note:* The summary of the combined result for the year ended 31 December 2000 and of the assets and liabilities of the Group as at that date has been extracted from the Company's prospectus dated 6 September 2001. The combined/consolidated results for the years ended 31 December 2000 and 2001, and of the assets and liabilities of the Group as at 31 December 2000 includes the results, assets and liabilities of the Company and its subsidiaries as if the current structure of the Group had been in existence throughout the years ended 31 December 2000 and 2001.

## PROPERTY, PLANT AND EQUIPMENT

Details of movements in the Group's property, plant and equipment during the year are set out in note 13 to the financial statements.

## SHARE CAPITAL, SHARE OPTIONS AND WARRANTS

Details of movements in the Company's share capital, share options and warrants during the year, together with the reasons therefor, are set out in notes 21 and 22 to the financial statements.

## PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association or the laws of the Cayman Islands, being the jurisdiction in which the Company was incorporated, 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 23 to the financial statements and in the consolidated statement of changes in equity, respectively.

## DISTRIBUTABLE RESERVES

At 31 December 2004, the Company's reserves available for distribution, calculated in accordance with the Companies Law (Revised) of the Cayman Islands, amounted to HK\$155,347,000 (2003: HK\$132,112,000), of which HK\$17,280,000 (2003: HK\$17,280,000) has been proposed as final dividend for the year. This includes the Company's share premium account in the amount of HK\$113,665,000 (2003: HK\$113,665,000) as at 31 December 2004, which may be distributed, provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business. The Company's share premium account may also be distributed in the form of fully paid bonus shares.

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## MAJOR CUSTOMERS AND SUPPLIERS

During the year, sales to the Group's five largest customers and purchases from the Group's five largest suppliers accounted for less than 30% of the Group's total sales and total purchases for the year, respectively.

## DIRECTORS

The directors of the Company during the year and up to the date of this report were:

### Executive directors

Mr. Lam Ping Kei

Ms. Wong Choi Fung

Ms. Lam Chu Ying

Mr. Law Wai Fai

Mr. Yeung Kwong Lun

### Independent non-executive directors

Mr. Kwan Kai Ming

Mr. Sun Tian Yan (appointed on 11 March 2004)

Mr. Deng Xiao Jun (appointed on 24 September 2004)

Mr. Lin Tian Shen (resigned on 11 March 2004)

In accordance with the Company's articles of association, Mr. Law Wai Fai will retire by rotation and, being eligible, offer himself for re-election at the forthcoming annual general meeting.

In accordance with the Company's articles of association, Mr. Deng Xiao Jun will retire and, being eligible, offer himself for re-election at the forthcoming annual general meeting.

The independent non-executive directors have been appointed for a term of two years, except that Mr. Deng Xiao Jun is not appointed for a specific term.

## BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 11 to 12 of the annual report.

## DIRECTORS' SERVICE CONTRACTS

Each of the executive directors has entered into a service contract with the Group for a term of two years, which continues thereafter until terminated by either party giving not less than three months notice in writing to the other party.

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 of compensation, other than statutory compensation.



## DIRECTORS' INTERESTS IN CONTRACTS

No contracts of significance to which the Company or any of 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' INTERESTS OR SHORT POSITIONS IN SHARES, SHARE OPTIONS AND WARRANTS

As at 31 December 2004, the interests of the directors and chief executives of the Company in the shares, share options and warrants of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO"), as recorded in the register kept by the Company pursuant to section 352 of the SFO or 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:

### Long position

- (a) Ordinary shares of HK\$0.01 each of the Company

Name	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
<i>Directors</i>			
Mr. Lam Ping Kei	Held by controlled corporation ( <i>note 1</i> )	702,000,000	48.75%
Ms. Wong Choi Fung	Held by controlled corporation ( <i>note 2</i> )	228,000,000	15.83%
		<u>930,000,000</u>	<u>64.58%</u>

- (b) Share options

Name	Capacity	Number of options held	Number of underlying shares
<i>Directors</i>			
Mr. Law Wai Fai	Beneficial owner	14,000,000	14,000,000
Ms. Lam Chu Ying	Beneficial owner	8,000,000	8,000,000
Mr. Yeung Kwong Lun	Beneficial owner	4,000,000	4,000,000
		<u>26,000,000</u>	<u>26,000,000</u>



## (c) Warrants

Name	Capacity	Number of warrants			Number of underlying shares
		At 1 January 2004	Expired during the year (note3)	At 31 December 2004	
Directors					
Mr. Lam Ping Kei	Held by controlled corporation (note1)	140,400,000	(140,400,000)	–	–
Ms. Wong Choi Fung	Held by controlled corporation (note 2)	75,600,000	(75,600,000)	–	–
		<u>216,000,000</u>	<u>(216,000,000)</u>	<u>–</u>	<u>–</u>

## Notes:

- These ordinary shares and warrants are owned by Super Giant Assets Limited ("Super Giant"), a company incorporated in the British Virgin Islands (the "BVI"). The entire issued share capital of Super Giant is beneficially owned by Mr. Lam Ping Kei.
- These ordinary shares and warrants are owned by Fastmath Assets Limited ("Fastmath"), a company incorporated in the BVI. The entire issued share capital of Fastmath is beneficially owned by Ms. Wong Choi Fung.
- The warrants were expired on 29 May 2004.

Save as disclosed above, none of the other directors, chief executives and their associates, had any interest or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as at 31 December 2004.

**SHARE OPTION SCHEME**

Particulars of the Company's share option scheme are set out in note 22 to the financial statements.

### DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the heading "Directors' interests or short positions in shares, share options and warrants" and "Share option scheme" above, 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 minor children, 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 directors to acquire such rights in any other body corporate.

### SUBSTANTIAL SHAREHOLDERS

As at 31 December 2004, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that other than the interests disclosed above in respect of certain directors, the following shareholders had notified the Company of the relevant interests in the issued share capital of the Company.

#### Long positions

Ordinary shares of HK\$0.01 each of the Company

Name of shareholder	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Super Giant	Beneficial owner	702,000,000	48.75%
Fastmath	Beneficial owner	228,000,000	15.83%
		<u>930,000,000</u>	<u>64.58%</u>

Other than as disclosed above, the Company has not been notified of any other interests or short position in the issued share capital of the Company as at 31 December 2004.

### DIRECTORS' INTERESTS IN A COMPETING BUSINESS

No director had interests in a business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group, as defined in the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules"), during the year and up to the date of this report.



### 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 year, except that an independent non-executive director, Mr. Deng Xiao Jun, of the Company is not appointed for a specific term but is subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Company's articles of association.

### AUDIT COMMITTEE

The Company has an audit committee (the "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 Committee comprises the three independent non-executive directors of the Company, Mr. Deng Xiao Jun, Mr. Kwan Kai Ming and Mr. Sun Tian Yan.

### AUDITORS

Except for the year ended 31 December 2002, in which Ernst & Young acted as auditors of the Company, KLL Associates CPA Limited have acted as auditors of the Company for the past three years.

A resolution will be submitted to the forthcoming annual general meeting to re-appoint KLL Associates CPA Limited as auditors of the Company.

ON BEHALF OF THE BOARD

**Lam Ping Kei**

*Chairman*

Hong Kong

15 April 2005

