

Year ended 31 December 2004

1. GENERAL

The Company is incorporated in the Cayman Islands as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company acts as an investment holding company. The principal activities of its principal subsidiaries are set out in note 14 to the financial statements.

2. IMPACT OF RECENTLY ISSUED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

The Hong Kong Institute of Certified Public Accountants has issued a number of new and revised HKFRSs and Hong Kong Accounting Standards (collectively "new HKFRSs") which are effective for accounting periods beginning on or after 1 January 2005. The Group has not early adopted these new HKFRSs in the financial statements for the year ended 31 December 2004. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a significant impact on its results of operations and financial position.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The financial statements have been prepared on the historical cost basis, except for the revaluation of leasehold land and buildings, and in accordance with accounting principles generally accepted in Hong Kong. The principal accounting policies adopted are set out below:

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31 December each year.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective dates of acquisition or up to the effective dates of disposal, as appropriate.

All significant inter-company transactions and balances within the Group are eliminated on consolidation.

Investments in subsidiaries

Investments in subsidiaries are included in the Company's balance sheet at cost less any identified impairment loss.



Year ended 31 December 2004

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition

Sales of goods are recognised when goods are delivered and title has passed.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the interest rate applicable.

Dividend income from investments is recognised when the shareholder's rights to receive payment has been established.

Property, plant and equipment

Property, plant and equipment are stated at cost or valuation less accumulated depreciation and impairment losses.

Depreciation is provided to write off the cost or valuation of items of property, plant and equipment over their estimated useful lives, using the straight-line method, at the following rates per annum:

Leasehold land and buildings	The shorter of the lease terms and 50 years
Leasehold improvements, furniture, office equipment and motor vehicles	20%
Plant and machinery	10%

Assets held under finance leases are depreciated over their estimated useful lives on the same basis as owned assets or, where shorter, the period of the relevant lease.

Construction in progress, which represents buildings and plant and machinery under construction, is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in the income statement.



Year ended 31 December 2004

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment

An assessment is made at each balance sheet date of whether there is any indication of impairment of any asset, or whether there is any indication that an impairment loss previously recognised for an asset in prior years may no longer exist or may have decreased. If any such indication exists, the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's value in use or its net selling price.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged to the income statement in the period in which it arises, unless the asset is carried at a revalued amount, when the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset, however not to an amount higher than the carrying amount that would have been determined (net of any depreciation), had no impairment loss been recognised for the asset in prior years.

A reversal of an impairment loss is credited to the income statement in the period in which it arises, unless the asset is carried at a revalued amount, when the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Research and development costs

All research costs are charged to the income statement as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the projects are clearly defined; the expenditure is separately identifiable and can be measured reliably; there is reasonable certainty that the projects are technically feasible; and the products have commercial value. Product development expenditure which does not meet these criteria is expensed when incurred.

Leases

Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards of ownership of the assets concerned to the Group. Assets held under finance leases are capitalised at their fair values at the date of acquisition. The corresponding liability to the lessor, net of interest charges, is included in the balance sheet as a finance lease obligation. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are charged to the income statement over the period of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.



Year ended 31 December 2004

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (Continued)

All other leases are classified as operating leases and the rentals payable under operating leases are charged to the income statement on a straight-line basis over the relevant lease term.

Inventories

Inventories are stated at the lower of cost and net realisable value after allowances for obsolete or slow-moving items. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads based on a normal level of operating activities. Net realisable value is based on the estimated selling prices less any estimated costs to be incurred to completion and disposal.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, ie, assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. The capitalisation is based on the actual cost of the related borrowings. All other borrowing costs are recognised as expenses in the period in which they are incurred.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on the taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income and expense that are taxable or deductible in other years, and it further excludes income statement items that are never taxable or deductible.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or negative goodwill or from the initial recognition other than in a business combination of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Tak Shun
Technology
Group Limited

ANNUAL
REPORT
2004



Year ended 31 December 2004

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Taxation (Continued)

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited to the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Foreign currencies

Foreign currency transactions are recorded at the applicable exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the applicable exchange rates ruling at that date. Exchange differences are dealt with in the income statement.

On consolidation, the financial statements of overseas subsidiaries are translated into Hong Kong dollars using the net investment method. The income statement of overseas subsidiaries are translated into Hong Kong dollars at the weighted average exchange rates for the year, and their balance sheets are translated into Hong Kong dollars at the exchange rates ruling at the balance sheet date. The resulting translation differences are included in the exchange fluctuation reserve.

Retirement benefits scheme

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Group's subsidiaries operating in the People's Republic of China (the "PRC") are required to participate in a central pension scheme (the "Central Scheme") operated by the local municipal government in the PRC. The respective local municipal government in the PRC, undertakes to assume the retirement benefits obligations of all existing and future retired staff of these subsidiaries. The only obligation of these subsidiaries with respect to the Central Scheme is to meet the required contributions under the Central Scheme. The contributions are charged to the income statement as they become payable in accordance with the rules of the Central Scheme.



Year ended 31 December 2004

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and cash equivalents

Cash and cash equivalents are carried at cost. Cash and cash equivalents comprise cash at banks and on hand, demand deposits with banks and other financial institutions, short-term, highly liquid investments that are readily convertible to cash and with a maturity of three months or less from the date of investment, and bank overdrafts.

Share option scheme

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. The financial impact of share options granted under the share option scheme is not recorded in the Company's or the Group's balance sheet until such time as the options are exercised, and no charge is recorded in the income statement or balance sheet for their cost. Upon the exercise of share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in the share premium account. Options which are cancelled prior to their exercise date, or which have lapsed, are deleted from the register of outstanding options and have no impact on the income statement or balance sheet.

4. TURNOVER

Turnover represents the net invoiced value of goods sold, after allowances for returns and trade discounts during the year. All significant intra-group transactions have been eliminated on consolidation.

5. SEGMENT INFORMATION

Segment information is presented by way of two segment formats:

- (i) on a primary segment reporting basis, by geographical segment; and
- (ii) on a secondary segment reporting basis, by business segment.

The principal activity of the Group is the manufacture and sale of electronic products, which is managed according to the geographical location of customers.

Each of the Group's geographical segments, based on the location of customers, represents a strategic business unit that offers products to customers located in different geographical areas which are subject to risks and returns that are different from those of other geographical segments. The Group's geographical segments are as follows:

Tak Shun
Technology
Group Limited

ANNUAL
REPORT
2004



Year ended 31 December 2004

5. SEGMENT INFORMATION (CONTINUED)

- (a) Hong Kong;
- (b) India;
- (c) Elsewhere in Asia; and
- (d) Africa, Western Europe, the Middle East, North and South America, and Russia.

In determining the Group's geographical segments, revenues and assets are attributed to the segments based on the location of the customers.

(a) Geographical segments based on the location of customers

The following tables present revenue, profit and certain asset, liability and expenditure information for the Group's geographical segments.

Group

	Hong Kong		India		Elsewhere in Asia		Africa, Western Europe, the Middle East, North and South America, and Russia		Consolidated	
	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:										
Sales to external customers	<u>12,830</u>	20,859	<u>116,147</u>	101,566	<u>133,510</u>	119,591	<u>224,292</u>	179,701	<u>486,779</u>	421,717
Segment results	<u>2,397</u>	3,173	<u>19,166</u>	13,018	<u>24,829</u>	17,818	<u>42,893</u>	27,803	<u>89,285</u>	61,812
Unallocated income									<u>4,185</u>	2,311
Unallocated expenses									<u>(2,232)</u>	(2,831)
Profit from operations									<u>91,238</u>	61,292
Finance costs									<u>(567)</u>	(84)
Profit before taxation									<u>90,671</u>	61,208
Taxation									<u>9,356</u>	(4,312)
Net profit attributable to shareholders									<u>100,027</u>	<u>56,896</u>



Year ended 31 December 2004

5. SEGMENT INFORMATION (CONTINUED)

(a) Geographical segments based on the location of customers (Continued)

Group

	Hong Kong		India		Elsewhere in Asia		Africa, Western Europe, the Middle East, North and South America, and Russia		Unallocated		Consolidated	
	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment assets	8,792	12,848	101,443	79,298	104,470	81,055	189,298	126,774	-	-	404,003	299,975
Unallocated assets	-	-	-	-	-	-	-	-	109,813	96,109	109,813	96,109
Total assets	8,792	12,848	101,443	79,298	104,470	81,055	189,298	126,774	109,813	96,109	513,816	396,084
Segment liabilities	2,843	5,531	25,732	26,930	29,579	31,709	49,692	47,647	-	-	107,846	111,817
Unallocated liabilities	-	-	-	-	-	-	-	-	80,460	41,313	80,460	41,313
Total liabilities	2,843	5,531	25,732	26,930	29,579	31,709	49,692	47,647	80,460	41,313	188,306	153,130
Other segment information:												
Depreciation	375	439	3,394	2,138	3,901	2,517	6,554	3,783	-	-	14,224	8,877
Unallocated depreciation	-	-	-	-	-	-	-	-	56	56	56	56
	375	439	3,394	2,138	3,901	2,517	6,554	3,783	56	56	14,280	8,933
Capital expenditure	1,947	3,123	17,625	15,204	20,260	17,903	34,036	26,901	-	-	73,868	63,131

(b) Geographical segments based on the location of assets

	Hong Kong		Macau		Elsewhere in the PRC		Unallocated		Consolidated	
	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment assets	4,274	5,892	75,369	59,776	324,360	234,307	-	-	404,003	299,975
Unallocated assets	-	-	-	-	-	-	109,813	96,109	109,813	96,109
Total assets	4,274	5,892	75,369	59,776	324,360	234,307	109,813	96,109	513,816	396,084
Capital expenditure	160	82	45	4	73,663	63,045	-	-	73,868	63,131

Tak Shun
Technology
Group Limited

ANNUAL
REPORT
2004



Year ended 31 December 2004

5. SEGMENT INFORMATION (CONTINUED)**(c) Business segments**

Over 90% of the Group's revenue and assets are attributable to the manufacture and sale of electronic products.

6. PROFIT FROM OPERATIONS

Profit from operations has been arrived at after charging/(crediting):

	Group	
	2004 HK\$'000	2003 HK\$'000
Cost of inventories sold	363,562	326,129
Depreciation of property, plant and equipment on		
– owned assets	14,057	8,710
– assets held under finance leases	223	223
Minimum lease payments under operating leases		
on leasehold land and buildings	620	447
Auditors' remuneration	358	511
Staff costs (excluding directors' remuneration – note 7)		
Wages and salaries	77,958	51,641
Retirement benefits scheme contributions	4,442	4,130
Loss on disposal of property, plant and equipment	–	5,721
Surplus on revaluation of leasehold land and buildings	(1,155)	(56)
Interest income	(899)	(791)

7. DIRECTORS' REMUNERATION

	Group	
	2004 HK\$'000	2003 HK\$'000
Fees	–	–
Other emoluments:		
Salaries and other benefits	3,547	3,288
Retirement benefits scheme contributions	60	60
	3,607	3,348



Year ended 31 December 2004

7. DIRECTORS' REMUNERATION (CONTINUED)

There were no fees and other emoluments payable to the independent non-executive directors during the year (2003: Nil).

The number of directors whose remuneration fell within the following band is as follows:

	Number of directors	
	2004	2003
Nil to HK\$1,000,000	8	7
HK\$1,000,000 to HK\$1,500,000	1	–
Total	9	7

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

During the year, no emoluments were paid by the Group to the directors as an inducement to join, or upon joining the Group, or as compensation for loss of office.

8. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included four (2003: four) directors, details of whose remuneration are set out in note 7 to the financial statements. Details of the remuneration of remaining one (2003: one) non-director, highest paid employee are as follows:

	Group	
	2004 HK\$'000	2003 HK\$'000
Salaries and other benefits	378	311
Retirement benefits scheme contributions	12	12
	390	323



Year ended 31 December 2004

8. FIVE HIGHEST PAID EMPLOYEES (CONTINUED)

The number of the non-director, highest paid employee whose remuneration fell within the following band is as follows:

	Number of non-director, highest paid employees	
	2004	2003
Nil to HK\$1,000,000	<u>1</u>	<u>1</u>

9. FINANCE COSTS

	Group	
	2004 HK\$'000	2003 HK\$'000
Interest on bank loans	528	45
Interest on finance leases	39	39
	<u>567</u>	<u>84</u>

10. TAXATION

	Group	
	2004 HK\$'000	2003 HK\$'000
Current taxation:		
Hong Kong	221	293
Other jurisdictions	872	4,019
Over provision in prior years		
Hong Kong	(179)	–
Other jurisdictions	(10,270)	–
	<u>(9,356)</u>	<u>4,312</u>

Hong Kong Profits Tax is calculated at 17.5% (2003:17.5%) of the estimated assessable profits arising in Hong Kong for the year.

Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.



Year ended 31 December 2004

10. TAXATION (CONTINUED)

Pursuant to the laws and regulations in the PRC, certain Group's PRC subsidiaries are entitled to exemption from PRC Foreign Enterprise Income Tax for two years commencing from their first profit-making year, followed by a 50% relief for the three years thereafter.

Under Decree-Law no. 58/99/M, a Macau company incorporated under that Law (called "58/99/M Company") is exempted from Macau complementary tax (Macau income tax) as long as the 58/99/M Company does not sell its products to a Macau resident company. Currently, Tak Shun (Lam's) Macao Commercial Offshore Limited is qualified as 58/99/M Companies.

No provision for deferred tax had been made as the Group did not have any significant unprovided deferred tax liabilities in respect of the year (2003: Nil).

The taxation charge for the year reconciled to the profit per the income statement is as follows:

	Group	
	2004	2003
	HK\$'000	HK\$'000
Profit before taxation	90,671	61,208
Tax at the domestic income tax rate of 17.5% (2003: 17.5%)	15,867	10,711
Tax effect of expenses that are not deductible in determining taxable profit	523	1,584
Tax effect of income that is not taxable in determining taxable profit	(495)	(67)
Tax effect of tax losses not recognised	1,041	104
Over provision in prior years	(10,449)	–
Effect of tax exemption	(15,524)	(7,306)
Effect of different tax rates of subsidiaries operating in other jurisdictions	(319)	(714)
Taxation for the year	(9,356)	4,312



Year ended 31 December 2004

11. DIVIDEND

	Group	
	2004 HK\$'000	2003 HK\$'000
Proposed final dividend- HK1.2 cents (2003: HK1.2 cents) per share	<u>17,280</u>	<u>17,280</u>

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

12. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the Group's net profit attributable to shareholders for the year of HK\$100,027,000 (2003: HK\$56,896,000) and the weighted average of 1,440,004,800 (2003: 1,440,004,800) ordinary shares in issue during the year.

Diluted earnings per share for the year ended 31 December 2004 has not been presented as the warrants and share options outstanding during the year had an anti-dilutive effect on the basic earnings per share for the year.

The calculation of diluted earnings per share for the year ended 31 December 2003 is based on the Group's net profit attributable to shareholders of HK\$56,896,000 and the weighted average number of 1,442,508,808 ordinary shares. The weighted average number of ordinary shares used in the calculation is the weighted average number of 1,440,004,800 ordinary shares in issue during that year, as used in the basic earnings per share calculation and the weighted average of 2,504,008 ordinary shares assumed to have been issued at no consideration on the deemed exercise of all share options outstanding during the year ended 31 December 2003.



Year ended 31 December 2004

13. PROPERTY, PLANT AND EQUIPMENT

Group

	Leasehold land and buildings HK\$'000	Construction in progress HK\$'000	Plant and machinery HK\$'000	Leasehold improvements, furniture, office equipment and motor vehicles HK\$'000	Total HK\$'000
Cost or valuation					
At 1 January 2004	80,050	2,894	81,548	8,308	172,800
Additions	6,767	19,210	45,449	2,442	73,868
Transfer	2,170	(4,012)	1,842	–	–
Revaluation	(787)	–	–	–	(787)
At 31 December 2004	<u>88,200</u>	<u>18,092</u>	<u>128,839</u>	<u>10,750</u>	<u>245,881</u>
Analysis of cost or valuation					
At cost	–	18,092	128,839	10,750	157,681
At valuation	<u>88,200</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>88,200</u>
	<u>88,200</u>	<u>18,092</u>	<u>128,839</u>	<u>10,750</u>	<u>245,881</u>
Depreciation					
At 1 January 2004	–	–	17,757	2,194	19,951
Provided for the year	1,751	–	10,548	1,981	14,280
Eliminated on revaluation	<u>(1,751)</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>(1,751)</u>
At 31 December 2004	<u>–</u>	<u>–</u>	<u>28,305</u>	<u>4,175</u>	<u>32,480</u>
Net book value					
At 31 December 2004	<u>88,200</u>	<u>18,092</u>	<u>100,534</u>	<u>6,575</u>	<u>213,401</u>
At 31 December 2003	<u>80,050</u>	<u>2,894</u>	<u>63,791</u>	<u>6,114</u>	<u>152,849</u>

Tak Shun
Technology
Group Limited

ANNUAL
REPORT
2004



Year ended 31 December 2004

13. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The Group's leasehold land and buildings included above are held under the following lease terms:

	2004 HK\$'000	2003 HK\$'000
Medium term leases in Hong Kong	3,200	2,050
Medium term leases elsewhere in the PRC	85,000	78,000
	88,200	80,050

At 31 December 2004, the Group's leasehold land and buildings in Hong Kong were revalued on an open market value, existing use basis, by DTZ Debenham Tie Leung Limited ("DTZ"), an independent firm of professional valuers, at HK\$3,200,000 (2003: HK\$2,050,000). The resulting revaluation surplus of approximately HK\$1,155,000 (2003: HK\$56,000) had been credited to the income statement and of approximately HK\$51,000 (2003: Nil) had been credited to the property revaluation reserve.

At 31 December 2004, the Group's leasehold land and buildings in the PRC except Hong Kong were revalued on a depreciated replacement costs basis by DTZ, at HK\$85,000,000 (2003: \$78,000,000). The resulting revaluation deficit of approximately HK\$242,000 (2003: surplus of HK\$1,376,000) had been charged to the property revaluation reserve.

Had the Group's leasehold land and buildings in Hong Kong and elsewhere in the PRC been carried at historical cost less accumulated depreciation, their carrying amounts would have been approximately HK\$2,834,000 (2003: HK\$2,897,000) and HK\$83,866,000 (2003: HK\$76,624,000), respectively.

At 31 December 2004, the carrying amount of the Group's construction in progress did not include capitalised interest (2003: HK\$354,000).

The net book value of the Group's motor vehicle held under a finance lease included in the total amount of leasehold improvements, furniture, office equipment and motor vehicles as at 31 December 2004 amounted to approximately HK\$365,000 (2003: HK\$588,000).



Year ended 31 December 2004

14. INVESTMENTS IN SUBSIDIARIES

	Company	
	2004 HK\$'000	2003 HK\$'000
Unlisted shares, at cost	81,159	81,159

The balances with subsidiaries included in the Company's current assets and current liabilities are unsecured, interest-free and have no fixed terms of repayment.

Particulars of the principal subsidiaries are as follows:

Name	Place of incorporation/ establishment and operations	Nominal value of paid-up share/ registered capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
E-Today Technology Limited ("E-Today")	BVI	Ordinary US\$600	100	–	Investment holding
Deji Electronic Co., Ltd. Putian County, Fujian ("Deji Electronic") <i>(Note 1)</i>	PRC	HK\$10,200,000	–	100	Manufacture and sale of electronic products
Putian Dexing Electronic Co., Ltd. ("Putian Dexing") <i>(Note 2)</i>	PRC	HK\$58,253,400	–	100	Manufacture and sale of electronic products
Putian Derong Electronic Co., Ltd. ("Putian Derong") <i>(Note 3)</i>	PRC	HK\$60,000,000	–	100	Manufacture and sale of electronic products
Zhejiang Yiwu Dexing Electronic Co., Ltd. ("Zhejiang Yiwu") <i>(Note 4)</i>	PRC	US\$500,000	–	100	Inactive
Putian Defeng Electronics Co., Ltd. <i>(Note 5)</i>	PRC	–	–	100	Manufacture and sale of electronic products

Tak Shun
Technology
Group Limited

ANNUAL
REPORT
2004



Year ended 31 December 2004

14. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name	Place of incorporation/ establishment and operations	Nominal value of paid-up share/ registered capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Tak Shun (Lam's) Company Limited ("Tak Shun Lam")	Hong Kong	Ordinary HK\$2 Non-voting deferred HK\$10,000 (Note 6)	-	100	Investment holding and distribution of electronic products
Tak Shun (Lam's) Macao Commercial Offshore Limited	Macau	MOP500,000	-	100	Distribution of electronic products

Note 1: Deji Electronic is a Sole Foreign Investment Enterprise established in the PRC for an operating period of 20 years commencing from its date of establishment on 27 April 1992. The registered and paid-up capital of Deji Electronic amounted to HK\$10,200,000.

Note 2: Putian Dexing is a Sole Foreign Investment Enterprise established in the PRC for an operating period of 50 years commencing from its date of establishment on 18 May 1998. The registered capital of Putian Dexing amounted to HK\$206,480,000, of which HK\$58,253,400 was paid up by the Group as at 31 December 2004.

Note 3: Putian Derong is a Sole Foreign Investment Enterprise established in the PRC for an operating period of 50 years commencing from its date of establishment on 29 April 2001. The registered and paid-up capital of Putian Derong amounted to HK\$60,000,000.

Note 4: Zhejiang Yiwu is a Sole Foreign Investment Enterprise established in the PRC for an operating period of 30 years commencing from its date of establishment on 28 November 2003. The registered capital of Zhejiang Yiwu amounted to US\$6,600,000 (equivalent to HK\$51,480,000). Capital paid up by the Group amounted to US\$2,250,000 (equivalent to HK\$17,550,000) which included capital of US\$1,750,000 (equivalent to HK\$13,650,000), the capital verification of which has not been completed at 31 December 2004.

Note 5: Putian Defeng is a Sole Foreign Investment Enterprise established in the PRC for an operating period of 50 years commencing from its date of establishment on 22 March 2004. The registered capital of Putian Defeng amounted to US\$10,000,000 (equivalent to HK\$78,000,000), no capital contribution has been made by the Group as at 31 December 2004.

Note 6: The non-voting deferred shares carry no rights as to dividends, no rights to attend or vote at general meetings and no rights to receive any surplus in a return of capital in a winding-up (other than the nominal amount paid up or credited as paid-up of the non-voting deferred shares, after a sum of HK\$1,000,000,000 per ordinary share has been distributed to the holders of the ordinary shares of Tak Shun Lam in such winding-up).



Year ended 31 December 2004

14. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

The above table lists the subsidiaries of the Company, which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

15. INVENTORIES

	Group	
	2004	2003
	HK\$'000	HK\$'000
Raw materials	37,780	32,044
Work in progress	10,676	10,473
Finished goods	29,046	24,181
	77,502	66,698
	77,502	66,698

No inventories were stated at net realisable value as at 31 December 2004 (2003:Nil).

16. TRADE RECEIVABLES

The Group normally allows credit terms ranging from 30 to 90 days to its customers.

An aging analysis of the trade receivables as at the balance sheet date, based on the date of recognition of the sale, is as follows:

	Group	
	2004	2003
	HK\$'000	HK\$'000
1 – 30 days	43,837	38,356
31 – 60 days	23,002	19,342
61 – 90 days	8,143	6,379
Over 90 days	7,738	2,459
	82,720	66,536
	82,720	66,536

Tak Shun
Technology
Group Limited

ANNUAL
REPORT
2004



Year ended 31 December 2004

17. TRADE PAYABLES

An aging analysis of the trade payables as at the balance sheet date, based on the receipt of goods purchased, is as follows:

	Group	
	2004 HK\$'000	2003 HK\$'000
1 – 30 days	29,211	22,848
31 – 60 days	15,933	14,062
61 – 90 days	8,961	8,998
91 – 180 days	9,126	36,368
Over 180 days	5,167	–
	68,398	82,276

18. INTEREST-BEARING BANK LOAN

	Group	
	2004 HK\$'000	2003 HK\$'000
Bank loan, repayable:		
Within one year	12,500	–
In the second year	16,667	–
In the third to fifth years, inclusive	20,833	–
	50,000	–
Less: Amount due within one year shown under current liabilities	(12,500)	–
	37,500	–



Year ended 31 December 2004

19. OBLIGATION UNDER FINANCE LEASE

The Group leases a motor vehicle for its general business purposes. The lease is classified as a finance lease and has a remaining lease term of one year.

At 31 December 2004, the total future minimum lease payments under the finance lease and their present values, were as follows:

Group

	Minimum lease payments 2004 HK\$'000	Present value of minimum lease payments 2004 HK\$'000	Minimum lease payments 2003 HK\$'000	Present value of minimum lease payments 2003 HK\$'000
Amounts payable:				
Within one year	201	175	301	276
In the second year	-	-	201	161
	<u>201</u>	<u>175</u>	502	<u>437</u>
Future finance charges	<u>(26)</u>		<u>(65)</u>	
Present value of lease obligation	175		437	
Portion classified as current liabilities	<u>(175)</u>		<u>(276)</u>	
Non-current portion	<u>-</u>		<u>161</u>	

20. BANKING FACILITIES

At 31 December 2004, the Group's banking facilities and interest-bearing bank loan were secured by corporate guarantees given by the Company and certain subsidiaries.



Year ended 31 December 2004

21. SHARE CAPITAL**Shares**

	Number of shares	Share capital HK\$'000
Ordinary shares of HK\$0.01 each		
Authorised:		
At 31 December 2004 and 2003	<u>4,000,000,000</u>	<u>40,000</u>
Issued and fully paid:		
At 31 December 2004 and 2003	<u>1,440,004,800</u>	<u>14,400</u>

Share options

Details of the Company's share option scheme and share options issued under the scheme are included in note 22 to the financial statements.

Warrants

Pursuant to an ordinary resolution passed at the general meeting of the Company held on 8 May 2002, the Company granted bonus warrants to its shareholders on the basis of one warrant for every five ordinary shares of HK\$0.01 each of the Company, based on the share capital of the Company and to the shareholders whose names appear on the register of members of the Company on that date, resulting in 288,000,000 warrants being issued.

Each of the bonus warrants entitles the holder thereof to subscribe for one ordinary share of HK\$0.01 each of the Company at an initial subscription price of HK\$0.40 per share, payable in cash and subject to adjustment, at any time between 30 May 2002 and 29 May 2004 (both dates inclusive). Any ordinary share falling to be issued upon the exercise of the subscription rights of the warrants will rank pari passu in all respects with the existing issued share capital of the Company.

The warrants were expired during the year.



Year ended 31 December 2004

22. SHARE OPTION SCHEME

The Company operates a share option scheme (the "Option Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Option Scheme include the Company's directors, including independent non-executive directors, other employees of the Group, suppliers of goods or services to the Group, customers of the Group, any person or entity providing research, development or other technological support to the Group, and any other person or entity determined by the directors as having contributed or may contribute to the development and growth of the Group. The Option Scheme became effective on 18 September 2001 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of unexercised share options currently permitted to be granted under the Option Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue at any time. At 31 December 2004, the number of shares issuable under the share options granted under the Option Scheme was approximately 144,000,000, which represented 10% of the Company's shares in issue as at that date. The maximum number of shares issuable under share options to each eligible participant in the Option Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's shares at the date of the grant) in excess of HK\$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 21 days from the date of the offer, upon payment of a nominal consideration of HK\$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors, and commences after a certain vesting period and ends on a date which is not later than 10 years from the date of the grant of the share options.

The exercise price of the share options is determinable by the directors, but may not be less than the highest of (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheet on the date of the offer of grant, which must be a trading day; (ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheet for the five trading days immediately preceding the date of the offer of the grant; and (iii) the nominal value of the Company's shares.

Share options do not confer rights on the holders to dividends or to vote at shareholder's meetings.

Tak Shun
Technology
Group Limited

ANNUAL
REPORT
2004



Year ended 31 December 2004

22. SHARE OPTION SCHEME (CONTINUED)

The following share options were outstanding under the Option Scheme during the year:

Name or category of participant	Number of share options				At 31 December 2004	Date of grant of share options*	Exercise period of share options	Price of Company's shares***		
	At 1 January 2004	Granted during the year	Exercised during the year	Cancelled during the year				Exercise price of share options**	At grant date of options	At exercise date of options
								HK\$	HK\$	HK\$
Directors										
Mr. Law Wai Fai	14,000,000	-	-	-	14,000,000	28 November 2002	18 December 2002 to 17 December 2005	0.348	0.34	-
Ms. Lam Chu Ying	8,000,000	-	-	-	8,000,000	28 November 2002	18 December 2002 to 17 December 2005	0.348	0.34	-
Mr. Yeung Kwong Lun	4,000,000	-	-	-	4,000,000	28 November 2002	18 December 2002 to 17 December 2005	0.348	0.34	-
	<u>26,000,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>26,000,000</u>					
Other employees										
In aggregate	15,580,000	-	-	(2,600,000)	12,980,000	28 November 2002	18 December 2002 to 17 December 2005	0.348	0.34	-
	<u>41,580,000</u>	<u>-</u>	<u>-</u>	<u>(2,600,000)</u>	<u>38,980,000</u>					



Year ended 31 December 2004

22. SHARE OPTION SCHEME (CONTINUED)

- * The vesting period of the share options is from the date of the grant until the commencement of the exercise period.

- ** The exercise price of the share option is subject to adjustment in the case of a capitalisation issue, rights issue, sub-division or consolidation of the Company's shares or reduction of the Company's share capital.

- *** The price of the Company's shares disclosed as at the date of the grant of the share options is the Stock Exchange closing price on the trading day immediately prior to the date of the grant of the share options. The price of the Company's shares disclosed as at the date of the exercise of the share options is the weighted average of the Stock Exchange closing prices over all of the exercises of options within the disclosure category.

At 31 December 2004, the Company had 38,980,000 share options outstanding under the Option Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 38,980,000 additional ordinary shares of HK\$0.01 each of the Company and additional share capital of approximately HK\$390,000 and share premium of approximately HK\$13,175,000 (before share issue expenses).

Tak Shun
Technology
Group Limited

ANNUAL
REPORT
2004



Year ended 31 December 2004

23. RESERVES**Group**

The amounts of the Group's reserves and the movements therein for the years ended 31 December 2004 and 2003 are presented in the consolidated statement of changes in equity.

Company

	Notes	Share premium HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 January 2003		113,665	3,521	117,186
Net profit for the year		–	14,926	14,926
Proposed final dividend	11	–	(17,280)	(17,280)
At 31 December 2003 and 1 January 2004		113,665	1,167	114,832
Net profit for the year		–	40,515	40,515
Proposed final dividend	11	–	(17,280)	(17,280)
At 31 December 2004		<u>113,665</u>	<u>24,402</u>	<u>138,067</u>

The share premium of the Company represents: (i) the excess of the then combined net assets of the subsidiaries acquired pursuant to the Group Reorganisation over the nominal value of the share capital of the Company issued in exchange therefor; (ii) the premium utilised as a result of the capitalisation issue and bonus issue of shares of the Company; and (iii) the premium arising from the new issue of shares of the Company.

In accordance with the Companies Law (Revised) of the Cayman Islands, the share premium is distributable to the shareholders of the Company 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 share premium may also be distributed in the form of fully paid bonus shares.



Year ended 31 December 2004

24. CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities at the balance sheet date.

At 31 December 2004, the Company had provided corporate guarantees to the extent of HK\$145.5 million (2003: HK\$84.5 million) to banks for banking facilities granted to certain subsidiaries. The extent of such facilities utilised by the subsidiaries at 31 December 2004 amounted to approximately HK\$51.7 million (2003: Nil).

25. OPERATING LEASE ARRANGEMENTS

The Group leases certain leasehold land and buildings under operating lease arrangements. The original lease terms for these leasehold land and buildings ranged from one to two years.

At 31 December 2004, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	2004	2003
	HK\$'000	HK\$'000
Within one year	391	280
In the second to fifth years, inclusive	264	331
	655	611

The Company did not have any operating lease arrangements as at 31 December 2004 (2003: Nil).



Year ended 31 December 2004

26. COMMITMENTS

- (a) The Group had the following commitments in respect of its property, plant and equipment as at the balance sheet date:

	Group	
	2004 HK\$'000	2003 HK\$'000
Contracted, but not provided for:		
Leasehold land and buildings	20,670	1,852
Plant and machinery	11,839	2,494
	32,509	4,346

- (b) At 31 December 2004, the Group had contracted commitments in respect of capital investments in the PRC subsidiaries amounting to approximately HK\$273,807,000 (2003: HK\$256,216,000). This amount included US\$1,750,000 (equivalent to HK\$13,650,000) paid by the Group for investment in Zhejiang Yiwu but the capital verification of which had not yet been completed at 31 December 2004. Details of which were disclosed in note 14 to the financial statements.

The Company did not have any significant commitment as at 31 December 2004 (2003: Nil).

