



ESPCO TECHNOLOGY HOLDINGS LIMITED

易盈科技控股有限公司

(Incorporated in the Cayman Islands with limited liability)

» Reliable Quality «

Professional Innovation
Excellent Performances

THIRD QUARTERLY REPORT

▶▶ 2004

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

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The principal means of information dissemination on GEM is publication on the Internet website operated by the Stock Exchange. GEM-listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website at www.hkgem.com in order to obtain up-to-date information on GEM-listed issuers.

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This report, for which the directors (the “Directors”) of Espco Technology Holdings Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, (i) the information contained in this report is accurate and complete in all material respects and not misleading; (ii) there are no other matters the omission of which would make any statement in this report misleading; (iii) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

HIGHLIGHTS

1. The Group has recorded an unaudited turnover of approximately HK\$306 million and HK\$110 million, respectively for the nine months and three months ended 31st December 2004.
2. The Group has recorded an unaudited net profit attributable to shareholders of approximately HK\$7 million and HK\$3 million respectively for the nine months and three months ended 31st December 2004.

To all shareholders,

The board (the "Board") of directors (the "Directors") of Espco Technology Holdings Limited (the "Company") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively, the "Group") for the nine months and three months ended 31st December 2004 in condensed format, together with the comparative unaudited figures for the corresponding periods in 2003 as follows:

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

		(Unaudited) Nine months ended 31st December,		(Unaudited) Three months ended 31st December,	
	Notes	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Turnover	2	306,355	332,742	110,056	119,545
Cost of sales		<u>289,510</u>	<u>315,018</u>	<u>103,456</u>	<u>114,437</u>
Gross profit		16,845	17,724	6,600	5,108
Other revenues	2	609	226	282	52
Selling and distribution expenses		(843)	(534)	(383)	(170)
General and administrative expenses		<u>(8,545)</u>	<u>(8,287)</u>	<u>(2,974)</u>	<u>(2,737)</u>
Operating profit	4	8,066	9,129	3,525	2,253
Finance costs		<u>(192)</u>	<u>(211)</u>	<u>(38)</u>	<u>(74)</u>
Profit before taxation		7,874	8,918	3,487	2,179
Taxation	5	<u>(677)</u>	<u>(767)</u>	<u>(301)</u>	<u>(187)</u>
Net profit attributable to shareholders		<u>7,197</u>	<u>8,151</u>	<u>3,186</u>	<u>1,992</u>
Dividend	6	<u>1,071</u>	-	-	-
Basic earnings per share	7	<u>HK2.43 cents</u>	HK3.13 cents	<u>HK0.89 cent</u>	HK0.76 cent

Notes to the Condensed Financial Statements

For the nine months ended 31st December 2004

1. GROUP REORGANISATION AND BASIS OF PREPARATION

The Company was incorporated in the Cayman Islands on 12th March 2003 as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. Pursuant to a group reorganisation completed on 6th September 2004 (the "Reorganisation") in preparation for the listing of the Company's shares on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited, (the "Stock Exchange") the Company became the holding company of its subsidiaries. Further details of the Reorganisation was set out in the prospectus of the Company dated 14th September 2004 (the "Prospectus").

The Reorganisation is accounted for using merger accounting as permitted by Statement of Standard Accounting Practice ("SSAP") No. 27 "Accounting for group reconstructions" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). Under this basis, the condensed financial statements for the nine months and the three months ended 31st December 2004, including the comparative figures, are prepared as if the Company had been the holding company of the companies comprising the Group from the beginning of the earliest period presented.

The condensed financial statements have been prepared in accordance with the applicable disclosure requirements of Chapter 18 of the Rules Governing the Listing of Securities on GEM (the "GEM Listing Rules").

The accounting policies and methods of computation adopted in preparing the condensed financial statements are consistent with those followed in the preparation of the Group's accountants' report set out in the Prospectus.

The condensed consolidated financial statements are unaudited but have been reviewed by the audit committee of the Company.

2. TURNOVER

The Group is principally engaged in the design, manufacture and distribution of desktop PC components. Revenues recognised in the periods are as follows:

	(Unaudited) Nine months ended 31st December,		(Unaudited) Three months ended 31st December,	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Turnover				
Sales of own-manufactured goods at invoiced value, net of returns and discounts	225,314	246,020	75,870	91,212
Trading of PC components	74,921	78,000	29,520	26,092
Processing fee income	6,120	8,722	4,666	2,241
	306,355	332,742	110,056	119,545
Other revenues				
Interest income	1	40	1	23
Sundry income	608	186	281	29
	609	226	282	52
Total revenues	306,964	332,968	110,338	119,597

3. SEGMENTAL INFORMATION

Business segment information is chosen as the primary reporting format because this is more relevant to the Group in making operating and financial decisions.

No segment information by business segment is presented as the Group primarily operates in a single business segment which is the manufacturing and distribution of desktop PC components throughout the periods.

Secondary reporting format – geographical segments

	(Unaudited) Nine months ended 31st December,		(Unaudited) Three months ended 31st December,	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
PRC, excluding Hong Kong and Taiwan	181,699	185,684	59,941	66,933
Taiwan	35,037	49,703	15,034	8,871
Hong Kong	33,203	27,502	12,628	17,719
Singapore	23,599	26,640	8,985	10,423
Australia	2,654	7,478	1,091	1,919
Other Asia-Pacific regions	20,757	18,974	9,833	7,276
Europe	2,877	9,069	998	4,470
Other regions	6,529	7,692	1,546	1,934
	306,355	332,742	110,056	119,545

4. OPERATING PROFIT

Operating profit is arrived at after charging the following:

	(Unaudited) Nine months ended 31st December		(Unaudited) Three months ended 31st December	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Cost of inventories sold	281,541	307,293	100,550	112,021
Depreciation of fixed assets				
– owned assets	1,997	2,230	671	810
– assets held under finance leases	414	414	138	138
Operating lease rentals in respect of land and buildings	575	750	179	113
Research and development cost	924	617	307	204
Staff costs including directors' emoluments	8,065	7,541	2,969	2,443

5. TAXATION

	(Unaudited) Nine months ended 31st December		(Unaudited) Three months ended 31st December	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Hong Kong profits tax	483	563	241	101
Overseas taxation	151	182	48	92
	634	745	289	193
Deferred tax	43	22	12	(6)
	677	767	301	187

Hong Kong profits tax has been calculated at 17.5% (2003: 17.5%) on the estimated assessable profits arising in or derived from Hong Kong for the periods.

Overseas taxation represented tax charge on the estimated assessable profits of subsidiaries operating overseas including the PRC, calculated at rates prevailing in the respective areas.

One subsidiary which operates in the PRC is subject to the preferential foreign income tax ("FEIT") of 15% on its assessable profit. In accordance with the relevant income tax laws and regulations in the PRC, it has been granted full exemption from the enterprise income tax for two years from its first profit-making year, followed by a 50% reduction in tax rate for the next three years. Pursuant to the preferential tax exemptions described above, the applicable income tax rate for the three years from 2003 to 2005 is 7.5%, representing 50% of the full FEIT rate to which the subsidiary is subject.

Another subsidiary has been registered as an "Offshore Commercial Services Institution" with the Macao Trade and Investment Promotion Institute. In accordance with the Macao Special Administrative Region's Offshore Law, the subsidiary is exempted from Macau income tax derived from its offshore business.

6. DIVIDENDS

The Directors do not recommend the payment of any dividend for the three months ended 31st December 2004 (three months ended 31st December 2003: Nil)

The Directors had recommended the payment of an interim dividend of HK 0.3 cent per share for the six months ended 30th September 2004 (six months ended 30th September 2003: nil), which had been paid in December 2004.

7. EARNINGS PER SHARE

Basic earnings per share for the nine months and the three months ended 31st December 2004 are calculated based on the unaudited consolidated net profit attributable to shareholders of HK\$7,197,000 and HK\$3,186,000 respectively (2003: HK\$8,151,000 and HK\$1,992,000 respectively) and on the weighted average number of 295,770,382 and 357,136,200 ordinary shares respectively (2003: 260,704,200 and 260,704,200 ordinary shares) in issue during the periods.

In determining the weighted average number of shares in issue, the 100 shares issued on incorporation of the Company and as consideration for the acquisition by the Company of the issued share capital of Eagle Up Holdings Limited ("Eagle Up"), and the capitalisation issue of 260,704,100 shares upon listing on GEM on 23rd September 2004 were also deemed to have been in issue on 1st April 2003 for the purpose of the calculation of basic earnings per share.

Dilutive earnings per share amounts have not been presented as the Company did not have any dilutive potential ordinary shares during the periods.

8. MOVEMENT OF RESERVES

	Share premium	Exchange reserve	Capital reserve	Revaluation reserve	Statutory surplus reserve	Statutory welfare fund	Statutory general reserve	Retained profits	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Nine months ended									
31st December 2004									
At 1st April 2004	-	25	16,463	9,652	325	162	-	27,861	54,488
Capitalisation issue	(2,607)	-	-	-	-	-	-	-	(2,607)
Placing of shares	26,036	-	-	-	-	-	-	-	26,036
Expenses in connection with the listing of the shares of the Company	(7,457)	-	-	-	-	-	-	-	(7,457)
Appropriation	-	-	-	-	-	-	485	(485)	-
Exchange differences arising from translation of accounts of overseas subsidiaries	-	(9)	-	-	-	-	-	-	(9)
Profit for the period	-	-	-	-	-	-	-	7,197	7,197
Dividends (2004 final)	-	-	-	-	-	-	-	(3,500)	(3,500)
Dividends (2005 interim)	-	-	-	-	-	-	-	(1,071)	(1,071)
	<u>15,972</u>	<u>16</u>	<u>16,463</u>	<u>9,652</u>	<u>325</u>	<u>162</u>	<u>485</u>	<u>30,002</u>	<u>73,077</u>
Nine months ended									
31st December 2003									
At 1st April 2003	-	31	13,462	9,812	195	97	-	17,991	41,588
Issue of shares of a subsidiary	3,000	-	-	-	-	-	-	-	3,000
Exchange differences arising from translation of accounts of overseas subsidiaries	-	31	-	-	-	-	-	-	31
Profit for the period	-	-	-	-	-	-	-	8,151	8,151
	<u>3,000</u>	<u>62</u>	<u>13,462</u>	<u>9,812</u>	<u>195</u>	<u>97</u>	<u>-</u>	<u>26,142</u>	<u>52,770</u>

9. RELATED PARTY TRANSACTIONS

The Group had the following significant related party transactions during the periods:

	(Unaudited) Nine months ended 31st December,		(Unaudited) Three months ended 31st December,	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Easily Investments Limited – Rentals of a director's quarter paid by the Group	<u>225</u>	<u>295</u>	<u>75</u>	<u>85</u>

Notes:

- Easily Investment Limited ("Easily") is a company in which Mr Chan Hing Yin, a director of the Company, has beneficial interest as a director and shareholder.
- During the periods, the Group entered into lease arrangements with Easily for leasing of a director's quarter. The lease in force will expire on 31st October 2005 and the monthly rental payable by the Group under such lease is HK\$25,000, which terms were agreed by both parties with reference to open market value.

10. CONTINGENT LIABILITIES

As at 31st December 2004 and 31st March 2004, seven employees of the Group have completed the required number of years of services under the Hong Kong Employment Ordinance (the "Ordinance") to be eligible for long service payments on termination of their employment. The Group is only liable to make such payments where the termination meets the circumstances specified in the Ordinance.

If the termination of all such employees meet the circumstances set out in the Ordinance, the Group's liability as at 31st December 2004 would be approximately HK\$546,000 (as at 31st March 2004: HK\$524,000). No provision has been made in this respect.

Save as disclosed above, the Group and the Company did not have any significant contingent liabilities as at 31st December 2004.

INTERIM DIVIDEND

The Board do not recommend the payment of any dividend for the three months ended 31st December 2004 (2003: nil).

FINANCIAL REVIEW

Total turnover of the Group for the nine months ended 31st December 2004 amounted to approximately HK\$306,355,000, representing a 7.9% decrease from that of approximately HK\$332,742,000 generated in the corresponding period in 2003. Such decrease was principally due to the fact that a few of the ex-customers for the Group's own-manufactured goods changed their purchasing mode to buying big brand name products. Such decrease however was substantially recorded in the first half of the financial year and orders from new customers for trading of PC components and processing services have gradually picked up during the quarter ended 31st December 2004. Turnover from trading of PC components and processing fee income for the quarter ended 31st December 2004 achieved encouraging increase of 13.1% and 108.2% from the corresponding quarter in 2003.

Despite the drop in sales, the Group has recorded an improvement in the gross profit margin for the nine months ended 31st December 2004 at approximately 5.5% as compared to 5.3% recorded for the corresponding period of last year. The improvement in the gross profit margin was mainly attributable to the increase in the provision of processing services in the quarter ended 31st December 2004 which in general generate a higher profit margin due to a much lower cost base, and the change in product mix for own manufactured goods to products at a less matured product life cycle which enable the Group to command a higher profit margin.

With the improvement in trading and processing businesses of the Group, net profit attributable to shareholders for the quarter ended 31st December 2004 has recorded remarkable increase of 59.9% to HK\$3,186,000 from HK\$1,992,000 in the corresponding quarter in 2003. The net profit attributable to shareholders for the nine months ended 31st December 2004 amounted to HK\$7,197,000, representing a 11.7% drop from HK\$8,151,000 for the same period in 2003.

The selling and distribution expenses of the Group for the nine months ended 31st December 2004 amounted to approximately HK\$843,000, representing a 58% increase as compared to the corresponding period last year. The increase was mainly due to the increase in advertising expenses for the promotion of the Group's own brand name products in Hong Kong and overseas markets.

The general and administrative expenses of the Group for the nine months ended 31st December 2004 amounted to approximately HK\$8,545,000, representing a slight increase of 2.7% as compared to the corresponding period last year. The increase was mainly due to the increase in the number of staff in the Research & Development team of the Group.

The finance cost of the Group for the nine months ended 31st December 2004 amounted to approximately HK\$192,000, representing a decrease of approximately 9% as compared to the corresponding period of last year.

The Group operates a conservative set of investment policies to ensure that no unnecessary risks are taken with the Group's assets. During the period, the Group has not made any significant investment or acquisition other than cash and short-term bank deposits.

BUSINESS REVIEW AND PROSPECT

In order to enhance the competitiveness of the Group's products and to increase the production capacity, the Group plans to acquire and install the fourth and the fifth SMT production lines by the first half of 2005 and 2006 respectively as mentioned in the Prospectus under the section headed "Business Plan". The cost of these additional SMT production lines are expected to be funded out of the proceeds from the Placing. Through acquisition of these new production lines, the Group can expand its existing production capacity to meet the future growth in demand.

With the installation of the new production lines, the Group is determined to strengthen the existing research and development capability by recruiting more professional staffs to develop new models of VGA display card in order to cope with the latest development in the market.

On the sales and marketing side, the Group will endeavour to promote its own brandname products by advertising the Group's products in magazines and aggressively participating in technology exhibitions in both Asian and Eastern European countries.

In addition, the Group plans to set up an establishment in Eastern Europe to facilitate the expansion strategies of the Group's business in the Eastern European markets.

Following the successful listing of the shares of the Company on GEM on 23rd September 2004, the Board believes that the Company is in a better position to implement the aforesaid business plans. The Board is confident that with the Company's dedicated management team and the financial support obtained through the proceeds raised from the Placing, the business of the Group will continue to provide solid contributions throughout the rest of the financial year.

ADVANCE TO AN ENTITY

According to rules 17.15, 17.17 and 17.22 of the GEM Listing Rules, a disclosure obligation arises where the relevant advance to an entity from the Group exceeds 8% of the Group's consolidated total assets or the market capitalisation of the Company, whichever is the lower. As at 31st December 2004, trade receivable from a customer of the Group (the "Trade Receivable"), 深圳市鐳之光電子有限公司 (the "Customer"), a company which is independent of and not connected with the Company and its connected person (as defined in the GEM Listing Rules), amounted to approximately HK\$30,708,000 (as at 31st March 2004: HK\$15,234,000), representing approximately 29% of the Group's consolidated total assets as at 31st December 2004. The Trade Receivable was resulted from sales to the Customer by the Group in its ordinary course of business and on normal commercial terms. It is unsecured, interest-free, and has a payment term of 30 days.

SHARE OPTION SCHEME

Pursuant to the written resolutions of the sole shareholder of the Company dated 6th September 2004, the Company has conditionally adopted the share option scheme (the "Share Option Scheme") under which share options to subscribe for the Company's shares may be granted under the terms and conditions stipulated therein. The principal terms of the Share Option Scheme are summarised in the paragraph headed "Share Option Scheme" in Appendix 5 to the Prospectus. As at 31st December 2004, no share option was granted under the Share Option Scheme.

DIRECTORS' AND EMPLOYEES' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save for the share options that may be granted under the Share Option Scheme, none of the Directors or employees of the Group or their respective associates were granted by the Company or its subsidiaries the rights to acquire shares or debentures of the Company or any other body corporate, or had exercised any such rights as at 31st December 2004.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31st December 2004, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were recorded in the register required to be kept under section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, were as follows:

Long positions in shares of the Company

Name of Director	Nature of interest	Number and class of securities	Approximate % of the issued share capital of the Company
Mr. Chan Hing Yin	Interest in a controlled corporation	249,992,200 ordinary share of HK\$0.01 each ("Shares") (Note)	70%

Note: These shares are held by Osborne Pacific Limited ("Osborne") which is wholly and beneficially owned by Mr. Chan Hing Yin.

Save as disclosed above, as at 31st December 2004, none of the Directors or chief executives of the Company had any interests and short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were recorded in the register required to be kept under section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to Rule 5.46 to 5.67 of the GEM Listing Rules.

SUBSTANTIAL SHAREHOLDER

So far as is known to any Director or chief executive of the Company, as at 31st December 2004, the following person (other than the Directors and chief executives of the Company whose interests are set out in the section "Directors' and chief executives' interests and short positions in shares and underlying shares" above) had an interest or short position in the shares or underlying shares of the Company which were recorded in the register required to be kept under Section 336 of the SFO.

Name of shareholder	Nature of interest	Number and class of securities	Approximate % of the issued share capital of the Company
Osborne	Beneficial owner	249,992,200 Shares (<i>Note 1</i>)	70%
Chan, Selma (<i>Note 2</i>)	Family interest of controlled corporation	249,992,200 Shares (<i>Note 2</i>)	70%

Notes:

1. These shares were held by Osborne Pacific Limited which is wholly and beneficially owned by Mr. Chan Hing Yin.
2. These were the same Shares held by Osborne. As Ms Chan, Selma is the spouse of Mr Chan Hing Yin, she is deemed to have interests in the Shares held by Osborne, which is wholly and beneficially owned by Mr Chan Hing Yin.

Save as disclosed above, as at 31st December 2004, the Company had not been notified of any other person (other than the Directors or chief executives of the Company) who had an interest or short position in the shares or underlying shares of the Company which were required to be kept under Section 336 of the SFO.

COMPETING INTEREST

None of the directors or the management shareholders of the Company or their respective associates (as defined in the GEM Listing Rules) had an interest in a business which competes or may compete with the business of the Group during the period under review.

SPONSOR'S INTERESTS

Pursuant to the sponsor's agreement dated 13th September 2004 entered into between the Company and Somerley Limited ("Somerley"), Somerley has been appointed as the sponsor of the Company as required under the GEM Listing Rules at a fee for the period from 23rd September 2004 to 31st March 2007 or until the sponsor's agreement is terminated in accordance with the terms and conditions set out therein.

None of Somerley, its directors, employees or associates had any interests in the securities of the Company or any member of the Group, or had any rights to subscribe for or to nominate persons to subscribe for the securities of the Company or any member of the Group as at 31st December 2004.

BOARD PRACTICES AND PROCEDURES

Since the date of listing of the Company's shares on GEM on 23rd September 2004, the Company has complied with board practices and procedures as set out in Rules 5.34 to 5.45 of the GEM Listing Rules.

AUDIT COMMITTEE

The Company has established an audit committee (the "Audit Committee") with written terms of reference in compliance with the requirements as set out in Rules 5.28 to 5.30 of the GEM Listing Rules. The primary duties of the Audit Committee are (i) to review the Company's annual report, half-yearly report and quarterly reports and provide advice and comments thereon to the Board; and (ii) to review and supervise the financial reporting process and internal control procedures of the Company. The Audit Committee comprises three independent non-executive Directors, namely, Mr. Tam Yuk Sang, Sammy, Mr. Lam Ping Cheung and Ms. Chan Yi Man, Magdalen.

Since the Company's listing on GEM on 23rd September 2004, the Audit Committee had two meetings up to the date of this report. The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a review of the unaudited condensed accounts for the nine months ended 31st December 2004. The Audit Committee had not identified any disagreement with the accounting treatments which had been adopted in the preparation of the Group's quarterly report.



PURCHASE, SALE OR REDEMPTION OF SHARES

Since the listing of the Company's shares on the GEM of the Stock Exchange on 23rd September 2004 and up to 31st December 2004, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed shares.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

Since the listing of the Company's shares on GEM of the Stock Exchange on 23rd September 2004 and up to 31st December 2004, the Company had adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company had also made specific enquiry of all Directors and was not aware of any non-compliance with the required standard of dealings and its code of conduct regarding securities transactions by Directors.

By Order of the Board
Espco Technology Holdings Limited
Chan Hing Yin
Chairman

Hong Kong, 4th February, 2005

As at the date of this report, the executive Directors are Mr. Chan Hing Yin and Mr. Chan Hing Kai, and the independent non-executive Directors are Mr. Lam Ping Cheung, Andrew, Mr. Tam Yuk Sang, Sammy, and Ms. Chan Yi Man, Magdalen.