ESPCO TECHNOLOGY HOLDINGS LIMITED
易 盈 科 技 控 股 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)

Annual Report
2004/05

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.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

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.

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this announcement, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

This announcement, 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 announcement 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 announcement misleading; (iii) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

Contents

Corporate Information

Registered office	Century Yard Cricket Square Hutchins Drive P.O. Box 2681 GT George Town Grand Cayman Cayman Islands British West Indies
Head office and principal place of business	Rooms 3 & 4 9th Floor, Vanta Industrial Centre 21-33 Tai Lin Pai Road Kwai Chung New Territories Hong Kong
Company homepage/website	http://www.espco.com
Company secretary	Ms. Choi Mun Duen, Virginia, *FCCA, CPA*
Qualified accountant	Ms. Choi Mun Duen, Virginia, *FCCA, CPA*
Compliance officer	Mr. Chan Hing Yin
Audit committee	Mr. Lam Ping Cheung Mr. Tam Yuk Sang, Sammy Ms. Chan Yi Man, Magdalen
Authorised representatives	Mr. Chan Hing Yin Ms. Choi Mun Duen, Virginia
Process agent under Part XI of the Companies Ordinance	Mr. Chan Hing Yin
Stock code	8299
Principal bankers	Bank of China (Hong Kong) Limited 9th Floor, 589 Nathan Road Mongkok Kowloon Chiyu Banking Corporation Limited 78 Des Voeux Road Central Hong Kong Wing Lung Bank Limited 9th Floor, 45 Des Voeux Road Central Hong Kong
Principal share registrar and transfer office	Bank of Bermuda (Cayman) Limited P.O. Box 513 GT Strathvale House North Church Street George Town Grand Cayman, Cayman Islands British West Indies
Hong Kong branch share registrar and transfer office	Tricor Investor Services Limited Ground Floor Bank of East Asia Harbour View Centre 56 Gloucester Road Wanchai Hong Kong

On behalf of the board (the "Board") of directors (the "Directors"), I am very pleased to present the first annual report of Espco Technology Holdings Limited (the "Company", together with its subsidiaries, the "Group") after its listing on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 23th September 2004.

REVIEW OF OPERATIONS

During the year under review, the personal computer ("PC") component industry was still facing severe competition from the manufacturers in Taiwan. Both the markets for the Group's own manufactured products and trading of PC components have been under pressure. The emergence of new technology also affected the turnover of the Group. A new version of top graphics bus standard has emerged in the market during the year which affected the purchases plan of the Group's customers. Customers tend to postpone their purchases of VGA cards in anticipation that existing products will become out-dated whilst the performance of products with new graphic standard is yet to be proved. In such a tough market environment, the Group has put great efforts to develop and manufacture new model of products with enhanced features to generate higher gross profit margin and to obtain new orders from provision of processing services to reduce the reliance on the sales of own manufactured products.

In conclusion, despite the decrease in the turnover of the Group due to the unfavorable market environment, we stayed profitable reporting. Gross profit margin has also improved when comparing to last year as a result of the Group's effort in cost savings and product mix enhancement. Moving forward, we pledge to continue our investment in research and development as being able to introduce new products with up-to-date technology to the market is important to our future success.

FINANCIAL RESULTS

The Group recorded turnover of HK$388.9 million, net profit of HK$8.7 million and earnings per share of HK2.81 cents.

DIVIDEND

The Board recommended a final dividend of HK0.9 cent per share, bringing the full year dividend to HK1.2 cents per share.

PROSPECTS

Taking into account the current market conditions, the Directors are cautious but remain confident.

Looking ahead, the Group will continue to improve the quality and reliability of the present products, strengthen the capability in product research and development, broaden its customer base by consistently supporting existing customers to increase their market share through product innovations while concurrently developing business opportunities with new customers and brand names with great potential.

ACKNOWLEDGEMENT

Finally, on behalf of the Board, I would like to take this opportunity to thank all our staff for their hard working and loyalty. I would also express my gratitude to our shareholders for their continued support and recognition. Our Group will strive for improvement and further development for the interests of our shareholders and employees.

By order of the Board
CHAN HING YIN
Chairman

Hong Kong, 23rd June 2005

COMPARISON OF BUSINESS PLAN WITH THE ACTUAL BUSINESS PROGRESS

Set out below is a comparison between the Group's actual business progress for the year ended 31st March 2005 and its business plan as stated in the prospectus (the "Prospectus") of the Company dated 14th September 2004.

Business Plan	Actual business progress
(i) To upgrade the production facilities	
– Complete the installation of and put the production line with double-sided mounting function in full operation.	– Successfully completed the installation and the production line is now in full operation.
– Installation and testing of the 4th SMT production line.	– Owing to the decrease in turnover in the year, the Group decided to postpone this plan to the forthcoming year.
(ii) To promote the Group's brandname "EAGLE"	
– Review the Group's promotion strategies and select suitable media for placing advertisement in major Eastern European countries.	– Having considered that the growth of the PC components industry at large is slowing down in the Eastern European market, the Group has shifted its promotion plan to the Asian market e.g. the PRC, to attract more new customers.
– Advertise the Group's products in magazines and send out souvenirs to potential customers at "CeBIT".	– During the year, the Group has placed advertisements in 3 PRC magazines to boost the sales and promote the Group's brand name products in this market. In addition, souvenirs were distributed during the technology exhibition "CeBIT" in Germany which were specifically designed to promote the publicity of the Group and to attract potential customers.
– Participate in the technology exhibition "CeBIT" to be held in Germany.	– Successfully participated in the technology exhibition "CeBIT" held in March 2005 in Germany and obtained orders from potential customers.

(iii) *To explore new markets and expand distribution network*	
– Conduct feasibility study relating to the establishment of subsidiaries or branch offices in Hungary or Austria and formulate the marketing strategies for Eastern Europe.	– Completed the feasibility study regarding the establishment of offices in Eastern European market, which concluded that due to the slow down of the PC component industry in Eastern European market, it would not be a right time for the Group to establish an overseas branch in the year under review.
– Finalise the plan for setting up subsidiaries or branch offices in Hungary or Austria.	– Having reviewed and considered the results of the feasibility study in Eastern European market, the Group decided to suspend the plan temporarily until the atmosphere of the market improves or attractive to explore the possibility of setting up offices in other markets.
– Initiate distribution arrangements in the Eastern European markets.	– Having considered the results of the feasibility study in the Eastern European market, the Group decided to suspend the plan of distribution arrangements until the Eastern Europe market shows satisfactory growth prospects.
– Periodically review the performance of each market and adjust the sales and marketing strategies accordingly.	– The Sales Department of the Group has weekly meetings with the Engineering Department and meeting with the sale team in Singapore to discuss the trend of the market and product development to cope with the needs of the market.
(iv) *To expand the research and development capability*	
– Recruit 4 technicians and 1 design engineer in the PRC.	– During the year, the Group has recruited 2 technicians.
– Develop new models of VGA display card and motherboard in order to cope with the latest development of CPU and requirements in visual display.	– Four models were successfully developed in the year under review, GeForce 6600 and 6200 PCI Express graphics cards were developed to cope with the development of faster speeds' CPU in the market. Besides, GeForce 6600 and 6200 AGP graphics cards were launched to provide end-users with a graphics up-grade path for some of the existing systems.

– Review periodically the existing products and initiate projects to improve their functionalities and reduce production cost.

– A new product, 6200TC PCI Express graphics card, has been introduced into the market this year. The product was equipped with a small amount of video memory, resulting in a great reduction in system cost. The shortcoming of limited video memory was compensated by a "smart" memory sharing scheme implemented by the 6200TC. The scheme was successful because the new generation of CPU worked efficiently with the high speed motherboard memory for video data storage.

USE OF PROCEEDS

The net proceeds raised from the listing of the Company on the GEM on 23rd September 2004 was approximately HK$19.5 million.

Up to 31st March 2005, the Company had incurred the following amount to achieve its business objectives as set out in the Prospectus:

	From the date of listing on GEM on 23rd September 2004 to 31st March 2005	
	Proposed HK$'000	**Actual HK$'000**
To upgrade the production facilities	500	–
To promote the Group's brandname "EAGLE"	700	652
To explore new markets and expand distribution network	500	55
To expand research and development capabilities	70	19
General working capital	6,000	6,000
	7,770	6,726

Save as disclosed above, all unused proceeds from the listing have been deposited at bank to prepare for future use as set out in the Business Plan in the Prospectus.

FINANCIAL REVIEW

For the financial year ended 31st March 2005, the Company reported a total turnover of approximately HK$388,860,000 and net profit attributable to shareholders of approximately HK$8,730,000, representing a drop of approximately 19% and 13% respectively as compared to turnover of approximately HK$479,444,000 and net profit attributable to shareholders of approximately HK$10,065,000 for the year of 2004. Basic earnings per share is approximately HK2.81 cents.

Such decrease was principally recorded in the first half of the financial year and mainly attributable to the intense competition from manufacturers in Taiwan as well as the fact that a few customers of the Group's have changed their purchasing mode. However, business from new customers for the trading of PC components and processing services have successfully picked up in the second half of the financial year. Turnover from provision of processing services recorded a remarkable increase of 39% as compared with the previous year.

The strong growth in the processing income also improved the Group's gross profit margin for the financial year ended 31st March 2005. Overall gross profit margin for the year was approximately 5.08%, against 4.87% recorded for the year of 2004 even though the overall turnover decreased in the year of 2005. Processing services have been generating a higher gross profit margin contributed by its relatively small cost base. Besides more new products were launched by the Group during the year. These new products have enabled the Group to enjoy a higher profit margin than products that have been launched in the market for some time.

TURNOVER ANALYSIS

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

	For the year ended 31st March				
	2005		2004		
	Turnover HK$'000	Portion	Turnover HK$'000	Portion	Increase/ (Decrease) in Turnover (%)
Sales of own manufactured goods	286,012	74%	346,397	72%	(17%)
Trading of PC components	89,816	23%	123,697	26%	(27%)
Processing services	13,032	3%	9,350	2%	39%
Total	388,860	100%	479,444	100%	(19%)

BUSINESS REVIEW

As the computer hardware market keeps on improving and the computer users pursue better software environment, customers tend to demand for more advanced products even the pricing was much higher. Customers from markets such as the US, Canada and Germany are the seekers of the new model products. Nevertheless, middle-range or low-end products with lower speeds are still having strong demand from the developing markets such as Hong Kong, other parts of China, Africa and other Asian regions.

During the year under review, the Group has successfully installed a new production line which became fully operational in January 2005. The Group's product development capability has been enhanced by the recruitment of additional research and development professionals. A number of new models of VGA cards were developed during the year to cope with the latest development market and such models are popular with the customers.

On the sales and marketing side, in order to expand the PRC market, the Group has implemented a more aggressive advertising plan in the PRC market this year. Over half of the Group's advertising expenses were spent in the PRC market and the balance was incurred in Hong Kong and European markets which led to new orders for the business of processing services starting from November 2004. The Group also participated in the technology exhibition "CeBIT" in March 2005 in Germany where some purchase orders were placed with the Group.

In the coming year, we expect the turnover from the provision of processing services will continue to experience steady growth. Through the further recruitment of professional staffs in the Research and Development team and the improvement of the product facilities, the Group will possess the requisite technologies to develop and manufacture products that appeals to the market so as to widen its customer base and achieve business growth.

DEVELOPMENT OF NEW PRODUCTS

In order to meet the demand of the market, the Company had deployed substantial resources in developing and improving the speed of VGA cards it manufactured. New models being developed include: GF6200A, GF6600GT, GF6600PCI and ATiX300 and AtiX700. Besides, the Group also seeks to produce other types of products with a higher technical requirement in order to broaden the profit base of the Group.

LIQUIDITY AND CAPITAL RESOURCES

The Group generally finances its operations by cash flow generated from sales and its banking facilities. As at 31st March 2005, the Group had net current assets of approximately HK$54,979,000 of which approximately HK$11,410,000 was cash and bank balances and approximately HK$4,845,000 was current portion of bank loans and trust receipt loans. As at 31st March 2005, the Group had total banking facilities of approximately HK$15,400,000, approximately HK$5,322,000 of which had been utilized. The Group's banking facilities were secured by fixed charges on certain of the Group's leasehold land and buildings with an aggregate net book value of approximately HK$3,300,000, corporate guarantees executed by the Company and personal guarantee provided by a director of the Company to a bank. As at 31st March 2005, the Group had unutilized banking facilities of approximately HK$10,000,000.

In view of the current cash position, the banking facilities available and the expected future cash flow from operations, the Directors believe that the Group has sufficient financial resources to meet its operation needs.

FOREIGN EXCHANGE EXPOSURE

Most of the trading transactions, assets and liabilities of the Group were denominated in Hong Kong dollars and US dollars. During the year ended 31st March 2005, the Group recorded an insignificant amount of foreign exchange gain.

The Group adopted a conservative treasury policy, with most of the bank deposits being kept in Hong Kong dollars and US dollars, or in the local currencies of the operating subsidiaries to minimize exposure to foreign exchange risks. As at 31st March 2005, the Group had no foreign exchange contracts, interest or currency swaps or other financial derivatives for hedging purposes.

EMPLOYEE INFORMATION

The remuneration for the employees of the Group amounted to approximately HK$10,229,000, including Directors' emoluments of approximately HK$1,453,000 for the year ended 31st March 2005. As at 31st March 2005, the Group employed 424 employees in the PRC, Hong Kong, Singapore and Macau.

MATERIAL ACQUISITIONS AND DISPOSALS

During the year ended 31st March 2005, the Group did not have any material acquisitions and disposals of subsidiaries.

GEARING RATIO

The Group's gearing ratio as at 31st March 2005 decreased to 6.9% from 12% as at 31st March 2004. The gearing ratios were calculated as the Group's interest-bearing borrowings to the shareholders' equity as at the respective balance sheet dates. The decrease in the gearing ratio was due to the enlarged capital base resulting from the placing of new shares of the Company in connection with its listing on the Stock Exchange.

CHARGES ON THE GROUP'S ASSETS

As at 31st March 2005, the Group's leasehold land and buildings with net book value of approximately HK$3,300,000 (as at 31st March 2004: HK$2,200,000) were pledged as collaterals for the Group's banking facilities of approximately HK$8,000,000.

CONTINGENT LIABILITIES

Save as disclosed in note 28 to the accounts, as at 31st March 2005, the Directors were not aware of any material contingent liabilities.

EXECUTIVE DIRECTORS

Mr. Chan Hing Yin, aged 50, is the founder and the Chairman of the Group and the elder brother of Mr. Chan Hing Kai. He is responsible for the Group's overall management, strategic planning and development, and formulation of company policies and business strategy. Mr. Chan has about 21 years of experience in the PC industry.

Mr. Chan Hing Kai, aged 37, is an executive Director and the younger brother of Mr. Chan Hing Yin. He is responsible for overseeing the general administration, sales and marketing and purchasing activities of Espco Computer (S) Pte Limited. He has over 9 years of experience in the PC industry and joined the Group in 1996.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Lam Ping Cheung, aged 53, is a practising solicitor in Hong Kong and the sole proprietor of Andrew Lam & Co., a law firm in Hong Kong. He is also the independent non-executive director of several listed companies in Hong Kong including Golden Resources Development International Limited, China United Holdings Limited, Kith Holdings Limited, Ngai Lik Industrial Holdings Limited, Qualipak International Holdings Limited, Hansom Eastern (Holdings) Limited, Unity Investments Holdings Limited and Rosedale Hotel Group Limited.

Mr. Tam Yuk Sang, Sammy, aged 41, graduated from Hong Kong Polytechnic University and is a fellow member of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants. He is currently a partner of a corporate strategy and management advisory company. Mr. Tam is also an independent non-executive director of two other public listed companies in Hong Kong, namely, Ngai Lik Industrial Holdings Limited and Kith Holdings Limited.

Ms. Chan Yi Man, Magdalen, aged 48, is the human resources director of a wholly owned subsidiary of a global electronic manufacturer with its headquarters in the Netherlands. She graduated from the Chinese University of Hong Kong with a bachelor's degree in social science in 1981 and had obtained a postgraduate diploma in management studies from The City University of Hong Kong (formerly known as the City Polytechnic of Hong Kong) in 1989. She has years of experience in human resources management and administration, some of which were gained in listed groups in Hong Kong.

SENIOR MANAGEMENT

Ms. Yan Chuk Heung, aged 38, is the General Manageress of the Group. She is responsible for overseeing the Group's general administration, sales and marketing and purchasing. She has over 15 years of experience in the PC industry and joined the Group in March 1990.

Mr. Wo Wai Shing, aged 40, is the Engineering Manager of the Group. He is responsible for the Group's overall product design and engineering. Mr. Wo holds a bachelor's degree with honours in electronic engineering from The Hong Kong Polytechnic University (formerly known as the Hong Kong Polytechnic). He has over 16 years of experience in computer engineering. He joined the Group in April 1999.

Ms. Choi Mun Duen, Virginia, aged 36, is the Financial Controller, Qualified Accountant and Company Secretary of the Group. She is a fellow member of The Association of Chartered Certified Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants (formerly known as the Hong Kong Society of Accountants). She graduated from the University of Glamorgan, United Kingdom with a bachelor's degree in accounting and finance. Prior to joining the Group in April 2004, she worked in a certified public accounting firm and in the accounting and finance division of two electronic companies, one of which is a company listed on the Main Board of the Stock Exchange. Ms. Choi has over 12 years of experience in auditing, accounting and finance.

Mr. Chan Kit Hung, aged 46, is a director and the General Manager of Espco Computer (Shenzhen) Company Limited ("Espco Shenzhen") responsible for overseeing the operations and productions of Espco Shenzhen. Mr. Chan joined the Group in 1990 and has over 15 years of experience in the PC industry.

The board of directors ("the Board") submit herewith the report of the Board together with the audited accounts of the Company for the year ended 31st March 2005.

PRINCIPAL ACTIVITIES

The principal activities of the Company during the year was investment holding and those of its subsidiaries are set out in note 15 to the accounts.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31st March 2005 and the state of affairs of the Company and of the Group at that date are set out in the accounts on pages 21 to 23.

An interim dividend of HK0.3 cent per ordinary share was paid on 30th December 2004. The Directors now recommend the payment of a final dividend of HK0.9 cent per share in respect of the year ended 31st March 2005 to the shareholders whose names appear on the register of members on 22nd July 2005. Total dividend declared for the year ended 31st March 2005 amounted to approximately HK$4,285,000.

RESERVES

Details of movements in reserves of the Company and the Group during the year are set out in note 25 to the accounts.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for 69% of the total turnover and sales to the largest customer included therein accounted for 57% of the Group's total sales. Purchases from the Group's five largest suppliers accounted for 56% of the total purchases for the year and purchases from the largest supplier included therein accounted for 31%.

None of the directors of the Company or any of their associates or any shareholders (which, to the best knowledge of the directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers or suppliers.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Articles of Association or the Companies Law (Revised) of the Cayman Islands.

EMOLUMENT POLICY

The emolument policy of the employees of the Group is set up on the basis of their merit, qualifications and competence.

The emoluments of the directors of the Company are decided, having regard to the Company's operating results, individual performance and comparable market statistics.

The Company has adopted a share option scheme as an incentive to Directors and eligible employees. Details of the schemes are set out in note 24 to the accounts.

FIXED ASSETS

Details of movements in fixed assets during the year are set out in note 14 to the accounts.

SHARE CAPITAL

Details of movements in share capital of the Company during the year are set out in note 23 to the accounts.

DIRECTORS

The directors of the Company who held office during the financial year and as at the date of this report were:

Executive directors:
Mr. Chan Hing Yin
Mr. Chan Hing Kai

Independent non-executive directors:
Mr. Lam Ping Cheung
Mr. Tam Yuk Sang, Sammy
Ms. Chan Yi Man, Magdalen – appointed on 30th August 2004

In accordance with Article 87 of the Company's Articles of Association, at each annual general meeting one-third of the directors for the time being shall retire from office by rotation and a retiring director shall be eligible for re-election.

DIRECTORS' SERVICE CONTRACTS

Each of the executive directors has entered into a service contract with the Company for a fixed term of three years commencing from 23rd September 2004, the listing date, and will continue thereafter until terminated by not less than three months' notice in writing served by either party on the other.

Each of the independent non-executive directors has entered into a service contract with the Company for a fixed term of two years commencing from 23rd September 2004, the listing date, and will continue thereafter until terminated by not less than three months' notice in writing served by either party on the other.

Apart from the foregoing, no director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries which is not determinable within one year without payment other than statutory compensation.

Each of the independent non-executive directors has confirmed his/her independence to the Company pursuant to Rule 5.09 of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange ("GEM Listing Rules") and the Company considers the independent non-executive directors to be independent.

DIRECTORS AND SENIOR MANAGEMENT'S BIOGRAPHIES

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

DIRECTORS' INTEREST IN CONTRACTS

Save as disclosed in note 30 to the accounts, no contracts of significance in relation to the Group's business to which the Company, its holding 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.

CONNECTED TRANSACTIONS

Details of the connected transactions under the GEM Listing Rules during the year are set out in note 30 to the accounts.

REMUNERATION OF DIRECTORS AND THE HIGHEST PAID EMPLOYEES

Details of the remuneration of Directors and the highest paid employees of the Group are set out in note 12 to the accounts.

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

As at 31st March 2005, 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 is otherwise 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 of controlled corporation	249,992,200 ordinary shares 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 March 2005, 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.

DIRECTORS' AND EMPLOYEES' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save for the share options that may be granted under the share option scheme of the Company adopted on 6th September 2004 (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 March 2005.

SUBSTANTIAL SHAREHOLDER

So far as is known to any Director or chief executive of the Company, as at 31st March 2005, 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:

Long position in Shares

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 *(Note 1)*	70%
Chan, Selma *(Note 2)*	Family interest of controlled corporation	249,992,200 Shares *(Note 2)*	70%

Note:

(1) These Shares are held by Osborne 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 March 2005, 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.

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 under which options to subscribe for the 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 issued by the Company on 14th September 2004 in connection with its initial public offering of Shares. As at 31st March 2005, no option was granted under the Share Option Scheme.

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 year under review.

COMPLIANCE ADVISER'S INTERESTS

Pursuant to the 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, which applied before the amendment of the GEM Listing Rules on 1st January, 2005, 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 March 2005.

ADVANCE TO ENTITY

According to rules 17.15 to 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 March 2005, 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") which is an independent third party of the Company and is not a connected person of the Company (as defined in the GEM Listing Rules), amounted to approximately HK$34,455,000 (as at 31st March 2004: HK$15,234,000), representing approximately 33% of the Group's consolidated total assets as at 31st March 2005. 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. The amount has been fully settled by mid-June 2005.

PURCHASE, SALE OR REDEMPTION OF SHARES

Since the listing of the Shares on GEM on 23rd September 2004 and up to 31st March 2005, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Shares.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

During the year under review, 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 code of conduct regarding securities transactions by Directors.

AUDIT COMMITTEE

The Company has established an audit committee ("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, which applied before the amendment of the GEM Listing Rules on 1st January, 2005. 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. Following the introduction of the Code on Corporate Governance Practices set out in Appendix 15 of the GEM Listing Rules on 1st January, 2005, the duties of the Audit Committee shall include monitoring relationship with the Company's auditors, reviewing the financial information of the Company and overseeing the Company's financial reporting system and internal control procedures. 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 three 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 audited accounts for the year ended 31st March 2005. The Audit Committee did not have any disagreement with the accounting treatments which had been adopted in the preparation of the Group's annual report.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 25th July to 27th July 2005, both days inclusive, during which period no Share transfers will be registered. All transfers of Shares accompanied by the relevant Share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong not later than 4:30p.m. on 22nd July 2005.

BOARD PRACTICES AND PROCEDURES

Since the date of listing of the 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, which applied before the amendment of the GEM Listing Rules relating to the Code on Corporate Governance Practices and Rules on Corporate Governance Report on 1st January 2005. The Company will prepare a Corporate Governance Report in accordance with Rule 18.44 of the GEM Listing Rules for the financial year ending 31st March 2006.

AUDITORS

A resolution to re-appoint the retiring auditors, Graham H. Y. Chan & Co., is to be proposed at the forthcoming annual general meeting.

On behalf of the Board

Chan Hing Yin
Chairman

Hong Kong
23rd June 2005

陳浩賢會計師事務所

GRAHAM H.Y. CHAN & CO.
CERTIFIED PUBLIC ACCOUNTANTS
HONG KONG

AUDITORS' REPORT TO THE SHAREHOLDERS OF
ESPCO TECHNOLOGY HOLDINGS LIMITED
(incorporated in the Cayman Islands with limited liability)

We have audited the accounts set out on pages 21 to 56 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Company's directors are responsible for the preparation of accounts which give a true and fair view. In preparing accounts which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

BASIS OF OPINION

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Institute of Certified Public Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the circumstances of the Company and the Group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the accounts are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts. We believe that our audit provides a reasonable basis for our opinion.

OPINION

In our opinion, the accounts give a true and fair view of the state of affairs of the Company and of the Group as at 31st March 2005 and of the Group's profit and cash flows for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Graham H. Y. Chan & Co.
Certified Public Accountants (Practising)

Hong Kong, 23rd June 2005

Consolidated Profit and Loss Account

FOR THE YEAR ENDED 31ST MARCH 2005

	Note	2005 HK$'000	2004 HK$'000
Turnover	4	**388,860**	479,444
Cost of sales		**(369,111)**	(456,086)
Gross profit		**19,749**	23,358
Other revenues	4	**885**	338
Selling and distribution expenses		**(855)**	(387)
General and administrative expenses		**(11,467)**	(12,201)
Surplus arising from revaluation of properties		**1,183**	200
Operating profit	6	**9,495**	11,308
Finance costs	7	**(207)**	(284)
Profit before taxation		**9,288**	11,024
Taxation	8	**(558)**	(959)
Profit attributable to the shareholders	9	**8,730**	10,065
Dividends	10	**4,285**	3,500
Basic earnings per share	11	**HK2.81 cents**	HK3.86 cents

Consolidated Balance Sheet

AS AT 31ST MARCH 2005

	Note	2005 HK$'000	2004 HK$'000
Non-current assets			
Fixed assets	14	23,942	25,376
Deferred tax assets	22	220	424
		24,162	25,800
Current assets			
Inventories	16	13,335	18,531
Trade and other receivables	17	53,803	30,834
Deposits and prepayments		354	3,522
Amount due from a director		–	2,122
Deposits with bank – pledged		–	2,003
Bank balances and cash	18	11,410	7,375
		78,902	64,387
Current liabilities			
Trade and other payables	19	18,123	26,113
Amount due to directors	20	62	–
Current portion of interest-bearing borrowings	21	4,845	3,817
Tax payable		893	1,871
		23,923	31,801
Net current assets		54,979	32,586
Total assets less current liabilities		79,141	58,386
Non-current liabilities			
Non-current portion of interest-bearing liabilities	21	477	2,737
Deferred tax liabilities	22	996	1,161
Total non-current liabilities		1,473	3,898
Net assets		77,668	54,488
Capital and reserves			
Share capital	23	3,571	–
Reserves	25	74,097	54,488
		77,668	54,488

On behalf of the Board

Chan Hing Yin
Director

Chan Hing Kai
Director

Balance Sheet

AS AT 31ST MARCH 2005

	Note	2005 HK$'000	2004 HK$'000
Non-current assets			
Investment in subsidiaries	15	17,252	–
Current assets			
Deposits and prepayments		87	–
Bank balance and cash		2,303	–
		2,390	–
Current liabilities			
Amounts due to directors		62	–
Accruals		36	–
		98	–
Net current assets		2,292	–
Net assets		19,544	–
Capital and reserves			
Share capital	23	3,571	–
Reserves	25	15,973	–
		19,544	–

On behalf of the Board

Chan Hing Yin
Director

Chan Hing Kai
Director

FOR THE YEAR ENDED 31ST MARCH 2005

	Issued share capital HK$'000	Share premium HK$'000	Exchange reserve HK$'000	Capital reserve HK$'000	Revaluation reserve HK$'000	Statutory surplus reserve HK$'000 (Note 25(a)(i))	Statutory welfare fund HK$'000 (Note 25(a)(ii))	Statutory general reserve HK$'000 (Note 25(a)(iii))	Retained profits HK$'000	Total HK$'000
At 1st April 2003	–	–	31	13,462	9,812	195	97	–	17,991	41,588
Issue of shares of a subsidiary	–	3,000	–	1	–	–	–	–	–	3,001
Surplus arising from revaluation of properties	–	–	–	–	1,000	–	–	–	–	1,000
Deferred tax charge arising from revaluation of properties *(Note 22)*	–	–	–	–	(1,160)	–	–	–	–	(1,160)
Exchange differences arising from translation of accounts of overseas subsidiaries	–	–	(6)	–	–	–	–	–	–	(6)
Profit for the year	–	–	–	–	–	–	–	–	10,065	10,065
Transfer to statutory reserves *(Note 25(a)(i), (ii) & (iii))*	–	–	–	–	–	130	65		(195)	–
At 31st March and 1st April 2004	–	3,000	25	13,463	9,652	325	162	–	27,861	54,488
Placing of shares *(Note 23(c))*	964	26,036	–	–	–	–	–	–	–	27,000
Placing and listing expenses	–	(7,457)	–	–	–	–	–	–	–	(7,457)
Capitalisation issues *(Note 23(c))*	2,607	(2,607)	–	–	–	–	–	–	–	–
Deficit arising from revaluation of properties	–	–	–	–	(589)	–	–	–	–	(589)
Deferred tax credit arising from revaluation of properties *(Note 22)*	–	–	–	–	88	–	–	–	–	88
Exchange differences arising from translation of accounts of overseas subsidiaries	–	–	(21)	–	–	–	–	–	–	(21)
Profit for the year	–	–	–	–	–	–	–	–	8,730	8,730
Transfer to statutory reserves *(Note 25(a)(i), (ii) & (iii))*	–	–	–	–	–	–	–	485	(485)	–
Dividends – 2004 final	–	–	–	–	–	–	–	–	(3,500)	(3,500)
Dividends – 2005 interim	–	–	–	–	–	–	–	–	(1,071)	(1,071)
At 31st March 2005	3,571	18,972	4	13,463	9,151	325	162	485	31,535	77,668

Consolidated Cash Flow Statement

FOR THE YEAR ENDED 31ST MARCH 2005

	Note	2005 HK$'000	2004 HK$'000
Cash flows from operating activities	*26(a)*		
Cash used in operations		(8,435)	(541)
Interests on bank loans and overdrafts paid		(154)	(157)
Interest element of finance leases paid		(53)	(127)
Hong Kong profits tax paid		(1,229)	–
Overseas taxation paid		(182)	(39)
Net cash used in operating activities		(10,053)	(864)
Cash flows from investing activities			
Purchases of fixed assets		(1,637)	(1,403)
Proceeds from disposal of fixed assets		–	32
Interest received		1	171
Net cash used in investing activities		(1,636)	(1,200)
Cash flows from financing activities			
New bank loans raised		1,900	2,840
Net increase in trust receipt loans		3,922	–
Bank loans repaid		(3,245)	(1,409)
Repayment of capital element of finance leases		(2,241)	(1,245)
Dividends paid		(4,571)	–
Decrease in amount due to ultimate holding company		–	(140)
Decrease/(increase) in pledged deposits with banks		2,003	(2,003)
Net proceeds from issue of shares of a subsidiary		–	3,001
Net proceeds from issue of shares by the Company		19,543	–
Net cash from financing activities		17,311	1,044
Net increase/(decrease) in cash and cash equivalents		5,622	(1,020)
Cash and cash equivalents at beginning of year		5,807	6,833
Effect of foreign exchange rate changes		(19)	(6)
Cash and cash equivalents at end of year	*26(b)*	11,410	5,807

1 GROUP REORGANISATION AND BASIS OF PREPARATION

(a) 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.

(b) Pursuant to a group reorganisation (the "Reorganisation") completed on 6th September 2004 in preparation for the listing of the Company's shares on the Growth Enterprise Market (the "GEM") of the Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company acquired the entire issued share capital of Eagle Up Holdings Limited ("Eagle Up") through a share swap and became the holding company of Eagle Up and its subsidiaries. Further details of the Reorganisation are set out in Appendix 5 of the Prospectus of the Company dated 14th September 2004. The shares of the Company were listed on the GEM of the Stock Exchange on 23rd September 2004.

(c) The Reorganisation is accounted for using merger accounting as permitted by Statement of Standard Accounting Practice ("SSAP") 27 "Accounting for group reconstructions" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). Under this basis, the consolidated accounts of the Group for the year ended 31st March 2005, 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.

(d) During the year, the Company is an investment holding company and the principal activities of the subsidiaries are set out in note 15 to the accounts.

(e) The accounts have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the HKICPA. They have been prepared under the historical cost convention as modified by the revaluation of land and buildings.

2 RECENTLY ISSUED ACCOUNTING STANDARDS

The HKICPA has issued a number of new and revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards ("new HKFRSs") which are effective for accounting periods beginning on or after 1st January 2005.

The Group has not early adopted these new HKFRSs in the accounts for the year ended 31st March 2005. The Group has considered the potential impact of these new HKFRSs and concluded that the adoption of these standards would not have a significant impact on its results of operation and financial position.

3 PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these accounts are set out below:

(a) Group accounting – Consolidation

The Reorganisation referred to in note 1 above has been accounted for using merger accounting by regarding the Company as the holding company of the Group from the beginning of the earliest period presented. The consolidated accounts include the accounts of the Company and its subsidiaries made up to 31st March.

A subsidiary is a company in which the Company, directly or indirectly, controls more than half of the voting power or issued share capital or controls the composition of the board of directors, or by way of having the power to govern its financial and operating policies so that the Group obtains benefits from their activities.

All significant intercompany transactions and balances within the Group are eliminated on consolidation.

In the Company's balance sheet, the investments in subsidiaries are stated at cost less provision for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

(b) Fixed assets

(i) Land and buildings

Land and buildings are stated at valuation, being the fair value at the date of revaluation, less subsequent accumulated depreciation or amortisation. Fair value is the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction and is determined on the basis of existing use. Increases in valuation are credited to the revaluation reserve. Decreases in valuation are first offset against increases on earlier valuations in respect of the same property and are thereafter charged to profit and loss account. Where a deficit has previously been charged to the profit and loss account and a revaluation surplus subsequently arises, this surplus is credited to the profit and loss account to the extent of the deficit previously charged.

(ii) Depreciation of leasehold land and buildings in Hong Kong

Amortisation of the Group's leasehold land in Hong Kong is calculated to write off its valuation over the unexpired period of the lease on a straight-line basis. Depreciation of the Group's leasehold buildings in Hong Kong is calculated to write off their valuation over the expected useful lives to the Group on a straight-line basis.

3 PRINCIPAL ACCOUNTING POLICIES *(continued)*

(b) Fixed assets *(continued)*

(iii) Depreciation of land and buildings in the PRC

Depreciation of the Group's land and buildings in the PRC is calculated on a straight-line basis to write off their valuation over the unexpired term of the relevant land use rights or 20 years, whichever is shorter.

(iv) Other fixed assets

Other fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation of other fixed assets is calculated to write off their cost over their expected useful lives to the Group and after taking into account their estimated residual values, on a straight-line basis. The principal annual rates are as follows:

Plant and machinery	8%-20%
Furniture and fixtures and office equipment	20%
Leasehold improvements	20%
Motor vehicles	20%

Major costs incurred in restoring fixed assets to their normal working condition are expensed when incurred. Improvements are capitalised and depreciated over their expected useful life to the Group.

The gain or loss on disposal of a fixed asset is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the profit and loss account.

(c) Leases

(i) Finance leases

Leases that substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as finance leases. Finance leases are capitalised at the inception of the leases at the lower of the fair value of the leased assets or the present value of the minimum lease payments. Each lease payment is allocated between the capital element and finance charges so as to achieve a constant periodic rate of interest on the capital balances outstanding. The corresponding rental obligations, net of finance charges, are included in interest-bearing borrowings. The finance charges are charged to the profit and loss account over the lease periods.

Assets held under finance leases are included in fixed assets and depreciated over their estimated useful lives.

3 PRINCIPAL ACCOUNTING POLICIES *(continued)*

(c) Leases *(continued)*

(ii) Operating leases

Leases where substantially all the risks and rewards of ownership of assets remain with the lessors are accounted for as operating leases. Payments made under operating leases net of any incentives received from the lessors are charged to the profit and loss account on a straight-line basis over the lease periods.

(d) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost, calculated on the first-in, first-out basis, comprises all costs of purchase and other costs incurred in bringing the inventories to their present location and condition. Net realisable value represents the estimated selling proceeds in the ordinary course of business less the estimated costs necessary to make the sale.

(e) Trade receivables

Provision is made against trade receivables to the extent that they are considered to be doubtful. Trade receivables in the balance sheet are stated net of such provision, if any.

(f) Impairment of assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of these assets may not be recoverable. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss representing the difference between the carrying amount and the recoverable amount of an asset is recognised as an expense, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease. The recoverable amount is the higher of an asset's net selling price and value in use. The net selling price is the amount obtainable from the sale of an asset in an arm's length transaction less the costs of disposal, while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit.

Reversal of an impairment loss of an asset recognised in prior years is recorded when there is an indication that the impairment loss recognised for the asset no longer exists or has decreased. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

3 PRINCIPAL ACCOUNTING POLICIES *(continued)*

(g) Taxation

Taxation charged to the consolidated profit and loss account comprises current and deferred tax.

Current tax is the expected tax payable on the taxable profit for the year. Individual companies within the Group provide for profits tax on the basis of their profit for financial reporting purposes, adjusted for income and expense items which are not assessable or deductible for profits tax purposes. The Group's liability for current tax is calculated using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the accounts 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 only to the extent that it is probable that future taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary differences arise from goodwill (or negative goodwill) or from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the accounting profit nor the tax profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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 profit will be available to allow all or part of the assets 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 is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset only when the Group has a legally enforceable right to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

3 PRINCIPAL ACCOUNTING POLICIES *(continued)*

(h) Translation of foreign currencies

Transactions in foreign currencies are translated at exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at rates of exchange ruling at the balance sheet date. Exchange differences arising in these cases are dealt with in the consolidated profit and loss account.

On consolidation, assets and liabilities of the Group's subsidiaries with functional currencies other than Hong Kong dollars are translated into Hong Kong dollars at the applicable rates of exchange in effect at the balance sheet date; while income and expense items are translated into Hong Kong dollars at the average applicable exchange rates during the year. Exchange differences arising from such translations are dealt with as a movement in reserves.

(i) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events which will result in a probable outflow of resources that can be reasonably estimated.

(j) Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and the existence of which will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of the obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the accounts. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and the existence of which will only be confirmed by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group.

Contingent assets are not recognised but are disclosed in the notes to the accounts when an inflow of economic benefits is probable. When an inflow is virtually certain, an asset is recognised.

3 PRINCIPAL ACCOUNTING POLICIES *(continued)*

(k) Employee benefits

(i) Salaries, annual bonuses, paid annual leave, leave passage and the cost to the Group of non-monetary benefits are accrued in the year in which the associated services are rendered by employees of the Group. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) The Group's contributions to retirement benefits schemes are recognised as an expense when incurred.

(iii) Certain of the Group's employees have completed the required number of years of services to the Group and are eligible for long service payments under the Hong Kong Employment Ordinance in the event of the termination of their employment. The Group is liable to make such payments in the event that such a termination of employment meets the circumstances specified in the Employment Ordinance. No provision has been made for this amount in the accounts as it is not expected to be crystallised in the foreseeable future.

(l) Borrowing costs

All borrowing costs are charged to the profit and loss account in the period in which they are incurred except for those borrowing costs that are directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale, are capitalised as part of the cost of that asset. During the year, all borrowing costs have been expensed.

(m) Related parties

Parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

(n) Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the cash flow statements, cash and cash equivalents comprise cash on hand, deposits held at call with banks, cash investments with a maturity of three months or less from date of investment and bank overdrafts.

3 PRINCIPAL ACCOUNTING POLICIES *(continued)*

(o) Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(i) from the sale of goods, on the transfer of risks and rewards of ownership, which generally coincides with the time when goods are delivered to customers and title has passed ;

(ii) processing fee income, when the services are rendered ; and

(iii) interest income, on a time proportion basis, taking into account the principal amounts outstanding and interest rates applicable.

(p) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

Segment assets consist primarily of fixed assets, inventories, receivables and operating cash. Segment capital expenditure comprises additions to fixed assets.

(q) Research and development costs

All research costs are expensed 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.

During the year, all research and development costs have been expensed.

4 TURNOVER AND REVENUES

The Group is principally engaged in the design, manufacture and distribution of desktop personal computer ("PC") components. Revenues recognised during the year are as follows:

	2005 HK$'000	2004 HK$'000
Turnover		
Sale of own-manufactured goods at invoiced value, net of returns and discounts	**286,012**	346,397
Trading of PC components	**89,816**	123,697
Processing fee income	**13,032**	9,350
	388,860	479,444
Other revenues		
Interest income	**1**	171
Gain on disposal of fixed assets	**–**	32
Advertising rebate	**546**	–
Sundry income	**338**	135
	885	338
Total revenues	**389,745**	479,782

5 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 years ended 31st March 2004 and 2005.

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets and capital expenditures are based on the geographical location of the assets.

The Group's operations are located in Hong Kong, Macau, other part of the PRC and Singapore whereas the principal markets for the Group's products are mainly located in Hong Kong, Taiwan, other part of the PRC, Singapore, Australia, Europe and other Asia-Pacific regions.

5 SEGMENTAL INFORMATION *(continued)*

	2005 HK$'000	2004 HK$'000
Segment revenue by location of customers		
PRC, excluding Hong Kong and Taiwan	**240,840**	288,135
Taiwan	**40,236**	66,979
Hong Kong	**40,621**	33,882
Singapore	**30,362**	33,712
Australia	**4,128**	9,887
Other Asia-Pacific regions	**26,825**	25,248
Europe	**3,804**	13,997
Other regions	**2,044**	7,604
	388,860	479,444
Segment assets by location of assets		
PRC, excluding Hong Kong and Macau	**19,691**	22,259
Hong Kong	**36,872**	41,843
Singapore	**10,008**	9,861
Macau	**36,493**	16,224
	103,064	90,187
Capital expenditures by location of assets		
PRC, excluding Hong Kong and Macau	**1,434**	1,370
Hong Kong	**116**	19
Singapore	**87**	9
Macau	**–**	5
	1,637	1,403

6 OPERATING PROFIT

Operating profit is stated after charging the following:

	2005	2004
	HK$'000	*HK$'000*
Auditors' remuneration	**423**	143
Cost of inventories sold *(note (i))*	**356,602**	445,998
Depreciation of fixed assets *(note (ii))*		
– owned assets	**3,665**	2,999
– assets held under finance leases	**–**	552
Operating lease rentals in respect of land and buildings *(note (iii))*	**751**	1,004
Research and development cost *(note (iv))*	**1,247**	914
Staff costs (including directors' emoluments – *note 12(a)*)		
– salaries, wages, allowances and benefits in kind *(note (ii))*	**9,933**	9,603
– retirement benefits scheme contributions *(note 13)*	**296**	252
– staff messing and welfare	**670**	658

Notes:

(i) Cost of inventories sold includes provision for slow-moving and obsolete inventories of HK$523,000 (2004: HK$923,000).

(ii) Included in the respective balances are the following amounts which are also included in the amounts of "Cost of sales" on the face of the consolidated profit and loss account of the Group:

	2005	2004
	HK$'000	*HK$'000*
Depreciation	**3,156**	3,086
Staff costs – salaries, wages, allowances and benefits in kind	**3,618**	3,206

(iii) Included in the operating lease rentals in respect of land and buildings are rentals paid for the directors' quarters of HK$300,000 (2004: HK$370,000) which had also been included in staff costs disclosed above.

(iv) Included in the research and development costs are staff costs of HK$1,244,000 (2004: HK$909,000) which had also been included in staff costs disclosed above.

7 FINANCE COSTS

	2005	2004
	HK$'000	*HK$'000*
Interest on bank loans and overdrafts	**154**	157
Finance lease charges	**53**	127
	207	284

8 TAXATION

	2005	2004
	HK$'000	*HK$'000*
Current tax:		
Provision for current year		
– Hong Kong profits tax	**332**	714
– Overseas taxation	**99**	215
	431	929
Deferred tax *(note 22)*		
– current year	**127**	58
– attributable to the increase in tax rate in Hong Kong	**–**	(28)
	127	30
	558	959

Provision for Hong Kong profits tax has been calculated at the rate of 17.5% (2004: 17.5%) on the estimated assessable profits arising in or derived from Hong Kong for the year.

Overseas taxation represents tax charges on the estimated assessable profits of subsidiaries operating overseas including the PRC, calculated at rates applicable in the respective jurisdictions for the year.

8 TAXATION *(continued)*

Espco Shenzhen, being a foreign investment enterprise established in Shenzhen Special Economic Zone in the PRC, is subject to the preferential foreign enterprise income tax ("FEIT") of 15% on its assessable profit. In accordance with the relevant income tax laws and regulations in the PRC, Espco Shenzhen is exempted from FEIT for two years commencing from its first profit-making year of operation after offsetting prior year tax losses, followed by a 50% reduction in tax rate for the following three years. Espco Shenzhen's first profit-making year started in 2001. The applicable income tax rate for the years ended 31st March 2004 and 2005 is 7.5%, representing 50% of the full FEIT rate to which Espco Shenzhen is subject.

SPI Distribution Macao Commercial Offshore Limited ("Espco Macau") 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, Espco Macau is exempted from Macau income tax derived from its offshore business.

The reconciliation between the Group's profit before taxation for the year and the tax charge which is calculated based on the applicable tax rate of 17.5% in Hong Kong is as follows:

	2005 *HK$'000*	2004 *HK$'000*
Profit before taxation	**9,288**	11,024
Tax at the applicable tax rate in Hong Kong	**1,625**	1,929
Tax effect of expenses that are not deductible in determining taxable profit	**233**	373
Tax effect of income that are not taxable in determining taxable profit	**(77)**	(76)
Tax exemption granted to overseas subsidiaries	**(1,247)**	(1,058)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**24**	(181)
Increase in opening deferred tax asset resulting from an increase in Hong Kong profits tax rate	**–**	(28)
Tax charge for the year	**558**	959

9 PROFIT ATTRIBUTABLE TO SHAREHOLDERS

Of the Group's profit attributable to the shareholders of HK$8,730,000 (2004: HK$10,065,000), a profit of HK$1,072,000 (2004: nil) has been dealt with in the Company's own accounts.

10 DIVIDEND

	2005 *HK$'000*	2004 *HK$'000*
Interim, paid, of HK0.3 cent in respect of 2005 (2004: nil) per ordinary share	**1,071**	–
Final, proposed, of HK0.9 cent in respect of 2005 (2004: nil) per ordinary share	**3,214**	–
	4,285	–
Dividends declared and proposed by a subsidiary of the Company to its then shareholders	**–**	3,500
	4,285	3,500

The 2005 final dividends of HK0.9 cent per share has been proposed by the directors of the Company and are subject to approval by the shareholders in the forthcoming annual general meeting.

11 EARNINGS PER SHARE

The calculation of basic earnings per share for the year is based on the consolidated profit attributable to the shareholders of HK$8,730,000 (2004: HK$10,065,000), and the weighted average number of 310,901,679 ordinary shares (2004: 260,704,200) in issue during the year.

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, 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.

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

12 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

The aggregate amounts of emoluments paid and payable to the directors of the Company during the year are as follows:

	2005	2004
	HK$'000	*HK$'000*
Executive directors:		
Fees	**–**	–
Other emoluments		
– Basic salaries, allowances and benefits in kind	**1,311**	1,341
– Retirement benefits scheme contributions	**12**	12
Independent non-executive directors:		
Fees	**130**	–
	1,453	1,353

An analysis of directors' emoluments by number of individuals and emolument range is as follows:

	2005	2004
	HK$'000	*HK$'000*
Nil to HK$1,000,000	**5**	4

Each of the two executive directors of the Company received emoluments of HK$796,000 (2004: HK$777,000) and HK$527,000 (2004: HK$576,000) respectively. One of the independent non-executive directors appointed during the year received emoluments of HK$26,000. Each of the remaining independent non-executive directors of the Company received emoluments of HK$52,000 (2004:nil) respectively.

None of the directors of the Company waived or agreed to waive any emoluments paid by the Group and no incentive payment for joining the Group or compensation for loss of office was paid or payable to any director of the Company during the years ended 31st March 2005 and 2004.

12 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS *(continued)*

(b) Five highest paid individuals

The five highest paid individuals include two (2004: two) directors, details of whose emoluments are set out above. The emoluments of the remaining three (2004: three) individuals are as follows:

	2005	2004
	HK$'000	*HK$'000*
Basic salaries, allowances and benefits in kind	**1,504**	1,457
Retirement benefits scheme contributions	**36**	35
	1,540	1,492

An analysis of the emoluments of the five highest paid individuals by number of individuals and emolument range is as follows:

	2005	2004
	HK$'000	*HK$'000*
Nil to HK$1,000,000	**5**	5

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

13 RETIREMENT BENEFIT COSTS

From 1st December 2000, the Group has arranged for its Hong Kong employees to join the Mandatory Provident Fund Scheme (the "MPF Scheme"), a defined contribution scheme managed by an independent trustee. Under the MPF Scheme, each of the Group and its Hong Kong employees makes monthly contributions to the scheme at 5% of the employees' earnings as defined under the Mandatory Provident Fund legislation. Both the Group's and the employees' contributions are subject to a cap of HK$1,000 per month and thereafter contributions are voluntary. The assets of the MPF Scheme are held separately from those of the Group in an independently-administered fund. The Group's contributions vest fully with the employees when contributed into the MPF Scheme.

The Group has arranged for its employees in Singapore to join the Central Provident Fund Scheme (the "CPF Scheme"), a defined contribution scheme managed by the Central Provident Fund Board. Under the CPF Scheme, the Group and its Singapore employees make monthly contributions of 13% and 20%, respectively, of the employees' earnings as defined by the Central Provident Fund Board.

13 RETIREMENT BENEFIT COSTS *(continued)*

Pursuant to the regulations in the PRC, the employees in the PRC are required to join the pension fund (養老保險基金) which is a defined contribution scheme operated by the local government for the benefit of retired employees. The Group is required to make monthly contributions to the scheme at a specified rate of the employee payroll to fund the retirement benefits of the employees.

The aggregate amount of the Group's contributions to the aforementioned retirement schemes for the year was approximately HK$296,000 (2004: HK$252,000). As at 31st March 2005, contributions totalling HK$43,000 (2004: HK$35,000) payable to the aforementioned retirement schemes are included in other payables in the consolidated balance sheet. There was no forfeited contribution available to reduce the Group's employer contribution payable during the years ended 31st March 2004 and 2005.

Save as disclosed above, the Group has no other obligations to make payments in respect of retirement benefits of the employees.

14 FIXED ASSETS

	Land and buildings	Plant and machinery	Furniture and fixtures, and office equipment	Leasehold improvement	Motor vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Cost or valuation						
At 1st April 2004	12,470	17,563	529	3,400	1,626	35,588
Additions	–	1,143	203	291	–	1,637
Adjustment on revaluation	541	–	–	–	–	541
Currency realignment	–	–	1	1	3	5
At 31st March 2005	13,011	18,706	733	3,692	1,629	37,771
Comprising:						
At cost	–	18,706	733	3,692	1,629	24,760
At valuation – 31st March 2005	13,011	–	–	–	–	13,011
	13,011	18,706	733	3,692	1,629	37,771
Accumulated depreciation						
At 1st April 2004	–	7,433	329	1,569	881	10,212
Charge for the year	1,164	1,413	139	696	253	3,665
Elimination on revaluation	(53)	–	–	–	–	(53)
Currency realignment	–	–	1	1	3	5
At 31st March 2005	1,111	8,846	469	2,266	1,137	13,829
Net book value						
At 31st March 2005	11,900	9,860	264	1,426	492	23,942
At 31st March 2004	12,470	10,130	200	1,831	745	25,376

14 FIXED ASSETS *(continued)*

The carrying amount of land and buildings comprises:

	As at 31st March	
	2005	2004
	HK$'000	*HK$'000*
In Hong Kong, held under:		
Leases of between 10 to 50 years	**3,600**	2,470
Outside Hong Kong, held under:		
Land use rights of 50 years commencing from 1st August 2003	**8,300**	10,000
	11,900	12,470

As at 31st March 2005, certain of the Group's land and buildings in Hong Kong with an aggregate net book value of approximately HK$3,300,000 (2004: HK$2,200,000) have been pledged to secure general banking facilities granted to the Group (Note 29).

The Group's land and buildings were revalued by Malcolm & Associates Appraisal Limited, an independent firm of professional valuers, on the basis of open market value in the existing state as at 31st March 2005. As a result of the revaluation, a revaluation surplus of approximately HK$1,183,000 for the Group's land and buildings in Hong Kong has been credited to the consolidated profit and loss account for the year, and a revaluation deficit of approximately HK$589,000 for the Group's land and buildings in the PRC has been charged to the revaluation reserve for the year.

At 31st March 2005, the carrying amount of the land and buildings would have been approximately HK$5,642,000 (2004: HK$5,903,000) had they been stated at cost less accumulated depreciation.

At 31st March 2005 and 31st March 2004, the net book values of fixed assets held by the Group under finance leases included in the total amounts of plant and machinery and motor vehicles are as follows:

	As at 31st March	
	2005	2004
	HK$'000	*HK$'000*
Plant and machinery	**–**	3,623
Motor vehicles	**–**	595
	–	4,218

15 INVESTMENTS IN SUBSIDIARIES – COMPANY

	2005 HK$'000	2004 HK$'000
Unlisted shares, at cost	–	–
Amounts due from subsidiaries *(note (b))*	17,252	–
	17,252	–

(a) The following is a list of the subsidiaries of the Company as at 31st March 2005:

Company	Place and date of incorporation/ establishment	Issued and fully paid up shares/ registered capital	Attributable equity interest %	Principal activities and place of operations
Shares held directly: -				
Eagle Up Holdings Limited ("Eagle Up")	British Virgin Islands 8th January 2003	100 ordinary shares of US$1 each	100	Investment holding
Shares held indirectly: -				
Espco Technology Limited ("Espco Technology")	Hong Kong 25th February 2000	1,000,000 ordinary shares of HK$0.1 each	100	Trading and distribution of desktop PC components in Hong Kong
易盈電腦(深圳)有限公司 ("Espco Shenzhen")	The People's Republic of China 30th April 1993	Registered and paid-up capital of US$2,633,333	100	Manufacturing of desktop PC components in the Peoples' Republic of China
Espco Computer (S) Pte Limited ("Espco Singapore")	The Republic of Singapore 7th June 1996	50,000 ordinary shares of US$1 each	100	Trading and distribution of desktop PC components in Singapore
SPI Distribution Macao Commercial Offshore Limited ("Espco Macau")	Macau 25th February 2003	Registered capital of MOP1,000,000	100	Trading and distribution of desktop PC components in Macau

(b) The amounts due from subsidiaries are unsecured, interest free and have no fixed terms of repayment.

16 INVENTORIES

Inventories consisted of:

	2005 HK$'000	2004 HK$'000
Raw materials	7,669	10,508
Finished goods	6,189	8,946
	13,858	19,454
Less: Provision for slow-moving and obsolete inventories	(523)	(923)
	13,335	18,531

Inventories consisted of desktop PC components. At 31st March 2005, the carrying amount of inventories that were carried at net realisable value amounted to approximately HK$4,968,000 (2004: HK$923,000).

17 TRADE AND OTHER RECEIVABLES

The credit terms granted by the Group to its customers normally range from COD (cash-on-delivery) to 60 days. The aged analysis of the Group's trade receivables is as follows:

	2005 HK$'000	2004 HK$'000
0 – 30 days	26,656	24,776
31 – 60 days	18,377	3,382
61 – 90 days	1,464	756
Over 90 days	7,295	1,912
	53,792	30,826
Other receivables	11	8
	53,803	30,834

18 BANK BALANCES AND CASH

As at 31st March 2005, approximately HK$104,000 (2004: HK$269,000) of the Group's bank balances and cash were denominated in Renminbi, a currency which is subject to exchange control restrictions imposed by the Government of the People's Republic of China.

19 TRADE AND OTHER PAYABLES

The aged analysis of the Group's trade payables is as follows:

	2005	2004
	HK$'000	*HK$'000*
0 – 30 days	**9,292**	15,860
31 – 60 days	**1,820**	4,187
61 – 90 days	**2,745**	1,610
Over 90 days	**1,751**	2,002
	15,608	23,659
Other payables	**2,515**	2,454
	18,123	26,113

20 AMOUNTS DUE TO DIRECTORS

The amounts were unsecured, interest-free and had been subsequently settled in May 2005.

21 INTEREST-BEARING BORROWINGS

	2005	2004
	HK$'000	*HK$'000*
Bank overdrafts *(note (i))*	**–**	1,568
Trust receipt loans *(note (i))*	**3,922**	–
Bank loans *(note (i))*:		
Secured	**–**	1,092
Unsecured	**1,400**	1,653
	5,322	4,313
Obligations under finance leases *(note (ii) and (iii))*	**–**	2,241
	5,322	6,554
Current portion of interest-bearing borrowings	**(4,845)**	(3,817)
Non-current portion of interest-bearing borrowings	**477**	2,737

21 INTEREST-BEARING BORROWINGS *(continued)*

Notes:

(i) The Group's bank overdrafts, trust receipt loans and bank loans were repayable as follows:

	2005	2004
	HK$'000	*HK$'000*
On demand or within one year	**4,845**	2,574
In the second year	**477**	1,042
In the third to fifth year, inclusive	**–**	697
After the fifth year	**–**	–
	5,322	4,313

The bank overdrafts, trust receipt loans and bank loans bear interest at prevailing market rates. Details of security for the Group's banking facilities are set out in note 29 below.

(ii) The future total minimum lease payments and the present value of the finance lease obligations repayable are as follows:

	Minimum lease payments	
	2005	2004
	HK$'000	*HK$'000*
Within one year	**–**	1,314
In the second year	**–**	1,021
In the third to fifth year, inclusive	**–**	–
Total minimum finance lease payments	**–**	2,335
Less: Future finance charges	**–**	(94)
Present value of finance lease obligations	**–**	2,241

	Present value of minimum lease payments	
	2005	2004
	HK$'000	*HK$'000*
Within one year	**–**	1,243
In the second year	**–**	998
In the third to fifth year, inclusive	**–**	–
Present value of finance lease obligations	**–**	2,241

(iii) Included in obligation under finance leases as at 31st March 2004 were finance lease loans provided by a bank, which amounted to approximately HK$1,955,000 as at that date.

22 DEFERRED TAX

The followings are the major deferred tax liabilities/(assets) recognised by the Group and movements thereof during the year:

	Accelerated tax depreciation	Revaluation of properties	Others	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 1st April 2003	77	(372)	(158)	(453)
Charge/(credit) to income for the year	(1)	35	24	58
Charge to equity for the year	–	1,160	–	1,160
Effect of change in tax rate	7	(35)	–	(28)
At 31st March 2004 and 1st April 2004	83	788	(134)	737
Charge/(credit) to income for the year	(7)	130	4	127
Credit to equity for the year	–	(88)	–	(88)
At 31st March 2005	76	830	(130)	776

	2005	2004
	HK$'000	*HK$'000*
Deferred tax assets	**(295)**	(506)
Deferred tax liabilities	**1,071**	1,243
	776	737

For the purposes of balance sheet presentation, certain deferred tax assets and liabilities have been offset in accordance with the conditions set out in SSAP12. The following is the analysis of the deferred tax balances for financial reporting purposes:

	2005	2004
	HK$'000	*HK$'000*
Deferred tax assets	**(220)**	(424)
Deferred tax liabilities	**996**	1,161
	776	737

23 SHARE CAPITAL

	Ordinary shares of HK$0.01 each	
	Number of shares	Nominal value
		HK$'000
Authorised:		
At 31st March 2003 and 1st April 2004	35,000,000	350
Increase during the year *(Note (b)(i))*	465,000,000	4,650
At 31st March 2005	500,000,000	5,000
Issued and fully paid:		
At 31st March 2003 and 31st March 2004	1	–
Shares issued on Reorganisation *(Note (b)(ii))*	99	–
Shares issued pursuant to the capitalisation issue *(Note (c))*	260,704,100	2,607
Placing of new shares *(Note (c))*	96,432,000	964
At 31st March 2005	357,136,200	3,571

(a) The Company was incorporated in the Cayman Islands on 12th March 2003 with an authorised capital of HK$350,000 divided into 35,000,000 shares of HK$0.01 each, of which 1 share was issued at par for cash on 19th March 2003.

(b) In preparation for the listing of the Company's shares on the GEM of the Stock Exchange, the following changes in authorised and issued share capital of the Company took place on 6th September 2004:

(i) the authorised share capital of the Company was increased from HK$350,000 to HK$5,000,000 by the creation of an additional 465,000,000 ordinary shares of HK$0.01 each;

(ii) as consideration for the acquisition by the Company of the entire issued share capital of Eagle Up, the holding company of the other members of the Group prior to the Reorganisation, an aggregate of 99 ordinary shares of the Company were issued and credited as fully paid to the then shareholders of Eagle Up.

(c) On 23rd September 2004, 96,432,000 ordinary shares of HK$0.01 each were issued by way of placing (the "Placing") at a price of HK$0.28 per share for cash consideration of HK$27,000,960. The excess of the placing price over the par value of the shares issued was credited to the share premium account. On the same date, an aggregate of 260,704,100 ordinary shares of HK$0.01 each were allotted, issued at par and fully paid to the shareholders whose names appeared on the register of members of the Company as at the close of business on 6th September 2004 by way of capitalisation of a total sum of HK$2,607,041 out of the share premium account of the Company arising from the Placing.

24 SHARE OPTION SCHEME

Pursuant to the written resolutions of the then sole shareholder of the Company dated 6th September 2004, the Company has approved and conditionally adopted a share option scheme (the "Scheme"). The Scheme became effective on 23rd September 2004 and shall be valid and effective for a period of ten years from that date, subject to early termination by the Company in general meeting or by the Board.

The purpose of the Scheme is to reward persons who have contributed to the Group and/or to enable the Group to recruit and retain high-calibre employees and attract human resources that are valuable to the Group. Under the terms of the Scheme, the board of directors (the "Board") of the Company may, at their discretion, offer any employees, including any executive directors, non-executive directors and independent non-executive directors of the Group and certain consultants, suppliers or customers of the Group who, in the sole discretion of the Board, have contributed to the Group (the "Participants"), options to subscribe for ordinary shares of HK$0.01 each in the capital of the Company. Upon acceptance of the option, the grantee shall pay HK$1.00 to the Company by way of consideration of the grant.

The overall limit on the number of shares which may be issued upon exercise of all options to be granted and yet to be exercised under the Scheme and other share option schemes must not, in aggregate, exceed 30% of shares of the Company in issue from time to time. The total number of shares issued and to be issued upon exercise of the options granted and to be granted to each Participant or grantee, including both exercised and outstanding options, in any 12 month period up to the date of grant must not exceed 1% of the shares in issue at the date of grant (the "Individual Limit"). Any further grant of options in excess of the Individual Limit must be subject to shareholders' approval with such Participant or grantee and his associates (as such term is defined in the GEM Listing Rules) abstaining from voting.

An option may be exercised in accordance with the terms of the Scheme at any time from the date of grant of the option to the date of expiry of the option as determined and notified by the Board to each grantee but may not be exercised after the expiry of ten years from the date of grant. The subscription price of the shares in respect of any particular option granted under the Scheme shall be such price as the Board in its absolute discretion shall determine and notify the Participant, save that such price will not be less than the highest of (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotation sheets on the date of grant, (ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant, and (iii) the nominal value of the Company's shares on the date of grant.

No option has been granted or agreed to be granted under the Scheme since its adoption and up to the date of this report.

25 RESERVES

(a) Group

	Share premium HK$'000 *(Note (iv))*	Exchange reserve HK$'000	Capital reserve HK$'000	Revaluation reserve HK$'000	Statutory surplus reserve HK$'000 *(Note (i))*	Statutory welfare fund HK$'000 *(Note (ii))*	Statutory general reserve HK$'000 *(Note (iii))*	Retained profits HK$'000	Total HK$'000
At 1st April 2003	–	31	13,462	9,812	195	97	–	17,991	41,588
Issue of shares of a subsidiary	3,000	–	1	–	–	–	–	–	3,001
Surplus arising from revaluation of properties	–	–	–	1,000	–	–	–	–	1,000
Deferred tax charge arising from revaluation of properties *(Note 22)*	–	–	–	(1,160)	–	–	–	–	(1,160)
Exchange differences arising from translation of accounts of overseas subsidiaries	–	(6)	–	–	–	–	–	–	(6)
Profit for the year	–	–	–	–	–	–	–	10,065	10,065
Transfer to statutory reserves *(Note (i), (ii) & (iii))*	–	–	–	–	130	65	–	(195)	–
At 31st March and 1st April 2004	3,000	25	13,463	9,652	325	162	–	27,861	54,488
Placing of shares *(Note 23(c))*	26,036	–	–	–	–	–	–	–	26,036
Placing and listing expenses	(7,457)	–	–	–	–	–	–	–	(7,457)
Capitalisation issues *(Note 23(c))*	(2,607)	–	–	–	–	–	–	–	(2,607)
Deficit arising from revaluation of properties	–	–	–	(589)	–	–	–	–	(589)
Deferred tax credit arising from revaluation of properties *(Note 22)*	–	–	–	88	–	–	–	–	88
Exchange differences arising from translation of accounts of overseas subsidiaries	–	(21)	–	–	–	–	–	–	(21)
Profit for the year	–	–	–	–	–	–	–	8,730	8,730
Transfer to statutory reserves *(Note (i), (ii) & (iii))*	–	–	–	–	–	–	485	(485)	–
Dividends – 2004 final	–	–	–	–	–	–	–	(3,500)	(3,500)
Dividends – 2005 interim	–	–	–	–	–	–	–	(1,071)	(1,071)
At 31st March 2005	18,972	4	13,463	9,151	325	162	485	31,535	74,097

Representing:	
Reserves	70,883
Proposed dividend	3,214
At 31st March 2005	74,097

25 RESERVES *(continued)*

(b) Company

	Share premium HK$'000 (Note (iv))	Retained earning HK$'000	Total HK$'000
At 31st March 2003 and 1st April 2004	–	–	–
Placing of shares *(note 23(c))*	26,036	–	26,036
Placing and listing expenses	(7,457)	–	(7,457)
Capitalisation issue *(note 23(c))*	(2,607)	–	(2,607)
Profit for the year	–	1,072	1,072
Dividends – 2005 interim	–	(1,071)	(1,071)
At 31st March 2005	15,972	1	15,973
Representing:			
Reserves			12,759
Proposed dividend			3,214
At 31st March 2005			15,973
Representing:			–
Reserves			–
Proposed dividend			–
At 31st March 2004			–

Notes:

(i) In accordance with its articles of association and the relevant PRC laws and regulations, the Company's subsidiary in the PRC is required to set aside 10% of its annual net profit after taxation determined under PRC accounting regulations as the statutory surplus reserve until the reserve balance reaches 50% of the subsidiary's registered capital. The statutory surplus reserve can only be used for making up losses, capitalisation into capital and expansion of the subsidiary's production and operations. .

(ii) In accordance with the relevant PRC laws and regulations, the Company's subsidiary in the PRC is required to appropriate 5% to 10% of its net profit after taxation determined under PRC accounting regulations as the statutory welfare fund. The fund can only be used to provide staff welfare facilities and other collective benefits to the subsidiary's employees. The fund is non-distributable other than in the event of liquidation.

25 RESERVES *(continued)*

Notes: (continued)

(iii) In accordance with the relevant Macau laws and regulations, the Company's subsidiary in Macau is required to set aside not less than 25% of its annual net profit after taxation determined under Macau's accounting standards as the statutory general reserve until the reserve balance reaches 50% of the subsidiary's registered capital.

(iv) Under section 34 of the Companies Law of the Cayman Islands, the share premium is available for distribution to shareholders subject to the provisions of the Articles of Association of the Company and no distribution may be paid to shareholders out of the share premium unless, immediately following the date on which the distribution or dividend is proposed to be paid, the Company shall be able to pay its debts as they fall due in the ordinary course of business.

26 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENTS

(a) Reconciliation of profit before taxation to net cash used in operating activities

	2005	2004
	HK$'000	*HK$'000*
Cash flows from operating activities		
Profit before taxation	**9,288**	11,024
Adjustments for:		
Depreciation of owned fixed assets	**3,665**	2,999
Depreciation of fixed assets held under finance leases	**–**	552
Gain on disposal of fixed assets	**–**	(32)
Provision for slow-moving and obsolete inventories	**523**	923
Surplus arising from revaluation of properties	**(1,183)**	(200)
Interest income	**(1)**	(171)
Interest on bank loans and overdrafts	**154**	157
Interest element of finance leases	**53**	127
	12,499	15,379
Decrease/(increase) in inventories	**4,673**	(5,234)
Increase in trade and other receivables from third parties	**(22,969)**	(11,698)
Decrease in trade receivables from a related company	**–**	2,184
Decrease/(increase) in deposits and prepayments and amounts due from a director	**5,290**	(3,599)
(Decrease)/increase in trade and other payables	**(7,990)**	7,959
Increase/(decrease) in amounts due to directors	**62**	(5,532)
Cash used in operations	**(8,435)**	(541)

26 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENTS *(continued)*

(b) Cash and cash equivalents

Cash and cash equivalents included in the consolidated cash flow statements comprise the following consolidated balance sheet amounts:

	2005	2004
	HK$'000	*HK$'000*
Cash and bank balances	**11,410**	7,375
Bank overdrafts	**–**	(1,568)
	11,410	5,807

27 COMMITMENTS

(i) Capital commitments

As at 31st March 2005, the Group had capital commitments in respect of acquisition of fixed assets as follows:

	2005	2004
	HK$'000	*HK$'000*
Contracted but not provided for	**–**	727
Authorised but not contracted for	**10,000**	–
	10,000	727

(ii) Operating lease commitments

As at 31st March 2005, the Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings falling due as follows:

	2005	2004
	HK$'000	*HK$'000*
Within one year	**304**	631
In the second to fifth year, inclusive	**247**	5
	551	636

Operating lease payments represent rentals payable by the Group for its office premises in Macau, a showroom in Singapore, and a director's quarter in Hong Kong. The leases are negotiated for terms of one to three years with fixed monthly rentals.

(iii) Apart from the above, the Group and the Company did not have any significant commitments as at 31st March 2004 and 2005.

28 CONTINGENT LIABILITIES

As at 31st March 2005, seven (2004: seven) employees of the Group have completed the minimum number of years of service 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 falls into the circumstances as set out in the Ordinance, the Group's liability as at 31st March 2005 would be approximately HK$560,000 (2004: HK$524,000). No provision has been made in this respect.

At 31st March 2005, the Company has issued guarantees amounting to approximately HK$15,400,000 (2004: nil) to banks in respect of facilities granted to a subsidiary. The extent of the facilities utilised by the subsidiary at 31st March 2005 amounted to HK$5,322,000 (2004: nil).

Save as disclosed above, the Group and the Company did not have any significant contingent liabilities as at 31st March 2005.

29 BANKING FACILITIES

As at 31st March 2005, the Group had aggregate banking facilities of approximately HK$15,400,000 (2004: HK$17,700,000). The extent of the banking facilities utilised by the Group as at 31st March 2005 amounted to approximately HK$5,322,000 (2004: HK$6,268,000), which were secured by the followings:

(i) fixed charges on certain of the Group's leasehold land and buildings located in Hong Kong with an aggregate net book value of approximately HK$3,300,000 (2004: HK$2,200,000) ;

(ii) corporate guarantees executed by the Company ; and

(iii) personal guarantee provided to one bank by Mr. Chan Hing Yin, a director of the Company.

The Group has obtained a consent in principle from the bank that the personal guarantee mentioned in (iii) above will be released and replaced by the corporate guarantee to be provided by the Company following the listing of the Company's shares on GEM. Except for one bank with which the Group is negotiating for renewal of banking facilities and formal consent for the release of the personal guarantee has not been obtained from this bank up to the date of this report, the Group has obtained formal consent from all the other banks for the release of the personal guarantee.

30 RELATED PARTY TRANSACTIONS

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

	Note	2005 HK$	2004 HK$
Easely Investments Limited	(i)		
– Rentals of a director's quarter paid by the Group	(ii)	300	370
Federation Overseas Limited	(iii)		
– Sale of goods		–	3,672

Notes:

(i) Easely Investments Limited ("Easely") is a company in which Mr. Chan Hing Yin, a director of the Company, has beneficial interest as a director and shareholder.

(ii) During the year, the Group entered into lease arrangements with Easely for leasing of a director's quarter. The lease currently in force will expire on 31st October 2005 and the monthly rental payable by the Group under such lease is HK$25,000, which was determined by terms agreed by both parties with reference to open market value.

(iii) Federation Overseas Limited ("Federation") is the purchasing agent of Espco Computer (Australia) Pty. Limited ("Espco Australia"), through which the Group sold goods to Espco Australia. The director of the Company, Mr. Chan Hing Yin, was previously the sole beneficial shareholder and the sole director of Espco Australia. Federation was thus deemed to be a related party of the Group. Upon the disposal of Mr. Chan's entire equity interest in Espco Australia in January 2003 and his resignation of directorship of Espco Australia in August 2003, Federation ceased to be a related party of the Group.

During the year, the Group had balances due to directors, the details of which are set out in note 20 to the accounts.

In addition, Mr. Chan Hing Yin, a director of the Company, has given personal guarantees to banks in respect of the banking facilities granted to the Group. The Group has obtained a consent in principle from the banks that the personal guarantees executed by the director mentioned above will be released as soon as practicable following the listing of the Company's shares on GEM and will be replaced by corporate guarantees given by the Company. Except for one bank with which the Group is negotiating for renewal of banking facilities and formal consent for the release of the personal guarantee has not been obtained from this bank up to the date of this report, the Group has obtained formal consent from all the other banks for the release of the personal guarantee.

In the opinion of the directors of the Company, the above transactions were conducted on normal commercial terms in the ordinary course of business of the Group.

31 ULTIMATE HOLDING COMPANY

The directors regard Osborne Pacific Limited, a company incorporated in the British Virgin Islands, as being the ultimate holding company.

32 APPROVAL OF ACCOUNTS

The accounts were approved by the board of directors on 23rd June 2005.

NOTICE IS HEREBY GIVEN THAT the annual general meeting (the "AGM") of the shareholders of Espco Technology Holdings Limited (the "Company") will be held at Rooms 3&4, 9th Floor, Vanta Industrial Centre, 21-33 Tai Lin Pai Road, Kwai Chung, New Territories, Hong Kong on 27th, July 2005, at 2:30 p.m., for the following purposes:–

1. to receive and consider the audited financial statements and the reports of the directors of the Company ("Directors") and auditors for the year ended 31st March 2005;

2. to declare a final dividend;

3. to re-elect and appoint directors of the Company;

4. to authorize the board of directors of the Company to fix the remuneration of directors of the Company;

5. to re-appoint auditors of the Company and to authorise the board of directors of the Company to fix their remuneration;

6. to consider and, if thought fit, pass the following resolution as an ordinary resolution:

ORDINARY RESOLUTIONS

"**THAT:**

(a) subject to paragraph (c) of this resolution, and pursuant to the Rules Governing the Listing of Securities on The Growth Enterprise Market ("GEM") of the Stock Exchange of Hong Kong Limited ("Stock Exchange"), the exercise by the Directors during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue and deal with additional shares in the share capital of the Company and to make or grant offers, agreements and options which might require the exercise of such powers be and is hereby generally and unconditionally approved;

(b) the approval of paragraph (a) of this resolution shall authorise the Directors during the Relevant Period to make or grant offers, agreements and options which might require the exercise of such powers after the end of the Relevant Period;

(c) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to options or otherwise) by the Directors pursuant to the approval in paragraph (a) of this resolution, otherwise than pursuant to (i) a Rights Issue (as hereinafter defined); or (ii) the grant or exercise of any option under the share option scheme of the Company or any other option scheme or similar arrangement for the time being adopted for the grant or issue of shares or rights to acquire shares of the Company; or (iii) any scrip dividend or similar arrangement providing for the allotment of shares in lieu of the whole or part of a dividend on shares of the Company in accordance with the articles of association of the Company in force from time to time; or (iv) any issue of shares in the Company upon the exercise of rights of subscription or conversion under the terms of any existing warrants of the Company or any existing securities of the Company which carry rights to subscribe for or are convertible into shares of the Company, shall not exceed 20% of the aggregate nominal amount of the share capital of the Company in issue at the date of the passing of this resolution and the authority pursuant to paragraph (a) of this resolution shall be limited accordingly; and

(d) for the purpose of this resolution, "Relevant Period" means the period from the date of the passing of this resolution until whichever is the earliest of:

(i) the conclusion of the next annual general meeting of the Company;

(ii) the expiration of the period within which the next annual general meeting of the Company is required by the articles of association of the Company, or any applicable law of the Cayman Islands to be held; and

(iii) the passing of an ordinary resolution by the shareholders of the Company in general meeting revoking or varying the authority given to the Directors by this resolution.

"Rights Issue" means an offer of shares in the Company, or offer or issue of warrants, options or other securities giving rights to subscribe for shares open for a period fixed by the Directors to holders of shares in the Company on the register on a fixed record date in proportion to their holdings of shares (subject to such exclusion or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements, or having regard to any restrictions or obligations under the laws of, or the requirements of, or the expense or delay which may be involved in determining the existence or extent of any restrictions or obligations under the laws of, or the requirements of, any jurisdiction applicable to the Company, or any recognised regulatory body or any stock exchange applicable to the Company)."

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

Hong Kong, 30th June 2005

Notes:

(1) Any member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and to vote instead of him. A proxy need not be a member of the Company.

(2) Where there are joint holders of any share, any one of such joint holders may vote, either in person or by proxy, in respect of such share as if he were solely entitled thereto, but if more than one of such joint holders be present at any meeting, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the register of members in respect of the joint holding.

(3) To be valid, the form of proxy, together with the power of attorney or other authority, if any, under which it is signed or a certified copy of such power or authority, must be deposited at the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong or the principal place of business of the Company in Hong Kong, not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude members from attending and voting in person at the meeting.

(4) The register of members will be closed from Monday, 25th July 2005 to Wednesday, 27th July 2005, both days inclusive. In order to qualify for the final dividend, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong not later than 4:30 p.m. on 22nd July 2005.

This report, for which the directors of the Company collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules of the Stock Exchange for the purpose of giving information with regard to the Company. The directors of the Company, having made all reasonable enquires, 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; and (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.

RESULTS

	For the year ended 31st March			
	2002	2003	2004	**2005**
	HK$'000	*HK$'000*	*HK$'000*	***HK$'000***
Turnover	393,864	324,063	479,444	**388,860**
Cost of sales	(374,915)	(302,137)	(456,086)	**(369,111)**
Gross profit margin	4.8%	6.8%	4.9%	**5.1%**
Gross profit	18,949	21,926	23,358	**19,749**
Other revenues	4,018	62	338	**885**
	22,967	21,988	23,696	**20,634**
Operating expenditure	(13,317)	(13,028)	(12,588)	**(12,322)**
Gain on disposal of an unconsolidated subsidiary	500	–	–	**–**
Surplus/(deficit) arising from revaluation of properties	(81)	(173)	200	**1,183**
Operating profit	10,069	8,787	11,308	**9,495**
Profit attributable to the shareholders	8,897	7,191	10,065	**8,730**
Dividend	2,400	1,500	3,500	**4,285**

ASSETS AND LIABILITIES

	At 31st March			
	2002	2003	2004	**2005**
	HK$'000	*HK$'000*	*HK$'000*	***HK$'000***
Non-current assets	23,310	26,778	25,800	**24,162**
Current assets	67,346	44,418	64,387	**78,902**
Current liabilities	51,449	26,274	31,801	**23,923**
Net current assets	15,897	18,144	32,586	**54,979**
Non-current liabilities	4,189	3,334	3,898	**1,473**
Shareholders' funds	35,018	41,588	54,488	**77,668**

Notes:

(1) The Company was incorporated in the Cayman Islands on 12th March 2003 and became the holding company of the Group with effect from 6th September 2004.

(2) The results of the Group for the years ended 31st March 2002, 2003 and 2004 and its assets and liabilities as at 31st March 2002, 2003 and 2004 were extracted from the Company's prospectus dated 14th September 2004, which also set out the details of the basis of presentation of the combined accounts. The results of the Group for the year ended 31st March 2005 and its assets and liabilities as at 31st March 2005 are set out on page 21 and 22 respectively, of this annual report and are presented on the basis set out in Note 1 to the consolidated accounts.