



ESPCO TECHNOLOGY HOLDINGS LIMITED 易盈科技控股有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 8299)

INTERIM REPORT 2007



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

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



HIGHLIGHTS

1. The Group has recorded an unaudited turnover of approximately HK\$168,752,000 for the six months ended 30 September 2007.
2. The Group has recorded an unaudited profit attributable to shareholders of approximately HK\$665,000 for the six months ended 30 September 2007.

TO ALL SHAREHOLDERS,

The board of Directors (the "Board") of the Company announces the unaudited consolidated results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 September 2007, together with the comparative unaudited figures for the corresponding period in 2006 (the "Corresponding Period"), as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	(Unaudited) Six months ended 30 September		(Unaudited) Three months ended 30 September	
		2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000
Revenue	2	168,752	185,720	80,569	94,102
Cost of sales		(158,378)	(174,342)	(76,087)	(86,571)
Gross profit		10,374	11,378	4,482	7,531
Other income		115	323	39	209
Selling and distribution expenses		(3,579)	(373)	(3,154)	(165)
Administrative expenses		(6,291)	(6,338)	(2,834)	(3,125)
Operating profit/(loss)	4	619	4,990	(1,467)	4,450
Finance costs	5	(468)	(285)	(187)	(191)
Profit/(Loss) before taxation		151	4,705	(1,654)	4,259
Taxation	6	514	(517)	623	(504)
Profit/(Loss) attributable to shareholders		665	4,188	(1,031)	3,755
Dividends	7	-	-	-	-
Earnings/(Loss) per share	8	HK Cents	HK Cents	HK Cents	HK Cents
Basic		0.19	1.17	(0.29)	1.05

CONDENSED CONSOLIDATED BALANCE SHEET

		(Unaudited) As at 30 September 2007 HK\$'000	(Audited) As at 31 March 2007 HK\$'000
	Note		
Non-current assets			
Property, plant and equipment		26,875	26,990
Prepaid land lease premium		1,484	1,477
Deferred tax assets		777	335
		29,136	28,802
Current assets			
Prepaid land lease premium		31	31
Inventories		22,573	25,957
Trade and other receivables	9	57,401	65,037
Tax recoverable		257	193
Bank balances and cash		9,192	11,891
		89,454	103,109
Current liabilities			
Trade and other payables	10	28,921	29,984
Interest-bearing borrowings – due within one year	11	3,098	13,455
Tax payable		211	182
		32,230	43,621
Net current assets		57,224	59,488
Total assets less current liabilities		86,360	88,290
Non-current liabilities			
Interest-bearing borrowings – due after one year	11	681	1,551
Deferred tax liabilities		953	1,037
		1,634	2,588
Net assets		84,726	85,702
Capital and reserves			
Share capital	12	3,571	3,571
Reserves		81,155	82,131
Total equity attributable to equity shareholders of the Company		84,726	85,702

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT**

	(Unaudited)	
	Six months ended	
	30 September	
	2007	2006
	HK\$'000	HK\$'000
Net cash from/(used in) operating activities	12,730	(2,893)
Net cash used in investing activities	(1,269)	(732)
Net cash used in financing activities	(13,171)	(2,580)
Net decrease in cash and cash equivalents	(1,710)	(6,205)
Cash and cash equivalents at beginning of the period	11,116	15,647
Effect of foreign exchange rate changes	(214)	(165)
Cash and cash equivalents at end of the period	9,192	9,277
Analysis of the balances of cash and cash equivalents		
Bank balances and cash	9,192	9,286
Bank overdrafts	-	(9)
	9,192	9,277

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Issued share capital	Share premium	Exchange reserve	Capital reserve	Revaluation reserve	Statutory surplus reserve	Statutory welfare fund	Statutory general reserve	Retained profits	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Six months ended										
30 September 2007 (Unaudited)										
At 1 April 2007	3,571	18,972	1,294	13,463	7,748	325	162	485	39,682	85,702
Exchange differences arising from translation of financial statements of overseas subsidiaries	-	-	(248)	-	-	-	-	-	-	(248)
Profit for the period	-	-	-	-	-	-	-	-	665	665
Dividend - 2007 final	-	-	-	-	-	-	-	-	(1,393)	(1,393)
At 30 September 2007	3,571	18,972	1,046	13,463	7,748	325	162	485	38,954	84,726
Six months ended										
30 September 2006 (Unaudited)										
At 1 April 2006	3,571	18,972	(59)	13,463	6,600	325	162	485	39,211	82,730
Exchange differences arising from translation of financial statements of overseas subsidiaries	-	-	147	-	-	-	-	-	-	147
Profit for the period	-	-	-	-	-	-	-	-	4,188	4,188
Dividend - 2006 final	-	-	-	-	-	-	-	-	(3,214)	(3,214)
At 30 September 2006	3,571	18,972	88	13,463	6,600	325	162	485	40,185	83,851

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2007

1. Basis of preparation

The unaudited condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard No. 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the GEM Listing Rules. The accounting policies adopted in preparing the unaudited condensed consolidated financial statements are consistent with those followed in the annual financial statements for the year ended 31 March 2007.

2. Revenue

The Group is principally engaged in the design, manufacture and distribution of desktop personal computer ("PC") components. Revenue, which is also the Group's turnover, represents the aggregate of amounts received and receivable for goods sold and services rendered, net of returns, by the Group to outsider customers during the periods and is analysed as follows:

	(Unaudited) Six months ended 30 September		(Unaudited) Three months ended 30 September	
	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000
Sale of own-manufactured goods at invoiced value, net of returns and discounts	138,245	134,389	66,247	64,365
Trading of PC components	20,956	43,140	12,637	26,063
Processing fee income	6,745	8,191	295	3,674
Handling income	2,806	–	1,390	–
	168,752	185,720	80,569	94,102

3. Segmental information

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

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

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers.

Secondary reporting format – geographical segments

	(Unaudited) Six months ended 30 September		(Unaudited) Three months ended 30 September	
	2007	2006	2007	2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue by location of customers PRC, excluding Hong Kong and Taiwan	74,020	103,798	36,396	53,481
Taiwan	54,787	6,556	36,480	5,566
Hong Kong	12,052	52,859	1,174	23,128
Singapore	4,518	7,686	2,001	3,416
Australia	1,142	2,055	600	1,127
Other Asia-Pacific regions	16,629	10,522	3,533	5,635
Europe	2,338	1,779	385	1,482
Other regions	3,266	465	-	267
	168,752	185,720	80,569	94,102

4. Operating profit/(loss)

Operating profit/(loss) is stated after charging the following:

	(Unaudited) Six months ended 30 September		(Unaudited) Three months ended 30 September	
	2007	2006	2007	2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cost of inventories sold	158,378	169,104	76,087	83,736
Amortization of land lease premium	17	16	9	8
Depreciation	1,674	1,848	831	1,058
Operating lease rentals in respect of land and buildings	386	310	242	164
Impairment loss recognized in respect of trade and other receivables	3,062	-	3,062	-
Research and development cost	515	517	258	261
Staff costs including directors' emoluments	7,657	6,567	3,505	3,273

5. Finance costs

Finance costs represent the interest on bank loans and overdrafts.

6. Taxation

	(Unaudited) Six months ended 30 September		(Unaudited) Three months ended 30 September	
	2007	2006	2007	2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong profits tax	–	510	(111)	488
Overseas taxation	26	29	38	11
	26	539	(73)	499
Deferred tax	(540)	(22)	(550)	5
Taxation (credit)/charge for the period	(514)	517	(623)	504

No provision for Hong Kong profits tax has been made in the financial statement as the Group has no assessable profits for the period. For the six months ended 30 September 2006, Hong Kong profits tax has been provided in the financial statements at the rate of 17.5% on the estimated assessable profits arising in or derived from Hong Kong for that period.

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 period.

易盈電腦(深圳)有限公司 (“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.

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.

7. Dividends

The Board does not recommend the payment of any dividend for the six months ended 30 September 2007 (six months ended 30 September 2006: Nil).

8. Earnings/(loss) per share

Basic earnings/(loss) per share for the six months and three months ended 30 September 2007 are calculated based on the unaudited consolidated profit attributable to shareholders of HK\$665,000 and loss of HK\$1,031,000 respectively (six months and three months ended 30 September 2006: profit of HK\$4,188,000 and HK\$3,755,000 respectively) and on the weighted average number of 357,136,200 (six months and three months ended 30 September 2006: 357,136,200) ordinary shares of the Company in issue during the periods.

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

9. Trade and other receivables

	(Unaudited) As at 30 September 2007 HK\$'000	(Audited) As at 31 March 2007 <i>HK\$'000</i>
Trade receivables	53,498	64,423
Other receivables, deposits and prepayments	3,903	614
	57,401	65,037

The credit terms granted by the Group to its customers normally ranged from COD (cash-on-delivery) to 75 days. The aged analysis of the Group's trade receivable is as follows:

	(Unaudited) As at 30 September 2007 HK\$'000	(Audited) As at 31 March 2007 <i>HK\$'000</i>
0 – 30 days	23,608	28,032
31 – 60 days	13,229	6,111
61 – 90 days	6,375	9,454
Over 90 days	10,286	20,826
	53,498	64,423

10. Trade and other payables

	(Unaudited) As at 30 September 2007 <i>HK\$'000</i>	(Audited) As at 31 March 2007 <i>HK\$'000</i>
Trade payables	25,418	26,527
Other payables and accruals	3,503	3,457
	28,921	29,984

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

	(Unaudited) As at 30 September 2007 <i>HK\$'000</i>	(Audited) As at 31 March 2007 <i>HK\$'000</i>
0 – 30 days	14,766	10,330
31 – 60 days	3,970	8,826
61 – 90 days	1,927	5,743
Over 90 days	4,755	1,628
	25,418	26,527

11. Interest-bearing borrowings

	(Unaudited) As at 30 September 2007 <i>HK\$'000</i>	(Audited) As at 31 March 2007 <i>HK\$'000</i>
Bank overdraft	–	775
Trust receipt loans	963	9,834
Bank loans – Secured	2,732	4,283
	3,695	14,892
Obligations under a finance lease	84	114
	3,779	15,006
Amounts due within one year included in current liabilities	(3,098)	(13,455)
Amounts due after one year	681	1,551

12. Share capital

	Ordinary shares of HK\$0.01 each	
	(Unaudited) <i>Number of shares</i>	(Unaudited) <i>Nominal value</i> <i>HK\$'000</i>
Authorised:		
As at 31 March 2007 and 30 September 2007	500,000,000	5,000
Issued and fully paid:		
As at 31 March 2007 and 30 September 2007	357,136,200	3,571

13. Commitments

(a) *Capital commitments*

The Group did not have any significant capital commitments as at 31 March 2007 and 30 September 2007.

(b) *Operating lease commitments*

The Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings falling due as follows:

	(Unaudited) As at 30 September 2007 HK\$'000	(Audited) As at 31 March 2007 HK\$'000
Within one year	994	499
In the second to fifth year, inclusive	844	73
	1,838	572



14. Contingent liabilities

As at 30 September 2007, five (as at 31 March 2007: five) employees of the Group have completed the required number of years of service under the Hong Kong Employment Ordinance (the "Employment 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 Employment Ordinance.

If the termination of all such employees meets the circumstances as set out in the Employment Ordinance, the Group's liability as at 30 September 2007 would be approximately HK\$218,000 (as at 31 March 2007: HK\$199,000). No provision has been made by the Group in this respect.

Save as disclosed above, the Group did not have any significant contingent liabilities as at 30 September 2007.

15. Comparative figures

Certain comparative figures have been re-classified to conform with current period's presentation.



MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

The Group's turnover for the six months ended 30 September 2007 amounted to approximately HK\$168,752,000, representing a decrease of 9.1% from that of approximately HK\$185,720,000 in the Corresponding Period. Despite of the decrease in turnover, the overall gross profit margin of the Group for the six months ended 30 September 2007 slightly increased to 6.15% from that of 6.13% in the Corresponding Period. Due to insufficient supply of high-ended chipsets in the period, together with the escalation of competition in the display card market, the Group was not able to accept certain orders that led to a decline in turnover.

In addition, profit attributable to shareholders for the six months ended 30 September 2007 amounted to approximately HK\$665,000, representing a decrease of 84% from that of HK\$ 4,188,000 in the Corresponding Period. This is mainly attributed to an impairment of the trade receivables of the Group of HK\$3,062,000 for the period.

Business Review and Prospect

The Group will actively develop processing services, and in the meantime expand its service scope, such as providing clients with processing services for products other than display cards and motherboards.

Products manufactured by the Group are mainly marketed and sold in its brand name "EAGLE". The Directors intend to place more resources in marketing and advertising in a bid to further establish the legitimacy of its brand name. The Group is planning to place advertisements in computer magazines to promote its products, and continue to participate in major exhibitions which take place in overseas markets in order to strive for market exposure.

In addition, the Group is also looking for new investment projects to diversify its sources of income.

Liquidity and Financial Resources

The Group generally finances its operations by cash flow generated from sales and from its banking facilities. As at 30 September 2007, the Group had net current assets of approximately HK\$57,224,000 of which approximately HK\$9,192,000 was bank balances and cash while current portion of interest-bearing borrowings was approximately HK\$3,098,000. As at 30 September 2007, the Group had total banking facilities of approximately HK\$26,380,000, approximately HK\$3,695,000 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 and machinery and by corporate guarantee executed by the Company.

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.

Debts Maturity Profile

The debts maturity profile of the Group as at 30 September 2007 was as follows:

	(Unaudited) As at 30 September 2007 HK\$'000	(Unaudited) As at 31 March 2007 <i>HK\$'000</i>
On demand or within one year	3,098	13,455
In the second year	681	1,551
	3,779	15,006

Foreign Exchange Exposure

Most of the trading transactions, assets and liabilities of the Group were denominated in Hong Kong dollars and United States dollars and Renminbi. The Group adopted a conservative treasury policy with most of the bank deposits being kept in Hong Kong dollars or United States dollars, or in the local currencies of the operating subsidiaries to minimize exposure to foreign exchange risks. As at 30 September 2007, 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\$7,516,000, including Directors' emoluments of approximately HK\$884,000 for the six months ended 30 September 2007. As at 30 September 2007, the Group employed 431 employees in the PRC, Hong Kong, Singapore and Macau.

Material Acquisitions and Disposals

During the six months ended 30 September 2007, the Group did not have any material acquisitions and disposals of subsidiaries.



Gearing Ratios

The Group's gearing ratio as at 30 September 2007 decreased to 4.5% from 17.5% as at 31 March 2007. 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 gearing ratio was due to the decrease of trust receipt loans during the period under review.

Charges on the Group's Assets

As at 30 September 2007, the Group's leasehold land and buildings with net book value of approximately HK\$4,509,000 (as at 31 March 2007: HK\$4,590,000) and machinery with net book value of approximately HK\$5,290,000 (as at 31 March 2007: HK\$5,407,000) were pledged as collaterals for the Group's banking facilities of approximately HK\$8,000,000 and HK\$4,893,000 respectively.

Contingent Liabilities

Saved as disclosed in note 14 to the unaudited condensed consolidated financial statements above, the Group did not have any other material contingent liabilities as at 30 September 2007.

COMPARISON OF BUSINESS PLAN WITH ACTUAL BUSINESS PROGRESS

Set out below is a comparison between the Group's actual business progress for the six months ended 30 September 2007 and its business plan as stated in the prospectus of the Company dated 14 September 2004 (the "Prospectus").

Business Plan

Actual Business Progress

(i) To upgrade the production facilities

- | | |
|---|--|
| <ul style="list-style-type: none">- Complete the installation of and put the 5th SMT production line in full operation.
- Maintain the running of the SMT production line. | <ul style="list-style-type: none">- Completed the installation of and put the 5th SMT production line in full operation in January 2006.
- Maintain the running of the SMT production line. |
|---|--|

(ii) To promote the Group's brandname "EAGLE"

- | | |
|--|--|
| <ul style="list-style-type: none">- Advertise the Group's products in magazines. | <ul style="list-style-type: none">- During the period under review, the Group periodically placed advertisements in major computer magazines in Hong Kong, Europe and PRC. |
|--|--|

**Business Plan**

- Periodic review of the Group's strategies on product advertisements.
- Participate in the computer exhibition "Computex" to be held in Taiwan.
- Participate in the computer exhibition "COMPUTER ELECTRONICS WORLDEXPO" to be held in Vietnam.

(iii) To explore new markets and expand distribution network

- Continue the distribution arrangements in the Eastern European markets.
- Review the performance of the distribution arrangement in the Eastern European markets and adjust the sales and marketing strategies accordingly.

(iv) To expand the research and development capability

- Review periodically the staffing requirement of the Group's research and development team.
- Develop new models of VGA display card and motherboard in order to cope with the latest development of CPU and requirements in visual display.
- Review periodically the existing products and initiate projects to improve their functionalities and reduce production cost.

Actual Business Progress

- Advertise full range of products from low to top models.
- Already participated in the exhibition in June 2007.
- Already participated in the exhibition in July 2007.

- The Board puts the establishment of an office in Eastern Europe as the Group's long-range target.
- Explain as above.

- The Group is looking for appropriate technical staff for the expansion of research and development team.
- During the period, the Group successfully developed a series of products with "8" series of Nvidia chipset.
- A team of technicians continuously reviews and initiates projects of product development and cost reduction.

USE OF PROCEEDS

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

Up to 30 September 2007, the Company has incurred the following amounts to achieve its business objectives as set out in the Prospectus.

	From the date of listing on GEM on 23 September 2004 to 30 September 2007	
	Proposed	Actual
	<i>HK\$'000</i>	<i>HK\$'000</i>
To upgrade the production facilities	10,000	9,423
To promote the Group's brandname "EAGLE"	2,000	1,639
To explore new markets and expand distribution network	1,000	233
To expand research and development capabilities	500	22
General working capital	6,000	6,000
	19,500	17,317

SHARE OPTION SCHEME

Pursuant to the written resolutions of the sole shareholder of the Company dated 6 September 2004, the Company has conditionally adopted the share option scheme (the "Share Option Scheme") under which share options to subscribe for the Company's shares may be granted under the terms and conditions stipulated therein. The principal terms of the Share Option Scheme are summarised in the paragraph headed "Share Option Scheme" in Appendix 5 to the prospectus of the Company dated 14 September 2004. As at 30 September 2007, no share option was granted under the Share Option Scheme.

DIRECTORS' AND EMPLOYEES' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save for the share options that may be granted under the Share Option Scheme, none of the Directors or employees of the Group or their respective associates were granted by the Company or its subsidiaries the rights to acquire shares or debentures of the Company or any other body corporate, or had exercised any such rights as at 30 September 2007.

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

As at 30 September 2007, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were recorded in the register required to be kept under section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, were as follows:

Long positions in shares of the Company

Name of Director	Nature of interest	Number and class of securities	Approximate% of the issued share capital of the Company
Mr. Chan Hing Yin	Interest in a controlled corporation	249,992,200 ordinary shares of HK\$0.01 each (<i>Note</i>)	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 30 September 2007, 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.

PERSONS WHO HAVE AN INTEREST OR A SHORT POSITION WHICH IS DISCLOSEABLE UNDER DIVISIONS 2 AND 3 OF PART XV OF THE SFO AND SUBSTANTIAL SHAREHOLDING

So far as is known to any Director or chief executive of the Company, as at 30 September 2007, 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, underlying shares and debentures" above) had an interest or a 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 positions in shares of the Company

<u>Name of shareholder</u>	<u>Nature of interest</u>	<u>Number and class of securities</u>	<u>Approximate% of the issued share capital of the Company</u>
Osborne Pacific Limited	Beneficial owner	249,992,200 ordinary shares of HK\$0.01 each (<i>Note 1</i>)	70%
Chan, Selma (<i>Note 2</i>)	Family interest of controlled corporation	249,992,200 ordinary shares of HK\$0.01 each (<i>Note 2</i>)	70%

Notes:

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 Mrs. 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 30 September 2007, the Company had not been notified of any other person (other than the Directors or chief executives of the Company) who had an interest or short position in the shares or underlying shares of the Company which were required to be kept under Section 336 of the SFO.



COMPETING INTERESTS

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 six months ended 30 September 2007.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the six months ended 30 September 2007, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the shares of the Company.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of the Directors, all Directors have confirmed that they had complied with the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules during the six months ended 30 September 2007.

CORPORATE GOVERNANCE

The Company has complied with the code provisions set out in the Code on Corporate Governance Practices under Appendix 15 to the GEM Listing Rules throughout the six months ended 30 September 2007 with the exception of code provision A.2.1 in respect of the separation of the roles of chairman and chief executive officer.

Mr. Chan Hing Yin is the chairman of the Board and the chief executive officer of the Group. The Board considers that current arrangement enables an efficient implementation of the Board's decision. Since the Board has reserved the decision-making authorities on major matters, the Board believes that the balance of power between the Board and the management will not be impaired.



AUDIT COMMITTEE

The Company has established an audit committee (the "Audit Committee") with written terms of reference in compliance with the GEM Listing Rules.

The Audit Committee provides a link between the Board and the Company's external auditors in matters falling within the scope of the Group's audit, reviews the Company's annual report, half-yearly report and quarterly reports and provides advice and comments thereon to the Board, supervises the financial reporting process and internal control procedures of the Group and, monitors relationship with the Company's external auditors. The Audit Committee comprises all the three independent non-executive Directors, namely, Ms. Chan Yi Man, Magdalen, Mr. Wong Ka Hung, Frederic and Mr. Cheung Wing Ping, who is the chairman of the Audit Committee.

The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed financial reporting matters including a review of the unaudited condensed consolidated financial statements for the six months ended 30 September 2007.

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

Hong Kong, 8 November 2007

As at the date of this report, the executive Directors of the Company are Mr. Chan Hing Yin and Mr. Chan Hing Kai, and the independent non-executive Directors of the Company are Ms. Chan Yi Man, Magdalen, Mr. Cheung Wing Ping and Mr. Wong Ka Hung, Frederic.