Annual Report 2007-08

ESPCO TECHNOLOGY HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code : 8299)

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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.

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Corporate Information

Registered office	Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
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	Mr. Tong Chi Cheong, *FCCA, FCPA*
Qualified accountant	Mr. Tong Chi Cheong, *FCCA, FCPA*
Compliance officer	Mr. Chan Hing Yin
Audit committee	Mr. Cheung Wing Ping *(Chairman of Audit Committee)* Ms. Chan Yi Man, Magdalen Mr. Wong Ka Hung, Frederic
Remuneration committee	Ms. Chan Yi Man, Magdalen *(Chairman of Remuneration Committee)* Mr. Cheung Wing Ping Mr. Chan Hing Yin
Authorised representatives	Mr. Chan Hing Yin Mr. Tong Chi Cheong
Process agent under Part XI of the Companies Ordinance	Mr. Chan Hing Yin
Stock code	8299
Principal bankers	Bank of China (Hong Kong) Limited Chiyu Banking Corporation Limited Wing Lung Bank Limited
Principal share registrar and transfer office	Bank of Bermuda (Cayman) Limited P.O. Box 513 90 North Church Street Strathvale House, 2nd Floor Grand Cayman KY1-1106 Cayman Islands
Hong Kong branch share registrar and transfer office	Tricor Investor Services Limited 26th Floor, Tesbury Centre 28 Queen's Road East Wanchai Hong Kong

Chairman's Statement

On behalf of the board of directors (the "Board") of Espco Technology Holdings Limited (the "Company"), together with its subsidiaries, (the "Group"), I am pleased to present the Company's annual report for the year ended 31 March 2008.

BUSINESS REVIEW

During the year ended 31 March 2008, the Group was principally engaged in the manufacture, sale and distribution of desktop personal computer ("PC") display cards in the PRC, Hong Kong, Macau and Singapore.

During the year under review, the introduction of Vista, a new computer operating system, by Microsoft, did not lead to greater demand for desktop PC display cards. The competition in the PC display card market, especially in the Asian Pacific countries, continued to intensify and lower the Group's income and profit margin.

FINANCIAL RESULTS

The Group recorded a total revenue of approximately HK$251 million for the year ended 31 March 2008, representing a decrease of approximately 21.6% over the last year. Loss attributable to shareholders for the year ended 31 March 2008 amounted to approximately HK$11.6 million, representing a decrease of approximately HK$15.3 million when compared with profit attributable to shareholders of last year.

DIVIDEND

The Board does not recommend the payment of any dividend for the year ended 31 March 2008 (the year ended 31 March 2007: HK0.39 cent per share).

PROSPECTS

Subsequent to the financial year ended 31 March 2008, the principal business of the Company has been changed to (i) gold exploration, mining and mineral processing in the PRC; and (ii) manufacturing, sale and distribution of desktop PC display cards.

Gold Mining Business

The Group has recently expanded its investment and business into the gold mining sector in the PRC.

Global gold mine production over the past few years has been consistently under-supplying the global demand of gold for fabrication and retail investment. In 2007, global gold demand for fabrication and retail investment was 3,263 tonnes, while the global mine supply was 2,030 tonnes of gold in the same year. Despite significant investments in recent years to increase gold production capacity and exploration, ore reserves and mine output are unlikely to see significant increase in the next several years due to the long gestation period to bring new gold ore finds to market. The booming economy of China has also underpinned a strong demand for gold in recent years. In 2007, China produced approximately 270 tonnes of gold, an increase of 12.67% as compared to 2006. However, its gold demand for jewellery reached approximately 302 tonnes in 2007, representing 20% increase over 2006. China has now become the world's second largest gold consumption country after India. According to Chinese Gold Industry

Chairman's Statement

Eleventh Five-Year Plan and Sustainable Development Research, Chinese gold demand will reach 400 tonnes in 2010, and increase further to 600 tonnes in 2020. Therefore, Chinese gold demand and supply imbalance will continue to persist in the forthcoming years. Recent economic and other factors, particularly those influencing the United States dollars and oil prices, will also be beneficial to the gold price. It is anticipated that these factors will support the upward trend of the gold price and bring more development opportunities to the Group.

Display Card Business

In addition to exploring new markets, the Group will develop processing services and, in the meantime, expand its service scope.

Products manufactured by the Group are mainly marketed and sold in its brand name "EAGLE". The Group is planning to put more resources in marketing and advertising in order to further establish the legitimacy of its brand name. The Group will also continue to participate in overseas exhibitions for market exposure.

PROPOSED CHANGE OF COMPANY NAME

On 12 June 2008, the Board announced that, subject to the approval of the shareholders of the Company and the approval of the Registrar of Companies in the Cayman Islands, it proposed to change the name of the Company from "Espco Technology Holdings Limited 易盈科技控股有限公司" to "Grand T G Gold Holdings Limited", and upon the change of name becoming effective, "大唐潼金控股有限公司" will be adopted as the Chinese name of the Company for identification purpose.

As the Group has expanded its investment and business into the gold mining sector in the PRC, the Board believes that the change of name of the Company would reflect this new business focus and refresh the corporate image and identity of the Company and hence would benefit its future business development.

APPOINTMENT OF NEW DIRECTORS

In June 2008, the Board appointed Messrs. Lee Sing Leung, Robin, Leung Heung Ying, Alvin and Pieter van Aswegen as directors of the Company.

Mr. Lee is a renowned mining corporate finance advisor with more than 25 years of extensive experience in financial and mergers and acquisition advisory, banking and financing in Hong Kong, the PRC and South Africa. Mr. Lee was the general manager of Nedcor Asia Limited, a group member of Nedcor Bank Limited (one of the top three South African commercial bank), and played a leading role for Sino Steel Corporation in its then the largest overseas acquisition of a chrome mine project in South Africa.

Mr. Leung is a registered investment banker having more than 16 years of extensive experience in securities and corporate finance. He worked for the Listing Division of The Stock Exchange of Hong Kong Limited and a number of well known financial institutions (including Jardine Fleming Securities Limited (now known as JP Morgan Chase)) in Hong Kong.

Chairman's Statement

Mr. van Aswegen has more than 36 years of experience in the gold mining industry in South Africa and internationally. Mr. van Aswegen held senior positions in international gold and base metals corporations for many years, including Gold Fields Limited, one of the largest gold producer in the world.

Detailed biographies of Messrs. Lee, Leung and van Aswegen can be found in the annual report under the caption "Directors and Senior Management".

Their invaluable experience and expertise in gold mining, refining and corporate financing will undoubtedly have great contributions to the Group's new business focus and future business development in the gold mining sector in the PRC.

ACKNOWLEDGEMENT

On behalf of the Board, I would like to express my gratitude to our shareholders for their continued support and all of our employees for their dedicated services. I would also like to take this opportunity to express my warmest welcome to Messrs. Lee, Leung and van Aswegen.

CHAN HING YIN
Chairman

Hong Kong, 28 June 2008

Review of Business Plan

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 31 March 2008 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	
– Complete the installation of and put the 5th SMT production line in full operation.	Complete the installation of and put the 5th SMT production line in full operation in January 2006.
– Maintain the running of the SMT production line.	Maintain the running of the SMT production line.
(ii) To promote the Group's brandname "EAGLE"	
– Advertise the Group's products in magazines.	The Group periodically places advertisements in major computer magazines in Hong Kong, Europe and PRC.
– Periodic review of the Group's strategies on product advertisements.	Advertise full range of products from low to top models.
– Participate in the computer exhibition "Computex" to be held in Taiwan.	Already participated in the exhibition in June 2007.
– Participate in the Computer exhibition "COMPUTER ELECTRONICS WORLDEXPO" to be held in Vietnam.	Already participated in the exhibition in July 2007.
(iii) To explore new markets and expand distribution network	
– Continue the distribution arrangements in the Eastern European markets.	The Board puts the establishment of an office in Eastern Europe as the Group's long-range target.
– Review the performance of the distribution arrangement in the Eastern European markets and adjust the sales and marketing strategies accordingly.	Explain as above.

Review of Business Plan

(iv) To expand the research and development capability	
– Review periodically the staffing requirement of the Group's research and development team.	The Group is looking for appropriate technical staff to enforce its 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.	During the year, the Group successfully developed a series of products with "8" series of Nvidia chipset.
– Review periodically the existing products and initiate projects to improve their functionalities and reduce production cost.	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 31 March 2008, 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 23 September 2004 to 31 March 2008	
	Proposed HK$'000	**Actual HK$'000**
To upgrade the production facilities	10,000	9,621
To promote the Group's brandname "EAGLE"	2,000	1,805
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	17,681

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.

Management Discussion and Analysis

FINANCIAL REVIEW

The Group recorded a total revenue of approximately HK$251 million and loss attributable to shareholders of approximately HK$11.6 million for the year ended 31 March 2008, representing a decrease of approximately 21.6% and 416.1% when compared to those of last year. Basic loss per share for the year is approximately HK0.32 cents. The Group's overall gross profit margin for the year was approximately 3.7% which is lesser than last year's 5.7%. The decreases in total revenue and gross profit margin were mainly attributable to the keen competition in the desktop display card market. An impairment of trade receivables of the Group amounting to HK$5.6 million was made during the year. With the decrease in using banking facilities during the year, the finance costs for the year decreased by approximately 14%.

REVENUE 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 31 March				
	2008		2007		**Increase/**
	Revenue	**Portion**	Revenue	Portion	**(decrease)**
	HK$'000		HK$'000		
Sales of own manufactured goods	**216,930**	**86%**	249,044	78%	**(13%)**
Trading of PC components	**22,529**	**9%**	48,572	15%	**(54%)**
Processing fee income	**8,252**	**1%**	17,495	5%	**(53%)**
Handling income	**3,192**	**4%**	4,955	2%	**(36%)**
Total	**250,903**	**100%**	320,066	100%	**(22%)**

LIQUIDITY AND FINANCIAL RESOURCES

The Group generally finances its operations by cash flow generated from sales and from its banking facilities. As at 31 March 2008, the Group had net current assets of approximately HK$59,044,000 (2007: HK$59,488,000) of which approximately HK$19,961,000 (2007: HK$11,891,000) was cash and bank balances while current portion of interest bearing borrowings was approximately HK$64,000 (2007: HK$13,455,000). As at 31 March 2008, the Group had total banking facilities of approximately HK$16,000,000 (2007: HK$26,380,000), none (2007: HK$14,869,000) 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$6,350,000 (2007: leasehold land and buildings with an aggregate net book value of HK$4,590,000 and machinery with an aggregate net book value of HK$5,407,000) and by corporate guarantees 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.

Management Discussion and Analysis

FOREIGN EXCHANGE EXPOSURE

Most of the trading transactions, assets and liabilities of the Group were denominated in Hong Kong dollars ("HK dollars") and United States dollars ("US dollars"). During the year ended 31 March 2008, the Group had an insignificant amount of exchange difference.

The Group adopted a conservative treasury policy, with most of the bank deposits being kept in HK dollars and US dollars, or in the local currencies of the operating subsidiaries to minimize exposure to foreign exchange risks. As at 31 March 2008, 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$13,984,000 (2007: HK$12,997,000) including Directors' emoluments of approximately HK$2,182,000 (2007: HK$1,793,000) for the year ended 31 March 2008. As at 31 March 2008, the Group employed 316 (2007: 489) employees in the PRC, Hong Kong, Singapore and Macau.

MATERIAL ACQUISITIONS AND DISPOSALS

During the year, the Company entered into an agreement for the acquisition of the entire equity interest of SSC Mandarin Mining Investment Limited (the "Acquisition"), which now holds an indirect effective 72% equity interest in Tongguan Taizhou Mining Company Limited ("Taizhou Mining") through an intermediate company and a Sino-foreign joint venture company in the PRC, of which a wholly-owned subsidiary of the China Gold Association is also an equity holder.

The principal business of Taizhou Mining has been gold exploration, mining and minerals processing in the PRC.

Subsequent to the year end, the Company completed the Acquisition in April 2008.

The Group did not have any material disposals of subsidiaries during the year.

GEARING RATIO

The Group's gearing ratio as at 31 March 2008 decreased to 0.04% from 17.5% as at 31 March 2007, as the Group had repaid all its interest-bearing borrowings except certain obligations under finance leases before 31 March 2008. The gearing ratio was calculated as the Group's interest-bearing borrowings to the shareholders' equity as at the respective balance sheet dates.

Management Discussion and Analysis

CHARGES ON THE GROUP'S ASSETS

As at 31 March 2008, the Group's leasehold land and buildings with net book value of approximately HK$6,350,000 (2007: HK$4,590,000) were pledged as collaterals for the Group's banking facilities of approximately HK$8,000,000.

CONTINGENT LIABILITIES

Save as disclosed in note 31 to the financial statements, as at 31 March 2008, the Directors were not aware of any material contingent liabilities.

SHARE SUBDIVISION AND INCREASE IN AUTHORISED SHARE CAPITAL

Each issued and non-issued shares of the Company of HK$0.01 each was sub-divided into 10 shares of HK$0.001 each with effective on 12 November 2007. The authorised share capital of the Company was also increased from HK$5,000,000 divided into 500,000,000 Shares of HK$0.01 each to HK$20,000,000 divided into 20,000,000,000 Sub-divided Shares of HK$0.001 with effective on the same date.

PLACING OF NEW SHARES

On 24 January 2008, the Company completed a placement of an aggregate of 300,000,000 shares of the Company to independent investors at a price of HK$0.27 per share. The net proceeds received by the Company from the placing were approximately HK$ 78.5 million, of which HK$60 million was paid to settle part of the consideration for the Acquisition. The remaining balance of the net proceeds will be used as general working capital.

FUTURE PLANS FOR THE GOLD MINING BUSINESS

The Group has the following future plans in respect of its gold exploration, mining and minerals processing business in the PRC:

(i) Increase of existing processing capacity

Subject to the availability of funding, the Group is planning to expand its existing daily processing capacity to 1,200 tonnes during the financial years of 2008/2009 and further to around 2,000 tonnes per day during the financial years of 2010/2011.

(ii) Building of additional ducts to gold veins

The total length of the ducts leading to the gold veins of the mines in Tongguan County, Shaanxi Province, the PRC has already reached approximately 91,000 metres and to cope with the increase in processing capacity of Taizhou Mining, additional ducts will be built in order to increase the production of ore.

Management Discussion and Analysis

(iii) Identification of potential gold reserves and resources

A three-year drilling programme within the existing exploration permits territory of Taizhou Mining has been planned for identification of potential gold reserves and resources, thereby increasing the total gold reserves and resources up to not less than 50 tonnes.

(iv) Further acquisition of additional exploration and mining rights

Subject to the availability of additional financial resources, the Group intends to increase its gold reserve by acquiring additional exploration and mining rights. In addition to the aforesaid, it is the Group's long term plan to engage in gold refinery business by establishing its own refinery plant but no fixed plan has been made.

Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Chan Hing Yin, aged 53, 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 24 years of experience in the PC industry. He is also the Compliance Officer of the Company.

Mr. Lee Sing Leung, Robin, aged 56, has more than 25 years of extensive experiences in financial and mergers and acquisitions advisory, banking and financing in Hong Kong, the PRC and South Africa. Mr. Lee is currently the Chairman of SSC Mandarin Financial Services Limited ("SSCM"). SSCM is a licensed corporation to conduct Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance ("SFO") and specializes in providing financial advices to international companies with respect to mining industry acquisitions in the PRC. In this capacity, Mr. Lee has been active in several restructuring and financing projects of gold and other minerals mining industries in the PRC and successfully assisted several PRC enterprises in listing on Hong Kong and Singapore stock exchanges.

Prior to joining SSCM, Mr. Lee served as Director and Chief Executive Officer of Mandarin Business Consultants (Pty) Limited, a business consulting firm located in Johannesburg, South Africa, from August 1997 to June 2000. During the period from September 1984 to July 1997, Mr. Lee served as General Manager of Nedcor Asia Ltd ("Nedcor"), a Hong Kong restricted licensed bank, where he held senior management positions in that firm's banking, securities and investment banking businesses. While at Nedcor, Mr. Lee played a leading role for Sino Steel Corporation, a state-owned enterprise under the State-Owned Assets Supervision and Administration Commission, in its then largest overseas acquisition of a chrome mine in South Africa and, from October 1994 to March 1996, served as Chief Representative of Nedcor's Chinese banking affiliate where he established a business network in the PRC and South Africa and assisted mining companies in identifying acquisition targets and business opportunities in the PRC and South Africa.

Mr. Lee holds a diploma in accounting from the University of Hong Kong Polytechnic, a Master of Business Administration degree from the University of East Asia, Macau, and a Diploma of Management from the University of Witwatersrand in South Africa. Mr. Lee is a Fellow Member of the Hong Kong Institute of Directors and he joined the Group in June 2008.

Mr. Leung Heung Ying, Alvin, aged 46, was graduated from the University of Bradford, United Kingdom with a Bachelor Degree. He received a Master Degree from London School of Economics and Political Science of University of London, United Kingdom and a Bachelor Degree in Chinese Laws from the Peking University, the PRC.

He is a fellow member of the Institute of Chartered Accountant in England and Wales and Hong Kong Institute of Certified Public Accountants ("HKICPA") as well as a fellow member of Hong Kong Registered Financial Planners. Currently, he is a Standing Committee Member of Political Consultative Committee of Wu Hua county of Guangdong Province and is an arbitrator of China International Economic And Trade Arbitration Commission. Since 2006, Mr. Leung has been appointed by the Government of Hong Kong Special Administrative Region as a member of Energy Advisory Committee and Public Affairs Forum, respectively. In respect of the professional side, he is a council member of Hong Kong Securities Professionals Association and has served in various committees of HKICPA.

Directors and Senior Management

With more than sixteen years of extensive experience in securities and corporate finance, Mr. Leung has participated in a number of international initial public offers shares (including B shares and H shares) as well as mergers and acquisitions exercises. He worked for the Listing Division of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), Jardine Fleming Securities Limited (now known as JP Morgan Chase) and was the Head of Corporate Finance of Industrial and Commercial Bank of China (Asia) Limited. Mr. Leung currently is the sole shareholder, sole director and responsible officer of Proton Capital Limited, which is a licensed corporation to conduct Type 6 (advising on corporate finance) regulated activity under the SFO. Mr. Leung joined the Group in June 2008.

Mr. Chan Hing Kai, aged 40, 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 12 years of experience in the PC industry and joined the Group in 1996.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. Chan Yi Man, Magdalen, aged 51, 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 many years of experience in human resources management and administration, some of which were gained in listed groups in Hong Kong.

Mr. Cheung Wing Ping, aged 41, is an accounting manager of an investment holding company and has over 15 years of experience in auditing and accounting fields. He holds a bachelor's degree in Accountancy with honours from City University of Hong Kong and is a fellow member of the Association of Chartered Certified Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants.

Mr. Wong Ka Hung, Frederic, aged 38, is the manager of code of practice of an overseas company and has over 13 years of experience in respect of environmental health and safety in different industries. He is a chartered member of The Institute of Occupational Safety and Health in United Kingdom and a registered Safety Officer thereof in Hong Kong. He holds a bachelor's degree of engineering in Chemical Engineering from the University of Leeds, a master's degree of philosophy in Chemical Engineering from The Hong Kong University of Science & Technology and a master's degree of Business Administration from The Chinese University of Hong Kong.

Mr. Pieter van Aswegen, aged 65, has 36 years of experience in the gold mining industry in South Africa and internationally. Since June 2006, he founded and has been the sole proprietor of P Met Consulting cc, a metallurgical processing consulting company. From April 1998 through June 2006, Mr. van Aswegen was employed by Gold Fields Ltd. ("Gold Fields"), an international producer of gold, as a senior manager responsible for marketing, development and implementation of bio-oxidation processing of gold ores in Australia, Ghana, Kazakhstan, the PRC and Uzbekistan. One of Mr. van Aswegen's significant contributions during this period was the successful operation of

Directors and Senior Management

the ore processing plant of Jinfeng, the flagship mining asset of Sino Gold Mining Limited, a gold mining company listed in Hong Kong and Australia, of which Gold Fields is a substantial shareholder and a contracted provider of ore treating technology. Part of the study, detailed metallurgical testwork was conducted under his direction and supervision to define suitable flowsheets to treat the highly refractory gold ore of the project. This included floatation and bio-oxidation testwork. The plant was successfully commissioned during the first quarter of 2007.

Prior to joining Gold Fields, from January 1970 to March 1998 Mr. van Aswegen was employed by Gencor Ltd., an international gold and base metals company located in Johannesburg, South Africa. Gencor was acquired by Gold Fields in April 1998. While employed by Gencor, he was also involved in the development of various international mining projects and held various positions relating to metallurgy and production, including being a senior manager metallurgy in the International Gold Division with responsibility for operations in West Africa, Brazil and Indonesia from June 1989 to March 1998. Mr. van Aswegen also served on the board of directors of Gold Fields of Uzbekistan and P Met Consulting cc. Mr. van Aswegen holds a Bachelor of Science degree in Metallurgy from the University of Pretoria and is a fellow member of the South African Institute of Mining and Metallurgy, a fellow member of the Australian Institute of Mining and Metallurgy and registered as a Chartered Professional (Metallurgy). Mr. van Aswegen joined the Group in June 2008.

SENIOR MANAGEMENT

Ms. Yan Chuk Heung, aged 41, is the General Manageress of the Group. She is responsible for the Group's general administration, sales and marketing and purchasing. She has over 18 years of experience in the PC industry and joined the Group in March 1990.

Mr. Wo Wai Shing, aged 43, 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 18 years of experience in computer engineering. He joined the Group in April 1999.

Mr. Tong Chi Cheong, aged 45, is the Financial Controller of the Group and the Qualified Accountant and Company Secretary of the Company. He is a fellow member of the Association of Chartered Certified Accountants and a fellow member of the Hong Kong Institute of Certified Public Accountants. He has over 17 years of experience in auditing and finance fields and joined the Group in August 2007.

Mr. Chan Kit Hung, aged 49, 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 18 years of experience in the PC industry.

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

The Board believes that a high standard of corporate governance is one of the essential elements of the success of a listed company and has adopted various procedures suggested in the Code on Corporate Governance Practices (the "CG Code") set out in Appendix 15 to the GEM Listing Rules, in regulating the Group's business activities.

The Company has complied with the CG Code during the year ended 31 March 2008 with the exception of code provision A.2.1 in respect of the separation of the roles of chairman and chief executive officer and code provision A.5.4 in respect of Directors' securities transactions.

BOARD OF DIRECTORS

The Directors who held office during the year and up to the date of this report were:

Executive Directors:
Mr. Chan Hing Yin *(Chairman)*
Mr. Lee Sing Leung, Robin *(Vice-chairman and chief executive officer)* (appointed on 5 June 2008)
Mr. Leung Heung Ying, Alvin *(Vice-chairman and deputy chief executive officer)* (appointed on 5 June 2008)
Mr. Chan Hing Kai

Independent Non-Executive Directors:
Ms. Chan Yi Man, Magdalen
Mr. Cheung Wing Ping
Mr. Wong Ka Hung, Frederic
Mr. Pieter van Aswegen (appointed on 5 June 2008)

Mr. Chan Hing Yin is the elder brother of Mr. Chan Hing Kai. Except for the aforesaid, there is no relationship (including financial, business, family or other material/relevant relationship) among members of the Board.

For a Director to be considered independent, the Board must determine whether the Director has direct or indirect material relationship with the Company. In determining the independence of directors, the Board follows the requirements set out in the GEM Listing Rules. Each of the independent non-executive Director has made an annual confirmation of independence pursuant to Rule 5.09 of the GEM Listing Rules. The Company considers that all the independent non-executive Directors meet the independence guidelines set out in Rule 5.09 of the GEM Listing Rules and that they are independent.

Corporate Governance Report

During the year ended 31 March 2008, six regular board meetings were held and individual attendance of Directors are set out as follows:

Name of Director	**Attended/Eligible to attend**
Mr. Chan Hing Yin	6/6
Mr. Lee Sing Leung, Robin	0/0
Mr. Leung Heung Ying, Alvin	0/0
Mr. Chan Hing Kai	6/6
Ms. Chan Yi Man, Magdalen	6/6
Mr. Cheung Wing Ping	6/6
Mr. Wong Ka Hung, Frederic	6/6
Mr. Pieter van Aswegen	0/0

The Board, led by the Chairman, is responsible for the formulation of company wide strategies and policies including, but not limited to, merger and acquisition, material capital commitment, change in share capital, dividend policy and approval of financial statements. The Board has delegated the responsibilities of day-to-day management of the Group's business to the executive Directors.

During the year ended 31 March 2008, the Board has reviewed a report regarding internal controls prepared by the internal finance department and discussed relevant issues covering financial, operational and compliance controls and risk management functions.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Mr. Chan Hing Yin ("Mr. Chan") is the chairman of the Board. Mr. Chan was also the chief executive officer of the Group before 5 June 2008. It deviated from the code provision A.2.1 of the CG Code which requires the roles of chairman and chief executive officer to be separate. The Board considers that arrangement enables an efficient implementation of the Board' decision. Since the Board has reserved the decision-making authorities on major matters, the Company believes that the balance of power between the Board and the management has not been impaired.

As the Group had successfully expanded its investment and business into the gold mining sector in the PRC, the Board appointed Mr. Lee Sing Leung, Robin, a renowned mining corporate finance advisor, as the chief executive officer of the Group on 5 June 2008.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. Chan Yi Man, Magdalen has entered into a service contract with the Company for a fixed term of two years commencing from 23 September 2006 subject to retirement of rotation and re-election in accordance with the provisions of the Articles of Association of the Company.

Corporate Governance Report

Mr. Cheung Wing Ping has entered into a service contract with the Company for a fixed term of two years commencing from 27 July 2006 subject to retirement of rotation and re-election in accordance with the provisions of the Articles of Association of the Company.

Mr. Wong Ka Hung, Frederic has entered into a service contract with the Company for a fixed term of two years commencing from 18 September 2006 subject to retirement of rotation and re-election in accordance with the provisions of the Articles of Association of the Company.

Mr. Pieter van Aswegen has not entered into any service contract with the Company. His appointment is subject to retirement by rotation and/or re-election in accordance with the Articles of Association of the Company.

REMUNERATION COMMITTEE

The remuneration committee of the Board (the "Remuneration Committee") was set up in March 2006 with specific written terms of reference which deal clearly with its authority and duties. The terms of reference of the Remuneration Committee have been posted on the Company's website. The role of the Remuneration Committee is to make recommendations to the Board on remuneration policy and structure for Directors and senior management of the Company. The main duties of the Remuneration Committee include determining the specific remuneration packages of all executive Directors and senior management of the Company, reviewing and approving performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time and ensuring that no Director or any of his/her associates is involved in deciding his/her own remuneration. Members of the Remuneration Committee during the year and up to the date of this report were:

Independent Non-Executive Directors:
Ms. Chan Yi Man, Magdalen *(Chairman of Remuneration Committee)*
Mr. Cheung Wing Ping

Executive Director:
Mr. Chan Hing Yin

During the year ended 31 March 2008, the Remuneration Committee held two meetings and individual attendance of members of the Remuneration Committee are set out as follows:

Name of Member	**Attended/Eligible to attend**
Ms. Chan Yi Man, Magdalen	2/2
Mr. Cheung Wing Ping	2/2
Mr. Chan Hing Yin	2/2

Corporate Governance Report

The Remuneration Committee has performed the following works during the year in discharging its responsibilities:

(i) reviewed and approved the remuneration package of 2 executive Directors; and

(ii) reviewed and approved the remuneration of senior management.

NOMINATION OF DIRECTORS

The Board has not set up a nomination committee for the appointment of Directors.

In accordance with the Company's Articles of Association, the Board is empowered at any time to appoint any person as a director either to fill a casual vacancy on the Board or as an addition to the existing Board. The criteria for selecting a director are mainly based on the candidate's quality which includes, but not limited to, his/her qualification, experience, professional knowledge, ethics and integrity.

INDEPENDENT AUDITOR'S REMUNERATION

During the year ended 31 March 2008, remuneration payable to the Company's independent auditor, Graham H. Y. Chan & Co. (including any entity that is under common control, ownership or management with the audit firm or any entity that a reasonable and informed third party having knowledge of all relevant information would reasonably conclude as part of the audit firm nationally or internationally), for audit and non-audit services provided to the Group is set out as follow:

	HK$'000
Audit services	520
Non-audit services	
– Tax services	6
– Others	1,140
	1,666

AUDIT COMMITTEE

The Board has established an audit committee (the "Audit Committee") with specific written terms of reference in compliance with the requirements set out in Rules 5.28 to 5.29 of the GEM Listing Rules. The terms of reference of the Audit Committee have been posted on the Company's website. The primary duties of the Audit Committee are (i) to review the Company's financial statements and provide advice and comments thereon to the Board; (ii) to oversee the financial reporting system and internal control procedures of the Group; and (iii) to monitor relationship with the Company's independent auditor. The Audit Committee currently comprises three independent non-executive Directors, namely:

Corporate Governance Report

Mr. Cheung Wing Ping *(Chairman of Audit Committee)*
Ms. Chan Yi Man, Magdalen
Mr. Wong Ka Hung, Frederic

Mr. Cheung Wing Ping possesses the appropriate accounting professional qualification as required under rule 5.28 of the GEM Listing Rules.

During the year ended 31 March 2008, the Audit Committee held four meetings and individual attendance of members of the Audit Committee are set out as follows:

Name of Member	Attended/Eligible to attend
Mr. Cheung Wing Ping	4/4
Ms. Chan Yi Man, Magdalen	4/4
Mr. Wong Ka Hung, Frederic	4/4

The Audit Committee has performed the following works during the year in discharging its responsibilities:

(i) reviewed the draft annual, interim and quarterly reports and related draft results announcements; and

(ii) together with other Directors, reviewed a report regarding the internal controls prepared by the internal finance department and discussed relevant issues covering financial, operational and compliance controls and risk management functions.

RESPONSIBILITY FOR PREPARATION OF FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Group. A statement by the Company's independent auditor about their reporting responsibilities in the independent auditor's report on the Group's financial statements is set out on page 28 to page 29.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the required standard of dealings as set out in rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct regarding securities transactions by the Directors. The chairman and an executive director of the Company, Mr. Chan Hing Yin ("**Mr. Chan**") has inadvertently and unintentionally disposed 26,000,000 shares of the Company held by him to independent third parties on the Stock Exchange on 2 June 2008, which is in breach of Rule 5.56 of the GEM Listing Rules. Save as disclosed above, having made specific enquiry of all Directors, the Directors have complied with the required standard of dealings regarding directors' securities transactions throughout the year ended 31 March 2008.

In consideration of the above non-compliance, the Company has explained to the Directors the standard and requirements to be complied with in securities dealings to ensure no recurrence of such non-compliance and in addition to the requirements as set out in Rules 5.61 and 5.62 of the GEM Listing Rules, the written acknowledgement from the chairman of the Board or a director designated by the Board will have to be endorsed by the company secretary of the Company before any such directors' dealings.

Report of the Board of Directors

The Board have pleasure in submitting the report of the Board together with the audited financial statements of the Company for the year ended 31 March 2008.

PRINCIPAL ACTIVITIES

The principal activities of the Company during the year was investment holding and those of its subsidiaries are set out in note 17 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 March 2008 and the state of affairs of the Company and of the Group at that date are set out in the financial statements on pages 30 to 33.

A final dividend of HK0.39 cent per share in respect of the year ended 31 March 2007 was paid on 3 August 2007. The Directors did not recommend the payment of a final dividend for the year ended 31 March 2008.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment during the year are set out in note 15 to the financial statements.

SHARE CAPITAL

Details of movements in share capital of the Company during the year are set out in note 25 to the financial statements.

RESERVES

Details of movements in reserves of the Company and the Group during the year are set out in note 27 to the financial statements and in the consolidated statement of changes in equity on pages 34 to 35 respectively.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 84.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for approximately 69% of the total revenue and sales to the largest customer included therein accounted for approximately 32% of the Group's total revenue. Purchases from the Group's five largest suppliers accounted for approximately 57% of the total purchases for the year and purchases from the largest supplier included therein accounted for approximately 28%.

Report of the Board of Directors

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 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 the Directors and eligible employees. Details of the scheme are set out in note 26 to the financial statements.

DIRECTORS

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

Executive Directors:
Mr. Chan Hing Yin *(Chairman)*
Mr. Lee Sing Leung, Robin *(Vice-chairman and chief executive officer)* (appointed on 5 June 2008)
Mr. Leung Heung Ying, Alvin *(Vice-chairman and deputy chief executive officer)* (appointed on 5 June 2008)
Mr. Chan Hing Kai

Independent non-executive Directors:
Ms. Chan Yi Man, Magdalen
Mr. Cheung Wing Ping
Mr. Wong Ka Hung, Frederic
Mr. Pieter van Aswegen (appointed on 5 June 2008)

In accordance with Article 87 of the Company's Articles of Association, Mr. Chan Hing Kai and Mr. Cheung Wing Ping shall retire from office by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting. In accordance with Article 86 of the Company's Articles of Association, Mr. Lee Sing Leung, Robin, Mr. Leung Heung Ying, Alvin and Mr. Pieter van Aswegen shall retire from office at the forthcoming annual general meeting and, being eligible, offer themselves for re-election. All other directors of the Company continue in office.

Report of the Board of Directors

Each of the independent non-executive Directors has confirmed his/her independence to the Company pursuant to Rule 5.09 of the 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 and the senior management of the Company are set out on pages 13 to 15 of the annual report.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors and Mr. Pieter van Aswegen has not entered into any service contract with the Company.

Ms. Chan Yi Man, Magdalen has entered into a service contract with the Company for a fixed term of two years commencing from 23 September 2006, unless and until terminated by not less than three months' notice in writing served by either party on the other.

Mr. Cheung Wing Ping has entered into a service contract with the Company for a fixed term of two years commencing from 27 July 2006, unless and until terminated by not less than three months' notice in writing served by either party on the other.

Mr. Wong Ka Hung, Frederic has entered into a service contract with the Company for a fixed term of two years commencing from 18 September 2006, unless and until terminated by not less than three months' notice in writing served by either party on the other.

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 of compensation, other than statutory compensation.

DIRECTORS' INTEREST IN CONTRACTS

Save as disclosed in note 33 to the financial statements, 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.

Report of the Board of Directors

CONTINUING CONNECTED TRANSACTION

Details of the continuing connected transactions under the GEM Listing Rules during the year are set out in note 33 to the financial statements. In accordance with the criteria set out in Rule 20.33 of the GEM Listing Rules, it is exempted from the reporting, announcement and independent shareholders' approval requirements of Chapter 20 of the GEM Listing Rules.

REMUNERATION OF DIRECTORS AND THE HIGHEST PAID EMPLOYEES

Details of the remuneration of the Directors and the highest paid employees of the Group are set out in notes 13 and 14 to the financial statements respectively.

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 under which options to subscribe for the shares of the Company 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 14 September 2004 in connection with its initial public offering of shares. As at 31 March 2008, no option was granted under the Share Option Scheme.

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

As at 31 March 2008, 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	2,399,922,000 ordinary shares of HK$0.001 each *(Note)*	61.99%

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

Report of the Board of Directors

Save as disclosed above, as at 31 March 2008, 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 6 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 31 March 2008.

SUBSTANTIAL SHAREHOLDERS

So far as is known to any Director or chief executive of the Company, as at 31 March 2008, 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 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 of the Company

Name of shareholder	Nature of interest	Number and class of securities	Approximate % of the issued share capital of the Company
Osborne	Beneficial owner	2,399,922,000 shares *(Note 1)*	61.99%
Chan, Selma *(Note 2)*	Family interest of controlled corporation	2,399,922,000 shares *(Note 2)*	61.99%
SSC Mandarin Holdings Limited ("SSC Mandarin")	Beneficial owner	6,758,400,000 shares *(Note 3)*	174.57%
Harreld International Limited ("Harreld")	Interest of a controlled corporation	6,758,400,000 shares *(Note 4)*	174.57%
Mr. Lee Sing Leung, Robin ("Mr. Lee")	Interest of a controlled corporation	6,758,400,000 shares *(Note 4)*	174.57%

Report of the Board of Directors

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.

(3) The Company, on 6 November 2007, entered into a conditional agreement with the SSC Mandarin, pursuant to which, among other things, the Company conditionally agreed to purchase and SSC Mandarin conditionally agreed to dispose of the entire issued share capital of SSC Mandarin Mining Investment Limited (the "Acquisition") for an aggregate consideration of HK$1,212,000,000, which will be satisfied as to (i) HK$60,000,000 in cash; (ii) HK$207,360,000 by the issue of the 1,382,400,000 ordinary shares of the Company ("Shares") at an issue price of HK$0.15; (iii) HK$806,400,000 by the issue of the convertible bonds; and (iv) HK$138,240,000 by the issue of the promissory notes. Subject to the terms and conditions of the agreement pursuant to which the convertible bonds are to be issued, the maximum number of Shares that the convertible bonds can be converted at an conversion price of HK$0.15 is 5,376,000,000. Therefore, by virtue of the SFO, SSC Mandarin was deemed to be interested in 6,758,400,000 Shares even though the Acquisition was subject to the approval of the shareholders of the Company at an extraordinary general meeting and the 6,758,400,000 Shares had not yet been issued as at 31 March 2008.

(4) Each of Harreld and Mr. Lee was deemed (by virtue of the SFO) to be interested in the 6,758,400,000 Shares, which SSC Mandarin was deemed to be interested in (see note 3 above), for SSC Mandarin was 41% owned by Harreld and Harreld was 40.07% owned by Mr. Lee.

Save as disclosed above, as at 31 March 2008, the Company had not been notified of any other person (other than the Directors or chief executives of the Company) who had an interest or short position in the shares or underlying shares of the Company which were required to be kept under Section 336 of the SFO.

COMPETING INTEREST

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

PURCHASE, SALE OR REDEMPTION OF SHARES

During the year ended 31 March 2008, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Shares.

Report of the Board of Directors

INDEPENDENT AUDITOR

A resolution to re-appoint the retiring independent auditor, 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
28 June 2008

Independent Auditor's Report

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

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

We have audited the consolidated financial statements of Espco Technology Holdings Limited set out on pages 30 to 83, which comprise the consolidated and Company balance sheet as at 31 March 2008, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Company Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit 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.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

Independent Auditor's Report

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2008, and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards 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)
Unit 1, 15/F, The Center,
99 Queen's Road Central,
Hong Kong

28 June 2008

CONSOLIDATED INCOME STATEMENT

For The Year Ended 31 March 2008

	Note	2008 HK$'000	2007 HK$'000
Revenue	4	**250,903**	320,066
Cost of sales		**(241,518)**	(301,923)
Gross profit		**9,385**	18,143
Other income	6	**236**	643
Selling and distribution expenses		**(931)**	(927)
Impairment loss in respect of trade and other receivables		**(5,611)**	–
Administrative expenses		**(14,513)**	(14,584)
Surplus arising from revaluation of properties		**–**	627
Finance costs	7	**(544)**	(634)
(Loss)/profit before taxation	8	**(11,978)**	3,268
Taxation	9	**342**	413
(Loss)/profit attributable to the shareholders	10	**(11,636)**	3,681
Dividends	11	**–**	1,393
		HK Cents	HK Cents
(Loss)/earnings per share	12		
Basic:			
– current year/prior year as retrospectively restated		**(0.32)**	0.10
– as previously reported		**(0.32)**	1.03
Diluted		**N/A**	N/A

CONSOLIDATED BALANCE SHEET

As At 31 March 2008

	Note	2008 HK$'000	2007 HK$'000
Non-current assets			
Property, plant and equipment	15	**29,984**	26,990
Prepaid land lease premium	16	**1,586**	1,477
Deposit for acquisition of subsidiaries	30(ii)	**66,036**	–
Deferred tax assets	24	**105**	335
		97,711	28,802
Current assets			
Prepaid land lease premium	16	**34**	31
Inventories	18	**17,455**	25,957
Trade and other receivables	19	**36,562**	65,037
Tax recoverable		**–**	193
Bank balances and cash	20	**19,961**	11,891
		74,012	103,109
Current liabilities			
Trade and other payables	21	**14,636**	29,984
Interest-bearing borrowings – due within one year	22	**64**	13,455
Tax payable		**268**	182
		14,968	43,621
Net current assets		**59,044**	59,488
Total assets less current liabilities		**156,755**	88,290
Non-current liabilities			
Interest-bearing borrowings – due after one year	22	**–**	1,551
Deferred tax liabilities	24	**1,091**	1,037
		1,091	2,588
Net assets		**155,664**	85,702

CONSOLIDATED BALANCE SHEET

As At 31 March 2008

	Note	2008 HK$'000	2007 HK$'000
Capital and reserves			
Share capital	*25*	**3,871**	3,571
Reserves		**151,793**	82,131
Total equity attributable to equity shareholders of the Company		**155,664**	85,702

The financial statements on pages 30 to 83 were approved and authorised for issue by the board of directors on 28 June 2008 and are signed on its behalf by:

Chan Hing Yin
Director

Chan Hing Kai
Director

BALANCE SHEET

As At 31 March 2008

	Note	2008 HK$'000	2007 HK$'000
Non-current assets			
Investments in subsidiaries	17	**34,751**	21,683
Deposit for acquisition of subsidiaries	30(ii)	**66,036**	–
		100,787	21,683
Current assets			
Deposits and prepayments		**132**	94
Bank balance and cash		**4**	3
		136	97
Current liabilities			
Other payables and accruals		**2,544**	358
Net current liabilities		**(2,408)**	(261)
Net assets		**98,379**	21,422
Capital and reserves			
Share capital	25	**3,871**	3,571
Reserves	27	**94,508**	17,851
		98,379	21,422

Chan Hing Yin
Director

Chan Hing Kai
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For The Year Ended 31 March 2008

	Issued share capital HK$'000	Share premium HK$'000	Exchange reserve HK$'000	Capital reserve HK$'000 *(note 27(iv))*	Revaluation reserve HK$'000	Statutory surplus reserve HK$'000 *(note 27(i))*	Statutory welfare fund HK$'000 *(note 27(ii))*	Statutory general reserve HK$'000 *(note 27(iii))*	Retained profits HK$'000	Total HK$'000
At 1 April 2006	3,571	18,972	(59)	13,463	6,600	325	162	485	39,211	82,730
Change in equity for 2007										
Surplus arising from revaluation of properties	–	–	–	–	1,671	–	–	–	–	1,671
Deferred tax charge arising from revaluation of properties *(Note 24)*	–	–	–	–	(226)	–	–	–	–	(226)
Realised upon depreciation based on revalued amount of land and building	–	–	–	–	(4)	–	–	–	4	–
Exchange differences arising from translation of financial statements of overseas subsidiaries	–	–	1,353	–	(293)	–	–	–	–	1,060
Net income directly recognised in equity	–	–	1,353	–	1,148	–	–	–	4	2,505
Profit for the year	–	–	–	–	–	–	–	–	3,681	3,681
Total recognised income and expense for the year	–	–	1,353	–	1,148	–	–	–	3,685	6,186
Dividends – 2006 final	–	–	–	–	–	–	–	–	(3,214)	(3,214)
At 31 March 2007	3,571	18,972	1,294	13,463	7,748	325	162	485	39,682	85,702

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For The Year Ended 31 March 2008

	Issued share capital HK$'000	Share premium HK$'000	Exchange reserve HK$'000	Capital reserve HK$'000 *(note 27(iv))*	Revaluation reserve HK$'000	Statutory surplus reserve HK$'000 *(note 27(i))*	Statutory welfare fund HK$'000 *(note 27(ii))*	Statutory general reserve HK$'000 *(note 27(iii))*	Retained profits HK$'000	Total HK$'000
At 1 April 2007	3,571	18,972	1,294	13,463	7,748	325	162	485	39,682	85,702
Change in equity for 2008										
Surplus arising from revaluation of properties	–	–	–	–	3,472	–	–	–	–	3,472
Deferred tax charge arising from revaluation of properties *(Note 24)*	–	–	–	–	(568)	–	–	–	–	(568)
Realised upon depreciation based on revalued amount of land and building	–	–	–	–	(33)	–	–	–	33	–
Exchange differences arising from translation of financial statements of overseas subsidiaries	–	–	853	–	(139)	–	–	–	–	714
Net income directly recognised in equity	–	–	853	–	2,732	–	–	–	33	3,618
Loss for the year	–	–	–	–	–	–	–	–	(11,636)	(11,636)
Total recognised income and expense for the year	–	–	853	–	2,732	–	–	–	(11,603)	(8,018)
Issue of share for cash, net of expenses	300	79,073	–	–	–	–	–	–	–	79,373
Dividends – 2007 final	–	–	–	–	–	–	–	–	(1,393)	(1,393)
At 31 March 2008	3,871	98,045	2,147	13,463	10,480	325	162	485	26,686	155,664

CONSOLIDATED CASH FLOW STATEMENT

For The Year Ended 31 March 2008

	Note	2008 HK$'000	2007 HK$'000
Operating activities	*28(a)*		
Cash from/(used in) operations		**13,765**	(4,972)
Interests on bank loans and overdrafts paid		**(538)**	(625)
Interest element of finance leases paid		**(6)**	(9)
Hong Kong profits tax paid		**(64)**	(1,411)
Hong Kong profits tax refunded		**257**	487
Overseas taxation paid		**(3)**	(2)
Net cash from/(used in) operating activities		**13,411**	(6,532)
Investing activities			
Deposit paid for acquisition of subsidiaries		**(66,036)**	–
Purchases of property, plant and equipment		**(1,488)**	(1,021)
Interest received		**60**	67
Net cash used in investing activities		**(67,464)**	(954)
Financing activities			
Issue of shares		**79,373**	–
New bank loans raised		**–**	1,475
Net (decrease)/increase in trust receipt loans		**(9,834)**	6,616
Bank loans repaid		**(4,283)**	(2,429)
Repayment of capital element of finance leases		**(60)**	(89)
Dividends paid		**(1,393)**	(3,214)
Net cash from financing activities		**63,803**	2,359
Net increase/(decrease) in cash and cash equivalents		**9,750**	(5,127)
Cash and cash equivalents at beginning of year		**11,116**	15,647
Effect of foreign exchange rate changes		**(905)**	596
Cash and cash equivalents at end of year	*28(b)*	**19,961**	11,116

NOTES TO THE FINANCIAL STATEMENTS

1 CORPORATE INFORMATION

The Company was incorporated in the Cayman Islands on 12 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. The shares of the Company were listed on the Growth Enterprise Market (the "GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 23 September 2004. The directors consider Osborne Pacific Limited, a company incorporated in the British Virgin Islands to be the parent and ultimate holding company of the Company as at 31 March 2008.

The address of its registered office and principal place of business of the Company are disclosed in the "Corporate Information" section of the annual report.

The principal activity of the Company is investment holding. The principal activities of the Company's principal subsidiaries are set out in note 17 to the financial statements.

The consolidated financial statements are presented in Hong Kong dollars, which is also the functional currency of the Company.

2 PRINCIPAL ACCOUNTING POLICIES

(a) Basis of preparation of the financial statements

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (HKFRSs), (which also includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (HKASs) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules"). The measurement basis used in the preparation of the financial statements is the historical cost basis except that the leasehold properties are measured at revalued amounts as explained in the accounting policies set out below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

2 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(a) Basis of preparation of the financial statements *(Continued)*

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 34.

(b) Subsidiaries

Subsidiaries are all entities over which the Group has the power, directly or indirectly, to govern the financial and operating policies, so as to obtain benefits from their activities.

An investment in a controlled subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases.

Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

NOTES TO THE FINANCIAL STATEMENTS

2 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(b) Subsidiaries *(Continued)*

In the Company's balance sheet, an investment in a subsidiary is stated at cost less impairment loss, unless the investment is classified as held for sale or included in a disposal group that is classified as held for sale. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

(c) Property, plant and equipment

Land and building

The land and buildings elements of a lease of land and buildings are considered separately for the purpose of lease classification, unless the lease payments cannot be allocated reliably between the land and buildings elements, in which case, the entire lease is generally treated as a finance lease. To the extent that the allocation of the lease payments between the land and buildings can be made reliably, the leasehold interests in land are classified as prepaid land lease payments under operating leases, which are carried at cost and amortised over the lease term on a straight-line basis, and the buildings elements are classified as property, plant and equipment.

Land and buildings that are classified as property, plant and equipment 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 the income statement. Where a deficit has previously been charged to the income statement and a revaluation surplus subsequently arises, this surplus is credited to the income statement to the extent of the deficit previously charged.

Depreciation of leasehold land and buildings in Hong Kong

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

Depreciation of buildings in the PRC, excluding Hong Kong

Depreciation of the Group's buildings in the PRC, excluding Hong Kong 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.

Other items of property, plant and equipment are stated at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

NOTES TO THE FINANCIAL STATEMENTS

2 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(c) Property, plant and equipment *(Continued)*

Depreciation of buildings in the PRC, excluding Hong Kong (Continued)

Depreciation is calculated to write off the cost or valuation of items of property, plant and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives. The principal annual rates used for this purpose are as follows :

Plant and machinery	8 - 20%
Furniture, fixture and office equipment	20%
Leasehold improvement	20%
Motor vehicles	20%

Useful lives and depreciation method are reviewed and adjusted if appropriate, at each balance sheet date.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use. The gain or loss on disposal or retirement of an asset is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the income statement.

(d) Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets of the Group at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance lease charges are charged directly against income, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see note 2(l) below)

Rentals applicable to operating leases net of any incentives received from the leasing company are charged to the income statement on straight line basis over the lease term.

Land lease prepayments under operating leases are up-front payments to acquire long-term interests in lessee-occupied properties. Land lease prepayment are stated at cost less accumulated amortisation and any impairment and are amortised over the remaining lease terms on a straight-line basis to the income statement.

NOTES TO THE FINANCIAL STATEMENTS

2 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(e) Inventories

Inventories comprise stocks and work in progress and are stated at the lower of cost and net realisable value. Cost, calculated on the first-in, first-out basis, comprises materials, direct labour and an appropriate proportion of all production overhead expenditure.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make to the sale.

(f) Financial instruments

Financial assets and financial liabilities are recognised on the Group's and the Company's balance sheet when the Group and the Company have become a party to the contractual provisions of the instrument.

(i) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest rate method, less impairment losses for bad and doubtful debts, except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less impairment losses for bad and doubtful debts.

A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimate future cash flows, discounted at the effective interest rate. The amount of provision is recognised in the income statement.

(ii) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits with banks.

(iii) Trade and other payables

Trade and other payables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost.

NOTES TO THE FINANCIAL STATEMENTS

2 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(f) Financial instruments *(Continued)*

(iv) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings using the effective interest method.

(v) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new shares are taken to equity as a deduction, net of tax, from the proceeds.

(vi) Financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the “holder”) for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee (being the transaction price, unless the fair value can otherwise be reliably estimated) is initially recognised as deferred income within trade and other payables. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group’s policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised in accordance with note 2(j) and when (i) it becomes probable that the holder of the guarantee will call upon the Group under the guarantee, and (ii) the amount of that claim on the Group is expected to exceed the amount currently carried in trade and other payables in respect of that guarantee i.e. the amount initially recognised, less accumulated amortisation.

NOTES TO THE FINANCIAL STATEMENTS

2 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(g) Impairment of assets

(i) Impairment of financial assets

Current and non-current receivables that are stated at cost or amortised cost are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. If any such evidence exists, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

(ii) Impairment of non-financial assets

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately unless the revalued asset is carried at a revalued amount, in which case the impairment loss is treated as revaluation decrease.

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 immediately 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.

NOTES TO THE FINANCIAL STATEMENTS

2 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(h) Employee benefits

(i) Short term employee benefits in the form of leave

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlement to sick leave and maternity leave are not recognised until the time of leave.

(ii) Retirement benefit costs

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

(iii) Termination benefits

Termination benefits are recognised when, and only when the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

(iv) Employment Ordinance long service payment

Certain of the Group's employees have completed the required number of years of service to the Group to be eligible for long service payments under the Hong Kong Employment Ordinance (the "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 amounts as it is not expected to be crystallised in the foreseeable future.

NOTES TO THE FINANCIAL STATEMENTS

2 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(i) Income tax

Income tax comprises current and deferred tax. Income tax is recognised in the income statement, or in equity, if it relates to items that are recognised in the same or a different period directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities.

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purpose.

Deferred tax liabilities are recognised for all material taxable temporary differences :

– except when the deferred tax liability arises from goodwill or the initial recognition of an assets or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

– in respect of taxable temporary differences associated with investments in subsidiaries, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not be reversed in the foreseeable future.

Deferred tax assets are recognised for all material deductible temporary differences, carryforward or unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised :

– except when the deferred tax assets relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of transaction, affects neither the accounting profit nor taxable profit or loss; and

– in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will be reversed in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be utilised. Conversely, previously unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilised.

NOTES TO THE FINANCIAL STATEMENTS

2 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(i) Income tax *(Continued)*

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date.

(j) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(k) Translation of foreign currencies

(i) Functional and presentation currency

Items included in the financial statements of each of the Group entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is the Company's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Translation differences on non-monetary items such as equities instruments held at fair value through income statement are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available-for-sale are, included in the fair value reserve in equity.

NOTES TO THE FINANCIAL STATEMENTS

2 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(k) Translation of foreign currencies *(Continued)*

(iii) Group companies

The results and financial position of all Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(a) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(b) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(c) all resulting exchange differences are recognised as a separate component of equity.

(l) Borrowing costs

Borrowing costs are expensed in the income statement in the period in which they are incurred, except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying assets for its intended use or sale are interrupted or complete.

(m) Related parties

A party is considered to be related to the Group if :

(i) directly, or indirectly through one or more intermediaries, the party:
- control, is controlled by, or is under common control with, the Group;
- has an interest in the Company that gives it significant influence over the Group; or
- has joint control over the Group

(ii) the party is a member of key management personnel of the Company or its parent company;

NOTES TO THE FINANCIAL STATEMENTS

2 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(m) Related parties *(Continued)*

(iii) the party is a close member of the family of any individual referred to in (i) and (ii);

(iv) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entities resides with, directly or indirectly, the individual referred to in (ii) or (iii);

(v) the party is a post-employment benefit plan for the benefit of employees of the Group, or of any entity that is a related party of the Group.

(n) 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 and handling income, when the services are rendered ; and

(iii) interest income is recognised as it accrues using the effective interest method.

(o) 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.

(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 property, plant and equipment, inventories, receivables and operating cash. Segment capital expenditure comprises additions to property, plant and equipment.

NOTES TO THE FINANCIAL STATEMENTS

3 ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The HKICPA has issued a number of new and revised HKFRSs and Interpretations that are first effective or available for early adoption for the current accounting period of the Group and the Company.

There have been no significant changes to the accounting policies applied in these financial statements for the years presented as a result of these developments. However, as a result of the adoption of HKFRS 7, Financial instruments: Disclosures and the amendment to HKAS 1, Presentation of financial statements: Capital disclosures, there have been some additional disclosures provided as follows:

As a result of the adoption of HKFRS 7, the financial statements included expanded disclosure about the significance of the company's financial instruments and the nature and extent of risks arising from those instruments, compared with the information previously required to be disclosed by HKAS 32, Financial instruments: Disclosure and presentation. These disclosures are set out in note 29.

The amendment to HKAS 1 introduces additional disclosure requirements to provide information about the level of capital and the company's objectives, policies and processes for managing capital. These new disclosures are set out in note 25.

Both HKFRS 7 and the amendment to HKAS 1 do not have any material impact on the classification, recognition and measurement of the amounts recognised in the financial statements.

The Group has not early applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

– HKAS 1 (Revised)	Presentation of Financial Statements[1]
– HKAS 23 (Revised)	Borrowing costs[1]
– HKAS 27 (Revised)	Consolidated and Separate Financial Statements[2]
– HKFRS 2 (Amendment)	Vesting Conditions and Cancellations[1]
– HKFRS 3 (Revised)	Business Combinations[2]
– HKFRS 8	Operating segments[1]
– HK(IFRIC) – INT 12	Service concession arrangements[3]
– HK(IFRIC) – INT 13	Customer loyalty programmes[4]
– HK(IFRIC) – INT 14	HKAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction[3]

[1] Effective for annual periods beginning on or after 1 January 2009

[2] Effective for annual periods beginning on or after 1 July 2009

[3] Effective for annual periods beginning on or after 1 January 2008

[4] Effective for annual periods beginning on or after 1 July 2008

NOTES TO THE FINANCIAL STATEMENTS

3 ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. The adoption of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary that do not result in a loss of control, which will be accounted for as equity transactions. The directors of the Company anticipate that the application of the other standards, amendment or interpretations will have no material impact on the results and the financial position of the Group.

4 REVENUE

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 year and is analysed as follows:

	2008	2007
	HK$'000	HK$'000
Sale of own-manufactured goods at invoiced value, net of returns and discounts	**216,930**	249,044
Trading of PC components	**22,529**	48,572
Processing fee income	**8,252**	17,495
Handling income	**3,192**	4,955
	250,903	320,066

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 31 March 2007 and 2008.

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.

NOTES TO THE FINANCIAL STATEMENTS

5 SEGMENTAL INFORMATION *(Continued)*

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.

	2008	2007
	HK$'000	HK$'000
Segment revenue by location of customers		
PRC, excluding Hong Kong and Taiwan	**98,004**	143,333
Taiwan	**94,770**	14,354
Hong Kong	**14,039**	69,850
Singapore	**7,944**	16,453
Australia	**2,078**	4,234
Other Asia-Pacific regions	**27,342**	49,383
Europe	**2,649**	11,655
Other regions	**4,077**	10,804
	250,903	320,066
Segment assets by location of assets		
PRC, excluding Hong Kong and Macau	**24,923**	23,312
Hong Kong	**118,465**	63,923
Singapore	**10,032**	11,167
Macau	**18,303**	33,509
	171,723	131,911
Capital expenditures by location of assets		
PRC, excluding Hong Kong and Macau	**1,435**	832
Hong Kong	**48**	186
Singapore	**–**	203
Macau	**5**	3
	1,488	1,224

NOTES TO THE FINANCIAL STATEMENTS

6 OTHER INCOME

	2008 HK$'000	2007 HK$'000
Interest income	**60**	67
Sundry income	**176**	576
	236	643

7 FINANCE COSTS

	2008 HK$'000	2007 HK$'000
Interest on bank loans and overdrafts	**538**	625
Finance lease charges	**6**	9
	544	634

8 (LOSS)/PROFIT BEFORE TAXATION

(Loss)/profit before taxation is stated after charging the following:

	2008 HK$'000	2007 HK$'000
Cost of inventories sold *(note (i))*	**241,351**	301,775
Auditors' remuneration *(note (v))*	**575**	502
Amortisation of land lease premium *(note (ii))*	**34**	32
Depreciation *(note (ii))*		
– owned assets	**3,522**	3,727
– leased assets	**42**	39
Operating lease rentals in respect of land and buildings *(note (iii))*	**1,108**	595
Impairment loss/(reversal of impairment loss) recognised in respect of trade and other receivables	**5,611**	(10)
Legal and professional fees	**945**	874
Research and development cost *(note (iv))*	**1,009**	1,029
Staff costs including directors' emoluments *(note (v))*		
– salaries, wages, allowances and benefits in kind *(note (ii))*	**13,637**	12,665
– retirement benefits scheme contributions *(note 26(i))*	**347**	332
– staff messing and welfare	**396**	1,005

NOTES TO THE FINANCIAL STATEMENTS

8 (LOSS)/PROFIT BEFORE TAXATION *(Continued)*

Notes :

(i) Cost of inventories sold on the face of the consolidated income statement includes write-down of inventories of HK$167,000 (2007: HK$148,000).

(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 income statement of the Group :

	2008	2007
	HK$'000	HK$'000
Amortisation of land lease premium	**34**	32
Depreciation	**3,260**	3,197
Staff costs – salaries, wages, allowances and benefits in kind	**5,053**	4,521

(iii) Included in the operating lease rentals in respect of land and buildings are rentals paid for the directors' quarters of HK$818,000 (2007: HK$388,000) which had also been included in staff costs disclosed above.

(iv) Included in the research and development costs are staff costs of HK$1,009,000 (2007: HK$1,029,000) which had also been included in staff costs disclosed above.

(v) Except for the amounts mentioned in notes (ii) above, which had been included in other items in the consolidated income statement, these amounts had been included in administrative expenses in the consolidated income statement.

9 TAXATION

	2008	2007
	HK$'000	HK$'000
Current tax :		
Hong Kong profits tax		
– provision for current year	**–**	–
– over provision in previous year	**–**	(162)
Overseas taxation		
– provision for current year	**36**	23
	36	(139)
Deferred tax *(note 24)*		
– current year	**(378)**	(274)
Taxation credit	**(342)**	(413)

NOTES TO THE FINANCIAL STATEMENTS

9 TAXATION *(Continued)*

No provision for Hong Kong profits tax has been made in the financial statements as the Group has no assessable profit for the year. (2007: nil)

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

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.

The taxation credit for the year can be reconciled to the (loss)/profit before taxation per the consolidated income statement as follow :

	2008	2007
	HK$'000	HK$'000
(Loss)/profit before taxation	**(11,978)**	3,268
Tax at the applicable tax rate in Hong Kong	**(2,096)**	572
Tax effect of non-deductible expenses	**211**	233
Tax effect of non-taxable income	**(790)**	(56)
Tax exemption granted to overseas subsidiaries	**(1,334)**	(1,642)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**130**	96
Deferred tax assets not recognised	**3,537**	546
Over-provision in previous years	**–**	(162)
Taxation credit for the year	**(342)**	(413)

NOTES TO THE FINANCIAL STATEMENTS

10 LOSS ATTRIBUTABLE TO SHAREHOLDERS

Of the Group's loss attributable to the shareholders of HK$11,636,000 (2007 : profit of HK$3,681,000), a loss of HK$1,023,000 (2007 : profit of HK$1,482,000) has been dealt with in the Company's own financial statements.

11 DIVIDEND

	2008 HK$'000	2007 HK$'000
Final, proposed – nil (2007: HK0.39 cent) per ordinary share	NIL	1,393

No final dividend was proposed by the directors of the Company for year ended 31 March 2008.

12 LOSS PER SHARE

The calculation of basic loss per share for the year is based on the consolidated loss attributable to the shareholders of HK$11,636,000 (2007: profit of HK$3,681,000), and the weighted average number of 3,626,280,033 (2007: 3,571,362,000 as restated by share sub-division on the basis of one share divided into 10 sub-divided shares) ordinary shares in issue during the year.

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

13 DIRECTORS' EMOLUMENTS

An analysis of remuneration paid and payable to directors of the Company for the year ended 31 March 2008 and 2007 are set as follows :

	Directors' Fee HK$'000	Salaries, allowances and benefits in kind HK$'000	Retirement scheme contribution HK$'000	2008 Total HK$'000
Executive directors				
Chan Hing Yin	–	1,296	12	1,308
Chan Hing Kai	–	658	21	679
Independent non-executive directors				
Chan Yi Man, Magdalen	65	–	–	65
Cheung Wing Ping	65	–	–	65
Wong Ka Hung, Frederic	65	–	–	65
	195	1,954	33	2,182

NOTES TO THE FINANCIAL STATEMENTS

13 DIRECTORS' EMOLUMENTS *(Continued)*

	Directors' Fee HK$'000	Salaries, allowances and benefits in kind HK$'000	Retirement scheme contribution HK$'000	2007 Total HK$'000
Executive directors				
Chan Hing Yin	–	976	12	988
Chan Hing Kai	–	615	6	621
Independent non-executive directors				
Lam Ping Cheung (resigned on 3 July 2006)	25	–	–	25
Tam Yuk Sang, Sammy (retired on 23 September 2006)	48	–	–	48
Chan Yi Man, Magdalen	50	–	–	50
Cheung Wing Ping (appointed on 27 July 2006)	34	–	–	34
Wong Ka Hung, Frederic (appointed on 18 September 2006)	27	–	–	27
	184	1,591	18	1,793

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 31 March 2008 and 2007.

14 EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments, two (2007 : two) are directors whose emoluments are disclosed in note 13. The aggregate of the emoluments in respect of the other three (2007 : three) individuals whose emoluments fell within the band of nil to HK$1,000,000 are as follows :

	2008 HK$'000	2007 HK$'000
Basic salaries, allowances and benefits in kind	**1,294**	1,534
Retirement benefits scheme contributions	**27**	36
	1,321	1,570

During the years ended 31 March 2008 and 2007, 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.

NOTES TO THE FINANCIAL STATEMENTS

15 PROPERTY, PLANT AND EQUIPMENT

The Group	Leasehold land and building in Hong Kong held for own use	Buildings in PRC held for own use	Plant and machinery	Furniture, fixtures and office equipment	Leasehold improve-ment	Motor vehicles	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Cost or valuation							
At 1 April 2006	3,900	6,100	25,786	759	3,941	1,638	42,124
Additions	–	–	471	145	405	203	1,224
Disposal	–	–	–	–	–	(190)	(190)
Adjustment on revaluation	1,090	200	–	–	–	–	1,290
Currency realignment	–	–	750	11	159	11	931
At 31 March 2007	4,990	6,300	27,007	915	4,505	1,662	45,379
Representing :							
Cost	–	–	27,007	915	4,505	1,662	34,089
At 2007 valuation	4,990	6,300	–	–	–	–	11,290
	4,990	6,300	27,007	915	4,505	1,662	45,379
At 1 April 2007	4,990	6,300	27,007	915	4,505	1,662	45,379
Additions	–	–	1,248	52	188	–	1,488
Adjustment on revaluation	1,860	365	–	–	–	–	2,225
Currency realignment	–	615	1,796	16	403	45	2,875
At 31 March 2008	6,850	7,280	30,051	983	5,096	1,707	51,967
Representing :							
Cost	–	–	30,051	983	5,096	1,707	37,837
At 2008 valuation	6,850	7,280	–	–	–	–	14,130
	6,850	7,280	30,051	983	5,096	1,707	51,967

NOTES TO THE FINANCIAL STATEMENTS

15 PROPERTY, PLANT AND EQUIPMENT *(Continued)*

The Group	Leasehold land and building in Hong Kong held for own use	Buildings in PRC held for own use	Plant and machinery	Furniture, fixtures and office equipment	Leasehold improvement	Motor vehicles	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Accumulated depreciation							
At 1 April 2006	–	–	10,322	568	3,048	1,399	15,337
Charge for the year	122	886	1,760	105	615	278	3,766
Elimination on disposal	–	–	–	–	–	(190)	(190)
Elimination on revaluation	(122)	(886)	–	–	–	–	(1,008)
Currency realignment	–	–	326	8	138	12	484
At 31 March 2007	–	–	12,408	681	3,801	1,499	18,389
At 1 April 2007	–	–	12,408	681	3,801	1,499	18,389
Charge for the year	161	1,086	1,878	91	306	42	3,564
Elimination on revaluation	(161)	(1,086)	–	–	–	–	(1,247)
Currency realignment	–	–	873	14	357	33	1,277
At 31 March 2008	–	–	15,159	786	4,464	1,574	21,983
Net book value							
At 31 March 2008	6,850	7,280	14,892	197	632	133	29,984
At 31 March 2007	4,990	6,300	14,599	234	704	163	26,990

The leasehold land and buildings in Hong Kong for own use and the buildings in the PRC for own use are held under leases of between 10 to 50 years.

As at 31 March 2008, certain of the Group's land and buildings in Hong Kong with an aggregate net book value of approximately HK$6,350,000 (2007: HK$4,590,000) have been pledged to secure general banking facilities granted to the Group (Note 32).

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 31 March 2008.

NOTES TO THE FINANCIAL STATEMENTS

15 PROPERTY, PLANT AND EQUIPMENT *(Continued)*

As at 31 March 2008, the total amount of revaluation surplus of HK$3,472,000 have been transferred to the revaluation reserve of the Group. As at 31 March 2007, included in the total amount of revaluation surplus of HK$2,298,000, HK$1,671,000 had been transferred to the revaluation reserve and the balance of HK$627,000 was recognised in the consolidated income statement.

Had these properties held for own use been carried at cost less accumulated depreciation, the carrying amounts would have been:

	2008	2007
	HK$'000	HK$'000
Buildings in the PRC excluding Hong Kong	**499**	545
Leasehold land and buildings in Hong Kong	**3,837**	3,965
	4,336	4,510

The carrying amount of the Group's motor vehicles included an amount of HK$133,000 (2007: HK$163,000) in respect of assets held under finance lease.

16 PREPAID LAND LEASE PREMIUM

	The Group
	HK$'000
Cost	
At 1 April 2006	1,560
Currency realignment	68
At 31 March 2007	1,628
At 1 April 2007	1,628
Currency realignment	159
At 31 March 2008	1,787
Accumulated amortisation	
At 1 April 2006	84
Provided for the year	32
Exchange realignment	4
At 31 March 2007	120

NOTES TO THE FINANCIAL STATEMENTS

16 PREPAID LAND LEASE PREMIUM *(Continued)*

	The Group
	HK$'000
Accumulated amortisation	
At 31 April 2007	120
Provided for the year	34
Exchange realignment	13
At 31 March 2008	167
Net book value	
At 31 March 2008	1,620
At 31 March 2007	1,508

The leasehold land lease prepayments of the Group are situated in the PRC is held under land use rights of 50 years commencing from 1 August 2003.

Analysed for reporting purposes as :

	2008	2007
	HK$'000	HK$'000
Current asset	**34**	31
Non-current asset	**1,586**	1,477
	1,620	1,508

The land leases are stated at recoverable amount subject to impairment test pursuant to HKAS 36 which is based on the higher of fair value less costs of sell and the value in use. The fair value less costs to sell of the land leases was determined with reference to a qualified external valuer's valuation.

17 INVESTMENTS IN SUBSIDIARIES – COMPANY

	2008	2007
	HK$'000	HK$'000
Unlisted shares, at cost	**–**	–
Amounts due from subsidiaries *(note (b))*	**34,751**	21,683
	34,751	21,683

NOTES TO THE FINANCIAL STATEMENTS

17 INVESTMENTS IN SUBSIDIARIES – COMPANY *(Continued)*

(a) The following is a list of the subsidiaries of the Company as at 31 March 2008:

Company name	Place and date of incorporation/ establishment	Issued and fully paid up capital/ registered capital	Attributable equity interest %	Principal activities and place of operations
Shares held directly: –				
Eagle Up Holdings Limited ("Eagle Up")	British Virgin Islands 8 January 2003	100 ordinary shares of US$1 each	100	Investment holding in Hong Kong
Shares held indirectly: –				
Espco Technology Limited ("Espco Technology")	Hong Kong 25 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 30 April 1993	Registered and paid-up capital of US$3,430,733	100	Manufacturing of desktop PC components in the Peoples' Republic of China
Espco Computer (S) Pte Limited ("Espco Singapore")	The Republic of Singapore 7 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 25 February 2003	Registered capital of MOP1,000,000	100	Trading and distribution of desktop PC components in Macau
Finnikon Investments Limited	British Virgin Islands 26 October 2006	1 ordinary shares of US$1 each	100	Investment holding in Hong Kong
Grand T G Gold Holdings Limited (formerly known as Geniman Information Limited)	Hong Kong 15 December 2006	1 ordinary shares of HK$1 each	100	Inactive

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

NOTES TO THE FINANCIAL STATEMENTS

18 INVENTORIES

	The Group	
	2008	2007
	HK$'000	HK$'000
Raw materials	**7,700**	10,600
Finished goods	**9,755**	15,357
	17,455	25,957

Inventories consist of desktop PC components. At 31 March 2008, the carrying amount of inventories that were carried at net realisable value amounted to approximately HK$488,000 (2007: HK$5,561,000).

19 TRADE AND OTHER RECEIVABLES

	The Group	
	2008	2007
	HK$'000	HK$'000
Trade receivables	**35,907**	64,423
Other receivables, deposits and prepayments	**655**	614
	36,562	65,037

The credit terms granted by the Group to its customers normally ranged from COD (cash-on-delivery) to 60 days. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management.

NOTES TO THE FINANCIAL STATEMENTS

19 TRADE AND OTHER RECEIVABLES *(Continued)*

The aged analysis of the Group's trade receivables, based on the invoice date, is as follows:

	The Group	
	2008	2007
	HK$'000	HK$'000
0 – 30 days	**9,791**	28,032
31 – 60 days	**5,130**	6,111
61 – 90 days	**2,403**	9,454
Over 90 days	**25,371**	22,382
	42,695	65,979
Allowance for doubtful debts	**(6,788)**	(1,556)
	35,907	64,423

Impairment losses in respect of trade receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivable directly.

The movement in the allowance for doubtful debt during the year is as follows:

	The Group	
	2008	2007
	HK$'000	HK$'000
At 1 April	**1,556**	1,521
Impairment loss/(reversal of impairment loss)	**5,611**	(10)
Uncollectible amounts written off	**(516)**	–
Interest income recognised	**–**	(54)
Currency realignment	**137**	99
At 31 March	**6,788**	1,556

NOTES TO THE FINANCIAL STATEMENTS

19 TRADE AND OTHER RECEIVABLES *(Continued)*

At 31 March 2008, the Group's trade receivable of HK$8,738,000 (2007: HK$3,820,000) were individually determined to be impaired. The individually impaired receivable related to debtors who have financial difficulties and management assessed that only a portion of the receivables is expected to be recovered. Consequently, specific allowance for doubtful debts of HK$6,788,000 (2007: HK$1,556,000) was recognised. The Group does not hold any collateral over these balances.

The provision and reversal of impairment loss have been recognised in the income statements. Interest income, which is based on the interest rate used to discount the future cash flows for the purpose of measuring the impairment loss, is included in other income (note 6).

The ageing analysis of trade receivables that are neither individually nor collectively considered to be impaired is as follows:

	The Group	
	2008	2007
	HK$'000	HK$'000
Neither past due nor impaired	**9,791**	28,351
Past due but not impaired:		
Less than 1 month past due	**5,130**	5,904
1 to 3 months past due	**5,743**	10,802
More than 3 months past due	**13,293**	17,102
	24,166	33,808
	33,957	62,159

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

NOTES TO THE FINANCIAL STATEMENTS

19 TRADE AND OTHER RECEIVABLES *(Continued)*

Included in trade and other receivables are the following amounts denominated in a currency other than the functional currency of the Group's entities to which they relate:

	The Group	
	2008	2007
	HK$'000	HK$'000
United States Dollars	**32,710**	29,570

20 BANK BALANCES AND CASH

As at 31 March 2008, approximately HK$459,000 (2007: HK$153,000) 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.

21 TRADE AND OTHER PAYABLES

	The Group	
	2008	2007
	HK$'000	HK$'000
Trade payables	**10,194**	26,527
Other payables and accruals	**4,442**	3,457
	14,636	29,984

All trade and other payables are expected to be settled within one year.

The following is an aged analysis of trade payables at the balance sheet date:

	The Group	
	2008	2007
	HK$'000	HK$'000
0 – 30 days	**3,774**	10,330
31 – 60 days	**2,012**	8,826
61 – 90 days	**2,260**	5,743
Over 90 days	**2,148**	1,628
	10,194	26,527

NOTES TO THE FINANCIAL STATEMENTS

21 TRADE AND OTHER PAYABLES *(Continued)*

Included in trade and other payables are the following amounts denominated in a currency other than the functional currency of the Group's entities to which they relate:

	The Group	
	2008	2007
	HK$'000	HK$'000
United States Dollars	**629**	8,513

22 INTEREST-BEARING BORROWINGS

	The Group	
	2008	2007
	HK$'000	HK$'000
Bank overdrafts	**–**	775
Trust receipt loans	**–**	9,834
Bank loans :		
– Secured	**–**	4,283
	–	14,892
Obligation under finance leases *(note 23)*	**64**	114
	64	15,006
Amount due within one year included in current liabilities	**(64)**	(13,455)
Amount due after one year	**–**	1,551

Notes :

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

	2008	2007
	HK$'000	HK$'000
On demand or within one year	**–**	13,396
In the second year	**–**	1,496
	–	14,892

NOTES TO THE FINANCIAL STATEMENTS

22 INTEREST-BEARING BORROWINGS *(Continued)*

The bank overdrafts, trust receipt loans and bank loans bear interest at prevailing market rates. Details of securities for the Group's banking facilities are set out in note 32 below.

The effective interest rate of the bank loans as at 31 March 2007 was 6% and 6.2% per annum.

The carrying amounts of interest-bearing borrowings approximate to their fair value.

23 OBLIGATION UNDER FINANCE LEASES

At 31 March 2008, the Group had obligations under finance leases repayable as follows:

	Minimum lease payment		Present value of minimum lease payment	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Amount payable under finance lease :				
Within 1 year	**66**	61	**64**	59
In the second year	**–**	61	**–**	55
In the third and fifth years, inclusive	**–**	–	**–**	–
Less : future finance charges	**(2)**	(8)	**–**	–
Present value of lease obligation	**64**	114	**64**	114
Less : amount due for settlement within one year shown under current liabilities			**(64)**	(59)
Amount due for settlement after one year			**–**	55

NOTES TO THE FINANCIAL STATEMENTS

24 DEFERRED TAX

	Accelerated tax depreciation HK$'000	Revaluation of properties HK$'000	Tax loss HK$'000	Others HK$'000	Total HK$'000
At 1 April 2006	17	800	–	(106)	711
Charge/(credit) to consolidated income statement for the year	(43)	(14)	(222)	5	(274)
Charge to equity for the year	–	226	–	–	226
Exchange realignment	–	39	–	–	39
At 31 March 2007	(26)	1,051	(222)	(101)	702
At 1 April 2007	(26)	1,051	(222)	(101)	702
Charge/(credit) to consolidated income statement for the year	(25)	(153)	(119)	(81)	(378)
Charge to equity for the year	–	568	–	–	568
Exchange realignment	–	94	–	–	94
At 31 March 2008	(51)	1,560	(341)	(182)	986

	2008 HK$'000	2007 HK$'000
Deferred tax assets	**(105)**	(237)
Deferred tax liabilities	**1,091**	939
	986	702

NOTES TO THE FINANCIAL STATEMENTS

24 DEFERRED TAX *(Continued)*

For the purposes of balance sheet presentation, certain deferred tax assets and liabilities have been offset in accordance with the conditions set out in HKAS 12. The following is the analysis of the deferred tax balances for financial reporting purposes :

	2008	2007
	HK$'000	HK$'000
Deferred tax assets	(577)	(335)
Deferred tax liabilities	1,563	1,037
	986	702

At 31 March 2008, the Group has unused tax losses of approximately HK$23,429,000 (2007 : HK$4,882,000) available for offset against future profits. A deferred tax asset has been recognised for the year ended 31 March 2008 in respect of HK$1,950,000 (2007: HK$1,271,000) of such losses. No deferred tax asset has been recognised in respect of the remaining tax losses due to the unpredictability of future profit streams. The unrecognised tax losses may be carried forward indefinitely.

25 SHARE CAPITAL

	2008		2007	
	Number of shares	Amount	Number of shares	Amount
		HK$'000		HK$'000
Ordinary shares of HK$0.001 (2007: HK$0.01) each				
Authorised:				
At 1 April	500,000,000	5,000	500,000,000	5,000
Share subdivision	4,500,000,000	–	–	–
Increase in authorised share capital	15,000,000,000	15,000	–	–
At 31 March	20,000,000,000	20,000	500,000,000	5,000
Issued and fully paid:				
At 1 April	357,136,200	3,571	357,136,200	3,571
Share subdivision	3,214,225,800	–	–	–
Issue of share by way of placing	300,000,000	300	–	–
At 31 March	3,871,362,000	3,871	357,136,200	3,571

NOTES TO THE FINANCIAL STATEMENTS

25 SHARE CAPITAL *(Continued)*

(i) Pursuant to a special resolution passed on 9 November 2007, the issued and un-issued shares were sub-divided into 10 sub-divided shares and the nominal value of each share was reduced from HK$0.01 each to HK$0.001 each.

(ii) Upon the effective of share sub-division, authorsied share capital was increased from HK$5,000,000 divided into 500,000,000 shares of HK$0.01 each to HK$20,000,000 divided into 20,000,000,000 sub-divided shares of HK$0.001 each.

(iii) The Company completed the placing on 24 January 2008, which raised gross proceeds of HK$81 million by placing of 300,000,000 shares at HK$0.27 each.

Capital Management

Capital comprises of share capital and reserves stated on the consolidated balance sheet. The Group's primary objectives when managing capital are:

– to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders;
– to maintain an optimal capital structure to reduce the cost of capital; and
– to provide capital for the purpose of potential acquisitions.

The Group regularly reviews and manages its capital structure to ensure an optimal capital structure and shareholder returns, taking into consideration the future capital requirements of the Group. The Group manages capital by adjusting the amount of dividends paid to shareholders, share subdivision, increase in authorised share capital or issue new shares.

As in prior year, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as total interest-bearing borrowings to the shareholders' equity.

During 2008, the Group's strategy was to maintain lower gearing ratio. The gearing ratios at 31 March 2008 and 2007 were as follows:

	2008	2007
	HK$'000	HK$'000
Total interest-bearing borrowings (note 22)	**64**	15,006
Shareholders' equity	**155,664**	85,702
Gearing ratio	**0.04%**	17.5%

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

NOTES TO THE FINANCIAL STATEMENTS

26 EMPLOYEE BENEFITS

(i) Defined contribution retirement plan

From 1 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 14.5% and 20%, respectively, of the employees' earnings as defined by the Central Provident Fund Board.

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$347,000 (2007: HK$332,000). As at 31 March 2008, contributions totalling HK$48,000 (2007: HK$66,000) payable to the aforementioned retirement schemes are included in other payables. There was no forfeited contribution available to reduce the Group's employer contribution payable during the years ended 31 March 2007 and 2008.

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

(ii) Share option scheme

Pursuant to the written resolutions of the then sole shareholder of the Company dated 6 September 2004, the Company has approved and conditionally adopted a share option scheme (the "Scheme"). The Scheme became effective on 23 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.

NOTES TO THE FINANCIAL STATEMENTS

26 EMPLOYEE BENEFITS *(Continued)*

(ii) Share option scheme *(Continued)*

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$0.001 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.

NOTES TO THE FINANCIAL STATEMENTS

27 RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior year are presented in the consolidated statement of changes in equity on pages 34 to 35 of the financial statements.

Company	**Share premium**	**Retained Profits**	**Total**
	HK$'000	HK$'000	HK$'000
	(Note (v))		
At 1 April 2006	15,972	3,611	19,583
Profit for the year	–	1,482	1,482
Dividends – 2006 final	–	(3,214)	(3,214)
At 31 March 2007 and 1 April 2007	15,972	1,879	17,851
Issue of share for cash, net of expenses	79,073	–	79,073
Loss for the year	–	(1,023)	(1,023)
Dividends – 2007 final	–	(1,393)	(1,393)
At 31 March 2008	**95,045**	**(537)**	**94,508**

Representing:

	2008	2007
	HK$'000	HK$'000
Reserves	**94,508**	16,458
Proposed dividend	**–**	1,393
	94,508	17,851

NOTES TO THE FINANCIAL STATEMENTS

27 RESERVES *(Continued)*

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.

Starting from 1 January 2006, the requirement to maintain statutory public welfare fund had been cancelled and the Group's statutory public welfare fund can be utilized at the discretion of the directors of the relevant entities.

(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) The capital reserve of the Group represents the difference between the nominal value of the shares of the acquired subsidiaries and the nominal value of the Company's shares issued for the acquisition at the time of group reorganisation in 2004.

(v) 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.

The Company had no reserve available for distribution to the shareholders as at 31 March 2008 (2007: HK$1,879,000).

NOTES TO THE FINANCIAL STATEMENTS

28 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

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

	2008 HK$'000	2007 HK$'000
(Loss)/profit before taxation	**(11,978)**	3,268
Adjustments for:		
Amortisation of land lease premium	**34**	32
Depreciation	**3,564**	3,766
Impairment losses/(reversal of impairment losses) recognised on trade and other receivables	**5,209**	(10)
Write-down of inventories	**167**	148
Surplus arising from revaluation of properties	**–**	(627)
Interest income	**(60)**	(67)
Interest on bank loans and overdrafts	**538**	625
Interest element of finance leases	**6**	9
	(2,520)	7,144
Decrease/(increase) in inventories	**8,335**	(5,433)
Decrease/(increase) in trade and other receivables	**23,266**	(19,032)
(Decrease)/increase in trade and other payables	**(15,316)**	12,349
Cash from/(used in) operations	**13,765**	(4,972)

(b) Cash and cash equivalents

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

	2008 HK$'000	2007 HK$'000
Cash and bank balances	**19,961**	11,891
Bank overdraft	**–**	(775)
	19,961	11,116

NOTES TO THE FINANCIAL STATEMENTS

28 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT *(Continued)*

(b) Cash and cash equivalents *(Continued)*

Included in cash and cash equivalents in the balance sheet are the following amounts denominated in a currency other than the functional currency of the Group's entities to which they relate:

	2008	2007
	HK$'000	HK$'000
United States Dollars	**10,065**	9,481

29 FINANCIAL RISK MANAGEMENT

(a) Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and interest rate risk), credit risk and liquidity risk.

(i) Foreign exchange risk

The Group's monetary assets and transactions are principally denominated in Hong Kong Dollars ("HK$), Renminbi ("RMB"), Singapore Dollars ("SGD"), Macau Paracs ("MOP") and United States Dollars ("US$"). Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities. The Group adopted a conservative treasury policy with most of the bank deposits being kept in HK$ or US$, or in the local currencies of the operating subsidiaries to minimize exposure to foreign exchange risk.

The Group does not expect any significant movements in the exchange rate of US$ to Hong Kong Dollars and currently does not have a foreign currency hedging policy. However, the management monitors the foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

There is no significant effect on the Group's profit after tax and equity for 2008 and 2007 in response to reasonably possible changes in the foreign exchange rates to which the Group has exposure at the balance sheet date. In this respect, it is assumed that the change in foreign exchange rates had occurred at the balance sheet date and had been applied to the Group's exposure to foreign exchange risk for financial instruments in existence at that date, and that all other variables, in particular interest rates, remain constant. It is also assumed that the pegged rate between the Hong Kong dollar and the United States dollar would be materially unaffected by any changes in movement in value of the United States dollar against other currencies. The analysis is performed on the same basis for 2007.

NOTES TO THE FINANCIAL STATEMENTS

29 FINANCIAL RISK MANAGEMENT *(Continued)*

(a) Financial risk factors *(Continued)*

(ii) Interest rate risk

The Group's exposure to interest rate risk arises primarily from its borrowings and bank deposits. Borrowings and bank deposits at variable rates expose the company to cash flow interest rate risk.

The Group has not used any interest rate swaps to hedge its exposure to interest rate risk. The management monitor the Group's exposure on ongoing basis.

At 31 March 2008, it is estimated that a general increase/decrease of 100 basis points (2007: 100 basis points) in interest rates, with all other variables held constant, would increase/ decrease the Group's profit after tax and retained earnings by approximately HK$132,000 (2007: decrease/increase HK$122,000).

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the balance sheet date and had been applied to the company's exposure to interest rate risk for financial instruments in existence at that date. It was based on the observation of management on the historical trend of related interest rates over the past 1 year and the 100 basis point increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the next annual balance sheet date. The analysis is performed on the same basis for 2007.

(iii) Credit risk

The extent of the Group's credit exposure is represented by the aggregate balance of cash in bank, trade and other receivables and deposits and prepayments. Cash transactions are limited to high-credit-quality institutions.

In respect of trade and other receivable, credit evaluations are performed on all customers requiring credit over a certain amount. These receivable are due within 0-60 days from the date of billing. Debtors with balances that are more than 6 months are requested to settle all outstanding balances before any further credit is granted. Normally, the Group does not obtain collateral from customers.

At the balance sheet date, the Group has a certain concentration of credit risk as 19% (2007: 20%) and 67% (2007: 40%) of total trade and other receivables was due from the Group's largest customer and the five largest customers respectively.

Further quantitative disclosures in respect of the company's exposure to credit risk arising from trade and other receivables are set out in note 19.

NOTES TO THE FINANCIAL STATEMENTS

29 FINANCIAL RISK MANAGEMENT *(Continued)*

(a) Financial risk factors *(Continued)*

(iv) Liquidity risk

For the management of the Group's liquidity risk, the Group monitors and maintains a sufficient level of cash and cash equivalents to finance the Group's operations and mitigate the effects of fluctuation in cash flows. Management reviews and monitors its working capital requirements regularly.

The following table details the remaining contractual maturities at the balance sheet date of the Group's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on the rates current at the balance sheet date) and the earliest date the company can be required to pay:

	2008			2007			
	Carrying Amount HK$'000	**Total contractual undiscounted cash flow HK$'000**	**Within one year or on demand HK$'000**	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	Within one year or demand HK$'000	After one year but within five year HK$'000
Trade and other payables	**14,636**	**14,636**	**14,636**	29,984	29,984	29,984	–
Bank loans	**–**	**–**	**–**	14,117	14,344	12,801	1,543
Bank overdrafts	**–**	**–**	**–**	775	775	775	–
Finance lease obligation	**64**	**66**	**66**	114	122	61	61
Tax payable	**268**	**268**	**268**	182	182	182	–
	14,968	**14,970**	**14,970**	45,172	45,407	43,803	1,604

(b) Fair value estimation

The carrying amounts of the Group's financial assets including cash and cash equivalents, bank deposits, trade and other receivables; and financial liabilities including trade and other payables, bank loans, approximate their fair values due to their short maturities. The face value less any estimated credit adjustments for financial assets and liabilities with a maturity of less than one year are assumed to approximate their fair values.

NOTES TO THE FINANCIAL STATEMENTS

30 COMMITMENTS

(i) Capital commitments in respect of acquisition of property, plant and equipment

	The Group	
	2008	2007
	HK$'000	HK$'000
Contracted but not provided for in the financial statements	**551**	–

(ii) Capital commitments in respect of very substantial acquisition

On 6 November 2007 (supplemented on 18 December 2007 and 20 March 2008), the Company and SSC Mandarin Holdings Limited (the "Vendor") entered into the Acquisition Agreement, pursuant to which the Company conditionally agreed to acquire from the Vendor the entire issued share capital of SSC Mandarin Mining Investment Limited ("MIL") at a consideration of HK$1,212,000,000 which shall be satisfied by (i) HK$60,000,000 in cash, which were paid by the Company to the Vendor during the year ended 31 March 2008 as deposit; (ii) HK$207,360,000 by the issue of the 1,382,400,000 Consideration Shares at the issue price of HK$0.15; (iii) HK$806,400,000 by the issue of the Convertible Bonds; (iv) HK$60,000,000 by the issue of the Promissory Note A; and (v) the remaining balance of HK$78,240,000 by the issue of the Promissory Note B. MIL is a company incorporated in the British Virgin Islands with limited liability. After the completion of the reorganization, MIL owned 100% interest in T G Mining Asia Limited, which owned 90% of equity interest in SSC Sino Gold Mining Investment Company Limited, which, in turn, owned 80% of the entire equity interest of Tongguan Taizhou Mining Company Limited ("Taizhou Mining"), which currently holds certain mining rights and exploration rights of the gold mining site located in the Haochayu and Xiyu regions in Tongguan County, Shaanxi Province, the PRC. The consideration was determined after arm's length negotiations between the Company and the Vendor, with reference to, in particular, the valuation of Taizhou Mining of approximately RMB3,798 million as stated in the valuation report performed by an independent valuer. The acquisition was approved by the shareholders of the Company on 18 April 2008 and the acquisition was completed on 30 April 2008.

The cash consideration of HK$60,000,000 paid for the acquisition of MIL and the cost directly attributable to the acquisition of approximately HK$6,036,000 were included in deposit for acquisition of subsidiaries in the consolidated and Company balance sheet.

The term of the Convertible Bonds are summarised as follows:

Principal amount:	HK$806,400,000
Maturity date:	the date falling five years from the date of issue of the Convertible Bonds
Interest rate:	the Convertible Bonds will bear no interest for the period from the issue date of the Convertible Bonds to the date falling two years from the issue date of the Convertible Bonds. Thereafter, the Convertible Bonds will carry interest at a rate of 4% per annum, payable in arrears quarterly in each year.

NOTES TO THE FINANCIAL STATEMENTS

30 COMMITMENTS *(Continued)*

(ii) Capital commitments in respect of very substantial acquisition *(Continued)*

Transferability:	the Convertible Bonds may be transferable to any other person.
Conversion rights:	holders of the Convertible Bonds will have the right to convert the Convertible Bonds, on whole or in part (in multiples of HK$150,000), of the principal amount of the Convertible Bonds into the Conversion Share at the Conversion Price
Conversion Price:	HK$0.15 per Conversion Share

The terms of both Promissory Notes are as follows:

Promissory Note A

Principal:	HK$60,000,000
Interest rate:	zero coupon
Maturity date:	a fixed term of 18 months from the date of issue of the Promissory Note A
Early redemption:	the Company could, at its option, redeem all or any part of the outstanding principal amount of the Promissory Note A at anytime prior to the maturity date.
Assignment:	the Promissory Note A may be transferred or assigned by the holder to any party other than a connected person of the Company in multiples of HK$1,000,000.
Security:	the first fixed equitable charge created over the entire issued share capital of Eagle Up

Promissory Note B

Principal:	HK$78,240,000
Interest rate:	at a rate of 4% per annum which is payable in arrears quarterly of each year.
Maturity date:	a fixed term of 36 months from the date of issue of the Promissory Note B
Early redemption:	the Company could, at its option, redeem all or any part of the outstanding principal amount of Promissory Note B at any times prior to the maturity date.
Assignment:	the Promissory Note B may be transferred or assigned by the holder to any party other than a connected person of the Company in multiples of HK$1,000,000.

NOTES TO THE FINANCIAL STATEMENTS

30 COMMITMENTS *(Continued)*

(iii) Operating lease commitments

As at 31 March 2008, the Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings falling due as follows:

	2008	2007
	HK$'000	HK$'000
Within one year	**1,095**	499
In the second to fifth year, inclusive	**817**	73
	1,912	572

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

(iv) Apart from the above, the Group and the Company did not have any significant commitments as at 31 March 2008 and 2007.

31 CONTINGENT LIABILITIES

(i) As at 31 March 2008, five (2007: five) employees of the Group have completed the required 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 meet the circumstances set out in the Ordinance, the Group's liability as at 31 March 2008 would be approximately HK$249,000 (2007: HK$199,000). No provision has been made in this respect.

(ii) At 31 March 2008, the Company has issued guarantees amounting to approximately HK$16,000,000 (2007: HK$23,506,000) to banks in respect of facilities granted to a subsidiary. The facilities were not utilised by the subsidiary at 31 March 2008 (2007: HK$14,869,000). The Company has not recognised any deferred income in respect of the corporate guarantees as its fair value is nominal.

Save as disclosed above, the Group and the Company did not have any significant contingent liabilities as at 31 March 2008.

32 BANKING FACILITIES

As at 31 March 2008, the Group had aggregate banking facilities of approximately HK$16,000,000 (2007: HK$26,380,000). None of the banking facilities were not utilised by the Group as at 31 March 2008 (2007: HK$14,869,000). The banking facilities 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$6,350,000 (2007: leasehold land and building located in Hong Kong with an aggregate net book value of approximately HK$4,590,000 and plant and machinery located in PRC with an aggregate net book value of approximately HK$5,407,000);

(ii) corporate guarantees executed by the Company.

NOTES TO THE FINANCIAL STATEMENTS

33 RELATED PARTY TRANSACTIONS

During the year, the Group entered into the following material related party transactions.

(a) Key management personnel remuneration

Remuneration for key management personnel, including amounts paid to the Company's directors as disclosed in note 13 and certain of the highest paid employees as disclosed in note 14 are as follows :

	2008	2007
	HK$'000	HK$'000
Short-term employee benefits	**3,443**	3,309
Post-employment benefits	**60**	54
	3,503	3,363

Total remuneration is included in staff costs including directors emoluments under the heading of "(Loss)/profit before taxation" (note 8)

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

		2008	2007
	Note	**HK$'000**	HK$'000
Easely Investments Limited	*(i)*		
– Rentals of a director's quarter paid by the Group	*(ii)*	**165**	388

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) The lease arrangement for leasing of a directors' quarter with Easely was expired on 31 October 2007 and the Group did not renew the lease arrangement.

NOTES TO THE FINANCIAL STATEMENTS

34 ACCOUNTING JUDGMENT AND ESTIMATES

In the process of applying the Group's accounting policies, management has made judgments and estimates based on past experiences, expectation of the future and other information. The key sources of estimation uncertainty that may significantly affect the amounts recognised in the financial statements are disclosed below :

Estimated impairment on trade and other receivables

Management regularly reviews the recoverability and/or aging of trade and other receivables. Appropriate impairment for estimated irrecoverable amounts are recognised in income statement when there is objective evidence that the asset is impaired.

In determining whether impairment loss is recognised, the Group takes into consideration the aging status and likelihood of collection. Specific allowance is only made for receivables that are unlikely to be collected and is recognised on the difference between the estimated future cash flow expected to receive discounted using the original effective interest rate and its carrying value.

Useful lives of property, plant and equipment

In applying the accounting policy on property, plant and equipment with respect to depreciation, management estimates the useful lives of various categories of property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and machinery of similar nature and functions. The estimated useful lives reflect the management's estimate of the period that the Group intend to derive future economic benefits from the use of the Group's property, plant and equipment.

35 POST BALANCE SHEET EVENTS

(i) The acquisition of MIL was completed on 30 April 2008. Details of the acquisition are set out in note 30(ii) to the financial statements.

(ii) On 12 June 2008, the Board proposed to change the name of the Company from "Espco Technology Holdings Limited 易盈科技控股有限公司" to "Grand T G Gold Holdings Limited", and upon the change of name becoming effective, "大唐潼金控股有限公司" will be adopted as the Chinese name of the Company for identification purpose.

The change of name of the Company is subject to the approval of the shareholders and the approval of the Registrar of Companies in the Cayman Islands being obtained.

Financial Summary

RESULTS

	For the year ended 31 March				
	2004 HK$'000	2005 HK$'000 (restated)	2006 HK$'000	2007 HK$'000	**2008 HK$'000**
Turnover	479,444	388,860	402,429	320,066	**250,903**
Cost of sales	(456,086)	(368,617)	(379,359)	(301,923)	**(241,518)**
Gross profit margin	4.9%	5.2%	5.7%	5.7%	**3.7%**
Gross profit	23,358	20,243	23,070	18,143	**9,385**
Other revenues	338	885	391	643	**236**
	23,696	21,128	23,461	18,786	**9,621**
Operating expenditure	(12,588)	(12,322)	(14,748)	(15,511)	**(15,444)**
Impairment loss in respect of trade and other receivables	–	–	–	–	**(5,611)**
Surplus/(deficit) arising from revaluation of properties	200	1,183	316	627	**–**
Operating profit/(loss)	11,308	9,989	9,029	3,902	**(11,434)**
Profit/(loss) attributable to the shareholders	10,065	9,224	8,513	3,681	**(11,636)**
Dividend	3,500	4,285	3,214	1,393	**–**

ASSETS AND LIABILITIES

	As at 31 March				
	2004 HK$'000	2005 HK$'000 (restated)	2006 HK$'000	2007 HK$'000	**2008 HK$'000**
Non-current assets	25,800	21,680	30,884	28,802	**97,711**
Current assets	64,387	78,932	79,893	103,109	**74,012**
Current liabilities	31,801	23,923	24,009	43,621	**14,968**
Net current assets	32,586	55,009	55,884	59,488	**59,044**
Non-current liabilities	3,898	1,029	4,038	2,588	**1,091**
Shareholders' funds	54,488	75,660	82,730	85,702	**155,664**

Notes:

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

(2) The results of the Group for the year ended 31 March 2004 and its assets and liabilities as at 31 March 2004 were extracted from the Company's prospectus dated 14 September 2004, which also set out the details of the basis of presentation of the combined accounts. The figures for year 2004 are before any adjustments for the adoption of new Hong Kong Financial Reporting Standards which are effective for accounting periods beginning or after 1 January 2005. The results of the Group for the year ended 31 March 2007 and 2008 and its assets and liabilities as at 31 March 2007 and 2008 are set out on pages 30 to 32 respectively, of this annual report and are presented on the basis set out in Note 2 to the consolidated financial statements.