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

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8299)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2007

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

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

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

The board of Directors (the "Board") of the Company is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 March 2007, together with the comparative figures of last year as follows:

CONSOLIDATED INCOME STATEMENT
For the year ended 31 March 2007

	Note	**2007** **HK$'000**	2006 HK$'000
Revenue	3	**320,066**	402,429
Cost of sales		**(301,923)**	(379,359)
Gross profit		**18,143**	23,070
Other income		**643**	391
Selling and distribution expenses		**(927)**	(659)
Administrative expenses		**(14,584)**	(14,089)
Surplus arising from revaluation of properties		**627**	316
Finance costs	5	**(634)**	(400)
Profit before taxation	6	**3,268**	8,629
Taxation	7	**413**	(116)
Profit attributable to the shareholders		**3,681**	8,513
Dividends	8	**1,393**	3,214
Earnings per share		**HK Cents**	HK Cents
Basic	9	**1.03**	2.38

CONSOLIDATED BALANCE SHEET
As at 31 March 2007

	Note	2007 HK$'000	2006 HK$'000
Non-current assets			
Property, plant and equipment		**26,990**	26,787
Prepaid land lease premium		**1,477**	1,445
Trade and other receivables	*10*	**–**	2,452
Deferred tax assets		**335**	200
		28,802	30,884
Current assets			
Prepaid land lease premium		**31**	31
Inventories		**25,957**	20,672
Trade and other receivables	*10*	**65,037**	43,543
Tax recoverable		**193**	–
Bank balances and cash		**11,891**	15,647
		103,109	79,893
Current liabilities			
Trade and other payables	*11*	**29,984**	17,635
Interest-bearing borrowings			
– due within one year		**13,455**	5,328
Tax payable		**182**	1,046
		43,621	24,009
Net current assets		**59,488**	55,884
Total assets less current liabilities		**88,290**	86,768
Non-current liabilities			
Interest-bearing borrowings			
– due after one year		**1,551**	3,127
Deferred tax liabilities		**1,037**	911
		2,588	4,038
Net assets		**85,702**	82,730
Capital and reserves			
Share capital		**3,571**	3,571
Reserves	*12*	**82,131**	79,159
Total equity attributable to equity shareholders of the Company		**85,702**	82,730

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2007

1. Scope of work of Graham H.Y. Chan & Co.

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 March 2007 have been compared by the Group's auditors, Graham H.Y. Chan & Co., to the amounts set out in the Group's draft consolidated financial statements for the year and the amounts are found to be in agreement. The work performed by Graham H.Y. Chan & Co. in this respect was limited and did not constitute an audit, review or other assurance engagement and consequently no assurance has been expressed by Graham H.Y. Chan & Co. on the preliminary announcement.

2. (a) Adoption of new and revised Hong Kong Financial Reporting Standards

In the current year, the Group has applied, for the first time, a number of new standards, amendments and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are effective for accounting periods beginning on or after 1 December 2005, 1 January 2006 or 1 March 2006. The adoption of the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

The Group has not early applied the following new standards, amendments and interpretations that have been issued but are not yet effective. The Directors anticipate that the application of these standards, amendments and interpretations will have no material impact on the financial statements of the Group.

HKAS 1 (Amendment)	Capital Disclosures[1]
HKFRS 7	Financial Instruments: Disclosures[1]
HKFRS 8	Operating Segments[2]
HK(IFRIC) – Int 8	Scope of HKFRS 2[3]
HK(IFRIC) – Int 9	Reassessment of Embedded Derivatives[4]
HK(IFRIC) – Int 10	Interim Financial Reporting and Impairment[5]
HK(IFRIC) – Int 11	HKFRS 2 – Group and Treasure Share Transactions[6]
HK(IFRIC) – Int 12	Service Concession Arrangements[7]

1 Effective for annual periods beginning on or after 1 January 2007
2 Effective for annual periods beginning on or after 1 January 2009
3 Effective for annual periods beginning on or after 1 May 2006
4 Effective for annual periods beginning on or after 1 June 2006
5 Effective for annual periods beginning on or after 1 November 2006
6 Effective for annual periods beginning on or after 1 March 2007
7 Effective for annual periods beginning on or after 1 January 2008

(b) Basis of preparation of the financial statements

These financial statements have been prepared in accordance with new HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the financial statements comply with the applicable disclosure provisions of 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.

3. Revenue

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

	2007	2006
	HK$'000	*HK$'000*
Sale of own-manufactured goods at invoiced value, net of returns and discounts	**249,044**	313,429
Trading of PC components	**48,572**	55,563
Processing fee income	**17,495**	33,437
Handling Income	**4,955**	–
	320,066	402,429

4. **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 2006 and 2007.

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

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

	2007	2006
	HK$'000	*HK$'000*
Segment revenue by location of customers		
PRC, excluding Hong Kong and Taiwan	**143,333**	267,727
Taiwan	**14,354**	15,288
Hong Kong	**69,850**	61,476
Singapore	**16,453**	20,508
Australia	**4,234**	5,893
Other Asia-Pacific regions	**49,383**	26,694
Europe	**11,655**	3,510
Other regions	**10,804**	1,333
	320,066	402,429
Segment assets by location of assets		
PRC, excluding Hong Kong and Macau	**23,312**	24,153
Hong Kong	**63,923**	49,045
Singapore	**11,167**	9,421
Macau	**33,509**	28,158
	131,911	110,777
Capital expenditures by location of assets		
PRC, excluding Hong Kong and Macau	**832**	6,972
Hong Kong	**186**	29
Singapore	**203**	2
Macau	**3**	–
	1,224	7,003

5. Finance costs

	2007	2006
	HK$'000	*HK$'000*
Interest on bank loans and overdrafts	**625**	400
Finance lease charges	**9**	–
	634	400

6. Profit before taxation

Profit before taxation is stated after charging the following:

	2007	2006
	HK$'000	*HK$'000*
Cost of inventories sold *(note (i))*	**301,775**	379,882
Auditors' remuneration *(note (v))*	**502**	429
Amortisation of land lease premium *(note (ii))*	**32**	31
Depreciation *(note (ii))*		
– owned assets	**3,727**	3,043
– leased assets	**39**	–
Operating lease rentals in respect of land and buildings *(note (iii))*	**595**	538
(Reversal of impairment loss)/impairment loss recognised in respect of trade and other receivables	**(10)**	1,489
Legal and professional fees	**874**	1,060
Research and development cost *(note (iv))*	**1,029**	1,015
Staff costs including directors' emoluments *(note (v))*		
– salaries, wages, allowances and benefits in kind *(note (ii))*	**12,665**	11,266
– retirement benefits scheme contributions	**332**	304
– staff messing and welfare	**1,005**	1,126

Notes:

(i) Cost of inventories sold on the face of consolidated income statement includes write-down of inventories of HK$148,000 (2006: reversal write-down of inventories of HK$523,000).

(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:

	2007	2006
	HK$'000	*HK$'000*
Amortisation of land lease premium	**32**	31
Depreciation	**3,197**	2,519
Staff costs – salaries, wages, allowances and benefits in kind	**4,521**	4,457

(iii) Included in the operating lease rentals in respect of land and buildings are rentals paid for the directors' quarters of HK$388,000 (2006: HK$354,000) which had also been included in staff costs disclosed above.

(iv) Included in the research and development costs are staff costs of HK$1,029,000 (2006: HK$1,015,000) which had also been included in staff costs disclosed above.

(v) Except for the amounts mentioned in note (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.

7. Taxation

	2007	2006
	HK$'000	HK$'000
Current tax:		
Hong Kong profits tax		
– provision for current year	**–**	257
– over provision in previous year	**(162)**	–
Overseas taxation		
– provision for current year	**23**	36
– over-provision for previous years	**–**	(160)
	(139)	133
Deferred tax		
– current year	**(274)**	(55)
– under-provision for previous years	**–**	38
	(274)	(17)
Taxation (credit)/charge	**(413)**	116

No provision for Hong Kong profits tax has been made in the financial statements as the Group has no assessable profit for the year. For the year ended 31 March 2006, Hong Kong profits tax had been provided in the financial statements at the rate of 17.5% on the estimated assessable profits arising in or derived from Hong Kong for that year.

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. The applicable income tax rate for the nine months period ended 31 December 2005 is 7.5%, representing 50% of the full FEIT rate to which Espco Shenzhen is subject and 15% on its assessable profit afterwards.

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 charge for the year can be reconciled to the profit before taxation per the consolidated income statement as follow:

	2007	2006
	HK$'000	*HK$'000*
Profit before taxation	**3,268**	8,629
Tax at the applicable tax rate in Hong Kong	**572**	1,510
Tax effect of non-deductible expenses	**233**	178
Tax effect of non-taxable income	**(56)**	(99)
Tax exemption granted to overseas subsidiaries	**(1,642)**	(1,359)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**96**	3
Deferred tax assets not recognised	**546**	5
Over-provision in previous years	**(162)**	(122)
Tax (credit)/charge for the year	**(413)**	116

8. Dividends

	2007	2006
	HK$'000	*HK$'000*
Final, proposed, of HK0.39 cent in respect of 2007 (2006: HK0.9 cent) per ordinary share	**1,393**	3,214

The 2007 final dividends of HK0.39 cent per share has been proposed by the Directors and are subject to approval by the shareholders of the Company in the forthcoming annual general meeting.

9. Earnings per share

The calculation of basic earnings per share for the year is based on the consolidated profit attributable to the shareholders of HK$3,681,000 (2006: HK$8,513,000), and the weighted average number of 357,136,200 (2006: 357,136,200) 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.

10. Trade receivables

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

	2007	2006
	HK$'000	*HK$'000*
0 – 30 days	**28,032**	20,410
31 – 60 days	**6,111**	11,481
61 – 90 days	**9,454**	6,638
Over 90 days	**20,826**	7,056
	64,423	45,585

11. Trade payables

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

	2007	2006
	HK$'000	*HK$'000*
0 – 30 days	**10,330**	5,682
31 – 60 days	**8,826**	3,830
61 – 90 days	**5,743**	3,487
Over 90 days	**1,628**	2,522
	26,527	15,521

12. Movements of reserves

	Share premium *HK$'000*	Exchange reserve *HK$'000*	Capital reserve *HK$'000*	Revaluation reserve *HK$'000*	Statutory surplus reserve *HK$'000*	Statutory welfare fund *HK$'000*	Statutory general reserve *HK$'000*	Retained profits *HK$'000*	Total *HK$'000*
At 1 April 2005	18,972	4	13,463	4,766	325	162	485	33,912	72,089
Change in equity for 2006									
Surplus arising from revaluation of properties	–	–	–	2,254	–	–	–	–	2,254
Deferred tax charge arising from revaluation of properties	–	–	–	(373)	–	–	–	–	(373)
Exchange differences arising from translation of financial statements of overseas subsidiaries	–	(63)	–	(47)	–	–	–	–	(110)
Net income/(expenses) directly recognised in equity	–	(63)	–	1,834	–	–	–	–	1,771
Profit for the year	–	–	–	–	–	–	–	8,513	8,513
Total recognised income and expenses for the year	–	(63)	–	1,834	–	–	–	8,513	10,284
Dividends – 2005 final	–	–	–	–	–	–	–	(3,214)	(3,214)
At 31 March 2006	18,972	(59)	13,463	6,600	325	162	485	39,211	79,159
At 1 April 2006	18,972	(59)	13,463	6,600	325	162	485	39,211	79,159
Change in equity for 2007									
Surplus arising from revaluation of properties	–	–	–	1,671	–	–	–	–	1,671
Deferred tax charge arising from revaluation of properties	–	–	–	(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 expenses for the year	–	1,353	–	1,148	–	–	–	3,685	6,186
Dividends – 2006 final	–	–	–	–	–	–	–	(3,214)	(3,214)
At 31 March 2007	18,972	1,294	13,463	7,748	325	162	485	39,682	82,131

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 24 July 2007 to 26 July 2007, both days inclusive, during which period no share transfers will be registered. All transfers of shares accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on 23 July 2007.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial review

The Group recorded a total revenue of approximately HK$320 million and profit attributable to shareholders of approximately HK$3.7 million for the year ended 31 March 2007, representing a decrease of approximately 20.5% and 56.8% when compared to that of last year. Basic earnings per share for the year is approximately HK1.03 cents. The decrease in total revenue was mainly attributable to the delay in upgrading plan of PC users. The Group's overall gross profit margin for the year was approximately 5.6% which is similar to that of last year. Since the proportion of overseas customers increased, the selling and distribution expenses for the year increased by approximately 40%. With the increase in using banking facilities during the year, the finance costs for the year increased by approximately 58%.

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:

	2007		2006		**Increase/**
	Revenue	**Portion**	Revenue	Portion	**(decrease)**
	HK$'000		*HK$'000*		*(%)*
Sales of own manufactured goods	**249,044**	**78%**	313,429	78%	(20%)
Trading of PC components	**48,572**	**15%**	55,563	14%	(13%)
Processing services	**17,495**	**5%**	33,437	8%	(48%)
Handling income	**4,955**	**2%**	–	–	100%
Total	**320,066**	**100%**	402,429	100%	(20%)

Business review

During the third quarter of the year under review, many PC users were expecting new computer operating system and delayed their upgrading plan. It led to a decrease of the Group's sales of own manufactured goods. In response to the market's demand, the Group launched the products with the "8" series of Nvidia chipset in the fourth quarter of the year under review. In addition, the Group received processing orders from two new customers during the year and it brought a stable stream of income to the Group.

Prospects

As the design of current chipset becomes more complicated, the design and production cycle of VGA card becomes longer. To cope with the changes, the Group is considering an increase in number of production lines so as to increase the production efficiency. Besides, processing service and brand name promotion are the Group's focuses in the coming year. The Group will put more effort in exploring new arising markets and expect a higher return under an acceptable risk.

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 2007, the Group had net current assets of approximately HK$59,488,000 (2006: HK$55,884,000) of which approximately HK$11,891,000 (2006: HK$15,647,000) was cash and bank balances while current portion of interest-bearing borrowings was approximately HK$13,455,000 (2006: HK$5,328,000). As at 31 March 2007, the Group had total banking facilities of approximately HK$26,380,000 (2006: HK$23,431,000), approximately HK$14,869,000 (2006: HK$8,455,000) 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$4,590,000 (2006: HK$3,500,000) and machinery with an aggregate net book value of approximately HK$5,407,000 (2006: HK$5,642,000) 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.

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 2007, 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 2007, the Group had no foreign exchange contracts, interest or currency swaps or other financial derivatives for hedging purposes.

Gearing ratio

The Group's gearing ratio as at 31 March 2007 increased to 17.5% from 10.2% as at 31 March 2006. The gearing ratio was calculated as the Group's interest-bearing borrowings to the shareholders' equity as at the respective balance sheet dates. The increase in gearing ratio was due to increase of import loans.

Charges on the Group's assets

As at 31 March 2007, the Group's leasehold land and buildings with net book value of approximately HK$4,590,000 (2006: HK$3,500,000) and machinery with net book value of approximately HK$5,407,000 (2006: HK$5,642,000) were pledged as collaterals for the Group's banking facilities of approximately HK$8,000,000 and HK$4,893,000 respectively.

Contingent liabilities

As at 31 March 2007, five (2006: Eight) 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 meets the circumstances as set out in the Ordinance, the Group's liability as at 31 March 2007 would be approximately HK$199,000 (2006: HK$576,000). No provision has been made in this respect.

As at 31 March 2007, the Company has issued guarantees amounting to approximately HK$23,506,000 (2006: HK$22,031,000) to banks in respect of facilities granted to a subsidiary. The extent of the facilities utilised by the subsidiary as at 31 March 2007 amounted to HK$14,869,000 (2006: HK$7,976,000).

Save as disclosed above, the Group and the Company did not have any significant contingent liabilities as at 31 March 2007.

REVIEW OF THE FINANCIAL STATEMENTS

The audit committee of the Board ("the Audit Committee") has reviewed the Group's annual results for the year ended 31 March 2007. The Audit Committee comprises all of the three independent non-executive Directors, namely Ms. Chan Yi Man, Magdalen, Mr. Cheung Wing Ping and Mr. Wong Ka Hung, Frederic.

PURCHASE, SALE OR REDEMPTION OF SHARES

The Company has not redeemed any of its shares during the year ended 31 March 2007. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the year ended 31 March 2007.

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES

During the year ended 31 March 2007, the Company has complied with the code provisions of the Code on Corporate Governance Practices set out in Appendix 15 to the GEM Listing Rules with the exception of code provision A.2.1 in respect of the separation of the roles of chairman and chief executive officer.

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

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

25 June 2007

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

This announcement will remain on the "Latest Company Announcements" page on the GEM website at www.hkgem.com for at least 7 days from the day of its posting.