

CHAIRMAN'S STATEMENT

Dear Shareholders,

For and on behalf of the board of directors (the "Board") of Grandtop International Holdings Limited (the "Company") and its subsidiaries (together the "Group"), I am pleased to present the annual results of the Group for the year ended 31 March 2003.

PERFORMANCE

Looking back in 2002/2003, despite the economic downturn in the global economy, the Group achieved a satisfactory results. The Group recorded a turnover of HK\$34,769,000 (2002: HK\$27,671,000), representing an increase of 26% as compared with previous year. The net profit from ordinary activities attributable to shareholders was about HK\$24,684,000 (2002: HK\$21,367,000), representing an increase of 16% over the previous year. The net profit contribution of the Group remained fairly stable at about 71% (2002: 77%) during the year.

BUSINESS REVIEW

Since our listing on the Stock Exchange of Hong Kong on 12 November 2002, the Group has made strategic moves towards becoming a leading CSR marketing and compliance monitoring services provider in the Asia Pacific Region. With well established CSR compliance history in Hong Kong, the Group's mission is to provide a free CSR-compliant environment for our manufacturing clients export their products to the United States through the Group's well developed Code of Vendor Conduct.

Nowadays, the world economy has fostered awareness of CSR as a critical element in operating a successful business. Today, consumers not only demand top quality products, but also place a strong emphasis on whether the products are manufactured in a CSR-compliant environment. As a result, many of the manufacturers especially in the PRC are responding to the call for greater efforts to improve and demonstrate concerns for CSR. These developments accelerate the demand for CSR compliance monitoring services, thus creating a great opportunity for the Group to expand its business and to establish its brand in the Asia-Pacific Region. In order to capture the business opportunities arising from the increase in awareness of CSR, the Group has accomplished the following important business strategies during the year:

- The Board anticipates that the northern part of the PRC has great potential to become the major production base in the PRC in the near future. By capitalising on the success in the southern part of the PRC, the Group expanded its business into the northern part of the PRC to capture the business opportunities arising from the increase in the awareness of CSR. As a result, the Group engaged overseas agents in order to solidify the Group's US and the PRC presence with new offices set up in New York, Los Angeles, Harbin, Beijing and Shenyang. Despite difficult market environment, the Group has successfully negotiated with certain US buyers that they concurred with Group's CSR marketing and compliance monitoring services. Encouragingly, the directors are pleased to notice that many of the US buyers consider CSR issues as one of the important elements when they deal with manufacturers in the PRC;
- To further establish the Group's professional CSR image and worldwide credibility, the Group's legal and CSR consultants are in the process of formulating a certification system of the Group, CSR services. The Board believes that proper certification system is important in the market expansion of the Group, marketing and compliance monitoring services. It will provide a competitive advantage to attract more buyers to concur with the Group's compliance monitoring programme thus leading to broadened revenue base in the future and solidifying the existing client base of the Group; and

CHAIRMAN'S STATEMENT (continued)

- In order to strengthen the Group's presence between US buyers and the PRC manufacturing clients regarding the CSR issues, the Group plans to develop CSR system that promotes marketing and CSR compliance monitoring services in three consecutive stages. The first stage has been successfully implemented during the year that provides the introduction of the Group's services and a public forum for information exchange between the US buyers, manufacturing clients and other interested parties. The second stage will cover current worldwide practices, sample company policies, recent CSR development and useful link to those international labour organisations and trade unions. The third stage will promote awareness of CSR through the CSR system and promote the Group's marketing and CSR compliance monitoring services as crucial element when doing business.

IN THE FUTURE

With the PRC's accession to the WTO and its abundant supply of low-cost labour and the anticipated gradual abolition of trade barriers, the directors believe that the PRC will become one of the major production bases in the world economy. The directors also anticipate that many US buyers will go to the PRC to source products from the manufacturers in the PRC. The directors plan to capture these business opportunities by implementing the following strategies:

Marketing and monitoring compliance services

- Expanding the Group's client base in the northern part of the PRC through its network in Harbin, Beijing and Shenyang. On condition that sufficient potential manufacturers in the northern part of the PRC are solicited, the Group will further expand its marketing and compliance monitoring services in other major cities in the PRC. Nevertheless, the Group will put its best effort to solidify its US and the PRC presence;
- In 2003/2004, the Group will engage an agent to set up Macau offshore corporation in order to capitalise business opportunities in Delta Pearl and to maintain the Group's tax efficiency;
- Riding on the success of its marketing and compliance monitoring services in the garment and fashion industries, the Group plans to extend its scope of business to the other industries, such as toy and shoe industries; and
- Benchmarking the Group's Code of Vendors' Conduct. The Board understands that an international certification system will establish credibility and accountability, cementing our role as a leading marketing and compliance specialist in the industry.

Sales support services

- In order to strengthen the Group's sales support services, the Board has laid down an important strategy to further enhance its one-stop sales support services provided to our manufacturing clients to export their products to the United States. In view of many US buyers will source products from the manufacturers in the PRC, the Group plans to capture this opportunity in providing a one-stop sourcing and supply chain management solutions for both the PRC manufacturing clients and the US buyers. The directors believe that grounding on its well established business relationship with its PRC manufacturing clients and the US buyers, our Group will be able to provide sourcing services in an efficient manner with high quality products.

CHAIRMAN'S STATEMENT *(continued)*

Capitalising on the global trend for CSR, the Group aims to enhance overall industry standards for compliance monitoring and operational efficiency among individual manufacturers in Asia. In conclusion, the Group will continue with its diversification strategies in order to further open up new customer segments and opportunities that in return, the Group will capture the turnover growth. In view of the above, no final dividend has been recommended as the Board considers that additional cash and bank balances will be necessary to be reserved for marketing and business development including business acquisition in the future. Moving forward, through the abovementioned development plans, the Group is committed to strengthen its compliance monitoring services to bring positive returns to shareholders.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to express my gratitude to US buyers, agents and our manufacturing clients for their continued trust and support. I would also like to express our appreciation to the management and staff members for their hard work and significant contribution to the Group in the past year. Finally, I would like to thank our shareholders for their support to the Group.

Siu Kwok Kin, Garry
Chairman

Hong Kong, 23 July 2003