

REPORT OF THE DIRECTORS

The directors have pleasure in submitting their report together with the audited financial statements of Grandtop International Holdings Limited (hereinafter referred as to the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) for the year ended 31 March 2003.

GROUP REORGANISATION

The Company was incorporated in the Cayman Islands on 21 June 2002 as an exempted company with limited liability under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. Pursuant to a reorganisation scheme to rationalise the structure of the Group (the “Group Reorganisation”) in preparation for the listing of the Company’s shares on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”), the Company became the holding company of the companies now comprising the Group on 22 October 2002. Details of the Group Reorganisation and the basis of presentation of the financial statements are set out in notes 1 and 27 to the financial statements and Appendix 6 in the Company’s prospectus dated 30 October 2002.

On 12 November 2002, the shares of the Company were listed on the Main Board of the Stock Exchange.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the subsidiaries are set out in note 17 to the financial statements. There were no significant changes in the nature of the Group’s principal activities during the year.

RESULTS AND APPROPRIATION

The results of the Group for the year ended 31 March 2003 are set out in the consolidated income statement on page 24.

The state of affairs of the Group and the Company as at 31 March 2003 are set out in the balance sheets on page 25 and 26 respectively.

A special dividend of HK\$6,000,000 was paid by a subsidiary of the Company to its then shareholders prior to the Group Reorganisation on 31 July 2002 and an interim dividend of HK1.5 cents per ordinary share was paid on 14 February 2003.

The directors do not recommend the payment of a final dividend nor transfer of any amount to reserves in respect of the year ended 31 March 2003 (2002: HK\$Nil) .

SEGMENT INFORMATION

An analysis of the Group’s turnover and contribution to results by principal activities for the year ended 31 March 2003 is set out in note 6 to the financial statements.

FOUR YEARS FINANCIAL SUMMARY

A summary of the published results and of the assets and liabilities of the Group for the last four financial years is set out on page 54.

REPORT OF THE DIRECTORS (continued)

RESERVES

Details of movements in the reserves of the Company and of the Group during the year are set out in note 29 to the financial statements and in the consolidated statement of changes in equity, respectively.

As at 31 March 2003, the Company's reserves available for cash distribution and/or distribution in specie, calculated in accordance with the Companies Law (2001 Second Revision) of the Cayman Islands, amounted to approximately HK\$48,052,000. Under the laws of the Cayman Islands, a company may make distributions to its members out of the contributed surplus account under certain circumstances. In addition, the Company's share premium account amounted to approximately HK\$25,946,000 may be distributed in the form of fully paid bonus shares.

FIXED ASSETS

Details of the movements in fixed assets of the Group during the year are set out in note 16 to the financial statements.

SHARE CAPITAL

Details of movements in share capital of the Company are set out in note 27 to the financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association or the laws of the Cayman Islands, being the jurisdiction in which the Company was incorporated, which would oblige the Company to offer new shares on a pro rata basis to its existing shareholders.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year.

MAJOR CUSTOMERS

The Group's five largest customers accounted for approximately 34% (2002: 28%) of the Group's total turnover for the year. In particular, the largest customer of the Group accounted for approximately 18% (2002: 16%) of the Group's total turnover for the year.

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

REPORT OF THE DIRECTORS (continued)

DIRECTORS

The directors of the Company during the financial year were:

Executive directors

Mr. Siu Kwok Kin, Garry (<i>Chairman</i>)	(appointed on 3 July 2002)
Mr. Edmund Siu	(appointed on 3 July 2002)
Mr. Sze Edvon Yeung Lung	(appointed on 3 July 2002)

Independent non-executive directors

Miss Lo Wing Yan, Emmy	(appointed on 1 October 2002)
Mr. Poon Kuai Cheong	(appointed on 1 October 2002)

In accordance with article 87(1) of the Company's articles of association, Mr. Sze Edvon Yeung Lung shall retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

DIRECTORS' SERVICE CONTRACTS

Each of the executive director has entered into a service agreement with the Company for an initial term of three years commencing from 3 July 2002, renewable automatically for successive terms of one year each commencing from the day next after the expiry of the then current term of the executive Director's appointment, unless terminated by not less than three months' notice in writing served by either party on the other expiring at the end of the initial term or at any time thereafter.

All independent non-executive directors have each been appointed for an initial term of two year. No service agreement has been or will be entered into between the Company and either of the independent non-executive directors.

Saved as disclosed above, no director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

Saved as disclosed in note 32 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.

BANK LOANS AND OTHER BORROWINGS

Particulars of bank loans and other borrowings of the Company and the Group as at 31 March 2003 are set out in note 25 to the financial statements.

REPORT OF THE DIRECTORS (continued)

DIRECTORS' INTERESTS IN SHARES

At 31 March 2003, the interests of the directors, chief executives and their associates in the share capital of the Company or its associated corporations (within the meaning of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance")), as recorded in the register maintained by the Company pursuant to Section 29 of the SDI Ordinance or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

Director	Nature of interest	Number of ordinary shares of the Company held
Mr. Siu Kwok Kin, Garry	Corporate (Note)	180,000,000
Mr. Edmund Siu	Corporate (Note)	180,000,000

Note: These shares are registered in the name of Huge Gain Development Limited ("Huge Gain"). The entire issued share capital of Huge Gain is owned by Nerine Trust Company Limited. Nerine Trust Company Limited is the trustee of SB Unit Trust and holds properties for the benefit of holders of units issued by SB Unit Trust. All the units issued by SB Unit Trust were held by the family members of Mr. Siu Ban, co-founder of the Group and the discretionary objects of which include Mr. Siu Kwok Kin, Garry and Mr. Edmund Siu, being the executive director of the Group.

Save as disclosed above, none of the directors, chief executives of the Company and their associates had any personal, family, corporate or other interests in the share capital of the Company or any of its associated corporations, as defined in the SDI Ordinance.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Apart from as disclosed under the heading "Share option scheme" set out in note 28 to the financial statements, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or children under 18 years of age, or were any such rights exercised by them, or was the Company or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

SHARE OPTION SCHEME

The details of share option scheme are set out in note 28 to the financial statements.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or in existence during the year under review.

REPORT OF THE DIRECTORS (continued)

SUBSTANTIAL SHAREHOLDERS

At 31 March 2003, the following interests of 10% or more in the share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 16(1) of the SDI Ordinance:

Name of shareholders	Number of shares held	Percentage of the Company's share capital
Huge Gain Development Limited (Note)	180,000,000	75%

Note: These shares are registered in the name of Huge Gain Development Limited ("Huge Gain"). The entire issued share capital of Huge Gain is owned by Nerine Trust Company Limited. Nerine Trust Company Limited is the trustee of SB Unit Trust and holds properties for the benefit of holders of units issued by SB Unit Trust. All the units issued by SB Unit Trust were held by the family members of Mr. Siu Ban, co-founder of the Group and the discretionary objects of which include Mr. Siu Kwok Kin, Garry and Mr. Edmund Siu, being the executive director of the Group.

Save as disclosed above, no person had registered an interest in the share capital of the Company that was required to be recorded under Section 16(1) of the SDI Ordinance.

RETIREMENT BENEFIT SCHEME

Particulars of the retirement benefit scheme of the Group are set out in note 30 to the financial statements.

DIRECTORS' INTEREST IN COMPETING BUSINESS

During the year and up to date of this report, no director of the Company or any of its subsidiaries is considered to have an interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group, pursuant to the Listing Rules, other than those business of which the directors were appointed as directors to represent the interest of the Company and/or the Group.

COMPLIANCE WITH THE CODE OF BEST PRACTICE

During the year under review, the Company has complied with the Code of Best Practice (the "Code"), as set out in Appendix 14 of the Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited (the "Listing Rules").

AUDIT COMMITTEE

The Company has an audit committee which was established on 22 October 2002 in accordance with the requirements of the Code set out in Appendix 14 to the Listing Rules, for the purpose of reviewing and providing supervision over the Group's financial reporting process and internal controls. The audit committee comprises two independent non-executive directors of the Company.

REPORT OF THE DIRECTORS *(continued)*

AUDITORS

HLB Hodgson Impey Cheng retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of HLB Hodgson Impey Cheng as auditors of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board

Siu Kwok Kin, Garry

Chairman

Hong Kong, 23 July 2003