

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 to as the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") for the year ended 31 March 2005.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are engaged in provision of apparel sourcing services, sale support services and apparel trading. During the year, the Company ceased the operations of marketing and compliance monitoring services through the disposal of a subsidiary.

RESULTS AND APPROPRIATION

The results of the Group for the year ended 31 March 2005 are set out in the consolidated income statement on page 15.

The state of affairs of the Group and the Company as at 31 March 2005 are set out in the balance sheets on page 16 and 17 respectively.

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 2005 (2004: HK\$Nil).

SEGMENT INFORMATION

An analysis of the Group's turnover and contribution to the results by principal activities for the year ended 31 March 2005 is set out in note 4 to the financial statements.

FIVE YEARS 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 46.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 28 to the financial statements.

As at 31 March 2005, 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 HK\$47,262,000. 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 HK\$25,146,000 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 15 to the financial statements.

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BANK LOANS AND OTHER BORROWINGS

Particulars of bank loans and other borrowings of the Company and the Group as at 31 March 2005 are set out in note 24 to the financial statements.

SHARE CAPITAL

Details of the Company's share capital are set out in note 26 to the financial statements. There were no movements in the Company's share capital during the year.

RETIREMENT SCHEME

Particulars of the retirement scheme of the Group are set out in note 31 to the financial statements.

DIRECTORS

The directors of the Company during the financial year and up to the date of this report were:

Executive Directors

Mrs. Tsai Lai Wa, Jenny (*Chairlady*)

Mr. Edmund Siu

Ms. Mao Yue

(Appointed on 1 February 2005)

Mr. Sze Edvon Yeung Lung

(Resigned on 8 October 2004)

Independent Non-Executive Directors

Miss Lo Wing Yan, Emmy

Mr. Fu Wing Kwok, Ewing

Mr. Liang Kwong Lim

Mr. Poon Kuai Cheong

(Appointed on 28 September 2004)

(Appointed on 29 December 2004)

(Resigned on 29 December 2004)

In accordance with article 87(1) of the Company's articles of association, Mrs. Tsai Lai Wa, Jenny, being eligible, offer herself for re-election at the forthcoming annual general meeting.

DIRECTORS' SERVICE CONTRACTS

Each of the executive directors, except for Mrs. Tsai Lai Wa, Jenny and Ms. Mao Yue 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.

Save 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.

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DIRECTORS' INTERESTS IN CONTRACTS

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.

DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

At 31 March 2005, the interests and short positions of the directors and their associates in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited ("Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), were as follows:

Shares of the Company of HK\$0.01 each

Director	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Mrs. Tsai Lai Wa, Jenny	Held by trust	15,333,334(L)	4.79%
		80,666,666(S) (Note)	25.21%
Mr. Edmund Siu	Held by trust	15,333,334(L)	4.79%
		80,666,666(S) (Note)	25.21%

L : Long position
S : Short position

Note:

- (i) 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"). Nerine Trust 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 Mrs. Tsai Lai Wa, Jenny and Mr. Edmund Siu, being the executive directors of the Group.
- (ii) The short position of 80,666,666 shares were pledged to Ever-Long Capital Limited.

Other than disclosed above and certain nominee shares in subsidiaries held by certain directors in trust for the Group, none of the directors nor their associates had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of part XV of the SFO) as at 31 March 2005, as required to be recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

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DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Other than the "Share option scheme" set out in note 27 to the financial statements, at no time during the year was the Company, its holding company or any of its subsidiaries, a party to any arrangements to enable the directors of the Company to acquired benefits by means of the acquisition of shares in, or debentures of the Company or any other body corporate. None of the directors, or their spouses or their children under the of 18, had any right to subscribe for the shares of the Company, or had exercised any such rights during the year.

SUBSTANTIAL SHAREHOLDERS

Other than disclosed above under the section headed "Directors' Interests in Shares, Underlying Shares and Debentures" and other substantial shareholders' interests disclosed in the following table, at 31 March 2005, the register of substantial shareholders maintained by the Company pursuant the Section of 336 of the SFO showed that the Company had not been notified of any relevant interests or short positions in the shares or underlying shares of the Company.

Shares of the Company of HK\$0.01 each

Director	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Nerine Trust Company Limited	Held by controlled corporation	15,333,334(L)	4.79%
		80,666,666(S) (Note i)	25.21%
Huge Gain Development Limited	Beneficial owner	15,333,334(L)	4.79%
		80,666,666(S) (Note i)	25.21%
Ever-Long Capital Limited	Held by corporation	80,666,666(L) (Note ii)	25.21%
Speeddragon Limited	Held by corporation	50,000,000(L)	15.63%
Star Victory Holdings Limited	Beneficial owner	24,000,000(L)	7.50%
Wonderful World Holdings Limited	Beneficial owner	16,368,000(L)	5.12%

L : Long position
S : Short position

Note:

- (i) These shares are registered under the name of Huge Gain. The entire issued share capital of Huge Gain is owned by Nerine Trust, which is the trustee of SB Unit Trust and holds properties for the benefit of holders of units issued by SB Unit Trust. Nerine Trust is deemed to be interested in 96,000,000 (Long position: 15,333,334 shares and short position: 80,666,666 shares) of the Company as SB Unit Trust beneficially owns 100% interests in Huge Gain Development Limited.
- (ii) The short position of 80,666,666 shares are registered under the name of Huge Gain which has been pledged to Ever-Long Capital Limited.

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MAJOR CUSTOMERS AND SUPPLIERS

During the year, the aggregate purchases attributable to the Group's five largest suppliers accounted for approximately 64% of the Group's total purchases for the year and the purchases attributable to the Group's largest supplier were approximately 26% of the Group's total purchases for the year.

The Group's five largest customers accounted for approximately 33% (2004: 34%) of the Group's total turnover for the year. In particular, the largest customer of the Group accounted for approximately 19% (2004: 18%) 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 and suppliers.

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.

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.

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.

CONVERTIBLE SECURITIES, OPTIONS, WARRANTS OR SIMILAR RIGHTS

The Company had no outstanding convertible securities, options, warrants or other rights as at 31 March 2005. There were no exercise of convertible securities, options warrants or similar rights during the year.

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.

SHARE OPTION SCHEME

On 22 October 2002, the Company had adopted a share option scheme (the "Scheme"). Under the terms of the Scheme, the Directors of the Company may, at their absolute discretion, invite full-time employees including executive directors of the Company representing up to maximum 30% of the total issued share capital of the Company from time to time. The details of share option scheme are set out in note 27 to the financial statements.

No option had been granted or agreed to be granted under the Scheme up to the date of approval of these financial statements.

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CORPORATE GOVERNANCE

The Company has complied throughout the year ended 31 March 2005 with the Code of Best Practice as set out in Appendix 14 of the Listing Rules.

The Company has received, from each of the independent non-executive directors, an annual confirmation of the independence pursuant to Rules 3.13 of the Listing Rules. The Company was of the view that all the independent non-executive directors of the Company met the independence guidelines set out in Rule 3.13 of the Listing Rules and are independent in accordance with the terms of the guidelines.

MODEL CODE FOR SECURITIES

The Company had adopted the Model Code as its written guidelines on the "Model Code for Securities Transactions by Directors and Employees". Having made specific enquiry to all the directors of the Company, all the directors confirmed that they have complied with the required standard of dealings and the code of conduct regarding securities transactions by directors and employees adopted by the Company.

AUDIT COMMITTEE

The Company has an Audit Committee which was established on 22 October 2002 in accordance with the requirements of the Code of Best Practices 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 three independent non-executive directors of the Company.

During the year, the Audit Committee met with the Group's executive directors, senior management and the external auditors to consider and review the Group's financial statements, the nature and scope of audit reviews, and the effectiveness of the system of internal control and compliance. The Audit Committee held two meetings during the year. The Audit Committee had reviewed the unaudited interim accounts and the audited annual financial statements for the year ended 31 March 2005 and communicated with external auditors before recommending them to the Board of Directors for approval.

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended 31 March 2005.

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

Tsai Lai Wa, Jenny
Chairlady

Hong Kong, 28 July 2005