

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 as to the "Group") for the year ended 31 March 2006.

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, sales support services and apparel trading. The activities and other particulars of the subsidiaries are set out in note 12 to the financial statements.

RESULTS AND APPROPRIATION

The results of the Group for the year ended 31 March 2006 are set out in the consolidated income statement on page 27.

The state of affairs of the Group and the Company as at 31 March 2006 are set out in the consolidated and Company's balance sheets on page 25 and 26 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 2006 (2005: 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 2006 is set out in note 7 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 76.

RESERVES

Details of movements in the reserves of the Company and of the Group during the year are set out in note 18 to the financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group during the year are set out in note 9 to the financial statements.

BANK LOANS AND OTHER BORROWINGS

Particulars of bank and other borrowings of the Company and the Group as at 31 March 2006 are set out in note 19 to the financial statements.

SHARE CAPITAL

Details of the Company's share capital are set out in note 17 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 32 to the financial statements.

REPORT OF THE DIRECTORS *(Continued)*

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*)

Ms. Bessie Siu (*General Manager*) (Resigned on 12 July 2006)

Ms. Mao Yue

Mr. Lee Yiu Tung (Appointed on 25 April 2006)

Mr. Edmund Siu (Appointed on 13 June 2006)

Alternate Director

Mr. Peter Christopher Tashjian

(Alternate director to Ms. Tsai Lai Wa, Jenny) (Appointed on 11 July 2006)

Non-Executive Directors

Mr. Fu Wing Kwok, Ewing (Re-designated as non-executive director and resigned as independent non-executive director on 12 July 2006)

Independent Non-Executive Directors

Ms. Lo Wing Yan, Emmy

Mr. Liang Kwong Lim

Mr. Chang Kin Man (Appointed on 13 June 2006)

Mr. Fu Wing Kwok, Ewing (Re-designated as non-executive director and resigned as independent non-executive director on 12 July 2006)

In accordance with article 87(1) of the Company's articles of association, Ms. Bessie Siu, Mr. Lee Yiu Tung, Mr. Chang Kin Man, Mr. Fu Wing Kwok, Ewing and Mr. Peter Christopher Tashjian will retire, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

The Independent Non-executive Directors ("INEDs") are subject to retirement by rotation in accordance with the Company's articles of association. The Company has received from each INED a confirmation of his/her independence pursuant to the new independence guidelines set out in Rule 3.13 of the Listing Rules. The Company considers the INEDs to be independent.

DIRECTORS' SERVICE CONTRACTS

None of the directors has a service contract with Company and any of its subsidiaries which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

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.

REPORT OF THE DIRECTORS *(Continued)***DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES**

At 31 March 2006, the interests and short positions of the directors in the share capital, 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:

*Long positions in ordinary shares of the Company**Shares of the Company of HK\$0.01*

Director	Capacity	Number of issued ordinary share held	Percentage of the issued share capital of the Company
Mrs. Tsai Lai Wa, Jenny	Held by trust	96,000,000 (L) <i>(Note)</i>	30%

(L): Long position

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"). 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, being the executive director of the Group.

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 2006, 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.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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 acquire 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 age of 18, had any right to subscribe for the shares of the Company, or had exercised any such rights during the year.

REPORT OF THE DIRECTORS *(Continued)*

SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 March 2006, the following interests and short positions of 5% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to section 336 of the SFO.

Shares of the Company of HK\$0.01 each

Substantial shareholders	Capacity	Number of issued ordinary share held	Percentage of the issued share capital of the Company
Nerine Trust Company Limited	Held by controlled corporation	96,000,000 (L) <i>(Note i)</i>	30%
Huge Gain Development Limited	Beneficial owner	96,000,000 (L)	30%
Speeddragon Limited	Held by corporation	50,000,000 (L)	15.63%
Star Victory Holdings Limited	Beneficial owner	24,000,000 (L)	7.5%

(L): Long 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 of the Company as SB Unit Trust beneficially owns 100% interests in Huge Gain.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the aggregate purchases attributable to the Group's five largest suppliers accounted for approximately 61% (2005: 64%) of the Group's total purchases for the year and the purchases attributable to the Group's largest supplier were approximately 20% (2005: 26%) of the Group's total purchases for the year.

The Group's five largest customers accounted for approximately 30% (2005: 33%) of the group's total turnover for the year. In particular, the largest customer of the Group accounted for approximately 15% (2005: 19%) 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.

REPORT OF THE DIRECTORS *(Continued)*

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 2006. There were no exercises 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 33 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.

CORPORATE GOVERNANCE

The Company has complied throughout the year ended 31 March 2006 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 for Securities Transactions by Directors and Employees" as set out in Appendix 10 of the Listing Rules ("Model Code"). 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.

REPORT OF THE DIRECTORS *(Continued)*

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 2006 and communicated with external auditors before recommending them to the Board of Directors for approval.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the directors of the Company as at date of this annual report, the Company has maintained the prescribed public float under the Listing Rules.

AUDITORS

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

On behalf of the Board

Bessie Siu

Executive Director and General Manager

Hong Kong, 26 July 2006