GRANDTOP INTERNATIONAL HOLDINGS LIMITED
泓鋒國際控股有限公司*

(incorporated in the Cayman Islands with limited liability)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2003

The Board of Directors of Grandtop International Holdings Limited (the "Company") hereby announces the unaudited condensed consolidated financial statements of the Company and its subsidiaries (the "Group") for the six months ended 30th September 2003, together with comparative figures for the corresponding period in 2002, as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30th September 2003

		Six months ended 30th September	
		2003	2002
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
Turnover	*3*	**16,643**	17,393
Other revenue		**12**	90
Selling expenses		**(2,935)**	(1,718)
Administrative expenses		**(2,472)**	(2,135)
PROFIT FROM OPERATIONS	*4*	**11,248**	13,630
Finance costs	*5*	**(95)**	(8)

* *for identification purpose only*

PROFIT BEFORE TAX		**11,153**	13,622
Tax	*6*	**(23)**	(140)
NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS		**11,130**	13,482
DIVIDENDS	*7*	**–**	9,600
EARNINGS PER SHARE			
Basic, HK cents	*8*	**4.6**	6.6
Diluted		**N/A**	N/A

Notes:

1. BASIS OF PREPARATION

The Company was incorporated in Cayman Islands as an exempted company with limited liability on 21st June 2002 under the Companies Law, (Cap. 22 (Law 3 of 1961, as consolidated and revised)) of the Cayman Islands. Pursuant to a group reorganisation (the "Group Reorganisation") to rationalise the structure of the Company and its subsidiaries 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 Group on 22nd October 2002. Details of the Group Reorganisation are set out in the prospectus of the Company date 30th October 2002.

Accordingly, the comparative figures for the preceding financial period have been prepared on the basis of merger accounting in accordance with Statement of Standard Accounting Practice ("SSAP") No. 27 "Accounting for group reconstructions" issued by the Hong Kong Society of Accountants ("HKSA"). On this basis, the Company has been treated as the holding company of its subsidiaries through the Group Reorganisation for the six months ended 30th September 2002 rather than from the date of their acquisitions. Accordingly, the condensed consolidated results and cash flows of the Group for the six months ended 30th September 2002 include the results and cash flows of the Company and subsidiaries with effect from 1st April 2002, or since their respective dates of incorporation, where this is a shorter period, as if the existing Group structure had been in existence throughout the six months ended 30th September 2002.

The unaudited condensed consolidated financial statements have been prepared in accordance with SSAP No. 25 (revised) "Interim Financial Reporting" issued by the HKSA and with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange.

2. PRINCIPAL ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the condensed consolidated interim financial statements are consistent with those used in the annual financial statements for the year ended 31st March 2003 except that the Group has adopted the revised SSAP 12 "Income Taxes" issued by the HKSA which is effective for the accounting periods commencing on or after 1st January 2003.

The changes to the Group's accounting policy and the effect of adopting the new policy is as follows:

Deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Taxation rates enacted or substantially enacted by the balance sheet date are used to determine deferred taxation. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred taxation is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is charged or credited to the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with equity.

In prior years, deferred taxation was accounted for at the current taxation rate in respect of temporary differences between profit as computed for taxation purposes and profit as stated in the financial statements to the extent that a liability or an assets was expected to be payable or recoverable in the foreseeable future. The adoption of the revised SSAP 12 represents a change in accounting policy and should be applied retrospectively. However, since the effect on prior periods was not material, no prior period adjustment has been made.

3. SEGMENT INFORMATION

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are provision of (i) marketing and compliance monitoring services and (ii) sales support services.

An analysis of the Group's turnover and operating results by business segments during the period is shown as follows:

	Marketing and compliance monitoring services	Sales support services	Total
	HK$'000	*HK$'000*	*HK$'000*
For the period ended 30th September 2003 (Unaudited)			
Sales	**14,056**	**2,587**	**16,643**
Profit from operating activities	**10,272**	**976**	**11,248**
For the period ended 30th September 2002 (Unaudited)			
Sales	14,320	3,073	17,393
Profit from operating activities	12,534	1,096	13,630

Throughout the period, all of the Group's services were provided in a single geographical segment, to Hong Kong garment and fashion manufacturers.

Analysis of assets and liabilities by business segment and by geographical segment have not been prepared as most of the Group's assets and liabilities were unable to be allocated in view of the nature of the Group's business.

4. PROFIT FROM OPERATIONS

The Group's profit from operations is arrived at after charging/(crediting):

	Six months ended 30th September	
	2003	2002
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Depreciation of owned fixed assets	**437**	249
Operating leases in respect of land and buildings	**148**	194
Amortisation of intangible assets	**232**	-
Interest income	**(12)**	(34)
Dividend income from investment securities	**–**	(56)

5. FINANCE COSTS

	Six months ended 30th September	
	2003	2002
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interest expenses on:		
Mortgage loan not wholly repayable within five years	**93**	–
Bank charges	**2**	8
	95	8

6. TAXATION

Hong Kong profits tax has been provided at the rate of 17.5% (2002:16%) on the estimated assessable profits for the six months ended 30th September 2003.

	Six months ended 30th September	
	2003	2002
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Hong Kong profit tax		
– current provision	**23**	140

7. DIVIDENDS

	Six months ended 30th September	
	2003	2002
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Special dividend paid *(Note (i))*	**–**	6,000
Interim dividend declared and paid	**–**	3,600
	–	9,600

Note:

(i) The special dividend for the period ended 30th September 2002 was paid on 31 July 2002 and represents special dividend paid by the relevant subsidiaries of the Group to its then shareholders prior to the Group Reorganisation as explained in note 1, which was completed on 22th October 2002.

(ii) The Board of Directors do not recommend the payment of an interim dividend for the period ended 30th September 2003 (2002: HK$3,600,000).

8. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the net profit attributable to shareholders for the period ended 30th September 2003 of HK$11,130,000 (2002: HK$13,482,000) and the weighted average of 240,000,000 (2002: 204,000,000) ordinary shares in issue during the period.

The weighted average number of shares used to calculate the basic earnings per share for the period ended 30th September 2002 included the pro forma issued share capital of the Company on the basis as if the Group restructuring had been completed, comprising an aggregated of 10,000,000 ordinary shares nil paid upon incorporation of the Company issued on 3rd July 2002 and 22nd October 2002, 10,000,000 ordinary shares issued for the acquisition of Sun Ace Group Limited and the capitalization issue of 184,000,000 ordinary shares.

There were no potential dilutive shares in existence for the two periods ended 30th September 2002 and 2003, accordingly, no diluted earnings per share has been presented.

Financial Review

The first half of the financial year was a challenging period for the Group. The outbreak of Severe Acute Respiratory Syndrome ("SARS") occurred in late March, the slow recovery in the US economy and decline in US dollars, all leads to a severely negative impact on the Group's performance. Confronted with this difficult market situation, the Group was committed to reviewing its strategies and rationalising the Group's operations. During the period ended 30th September 2003, the Group's focus was to strike a careful balance between revenues to maintain growth and streamlining structures to minimize expenses.

The Group's unaudited consolidated turnover for the six months ended 30th September 2003 amounted to approximately HK$16,643,000 (2002: HK$17,393,000), representing a decreased of approximately 4% compared with the corresponding period last year. The decrease is mainly due to the decrease in the import of garment products from the Group's US buyers.

For the six months ended 30th September 2003, the unaudited consolidated net profit attributable to shareholders was amounted to approximately HK$11,130,000 (2002: HK$13,482,000), representing a decrease of approximately 17% as compared with the corresponding period last year. The decrease in net profit is a result of addition expenses have been incurred for business expansion such as overseas agents expenses for establishment of new branch offices in the US and the PRC.

The basic earnings per share for the six months ended 30th September 2003 amounted to approximately 4.6 HK cents (2002: 6.6 HK cents) per share, representing a decrease of approximately 30% as compared with the same period last year.

Business Review

The Group is principally engaged in the provision of two professional services – marketing and compliance monitoring services and sales support services.

Marketing and compliance monitoring services

As one of the core operation of the Group, the marketing and compliance monitoring services has successful developed its market in the PRC during the period under review. A numbers of new manufacturing clients in the PRC have engaged the Group for its marketing and compliance monitoring services. Together with successful expansion in the US, the Group's marketing and compliance monitoring services achieved a remarkable development during the period under review.

Despite this remarkable development during the period, due to the US economy continued to be volatile with weak consumer sentiment due to instability in the Middle East after the US-led war on Iraq and the outbreak of SARS, the turnover of the Group's marketing and compliance monitoring services declined from HK$14,320,000 to HK$14,056,000, representing a slightly decrease of 2% as compared with previous corresponding period.

The net profit attributable to shareholders and net profit margin were HK$10,272,000 and 73% respectively, representing a decrease of 18% and 17% as compared with previous corresponding period. The decrease in net profit attributable to shareholders widened in current fiscal period as the turnover was hit by the SARS saga while the Group was expanding its operation and incurred additional expenses and costs such as overseas agents expenses. In response to the increase in expenses, the Broad of Directors has review the operations and scaled back all operating expenses of the Group to maintain the net profit margin. During the period, the Group's marketing consultants fees were cut to match the level of revenue. In the opinion of the Directors, the duty of the marketing consultants has been overlapped by the overseas agents which were engaged to expand the PRC and the US market. As a result, the Directors believe that cut down of marketing consultants will not affect the operation of the Group's marketing and compliance monitoring services.

Sales support services

As the principal market of the Group's sales support services is United States, the turnover has been hit by the recession in the US economy. For the period ended 30th September 2003, the turnover and net profit derived from the provision of sales support services amounted to approximately HK$2,587,000 and HK$976,000 respectively, representing 16% and 11% decrease as compared with previous corresponding period. However, the Broad of Directors believe that the performance of the Group's sales support services will be improved following by the recovery of the US economy in the future.

PROSPECT

The Group has laid down an important strategy to transform from the existing sales support services into one-stop sourcing and supply chain management solutions for both the PRC manufacturing clients and the US buyers and to diversify its export market rather than focus on single export market. On 27th October 2003, the Group entered into a sale and purchase agreement with an independent third party to acquire the entire interest of Fair Good Limited and its subsidiaries ("Fair Good") for an aggregate cash consideration of HK$10.6 million. Fair Good primarily provide apparel sourcing, quality assurance and social compliance monitoring services to customers located in the Russia, South Korea, Panama and the US. It has also engaged in the sales of quality denim and jeans products with its registered brand name and sales network in the PRC since June 2003.

The Directors are of the view that the acquisitions integrate the Company's existing business into one-stop sourcing and supply chain management business with strong emphasis and proven track record in social compliance monitoring and strong sales network of the Group in the US and expand its network into the Russia, South Korea and Panama. It is envisaged that the acquisition of Fair Good will benefit from the Group's existing business resources and support.

Other than the aforementioned, the Group will continue to explore and identify investment and acquisition opportunities so as to enhance shareholders' value.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30th September 2003, the Group had total current assets of approximately HK$25,518,000 (31st March 2003: HK$27,277,000) and total current liabilities of approximately HK$1,229,000 (31st March 2003: HK$1,170,000). Current assets mainly consist of cash and bank balances of approximately HK$12,515,000 (31st March 2003: HK$14,114,000), representing an approximately 11% decrease as compared with 31st March 2003. Nevertheless, with the strong and stable financial position of the Group, the Board is therefore in the opinion that the Group has sufficient resources and working capital to meet its daily operation and future development.

The Group serviced its debts primarily through cash generated by operations. The Group's bank borrowings amounted to approximately HK$6,486,000 as at 30th September 2003 (31st March 2003: HK$6,650,000) represents a mortgage loan obtained for the purpose of facilitating the acquisition of a land and building, which were denominated in Hong Kong dollars and subject to floating interest rates. Except for this, the Group does not have any bank overdrafts and banking facilities obtained during the period under review.

The cash and bank balances and bank borrowings of the Group's were mainly denominated in Hong Kong dollars, such that the Group does not have significant exposure to foreign exchange fluctuation. No hedging for the foreign currency transaction has been carried out during the period under review.

As at 30th September 2003, the gearing ratio, calculated as the bank borrowings divided by shareholders equity, was approximately 0.09 (31st March 2003: 0.12). The current ratio of the Group, calculated by dividing the total current assets by the total current liabilities, was approximately 20.8 times as at 30th September 2003 (31st March 2003: 23.31 times). The Board of Directors is in the opinion that both gearing ratio and current ratio were maintained at a very healthy level.

During the period ended 30th September 2003, with the surplus cash inflows generated from ordinary operating activities, the Group has made two investments during the period. Firstly, the Group invested in listed shares in Hong Kong with the intention of seeking for long-term capital gains and returns. In order to reduce the investment risk arising from the investment, the Board of Directors has taken detailed research on the investee company and the shares of which is listed on the main board of the Stock Exchange of Hong Kong Limited. Secondly, the Group has invested in an overseas company which was engaged in the provision of IT application system solution and IT consultation services. In the opinion of the Directors, both investments will bring the positive return to shareholders.

PLEDGE OF ASSETS

The Group's leasehold land and building, with an aggregate net book value of approximately HK$9,522,000 as at 30th September 2003 (31st March 2003: HK$9,608,000), was pledged to secure a mortgage loan granted to the Group.

CONTINGENT LIABILITIES

As at 30th September 2003, the Group's liability for long services payments was approximately HK$38,000 (31st March 2003: HK$32,000). Except of this, the Group does not have any significant contingent liabilities for the year ended 30th September 2003 (31st March 2003: Nil).

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30th September 2003 (2002: 1.5 HK cents per share).

EMPLOYEES

As at 30th September 2003, the Group had 14 employees in Hong Kong and overseas.

The Group remunerated its employees mainly based on industrial practice, individual's performance and experience. Apart from the basic remuneration, discretionary bonus may be granted to eligible employees with reference to the Group's performance as well as the individual performance. In addition, share options may also be granted from time to time in accordance with the term of the Company's approved Share Option Scheme. During the period under review, no share options had been granted under the Share Option Scheme.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the period under review, neither the Company nor any of the companies comprising the Group had purchased, sold or redeemed any of the Company's shares.

COMPLIANCE WITH THE CODE OF BEST PRACTICE

None of the Directors of the Company is aware of any information that would reasonably indicate that the Company is not, or was not, or was not, in compliance with the Code of Best Practice as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange at any time during the six months ended 30th September 2003.

AUDIT COMMITTEE

The Group's unaudited result for the six months for the six months ended 30th September 2003 have been reviewed by the audit committee of the Company, which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosures have been made.

PROPOSED BONUS ISSUE OF SHARES

The Directors have recommended a bonus issue (the "Proposed Bonus Issue") of new shares (the "Bonus Shares") to shareholders of the Company. The Proposed Bonus Issue will be made on the basis of one Bonus Share for every three existing shares held by the shareholders whose names appear on the register of members on 19th March 2004. The Bonus Shares will be credited as fully paid at par and will rank pari passu with the then issued shares in all respects with effect from the date of issue, except that they will not rank for the Proposed Bonus Issue.

The Proposed Bonus Issue is conditional upon

(i) the passing of the relevant resolution to approve the Proposed Bonus Issue at the forthcoming extraordinary general meeting; and

(ii) the Listing Committee of the Stock Exchange granting listing of and permission to deal in the Bonus Shares to be issued pursuant to the Proposed Bonus Issue.

Subject to fulfillment of the above conditions, certificates for the Bonus Shares are expected to be despatched to shareholders on 29th March, 2004. A circular setting out further details of the Proposed Bonus Issue will be despatched to shareholders as soon as practicable.

CLOSURE OF REGISTER OR MEMBERS

The register of members will be closed from Monday, 15th March, 2004 to Friday, 19th March 2004 (both dates inclusive), during which period no transfer of shares will be effected. In order to qualify for the proposed bonus issue of shares, all transfers of shares accompanied by the relevant share certificates must be lodged with the Hong Kong branch share registrars of the Company, Tengis Limited at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Friday, 12th March, 2004.

PUBLICATION OF FINANCIAL RESULTS ON THE WEBSITE OF THE STOCK EXCHAGE

All the information required by paragraphs 45(1) to 45(3) of Appendix 16 of the Listing Rules will be published on the website of the Stock Exchange in due course.

By Order of the Board
Tsai Lai Wa, Jenny
Chairlady

Hong Kong, 29th December 2003

Please also refer to the published version of this announcement in The Standard.