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# THIS CIRCULAR REQUIRES YOUR IMMEDIATE ATTENTION

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**If you are in any doubt** as to any aspect of this circular, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred** all your shares in Grandtop International Holdings Limited, you should at once hand this circular, together with the accompanying form of proxy, to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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## GRANDTOP INTERNATIONAL HOLDINGS LIMITED

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 2309)**

### **TERMINATION OF EXISTING SHARE OPTION SCHEME ADOPTION OF NEW SHARE OPTION SCHEME PROPOSED REFRESHMENT OF GENERAL MANDATES TO ISSUE SHARES AND REPURCHASE SHARES AND CHANGE OF AUDITORS**

**Independent financial adviser to the independent board committee  
and independent shareholders of Grandtop International Holdings Limited**



**Hantec Capital Limited**

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A letter from the independent board committee containing its recommendation to the independent shareholders of Grandtop International Holdings Limited is set out on page 14 of this circular. A letter from Hantec Capital Limited containing its advice to the independent board committee and independent shareholders of Grandtop International Holdings Limited is set out on pages 15 to 24 of this circular.

A notice convening the extraordinary general meeting of Grandtop International Holdings Limited to be held at Island Ballroom A, 5/F., Island Shangri-la Hotel, Two Pacific Place, Supreme Court Road, Central, Hong Kong on Monday, 30th July, 2007 at 9:30 a.m. is set out on pages 36 to 40 of this circular. Whether or not you are able to attend the extraordinary general meeting, please complete and return the enclosed form of proxy in accordance with the instructions printed thereon and deposit at the Company's Hong Kong Branch Share Registrar, Tengis Limited, 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for holding the extraordinary general meeting or any adjourned meeting (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting at the extraordinary general meeting or any adjourned meeting (as the case may be) should you so wish.

12th July, 2007

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## DEFINITIONS

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*In this circular, the following expressions have the meanings respectively set opposite them unless the context otherwise requires:*

“Articles”	articles of association of the Company
“associates”	shall have the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Change of Auditors”	the proposed appointment of M. C. Ng & Co. Certified Public Accountants (Practising) as new auditors of the Company following the resignation of HLB and to hold office upon the passing of an ordinary resolution by the Shareholders at the EGM until the conclusion of the next annual general meeting of the Company
“Company”	Grandtop International Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the Shares of which are listed on the main board of the Stock Exchange
“connected person(s)”	shall have the meaning ascribed to it under the Listing Rules
“Directors”	the directors of the Company
“EGM”	means the extraordinary general meeting of the Company to be held at Island Ballroom A, 5/F., Island Shangri-la Hotel, Two Pacific Place, Supreme Court Road, Central, Hong Kong on Monday, 30th July, 2007 at 9:30 a.m., the notice of which is set out on pages 36 to 40
“Existing Scheme”	the share option scheme of the Company adopted on 22nd October, 2002
“Grantee”	a Participant who has been granted and accepted (an) Option(s)
“General Mandates”	the Issue Mandate and the Repurchase Mandate
“Group”	the Company and its subsidiaries at the Latest Practicable Date

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## DEFINITIONS

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“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hantec”	Hantec Capital Limited, the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the refreshment of the Issue Mandate. Hantec is a licensed corporation in Hong Kong to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance
“HLB”	HLB Hodgson Impey Cheng Chartered Accountants Certified Public Accountants
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	a committee of independent non-executive Directors, comprising Messrs. Chang Kin Man, Yip Man Ki and Zhou Han Ping to advise the Independent Shareholders in relation to the refreshment of the Issue Mandate
“Independent Shareholders”	Shareholders other than Ms. Siu Bessie and her associates
“Issue Mandate”	the mandate to allot and issue new Shares as set out in resolutions numbered 2 and 4 of the notice
“Latest Practicable Date”	9th July, 2007, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this Circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Options”	options that may be granted pursuant to the Share Scheme
“Participants”	persons eligible to be granted Options under the Share Scheme as specified in paragraph 2 of Appendix I on page 25 of this circular
“Placing”	the placing of an aggregate of 115,200,000 new Shares to Great Luck Management Limited pursuant to the placing agreement dated 20th June, 2007 entered into between the Company and Great Luck Management Limited as disclosed in the Company’s announcement dated 20th June, 2007

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## DEFINITIONS

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“PRC”	means the People’s Republic of China
“Repurchase Mandate”	the mandate to repurchase Shares as described in the explanatory statement set out in Appendix II to this circular
“Share Scheme”	the new share option scheme proposed to be approved by the Shareholders at the EGM, a summary of the principal terms of which is set out in Appendix I to this circular
“Share(s)”	ordinary share(s) of par value of HK\$0.01 in the share capital of the Company
“Shareholder(s)”	holder of Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited



**GRANDTOP INTERNATIONAL HOLDINGS LIMITED**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 2309)**

*Executive Directors:*

Mr. Hui Ho Luek, Vico  
Mr. Steven McManaman  
Mr. Lee Yiu Tung  
Ms. Wong Po Ling, Pauline  
Ms. Siu Bessie

Registered Office:

Cricket Square  
Hutchins Drive  
P. O. Box 2681  
Grand Cayman  
KY1-1111  
Cayman Islands

*Non-Executive Directors:*

Mr. Ip Wing Lun  
Mr. Fu Wing Kwok, Ewing

*Head office and principal place  
of business in Hong Kong:*

Unit 3008, 30/F  
West Tower  
Shun Tak Centre  
168-200 Connaught Road Central  
Hong Kong

*Independent Non-executive Directors:*

Mr. Chang Kin Man  
Mr. Yip Man Ki  
Mr. Zhou Han Ping

12th July, 2007

*To the Shareholders*

Dear Sir or Madam,

**TERMINATION OF EXISTING SHARE OPTION SCHEME  
ADOPTION OF NEW SHARE OPTION SCHEME  
PROPOSED REFRESHMENT OF GENERAL MANDATES TO ISSUE SHARES  
AND REPURCHASE SHARES  
AND  
CHANGE OF AUDITORS**

**INTRODUCTION**

The purpose of this circular is to provide you with information regarding the resolutions to be proposed at the EGM to be held at Island Ballroom A, 5/F., Island Shangri-la Hotel, Two Pacific Place, Supreme Court Road, Central, Hong Kong on Monday, 30th July, 2007 at 9:30 a.m. These include: (a) the cancellation of the Existing Scheme and adoption of the Share Scheme; (b) proposed refreshment of the General Mandates to issue Shares and repurchase Shares and the extension of the Issue Mandate to Shares repurchased under the Repurchase Mandate; and (c) Change of Auditors.

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## LETTER FROM THE BOARD

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The purpose of this circular is to provide you with information reasonably necessary to enable you to make a decision on whether to vote for or against the resolutions proposed at the EGM.

A notice convening the EGM setting out the details of the resolutions to be proposed at the EGM is set out on pages 36 to 40 of this circular.

### TERMINATION OF EXISTING SHARE OPTION SCHEME AND ADOPTION OF SHARE SCHEME

The Directors note that the Stock Exchange announced certain amendments to Chapter 17 of the Listing Rules (share option schemes) on 23rd August, 2001 which came into effect on 1st September, 2001. The Directors propose that the Company replaces the Existing Scheme by the Share Scheme which will comply with the amended rules. Upon adoption of the Share Scheme, the Existing Scheme will terminate and no further options can be granted under the Existing Scheme. Apart from the Existing Scheme, the Company had no other share option scheme as at the Latest Practicable Date. A summary of the principal terms of the Share Scheme is set out in Appendix I of this circular.

On 7th June, 2007, the Company granted a total of 24,000,000 options under the Existing Scheme and the Company has no intention to grant further options under the Existing Scheme during the period from the Latest Practicable Date till the approval of the Share Scheme.

As at the Latest Practicable Date, an aggregate of 24,000,000 options, representing approximately 4.17% of the issued share capital of the Company as at the Latest Practicable Date, remain outstanding under the Existing Scheme. Details of which are as follows:

<b>Holder</b>	<b>Number of options</b>	<b>Exercise price per Share (HK\$)</b>	<b>Date of Grant</b>	<b>Expiry Date</b>
Li Bo	3,840,000	0.50	7th June, 2007	6th June, 2017
Suen Wei Ming	3,840,000	0.50	7th June, 2007	6th June, 2017
Li Mei	3,840,000	0.50	7th June, 2007	6th June, 2017
Xie Hai Bing	3,840,000	0.50	7th June, 2007	6th June, 2017
Zhu Hong Wei	3,840,000	0.50	7th June, 2007	6th June, 2017
Jiang Feng	3,840,000	0.50	7th June, 2007	6th June, 2017
Li Chuan Zhong	960,000	0.50	7th June, 2007	6th June, 2017

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## LETTER FROM THE BOARD

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### DETAILS OF THE SHARE SCHEME

The purpose of the Share Scheme is to provide Participants with the opportunity to acquire proprietary interests in the Company and to encourage participants to work towards enhancing the value of the Company and its Shares for the benefit of the Company and its Shareholders as a whole.

The Share Scheme does not specify a minimum period for which an Option must be held nor a performance target which must be achieved before an Option can be exercised. However, the rules of the Share Scheme provide that the Board may determine, at its sole discretion, such term(s) on the grant of an Option. This determination may vary on a case by case basis but no such term(s) shall be imposed the result of which will be to the advantage of the Participants. The basis for determination of the subscription price is also specified precisely in the rules of the Share Scheme. The Directors consider that the aforesaid criteria and rules will serve to preserve the value of the Company and encourage the Participants to acquire proprietary interests in the Company.

The Directors consider that it is not appropriate to state the value of all Options that can be granted under the Share Scheme as if they had been granted on the Latest Practicable Date as a number of variables which are crucial for the calculation of that value have not been determined. Such variables include the exercise price, exercise period, any performance targets set and other relevant variables. The Directors believe that any calculation of the value of the Options as at the Latest Practicable Date based on a great number of speculative assumptions would not be meaningful and would be misleading to the Shareholders.

The adoption of the Share Scheme is conditional upon:

- (1) the Shareholders passing an ordinary resolution at the EGM to approve the adoption of the Share Scheme;
- (2) the Listing Committee of the Stock Exchange granting approval of the listing of, and permission to deal in, the Shares to be issued pursuant to any exercise of the Options and which Shares must not in aggregate exceed 10% of the issued share capital of the Company as at the date of the approval by the Shareholders at the EGM.

If condition (2) above is not satisfied within 2 calendar months after the date of adoption of the Share Scheme on the EGM, the Share Scheme shall forthwith determine and no person shall be entitled to any rights or benefits or be under any obligations under or in respect of the Share Scheme and the Existing Scheme shall continue to operate. As at the Latest Practicable Date, the Company had an aggregate of 576,000,000 Shares in issue. As advised by the Directors, the Placing is expected to be completed prior to the date of the EGM. Upon completion of the Placing, the Company will have an aggregate of 691,200,000 Shares in issue. Based on 691,200,000 Shares in issue as at the date of the EGM and assuming that there



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## LETTER FROM THE BOARD

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is no change in the issued share capital of the Company before the EGM (save for the issuance of Shares under the Placing), the maximum number of Shares that can be issued upon exercise of options that may be granted under the proposed Share Scheme is 69,120,000 Shares.

An application will be made to the Stock Exchange for approval of the listing of and permission to deal in the Shares that may be issued pursuant to the exercise of the Options that may be granted under the Share Scheme representing 10% of the issued share capital of the Company as at the date of EGM. An announcement will be published by the Company in compliance with the Listing Rules in respect of the outcome of the EGM for the adoption of the Share Scheme on the business day following the EGM.

### **PROPOSED REFRESHMENT OF GENERAL MANDATES**

At the annual general meeting of the Company held on 29th September, 2006 (the “2006 AGM”), the Shareholders approved, among other things, ordinary resolutions to approve the grant of a general mandate to the Directors to allot, issue and deal with Shares (the “First General Mandate”). As at the date of passing such resolutions, there were a total of 320,000,000 Shares in issue and thus the Directors were authorised to issue and allot 20% thereof, being 64,000,000 Shares under the First General Mandate.

According to the Company’s announcement dated 6th February, 2007, 64,000,000 new Shares, representing 100% of the First General Mandate, were allotted and issued to Premier Rise Investments Limited upon completion of the allotment and issue of 64,000,000 new Shares to Premier Rise Investments Limited under the conditional subscription agreement dated 6th February, 2007 (the “First Subscription”). Immediately following completion of the First Subscription, no new Shares could be further allotted and issued under the First General Mandate.

At the extraordinary general meeting of the Company held on 18th June, 2007, the Shareholders approved, among other things, the grant of a general mandate to the Directors to allot, issue and deal with Shares (the “Existing General Mandate”). As at the date of passing of such resolutions, there were a total of 576,000,000 Shares in issue and thus the Directors were authorised to issue and allot 20% thereof, being 115,200,000 Shares under the Existing General Mandate.

During the period from the grant of the Existing General Mandate to the Latest Practicable Date, the Existing General Mandate had been fully utilised as to 115,200,000 Shares, representing 100% of the Existing General Mandate. Such Shares will be allotted and issued to Great Luck Management Limited following completion of the Placing which is expected to take place prior to the date of the EGM.

Immediately following completion of the Placing, no new Shares could be further allotted and issued under the Existing General Mandate.

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## LETTER FROM THE BOARD

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The Directors are of the view that equity financing exercise through the issue of new Shares should be a suitable method to raise funds, without increase the financial risk of the Group to satisfy the future acquisition in the event that the Group identifies any suitable investment opportunities that may require larger amount of investment cost and capital commitment. As at the Latest Practicable Date, save and except for the very substantial acquisition as disclosed in the Company's announcement dated 29th June, 2007, the Group has not identified any investment targets.

The Board therefore proposes to seek your approval by way of ordinary resolutions to be proposed at the EGM to refresh the General Mandates:

- (i) allot, issue and otherwise deal with additional Shares with an aggregate nominal amount not exceeding 20% of the aggregate nominal amount of the share capital of the Company in issue as at the date of passing of Resolution No. 2 as set out in the notice during the period from the date of the passing of Resolution No. 2 up to: (a) the conclusion of the next annual general meeting of the Company; (b) the expiration of the period within which the next annual general meeting of the Company is required by the Articles or any applicable laws of the Cayman Islands to be held; or (c) the passing of an ordinary resolution by the Shareholders in general meeting revoking or varying such mandate, whichever occurs first;
- (ii) repurchase Shares with an aggregate nominal amount up to a maximum of 10% of the aggregate nominal amount of the issued share capital of the Company as at the date of passing of Resolution No. 3 as set out in the notice during the period from the date of the passing of Resolution No. 3 up to: (a) the conclusion of the next annual general meeting of the Company; (b) the expiration of the period within which the next annual general meeting of the Company is required by the Articles or any applicable laws of the Cayman Islands to be held; or (c) the passing of an ordinary resolution by the Shareholders in general meeting revoking or varying the Repurchase Mandate, whichever occurs first; and
- (iii) add to such general mandate so granted to the Directors to allot, issue and otherwise deal with additional Shares by an amount representing the aggregate nominal amount of the share capital of the Company (up to maximum of 10% of the aggregate nominal amount of the then issued share capital of the Company) repurchased under the Repurchase Mandate. The relevant resolution is set out as Resolution No. 4 in the notice.

Resolutions No. 2 to 4 are set out in the notice on pages 36 to 39 of this circular.

## LETTER FROM THE BOARD

As at the Latest Practicable Date, the Company had an aggregate of 576,000,000 Shares in issue. Upon completion of Placing, the Company will have an aggregate of 691,200,000 Shares in issue. Subject to the passing of the ordinary resolution for the approval of the refreshment of the General Mandates and on the basis that no further Shares are issued and/or repurchased by the Company between the Latest Practicable Date and the date of the EGM (save for the issuance of the Shares under the Placing), the Company would be allowed under the Issue Mandate to allot and issue up to 138,240,000 new Shares, being 20% of the Shares in issue as at the date of the EGM.

The following table summarises the fund raising activities of the Group during the last 12 months since the Latest Practicable Date:

<b>Date of Announcement</b>	<b>Event</b>	<b>Net Proceeds</b>	<b>Intended use of Proceeds</b>	<b>Actual use of Proceeds as at the Latest Practicable Date</b>
6th February, 2007	Issue of 64,000,000 Shares	approximately HK\$7,744,000	For general working capital of the Group	HK\$105,403 has been used for general working capital of the Group and the remaining balance has not yet been utilised
23rd April, 2007	Open offer of 192,000,000 Shares	approximately HK\$37,000,000	For future investments, expansion of the Group's business and as general working capital of the Group	The amount of HK\$16,679,550 has not yet been utilised
20th June, 2007	Placing of 115,200,000 Shares	approximately HK\$65,414,000	For future investments, expansion of the Group's business and as general working capital of the Group	The Placing has not yet been completed

### EXPLANATORY STATEMENT

An explanatory statement containing all relevant information relating to the Repurchase Mandate is set out in the Appendix to this circular. The information in the explanatory statement is to provide you with the information reasonably necessary to enable you to make an informed decision on whether to vote for or against the resolution to grant to the Directors the Repurchase Mandate at the EGM.

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## LETTER FROM THE BOARD

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### PROPOSED CHANGE OF AUDITORS

The Board proposed to the Change of Auditors as the Company and HLB, the auditors of the Company, could not reach an agreement on the audit fees for the financial year ending 31st March, 2007.

HLB were re-appointed as auditors of the Company at the last annual general meeting of the Company held on 29th September, 2006 to hold office until the conclusion of the next annual general meeting of the Company. The Company received a letter of resignation from HLB in respect of their resignation as auditors of the Group with effect from 23rd May, 2007. In accordance with Article 158 of the Articles, if the office of auditors becomes vacant by the resignation of the auditors, the Directors shall as soon as practicable convene an extraordinary general meeting to fill the vacancy.

In their letter of resignation, HLB have confirmed that there are no circumstances connected with their resignation which should be brought to the attention of the shareholders or creditors of the Group. Both the Board and the audit committee of the Company confirmed that there is no disagreement between the Company and HLB, and there are no circumstances connected with HLB's resignation which the Board and the audit committee of the Company considered should be brought to the attention of the shareholders or creditors of the Group. No other audit field work in respect of the audit of the financial statements of the Group for the year ended 31st March, 2007 has been commenced by HLB.

The Board proposes to appoint M. C. Ng & Co. Certified Public Accountants (Practising) as auditors to fill the casual vacancy following the resignation of HLB and to hold office until the conclusion of the next annual general meeting of the Company, subject to the approval of the Shareholders at the EGM to be convened pursuant to the Articles.

### EXTRAORDINARY GENERAL MEETING

Pursuant to Rule 13.36(4)(a) of the Listing Rules, refreshment of the Issue Mandate requires the approval of the Independent Shareholders at the EGM at which any of the controlling Shareholders and their associates, or where there are no controlling Shareholders, Directors (excluding independent non-executive Directors) and the chief executives and their respective associates shall abstain from voting in favour of the resolution approving the refreshment of the Issue Mandate. As at the Latest Practicable Date, the Company has no controlling Shareholders and Ms. Siu Bessie, a Director with shareholding interest, who together with her associates have interest in 96,000,000 Shares in the Company, and controlled the voting rights in respect of their Shares in the Company. Accordingly, Ms. Siu Bessie and her associates are required to abstain from voting in favour of the resolutions approving the refreshment of the Issue Mandate as set out in the Resolutions No. 2 and No. 4 in the notice.

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## LETTER FROM THE BOARD

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The Board has been advised by Ms. Siu Bessie and her associates that she has no intention to vote against the resolutions to approve the refreshment of the Issue Mandate as set out in the Resolutions No. 2 and No. 4 in the notice at the EGM. Other than Ms. Siu Bessie and her associates, no other Directors or their respective associates had any interests in the Shares as at the Latest Practicable Date and are required to abstain from voting in favour of the resolutions approving the refreshment of the Issue Mandate as set out in the Resolutions No. 2 and No. 4 in the notice at the EGM and no Shareholder falls within the two categories described in Rule 13.36(4)(b)(i) and (ii) of the Listing Rules. Further, pursuant to Rule 13.39(4)(b) of the Listing Rules, any vote of the Independent Shareholders at the EGM will be taken by poll.

An Independent Board Committee has been established to make recommendations to the Shareholders in respect of the refreshment of the Issue Mandate.

Hantec has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the refreshment of the Issue Mandate.

The voting of the resolutions to approve the refreshment of the Repurchase Mandate as set out in the Resolutions No. 3 in the notice will be taken by show of hands unless a poll is demanded at the EGM in accordance with the memorandum and articles of association of the Company.

A form of proxy for use at the EGM is enclosed. Whether or not you are able to attend the EGM, please complete and return the enclosed form of proxy in accordance with the instructions printed thereon and deposit at the Company's Hong Kong Branch Share Registrar, Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for holding of the EGM or any adjourned meeting (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting at the EGM or any adjourned meeting (as the case may be) should you so wish.

### **PROCEDURE FOR DEMANDING A POLL**

Pursuant to Article no. 66 of the Articles, every resolution put to vote of a general meeting shall be decided on a show of hands unless (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is duly demanded. A poll may be demanded by:

- (a) by the chairman of such meeting; or
- (b) by at least three members present in person or in the case of a member being a corporation by its duly authorised representative or by proxy for the time being entitled to vote at the meeting; or

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## LETTER FROM THE BOARD

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- (c) by a member or members present in person or in the case of a member being a corporation by its duly authorised representative or by proxy and representing not less than one-tenth of the total voting rights of all matters having the right to vote at the meeting; or
- (d) by a member or members present in person or in the case of a member being a corporation by its duly authorised representative or by proxy and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all shares conferring that right.

A poll which is duly demanded shall be then held in such manner prescribed by the Articles.

### **RESPONSIBILITY STATEMENT**

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

### **RECOMMENDATION**

The Directors are of the opinion that the proposed ordinary resolutions for: (a) the cancellation of the Existing Scheme and the adoption of the Share Scheme; (b) the proposed refreshment of the General Mandates to issue Shares and repurchase Shares and the extension of Issue Mandate to Shares repurchased under the Repurchase Mandate; and (c) the Change of Auditors are in the best interests of the Company and the Shareholders as a whole. The Directors therefore recommend you to vote in favour of such resolutions at the EGM.

Your attention is drawn to the letter from the Independent Board Committee as set out on page 14 of this circular and the letter from Hantec containing its advice and the principal factors which it has considered in arriving at its advice with regard to the refreshment of the Issue Mandate, as set out on pages 15 to 24 of this circular.

### **GENERAL**

Hantec has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references to its name in the form and context in which they respectively appear.

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## LETTER FROM THE BOARD

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### ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendices to this circular.

By Order of the Board  
**Grandtop International Holdings Limited**  
**Hui Ho Luek, Vico**  
*Executive Director*



**GRANDTOP INTERNATIONAL HOLDINGS LIMITED**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 2309)**

12th July, 2007

*To the Independent Shareholders*

Dear Sir or Madam,

**PROPOSED REFRESHMENT OF THE ISSUE MANDATE**

We refer to the circular from the Company to the Shareholders dated 12th July, 2007 (the “Circular”) of which this letter forms part. Terms defined in the Circular shall have the same meanings when used herein unless the context otherwise requires.

We have been appointed to advise you in connection with the refreshment of the Issue Mandate, details of which are set out in the “Letter from the Board” as set out on pages 4 to 13 of the Circular. We wish to draw your attention to the “Letter from Hantec” as set out on pages 15 to 24 of the Circular, which contains Hantec’s advice regarding the refreshment of the Issue Mandate.

Having taken into account the advice of Hantec, we consider the refreshment of the Issue Mandate to be fair and reasonable and in the interest of the Company and its Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the relevant ordinary resolutions to be proposed at the EGM to approve the refreshment of the Issue Mandate.

Yours faithfully,

**Mr. Chang Kin Man**

*Independent Non-executive  
Director*

**Mr. Yip Man Ki**

*Independent Non-executive  
Director*

**Mr. Zhou Han Ping**

*Independent Non-executive  
Director*



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## LETTER FROM HANTEC

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*The following is the full text of a letter of advice from Hantec to the Independent Board Committee and the Independent Shareholders for the purpose of inclusion in this circular:*



**Hantec Capital Limited**  
45th Floor, COSCO Tower  
183 Queen's Road Central  
Hong Kong

12th July, 2007

*To the Independent Board Committee and  
the Independent Shareholders of  
Grandtop International Holdings Limited*

Dear Sir or Madam,

### **PROPOSED REFRESHMENT OF THE ISSUE MANDATE**

#### **INTRODUCTION**

We refer to our engagement as the independent financial adviser to the Independent Board Committee and the Independent Shareholders on the proposed refreshment of the Issue Mandate, details of which are contained in the letter from the Board contained in the circular (the “**Circular**”) of the Company to the Shareholders dated 12th July, 2007, of which this letter forms part. Terms used in this letter have the same meanings as defined in the Circular unless the context otherwise requires.

Pursuant to Rule 13.36(4)(a) of the Listing Rules, refreshment of the Issue Mandate requires the approval of the Independent Shareholders at the EGM at which any of the controlling Shareholders and their associates, or where there are no controlling Shareholders, Directors (excluding independent non-executive Directors) and the chief executives and their respective associates shall abstain from voting in favour of the resolution approving the refreshment of the Issue Mandate. As at the Latest Practicable Date, the Company has no controlling Shareholders and Ms. Siu Bessie, a Director with shareholding interest, who together with her associates have interest in 96,000,000 Shares in the Company, and controlled the voting rights in respect of their Shares in the Company. Accordingly, Ms. Siu Bessie and her associates are required to abstain from voting in favour of the resolutions approving the refreshment of the Issue Mandate as set out in the resolutions numbered 2 and 4 of the notice of the EGM.

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## LETTER FROM HANTEC

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The Board has been advised by Ms. Siu Bessie and her associates that they have no intention to vote against the resolutions to approve the refreshment of the Issue Mandate at the EGM. Other than Ms. Siu Bessie and her associates, no other Directors or their respective associates had any interests in the Shares as at the Latest Practicable Date and are required to abstain from voting in favour of the resolutions approving the refreshment of the Issue Mandate at the EGM and no Shareholder falls within the two categories described in Rule 13.36(4)(b)(i) and (ii) of the Listing Rules. Further, pursuant to Rule 13.39(4)(b) of the Listing Rules, any vote of the Independent Shareholders at the EGM will be taken by poll.

An Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. Chang Kin Man, Mr. Zhou Han Ping and Mr. Yip Man Ki, has been established to advise the Independent Shareholders in relation to the proposed refreshment of the Issue Mandate.

### **BASIS OF OUR ADVICE**

In arriving at our opinion and recommendation, we have relied on the information supplied and the opinion expressed by the Directors and the management of the Company. We have assumed that the information contained and representations made to us or referred to in the Circular are true, accurate and complete at the time they were made and continued to be so as at the date of the Circular. We consider that we have taken reasonable steps as required under Rule 13.80 of the Listing Rules in obtaining all necessary information from the Company to reach an informed view, to justify relying on the accuracy of the information contained in the Circular and to provide a reasonable basis for our opinion. We have no reasons to suspect that any material facts have been omitted or withheld from the information contained or opinions expressed in the Circular nor to doubt the truth, accuracy and completeness of the information and representations provided to us by the Company. We consider that we have performed all the necessary steps to enable us to reach an informed view and to justify our reliance on the information provided so as to provide a reasonable basis for our opinion. Having made all reasonable enquiries, the Directors have further confirmed that, to the best of their knowledge, they believe there are no other facts or representations the omission of which would make any statement in the Circular, including this letter, misleading. We have not, however, conducted any independent verification of the information provided by the Directors and the management of the Company nor have we carried out any independent investigation into the business and affairs of the Company or any of its respective subsidiaries or associates.

## PRINCIPAL FACTORS TAKEN INTO ACCOUNT

In arriving at our opinion to the Independent Board Committee and the Independent Shareholders in respect of the proposed refreshment of the Issue Mandate, we have taken the following principal factors and reasons into consideration:

### 1. Background and the use of the Existing General Mandate

The grant to the Directors of the general mandate was approved at the last extraordinary general meeting held on 18th June, 2007 (“Existing General Mandate”) which allowed the Directors to issue up to 115,200,000 new Shares, representing 20% of the issued share capital of the Company as at the date of the last extraordinary general meeting.

As disclosed in the Company’s announcement dated 20th June, 2007, the Company had on 20th June, 2007 entered into the placing agreement, pursuant to which the Company agreed to place an aggregate of 115,200,000 Shares, being 20% of the aggregate nominal amount of the issued share capital of the Company of 576,000,000 Shares as at the date of passing of the ordinary resolutions at the last extraordinary general meeting, to Great Luck Management Limited at a price of HK\$0.57 per Share. These Shares are going to be issued and allotted under the Existing General Mandate and the net proceeds of the Placing are estimated to be approximately HK\$65.4 million and will be used for future investments, expansions of the Group’s business and as general working capital of the Group. As advised by the Directors, the Placing is expected to be completed prior to the date of the EGM. As a result, the issuance of 115,200,000 Shares under the Placing has fully utilized the limit granted to the Directors under the Existing General Mandate and the number of issued Shares of the Company was increased from 576,000,000 Shares as at the date of the last extraordinary general meeting to 691,200,000 Shares upon completion of the Placing.

In order to maintain the Company’s flexibility to determine the appropriate financing method for future transactions and/or other potential investment opportunities, the Board proposes to refresh the Issue Mandate for the Directors to allot, issue and deal with securities of the Company not exceeding 20% of the issued share capital of the Company as at the date of the EGM.

The Directors are of the view that equity financing exercise through the issue of new Shares should be a suitable method to raise funds, without increase the financial risk of the Group to satisfy the future acquisition in the event that the Group identifies any suitable investment opportunities that may require larger amount of investment cost and capital commitment. Up to the Latest Practicable Date, the Group has not identified any investment targets save for that the Company entered into a binding memorandum of understanding on 27th June, 2007 with the vendors in relation to a proposed acquisition as disclosed in the Company’s announcement dated 29th June, 2007.

**2. History of funds raising activities of the Group during the last 12 months**

As at the Latest Practicable Date, the Company had an aggregate of 576,000,000 Shares in issue. As advised by the Directors, the Placing is expected to be completed prior to the date of the EGM and upon completion of the Placing, the Company will have an aggregate of 691,200,000 Shares in issue. Subject to the passing of the ordinary resolutions for the approval of the refreshment of the Issue Mandate and on the basis that no further Shares will be issued and/or repurchased by the Company between the Latest Practicable Date and the date of the EGM save for the issuance of the Shares under the Placing, the Company would be allowed under the Issue Mandate to allot and issue up to 138,240,000 new Shares, being 20% of the issued share capital as at the date of the EGM.

The following table summarizes the funds raising activities of the Group during the last 12 months from the Latest Practicable Date:

Date of announcement	Event	Net proceeds	Intended use of proceeds	Actual use of proceeds as at the Latest Practicable Date
6th February, 2007	Issue of 64,000,000 Shares	Approximately HK\$7,744,000	For general working capital	HK\$105,403 has been used for general working of the Group capital of the Group and the remaining balance has not yet been utilized
23th April, 2007	Open Offer of 192,000,000 Shares	Approximately HK\$37,000,000	For future investments, expansion of the Group's business and as general working capital of the Group	The amount of HK\$16,679,550 has not yet been utilized
20th June, 2007	Placing of 115,200,000 Shares	Approximately HK\$65,414,000	For future investments, expansion of the Group's business and as general working capital of the Group	The Placing has not yet been completed

**3. Reasons for the refreshment of the Issue Mandate**

Given that (i) the Existing General Mandate has been fully utilized; and (ii) the Directors consider that the proposed refreshment of the Issue Mandate will maintain the financial flexibility for the Group so that it is able to proceed with any equity financing exercise at any time should that be required, the Directors will seek for the approval of the Independent Shareholders at the EGM for the proposed refreshment of the Issue Mandate.

In arriving at our opinion in respect of the fairness and reasonableness of the Issue Mandate, we have considered the following factors:

**1. *Development of the Group's business***

As set out under the section headed "Prospect" in the interim report of the Company for the six months ended 30th September, 2006, the Group has been in the progress of looking for profitable business that would bring in stable return to the Company and its Shareholders, the Company will also continue to explore potential markets for the apparel operations if the opportunity exists.

In view of the Group's progress of looking for profitable business, the acquisition or development of which may require funding within a short period of time, the Directors consider that the allotment and issuance of new Shares under the Issue Mandate will enhance the capital base of the Company and the net proceeds can be used as working capital for the Group's future expansions and future investments. To this end, we are of the view that the proposed refreshment of the Issue Mandate is beneficial to the Group's future business development and the Issue Mandate will maintain the financial flexibility of the Group to raise capital as discussed below.

**2. *Financial flexibility in terms of capital-raising***

Pursuant to the Existing General Mandate, 115,200,000 Shares could be allotted and issued. During the period from the grant of the Existing General Mandate to the Latest Practicable Date, the Existing General Mandate has been fully utilized under the Placing and an aggregate of 115,200,000 Shares will be issued under the Existing General Mandate prior to the date of the EGM. Taking into account the aforesaid Placing and the Placing which is expected to be completed prior to the date of the EGM, the Company will have an aggregate of 691,200,000 Shares in issue as at the date of the EGM. If the proposed refreshment of the Issue Mandate is approved and on the basis that no further Shares will be issued and/or repurchased by the Company between the Latest Practicable Date and the date of the EGM save for the issuance of the Shares under the Placing, up to 138,240,000 new Shares, representing 20% of the issued share capital of the Company as at the date of the EGM, could be allotted and issued by the Company under the Issue Mandate.

As disclosed in the Company's announcement dated 29th June, 2007, the Company entered into a binding memorandum of understanding on 27th June, 2007 with the vendors in relation to a proposed acquisition. However, such acquisition may or may not proceed. According to the aforesaid announcement, Mr. Yeung Ka Sing has agreed to grant the Company an interest-free, security-free bridging loan in the amount of up to HK\$250,000,000 for a period of 6 months for the Company to proceed with the proposed acquisition, such bridging loan may substantially increase the Group's gearing level. We consider that the Issue Mandate provides an equity financing alternative through the issue of new Shares to raise funds for the Company whenever it needs. Despite of the fact that the Group has not had any immediate funds raising plans, and having considered the net proceeds of approximately HK\$37 million raised from the open offer as disclosed in the Company's announcement on 23rd April, 2007 and the net proceeds of approximately HK\$65 million to be raised from Placing as disclosed in the Company's announcement dated 20th June, 2007, there is no certainty that existing working capital resources and the funds raised under the Placing will be adequate, or other financing alternatives will be available for acquisition of appropriate investments that may be identified by the Company in the future. In view of (i) the Existing General Mandate has been fully utilized and no Shares could be allotted and issued without the Issue Mandate prior to the next annual general meeting, the Group may then be in a disadvantageous position if it is unable to obtain sufficient funds in a timely manner to finance a potential investment or acquisition, and (ii) the possible substantial increase of the gearing level as a result of the bridging loan from Mr. Yeung Ka Sing in relation to the proposed acquisition, we concur with the Directors that the allotment and issuance of new Shares under the Issue Mandate will increase the amount of capital to be raised and will also strengthen the capital base of the Group and provide more options of financing to the Group when assessing and negotiating potential acquisitions.

### 3. *Shortening the required time for raising capital*

The Directors advised that, as the Latest Practicable Date, no immediate funding was required for the operation of the business of the Group (save for the grant of a bridging loan of HK\$250,000,000 from Mr. Yeung Ka Sing to the Company for a proposed acquisition as announced by the Company on 29th June, 2007), and no definite investment plans which may require equity financing by issuing Shares were outstanding. However, the Directors believe that funding requirement or appropriate investment opportunities may arise at any time and such funding or investment decisions have to be required or made within a short period of time. Consequently, the Directors consider that the Issue Mandate will provide the Group with the flexibility of issuing new Shares by way of Share placement to raise capital within a short period of time. The Directors believe that the Issue Mandate will maintain the financial flexibility for the Group whenever any equity financing should be required.

Having considered that (i) the Group would not rule out any future chances to develop its business and funding requirements or appropriate investment opportunities which may arise at any time where such funding or investment decision may be required or made within short period of time; and (ii) Share placement exercises are dependent, to a large extent, on market conditions which can be volatile and such opportunities may not always arise, we are of the view that the proposed refreshment of the Issue Mandate is reasonable as it will provide the Group with the financial flexibility to respond to the market promptly and to allot and issue new Shares to raise capital in a timely manner through equity financing should that be required.

**4. Other alternative of financing**

Other than raising funds by way of issuing equity capital, the Board indicates that the Company will consider other financing methods such as bank financing, debt financing in order to meet its financing requirements arising from future investment of the Group, depending on the then financial position, capital structure and cost of funding of the Group as well as the then market condition. Yet, these alternatives may be subject to lengthy due diligence and negotiations. As such, the Issue Mandate will serve as one of the alternatives for the Company to finance the Group's investments and the Board will use the method that serves the best interests of the Group. We therefore consider that the proposed refreshment of the Issue Mandate would provide the Group with flexibility to determine the appropriate financing method for future transactions and/or other potential investment opportunities given that (i) the nature of equity financing is non-interest bearing and requires no collateral or securities; and (ii) a board capital base may enhance the liquidity of the Shares.

# LETTER FROM HANTEC

## 5. Potential dilution to shareholding of the Independent Shareholders

As advised by the Directors, the Placing is expected to be completed prior to the date of the EGM. For illustration purpose only, we set out below a table depicting the shareholding structure of the Company as at the Latest Practicable Date, upon completion of the Placing and upon full utilization of the Issue Mandate:

	As at the Latest Practicable Date		Upon completion of the Placing but before the utilization of the Issue Mandate		Upon completion of the Placing and immediately after the full utilization of the Issue Mandate	
	Shares	%	Shares	%	Shares	%
Huge Gain Development Limited (Note 1)	96,000,000	16.67	96,000,000	13.89	96,000,000	11.57
Premier Rise Investments Limited (Note 2)	96,000,000	16.67	96,000,000	13.89	96,000,000	11.57
Ms. Leung Choi Fan (Note 3)	18,975,000	3.29	18,975,000	2.74	18,975,000	2.29
Great Luck Management Limited (Note 4)	—	—	115,200,000	16.67	115,200,000	13.89
Public Shareholders	365,025,000	63.37	365,025,000	52.81	365,025,000	44.01
Shares that may be issued under the Issue Mandate	—	—	—	—	138,240,000	16.67
<b>Total</b>	<b>576,000,000</b>	<b>100.00</b>	<b>691,200,000</b>	<b>100.00</b>	<b>829,440,000</b>	<b>100.00</b>

*Notes:*

- The entire share capital of Huge Gain Development Limited is owned by Nerine Trust Company Limited (“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. All the units issued by SB Unit Trust were held by the family members of Mr. Siu Ban, co-founder of the Company and its subsidiaries and the discretionary objects. Ms. Siu Bessie and Ms. Tsai Lai Wan, Jeny have indirect interest in Nerine Trust.
- Premier Rise Investments Limited, a company incorporated in the British Virgin Islands and wholly owned by Mr. Hui Ho Luek, a substantial Shareholder.
- Ms. Leung Choi Fan, spouse of Mr. Hui Ho Luek who wholly and beneficially owns Premier Rise Investments Limited.
- Great Luck Management Limited, a company incorporated in British Virgin Islands and wholly owned by Mr. Yeung Ka Sing, an independent third party to the Group prior to the Placing and a substantial Shareholder upon completion of the Placing.



Shareholders should be aware that the Existing General Mandate will be revoked upon approval at the date of the EGM by the Independent Shareholders on the proposed refreshment of the Issue Mandate which will be and continue to be in force until the earliest of (i) the conclusion of the next annual general meeting of the Company; or (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Articles or any applicable laws of the Cayman Islands to be held; or (iii) the passing of an ordinary resolution by the Shareholders in general meeting revoking or varying such mandate, whichever occurs first.

Upon full utilization of the Issue Mandate and subject to the completion of the Placing prior to the date of the EGM, 138,240,000 new Shares can be issued, representing 20% and approximately 16.67% of the issued share capital as at the date of the EGM and the enlarged issued share capital of the Company respectively. Assuming no Shares will be issued and/or repurchased during the period between the Latest Practicable Date and the date of the EGM save for the issuance of the Shares under the Placing, the aggregate shareholding of the existing public Shareholders will decrease from approximately 52.81% as at the date of the EGM to approximately 44.01% after the full utilization of the Issue Mandate. The existing public Shareholders will have a potential maximum decrease in shareholding of approximately 8.80% after the full utilization of the Issue Mandate.

Taking into account that (i) the proposed refreshment of the Issue Mandate allows the Company to raise capital by allotment and issuance of Shares before the next annual general meeting; (ii) the refreshment of the Issue Mandate provides more flexibility and options of financing to the Group for further development of its business and for other potential future investments as and when such opportunities arise; and (iii) the shareholding of all the Shareholders will be decreased to the same extent upon any utilization of the Issue Mandate, we consider such decrease of shareholding of the Independent Shareholders acceptable.

Based on the reasons discussed above, we concur with the Directors' view that the Issue Mandate is in the interests of the Company and the Independent Shareholders as a whole and the terms of the Issue Mandate are fair and reasonable as far as the Independent Shareholders are concerned. Independent Shareholders are, however, advised to note the decrease in shareholding after the utilization of the Issue Mandate on their shareholding interests in the Company.

**RECOMMENDATION**

Having taken into account the principal factors and reasons referred to the above, we are of the opinion that the proposed refreshment of the Issue Mandate is in the interests of the Company and the Shareholders as a whole. We therefore advise the Independent Shareholders and the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM to approve the refreshment of the Issue Mandate.

Yours faithfully,  
For and on behalf of  
**Hantec Capital Limited**  
**Robert Siu**  
*Director*

*The following is a summary of the terms required to be included in the Share Scheme as required by the Listing Rules:*

## **I. SUMMARY OF THE PRINCIPAL TERMS OF THE SHARE SCHEME**

1. The purpose of the Share Scheme is to provide the Participants with the opportunity to acquire proprietary interests in the Company and to encourage Participants to work towards enhancing the value of the Company and its Shares for the benefit of the Company and its Shareholders as a whole.
2. All Directors (including executive Directors, non-executive Directors and independent non-executive Directors) and employees of the Group and consultants, advisors, agents, customers, service providers, contractors, business partners of any member of the Group or any company or other entity in which the Group or any member of it has a shareholding interest, in the sole discretion of the Board, has contributed to the Group or any member of it are eligible to participate in the Share Scheme.
3. The total number of Shares which may be issued upon exercise of all outstanding Options granted and yet to be exercised under the Share Scheme or any other share option scheme adopted by the Company must not exceed 30% of the Shares in issue from time to time. No Option may be granted under the Share Scheme or any other share option scheme adopted by the Company if that will result in the 30% limit being exceeded. The number of Shares which may be issued upon exercise of all Options to be granted under the Share Scheme shall not (when aggregated with any Shares subject to any other share option scheme(s) of the Company) exceed 10% in nominal amount of the issued share capital of the Company as at the date of the approval by Shareholders. Shares which have been duly allotted and issued pursuant to this Scheme and Options which have lapsed in accordance with the terms of the Share Scheme will not be counted in calculating the 10% limit. However, the Company may refresh this 10% limit with Shareholders' approval in general meeting with the issue of an appropriate circular to Shareholders provided that each such renewal may not exceed the 10% of the Shares in issue as at the date of the Shareholders' approval for refreshing the 10% limit. The Company shall send a circular to its Shareholders containing the information required under Rule 17.02(2)(d) of the Listing Rules and the disclaimer required under Rule 17.02(4) of the Listing Rules. The Company may seek separate approval by Shareholders in general meeting, with the issue of an appropriate circular to Shareholders, for granting options beyond the 10% limit provided the Options in excess of the limit are granted only to the Participants specially identified by the Company before such approval is sought. In such event, the Company must send a circular to the Shareholders containing a generic description

of the specified Participants, the number and terms of options to be granted, the purpose of granting options to the specified Participants with an explanation as to how the terms of the options serve such purpose and such other information required under Rule 17.02(2)(d) of the Listing Rules and the disclaimer required under Rule 17.02(4) of the Listing Rules.

4. Unless approved by Shareholders in the manner set out below in this paragraph, the total number of Shares issued and to be issued upon exercise of the Options granted to each Participant or Grantee (as the case may be) (including both exercised and unexercised Options) under the Share Scheme or any other share option scheme adopted by the Company in any 12 month period must not exceed 1% of the Shares in issue. Any further grant of Options which would result in the number of Shares issued as aforesaid exceeding the said 1% limit shall be subject to prior Shareholders' approval with the relevant Participant or Grantee (as the case may be) and his associates (as such term is defined in the Listing Rules) abstaining from voting. A circular must be sent to the Shareholders disclosing the identity of such Participant or Grantee (as the case may be) and the number and terms of the Options granted and to be granted.
5.
  - (a) The period within which the Options must be exercised will be specified by the Company at the time of grant. This period must expire no later than 10 years from the relevant Date of Grant (being the business day on which the Board resolves to make an offer of Option to the relevant Grantee).
  - (b) In the event a Grantee, if an employee, ceases to be an employee of the Group for any reason other than (i) his or her death or (ii) on one or more of the grounds of termination of employment specified in paragraph 12(f) below, the Option shall lapse on the date of cessation of such employment and not be exercisable unless the Board otherwise determines in which event the Option shall be exercisable to the extent and within such period as the Board may determine. The date of cessation of employment shall be the last actual working day on which the Grantee was physically at work with the Company or the relevant Subsidiary, whether salary is paid in lieu of notice or not.
  - (c) In the event the Grantee dies before exercising the Option in full and, if the Grantee is an employee, none of the events for termination of employment under paragraph 12(f) below then exists with respect to such Grantee, the personal representative(s) of the Grantee shall be entitled within a period of 12 months from the date of death to exercise the Option up to the entitlement of such Grantee as at the date of death.

- (d) If a general offer by way of takeover or otherwise (other than by way of scheme of arrangement pursuant to paragraph 5(e) below) is made to all the holders of Shares (or all such holders other than the offeror, any person controlled by the offeror and any person acting in association or concert with the offeror) and such offer becomes or is declared unconditional prior to the expiry date of the relevant Option, the Company shall forthwith give notice thereof to the Grantee and the Grantee shall be entitled to exercise the Option either to its full extent or to the extent notified by the Company at any time within such period as shall be notified by the Company.
- (e) If a general offer for Shares by way of scheme of arrangement is made to all the holders of Shares and has been approved by the necessary number of holders of Shares at the requisite meetings, the Company shall forthwith give notice thereof to the Grantee and the Grantee may at any time thereafter (but before such time as shall be notified by the Company) exercise the Option either to its full extent or to the extent notified by the Company.
- (f) In the event a notice is given by the Company to its Shareholders to convene a Shareholders' meeting for the purpose of considering and, if thought fit, approving a resolution to voluntarily wind-up the Company, the Company shall forthwith give notice thereof to the Grantee and the Grantee may at any time thereafter (but before such time as shall be notified by the Company) exercise the Option either to its full extent or to the extent notified by the Company, and the Company shall as soon as possible and in any event no later than three days prior to the date of the proposed shareholders' meeting, allot, issue and register in the name of the Grantee such number of fully paid Shares which fall to be issued on exercise of such Option.
- (g) In the event of a compromise or arrangement, other than a scheme of arrangement contemplated in paragraph 5(e) above, between the Company and its members and/or creditors being proposed in connection with a scheme for the reconstruction or amalgamation of the Company, the Company shall give notice thereof to all Grantees on the same day as it first gives notice of the meeting to its members and/or creditors to consider such a scheme or arrangement and the Grantee may at any time thereafter but before such time as shall be notified by the Company exercise the Option either to its full extent or to the extent notified by the Company, and the Company shall as soon as possible and in any event no later than three days prior to the date of the proposed meeting, allot, issue and register in the name of the Grantee such number of fully paid Shares which fall to be issued on exercise of such Option.

- (h) Upon the occurrence of any of the events referred to in paragraphs 5(d), (e), (f) and (g) above, the Company may in its discretion and notwithstanding the terms of the relevant Option also give notice to a Grantee that his or her Option may be exercised at any time within such period as shall be notified by the Company and/or to the extent (not being less than the extent to which it could then be exercised in accordance with its terms) notified by the Company. If the Company gives such notice, the balance of the Option shall lapse.
6. Each grant of Options to any Director, chief executive or substantial shareholder of the Company, or any of their respective associates (as such term is defined in the Listing Rules) shall be subject to the prior approval of the independent non executive directors of the Company (excluding any independent non-executive director who is a Grantee of the Option in question). Where any grant of Options to a substantial shareholder or an independent non-executive director of the Company, or any of their respective associates (as such term is defined in the Listing Rules), would result in the Shares issued and to be issued upon exercise of all Options already granted and to be granted (including Options exercised, cancelled and outstanding) to such person in the 12 month period up to and including the date of such grant:
- (a) representing in aggregate over 0.1% (or such other percentage as may from time to time be specified by the Stock Exchange) of the Shares in issue; and
- (b) having an aggregate value, based on the closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange on the date of each grant, in excess of HK\$5 million (or such other percentage as may from time to time be specified by the Stock Exchange),

such grant of Options shall be subject to prior approval by the Shareholders. Any vote taken at the meeting to approve the grant of such Options must be taken on a poll. All connected persons (as defined in the Listing Rules) of the Company shall abstain from voting at such general meeting, except that any connected person may vote against the relevant resolution at the general meeting provided that his intention to do so has been stated in the circular to be sent to the Shareholders in connection therewith.

7. Unless otherwise determined by the Board at its sole discretion, the Share Scheme does not require a minimum period for which an Option must be held nor a performance target which must be achieved before an Option can be exercised. In the event that the Board resolves to impose such term(s) on the grant of an Option which decision may vary on a case by case basis, such terms should be stated in the letter containing the offer to the relevant Participant and no such term(s) shall be imposed the result of which will be to the advantage of the Participants.
8. The amount payable on acceptance of an Option is HK\$1 and an offer shall remain open for acceptance by the Participant for a period of 30 days from the date on which the letter containing the offer is delivered to that Participant.
9. The subscription price for the Shares the subject of an Option shall be no less than the higher of (i) the closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange on the Date of Grant; (ii) the average closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange for the 5 business days immediately preceding the Date of Grant; and (iii) the nominal value of a Share on the Date of Grant. The subscription price will be established by the Board at the time the Option is offered to the relevant Participant.
10. The Shares to be allotted and issued upon the exercise of an Option shall be subject to all the provisions of the memorandum and bye-laws of the Company in force at the relevant time and will rank *pari passu* with the fully paid Shares in issue on the date the name of the Grantee is registered on the register of members of the Company. Prior to the Grantee being registered on the register of members of the Company, the Grantee shall not have any voting rights, or rights to participate in any dividends or distributions of any rights arising on a liquidation of the Company, in respect of the Shares to be issued upon the exercise of the Option.
11. The Share Scheme shall be valid and effective for a period of ten years commencing on the date of adoption of the Share Scheme by resolution of the Shareholders.
12. An Option shall lapse automatically and not be exercisable, to the extent not already exercised, on the earliest of:
  - (a) the expiry of the Option period;
  - (b) the expiry of the period for exercising the Option as referred to in paragraphs 5(b), (c), (d), (f) or (g) above;

- (c) subject to the scheme of arrangement referred to in paragraph 5(e) above becoming effective, the expiry of the period for exercising the Option as referred to in paragraph 5(e) above;
  - (d) subject to paragraph 5(f) above, the date of commencement of the winding up of the Company;
  - (e) the date on which the Grantee sells, transfers, charges, mortgages, encumbers or creates any interest in favour of any other person, over or in relation to any Option in breach of the Share Scheme;
  - (f) the date on which the Grantee, if an employee, ceases to be a Participant by reason of the termination of his or her employment on the grounds that he or she has been guilty of serious misconduct, or appears either to be unable to pay or to have no reasonable prospect of being able to pay his or her debts or has become bankrupt or has made any arrangement or composition with his or her creditors generally or has been convicted of any criminal offence involving his or her integrity or honesty or on any other ground on which an employer would be entitled to terminate his or her employment summarily; and
  - (g) unless the Board otherwise determines, the date the Grantee ceases to be a Participant for any other reason.
13. In the event of any capitalisation of profits or reserves, rights issue, subdivision or consolidation of Shares, reduction of the share capital of the Company whilst any Option remains exercisable, the auditors of the Company shall certify in writing that any corresponding adjustment required to be made to the subscription price or the number of Shares to be issued on exercise of the Options or the method of exercise of the Option is in their opinion fair and reasonable and provided that any such adjustments give the Participant the same proportion of the equity capital of the Company as to which that person was previously entitled. No such adjustment may be made to the extent that a Share will be issued at less than its nominal value.
14. Any Options granted but not exercised may be cancelled if the Grantee so agrees and new Options may be granted to the Grantee provided there are available unissued Options (excluding the cancelled Options) within the limits specified in paragraph 3 above and are otherwise granted in accordance with the terms of the Share Scheme.
15. The Shares issued on exercise of the Options will on issue be identical to the then existing issued Shares of the Company.



16. The Company by ordinary resolution of Shareholders, or by resolution of the Board, may at any time terminate the operation of the Share Scheme and in such event no further Options will be offered or granted under the Share Scheme. Any granted but unexercised Options shall continue to be exercisable in accordance with their terms of issue after the termination of the Share Scheme.
17. The Options granted will be personal to the Grantees and will not be transferable or assignable.
18. Those specific provisions of the Share Scheme which relate to the matters set out in Rule 17.03 of the Listing Rules cannot be altered to the advantage of Participants, and no changes to the authority of the Board in relation to any alteration of the terms shall be made, without the prior approval of Shareholders in general meeting. Any alterations to the terms and conditions of the Share Scheme which are of a material nature, or any change to the terms of Options granted, must be approved by the Shareholders in general meeting, except where the alterations take effect automatically under the then existing terms of the Share Scheme. Any such alterations to the terms of the Share Scheme and the Options will have to comply with the Listing Rules then applicable.

## **II. RESTRICTION ON THE TIME OF GRANT OF OPTIONS**

A grant of Options may not be made after a price sensitive event has occurred or a price sensitive matter has been the subject of a decision until such price sensitive information has been published in newspapers. In particular, during the period commencing one month immediately preceding the earlier of:

- (1) the date of the board meeting (as such date is first notified to the Stock Exchange in accordance with paragraph 12 of the listing agreement between the Company and the Stock Exchange) for the approval of the Company's interim or annual results; and
- (2) the deadline for the Company to publish its interim or annual results announcement under the listing agreement between the Company and the Stock Exchange,

and ending on the date of the results announcement, no Option may be granted. The period during which no Option may be granted will cover any period of delay in the publication of a results announcement.

**III. PRESENT STATUS OF THE SHARE SCHEME**

The adoption of the Share Scheme is conditional on:

- (a) the Shareholders passing an ordinary resolution at the EGM to approve the termination of the Existing Scheme and adoption of the Share Scheme;
- (b) the Listing Committee of the Stock Exchange granting approval of the listing of, and permission to deal in, the Shares to be issued pursuant to any exercise of the Options and which Shares must not in aggregate exceed 10% of the issued share capital of the Company as at the date of adoption of the Share Scheme by resolution of the Shareholders.

If condition (b) above is not satisfied within 2 calendar months after the date of adoption of the Share Scheme, the Share Scheme shall forthwith determine and no person shall be entitled to any rights or benefits or be under any obligations under or in respect of the Share Scheme and the Existing Scheme shall continue to operate. An extraordinary general meeting for the purpose of condition (a) above, amongst other things, will be convened on 30th July, 2007.

Application will be made to the Listing Committee of the Stock Exchange for the approval of the listing of, and permission to deal in, the Shares which may fall to be issued pursuant to the exercise of the Options granted under the Share Scheme.

*This Appendix serves as an explanatory statement as required by the Listing Rules, to be included in this circular concerning the repurchase of Shares by the Company.*

## **SHARE CAPITAL**

As at the Latest Practicable Date, the issued share capital of the Company comprised 576,000,000 Shares. Upon completion of the Placing, the Company will have an aggregate of 691,200,000 shares in issue as at the date of EGM.

Subject to the passing of the relevant ordinary resolution to approve the Repurchase Mandate at the EGM and on the basis that no further Shares are issued or repurchased prior to the EGM (save for the issuance of Shares under the Placing), the Company would be allowed under the Repurchase Mandate to repurchase a maximum of 69,120,000 Shares.

## **REASONS FOR THE REPURCHASE**

The Directors consider that the Repurchase Mandate will provide the Company with the flexibility to make such repurchases as and when appropriate and beneficial to the Company. Such repurchase may, depending on market conditions and funding arrangements at the time, lead to an enhancement of net asset value of the Company and/or its earnings per Share and will only be made when the Directors believe that such a repurchase will benefit the Company and its Shareholders as a whole.

## **FUNDING OF REPURCHASES**

In repurchasing the Shares, the Company may only apply funds legally available for such purpose in accordance with its memorandum and articles of association and the applicable laws of Hong Kong and the Cayman Islands. The Companies Laws (2004 Revision) of the Cayman Islands (the “Laws”) provide that a share repurchase by the Company may only be made out of profits of the Company or out of the proceeds of a fresh issue of shares made for the purpose or, if so authorised by the articles of association of the Company and subject to the provisions of the Laws, out of capital. Any premium payable on a repurchase over the par value of the Shares repurchased or conditionally or unconditionally to be purchased must be provided for out of profits of the Company or out of the Company’s share premium account or, if so authorised by the Articles and subject to the provisions of the Laws, out of capital.

There may be material adverse impact on the working capital or the gearing position of the Company (as compared with the position disclosed in the Company’s audited accounts for the year ended 31st March, 2006) in the event that the Repurchase Mandate is exercised in full. However, the Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital or gearing levels which in the opinion of the Directors are from time to time appropriate for the Company.

**UNDERTAKING OF THE DIRECTORS**

The Directors have undertaken to the Stock Exchange to exercise the powers of the Company to make repurchases pursuant to the proposed resolution in accordance with the Listing Rules and all applicable laws of the Cayman Islands, and in accordance with the regulations set out in the memorandum and articles of association of the Company.

**EFFECT OF THE TAKEOVERS CODE**

If, on the exercise of the power to repurchase Shares pursuant to the Repurchase Mandate, a Shareholder's proportionate interest in the voting rights of the Company increases, such an increase will be treated as an acquisition for the purposes of the Takeovers Code. As a result, a Shareholder or a group of Shareholders acting in concert could obtain or consolidate control of the Company and become obliged to make a mandatory offer in accordance with Rule 26 and Rule 32 of the Takeovers Code. As at the Latest Practicable Date, Huge Gain Development Limited ("Huge Gain") and Premier Rise Investments Limited ("Premier Rise"), the two largest shareholders of the Company, each held 96,000,000 Shares, representing approximately 16.67% of the entire issued share capital of the Company. Taken into account that the Placing is expected to be completed before the date of EGM, the number of Shares in issue will be increased to 691,200,000 Shares as at the date of EGM, in which Great Luck Management Limited ("Great Luck"), Huge Gain and Premier Rise will hold approximately 16.67%, 13.89% and 13.89% of the issued share capital of the Company respectively. In the event that the Repurchase Mandate is exercised in full, each of Huge Gain, Premier Rise and Great Luck's interest would be increased to approximately 15.43%, 15.43% and 18.52% of the issued share capital of the Company respectively. Accordingly, the Directors consider that the exercise in full of the power to repurchase Shares under the Repurchase Mandate will not give rise to an obligation to make a mandatory offer under Rule 26 and Rule 32 of the Takeovers Code. The Directors are not aware of any consequences which may arise under the Takeovers Code as a result of any repurchase made under the Repurchase Mandate.

**DIRECTORS, THEIR ASSOCIATES AND CONNECTED PERSONS**

None of the Directors nor, to the best of the knowledge of the Directors having made all reasonable enquiries, any associate of any of the Directors has any present intention, in the event that the Repurchase Mandate is approved by the Shareholders, to sell Shares to the Company.

No connected person of the Company has notified the Company that he/she has a present intention to sell Shares to the Company nor has he/she undertaken not to sell any of the Shares held by him/her to the Company in the event that the Company is authorised to make repurchases of Shares.

**SHARE REPURCHASE MADE BY THE COMPANY**

No repurchases of Shares have been made by the Company during the last six months preceding the Latest Practicable Date (whether on the Stock Exchange or otherwise).

**SHARE PRICES**

During each of the past twelve months preceding the Latest Practicable Date, the highest and lowest trading prices of the Shares on the Stock Exchange are as follows:

<b>Month</b>	<b>Highest Price</b> <i>(HK\$)</i>	<b>Lowest Price</b> <i>(HK\$)</i>
<b>2006</b>		
June	0.119	0.099
July	0.150	0.120
August	0.130	0.105
September	0.135	0.114
October	0.127	0.107
November	0.125	0.107
December	0.131	0.119
<b>2007</b>		
January	0.141	0.114
February	0.273	0.134
March	0.333	0.210
April	0.347	0.253
May	0.550	0.315
June	1.660	0.470
July (up to the Latest Practicable Date)	2.050	1.380



## GRANDTOP INTERNATIONAL HOLDINGS LIMITED

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 2309)**

**NOTICE IS HEREBY GIVEN** that the extraordinary general meeting (the “Extraordinary General Meeting”) of the shareholders of Grandtop International Holdings Limited (the “Company”) will be held at Island Ballroom A, 5/F., Island Shangri-la Hotel, Two Pacific Place, Supreme Court Road, Central, Hong Kong on Monday, 30th July, 2007 at 9:30 a.m. for the following purposes:

1. to consider and, if thought fit, pass with or without amendments the following resolution as an ordinary resolution:

“**THAT** conditional on (a) the shareholders of the Company approving the share option scheme of the Company in the form produced before this meeting and for the purpose of identification marked “A” and signed by the Chairman of the meeting (“Share Option Scheme”) and (b) the Listing Committee of The Stock Exchange of Hong Kong Limited granting approval of the listing of and permission to deal in the shares to be issued pursuant to the exercise of any options granted under the Share Option Scheme representing 10% of the issued share capital of the Company as at the date of the extraordinary general meeting (i) the existing share scheme of the Company adopted on 22nd October, 2002 be and is hereby terminated and (ii) the Share Option Scheme be and is hereby approved and adopted and that the directors of the Company be and are hereby authorised to grant options and to allot and issue shares pursuant to the exercise of any options granted under the Share Option Scheme.”

2. to consider and, if thought fit, pass with or without amendments the following resolutions as ordinary resolutions:

“**THAT:**

- (a) subject to paragraph (c) of this resolution, and pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”), the exercise by the Directors during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue and deal with additional shares in the share capital of the Company and to make or grant offers, agreements and options which might require the exercise of such powers be and is hereby generally and unconditionally approved;

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- (b) the approval in paragraph (a) of this resolution shall authorise the Directors during the Relevant Period to make or grant offers, agreements and options which might require the exercise of such powers after the end of the Relevant Period;
- (c) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to options or otherwise) by the Directors pursuant to the approval in paragraph (a) of this resolution, otherwise than pursuant to (i) a Rights Issue (as hereinafter defined); or (ii) the grant or exercise of any option under the share option scheme of the Company or any other option scheme or similar arrangement for the time being adopted for the grant or issue of shares or rights to acquire shares of the Company; or (iii) any scrip dividend or similar arrangement providing for the allotment of shares in lieu of the whole or part of a dividend on shares of the Company in accordance with the articles of association of the Company in force from time to time; or (iv) any issue of shares in the Company upon the exercise of rights of subscription or conversion under the terms of any existing warrants of the Company or any existing securities of the Company which carry rights to subscribe for or are convertible into shares of the Company, shall not exceed 20% of the aggregate nominal amount of the share capital of the Company in issue at the date of passing of this resolution and the authority pursuant to paragraph (a) of this resolution shall be limited accordingly; and
- (d) for the purpose of this resolution “Relevant Period” means the period from the date of the passing of this resolution until whichever is the earliest of:
  - (i) the conclusion of the next annual general meeting of the Company;
  - (ii) the expiration of the period within which the next annual general meeting of the Company is required by the articles of association of the Company, or any applicable law of the Cayman Islands to be held; and
  - (iii) the passing of an ordinary resolution by the shareholders of the Company in general meeting revoking or varying the authority given to the Directors by this resolution.

“Rights Issue” means an offer of shares in the Company, or offer or issue of warrants, options or other securities giving rights to subscribe for shares open for a period fixed by the Directors to holders of shares in the Company on the register on a fixed record date in proportion to their holdings of shares (subject to such exclusion or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements, or having regard to any restrictions or obligations under the laws of, or the requirements of, or the expense or delay which may be involved in determining the existence or extent of any restrictions

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or obligations under the laws of, or the requirements of, any jurisdiction applicable to the Company, or any recognised regulatory body or any stock exchange applicable to the Company).”

3. to consider and, if thought fit, pass with or without amendments the following resolution as an ordinary resolution:

**“THAT:**

- (a) subject to paragraph (b) of this resolution, the exercise by the Directors during the Relevant Period (as hereinafter defined) of all the powers of the Company to repurchase its shares on the Stock Exchange or any other stock exchange on which the shares of the Company may be listed and recognized by The Securities and Futures Commission of Hong Kong (the “Securities and Futures Commission”) and the Stock Exchange for such purpose, and otherwise in accordance with the rules and regulations of the Securities and Futures Commission, the Stock Exchange or of any such other stock exchange as amended from time to time and all applicable laws in this regard, be and is hereby generally and unconditionally approved;
- (b) the aggregate nominal amount of shares of the Company authorised to be repurchased by the Company pursuant to the approval in paragraph (a) of this resolution during the Relevant Period shall not exceed 10% of the aggregate nominal amount of the issued share capital of the Company at the date of the passing of this resolution and the authority pursuant to paragraph (a) of this resolution shall be limited accordingly; and
- (c) for the purpose of this resolution, “Relevant Period” means the period from the date of the passing of this resolution until whichever is the earliest of:
  - (i) the conclusion of the next annual general meeting of the Company;
  - (ii) the expiration of the period within which the next annual general meeting of the Company is required by the articles of association of the Company, or any applicable law of the Cayman Islands to be held; and
  - (iii) the passing of an ordinary resolution by the shareholders of the Company in general meeting revoking or varying the authority given to the Directors by this resolution.”



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4. to consider and, if thought fit, pass with or without amendments the following resolution as an ordinary resolution:

“**THAT** conditional upon resolutions nos. 2 and 3 above being passed, the unconditional general mandate granted to the Directors to allot, issue and deal with additional shares and to make or grant offers, agreements and options which might require the exercise of such powers pursuant to resolution no. 2 above be and is hereby extended by the addition thereto of an amount representing the aggregate nominal amount of the share capital of the Company repurchased by the Company under the authority granted pursuant to resolution no. 3 above, provided that such amount shall not exceed 10% of the aggregate nominal amount of the issued share capital of the Company at the date of the passing of the said resolution.”

5. to consider and, if thought fit, pass with or without amendments the following resolution as ordinary resolution:

“**THAT** M. C. Ng & Co. Certified Public Accountants (Practising), be and is hereby appointed as auditors of the Company to fill the vacancy following the resignation of HLB, and to hold office until the conclusion of the next annual general meeting of the Company and that the board of directors of the Company be authorized to fix their remuneration.”

By order of the Board  
**Grandtop International Holdings Limited**  
**Hui Ho Luek, Vico**  
*Executive Director*

Hong Kong, 12th July, 2007

*Registered Office:*

Cricket Square  
Hutchins Drive  
P. O. Box 2681  
Grand Cayman  
KY1-1111  
Cayman Islands

*Principal place of business in Hong Kong:*

Unit 3008, 30/F  
West Tower  
Shun Tak Centre  
168-200 Connaught Road Central  
Hong Kong

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*Notes:*

1. A member of the Company entitled to attend and vote at the Extraordinary General Meeting convened by the above notice is entitled to appoint one or more proxies to attend and, on a poll, vote instead of such member. A proxy need not be a member of the Company.
2. In the case of joint holders of shares in the Company, the vote of the senior who tenders a vote whether in person or by proxy, shall be accepted to the exclusion of the vote(s) of the other joint holders, seniority being determined by the order in which names stand in the register of members.
3. In order to be valid, the form of proxy together with a power of attorney or other authority (if any) under which it is signed or a notarially certified copy thereof, must be deposited at the Company's Hong Kong Branch Share Registrar, Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong, not less than 48 hours before the time appointed for holding the Extraordinary General Meeting (or any adjournment thereof).
4. As at the date of this notice, the directors of the Company are Mr. Hui Ho Luek, Vico, Mr. Steven McManaman, Mr. Lee Yiu Tung, Ms. Wong Po Ling, Pauline and Ms. Siu Bessie as executive directors, Mr. Ip Wing Lun and Mr. Fu Wing Kwok, Ewing as non-executive directors, Mr. Chang Kin Man, Mr. Yip Man Ki and Mr. Zhou Han Ping, all being the independent non-executive directors.