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GRANDY CORPORATION

泓迪有限公司*

(incorporated in the Cayman Islands with limited liability)

(Stock Code : 8143)

DISCLOSEABLE AND CONNECTED TRANSACTION:

ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF YOUNGDONG ENVIRONMENTAL ENGINEERING CO., LTD.*

On 24 March 2004, Rightime entered into the Sale and Purchase Agreement with Key Engineering in relation to the acquisition of the entire issued share capital of Youngdong from Key Engineering for an aggregate cash consideration of KRW 580 million (equivalent to approximately HK\$ 4 million).

Youngdong is a company incorporated in the Republic of Korea and is principally engaged in environmental and environmental-related businesses, including but not limited to installation, engineering and management of wastewater treatment systems and environmental facilities and the provision of environmental analysis and measurement services, in the Republic of Korea.

Key Engineering is a connected person of the Company under the GEM Listing Rules as it together with its associates presently own approximately 29.95% of the issued share capital of the Company. As the Consideration represents more than 15% but less than 50% of the Net Tangible Assets, the Acquisition constitutes a discloseable and connected transaction of the Company under the GEM Listing Rules.

Given that the Consideration does not exceed HK\$ 10 million, the Acquisition is exempt from shareholders' approval requirements under Rule 20.24 of the GEM Listing Rules.

A circular containing details of the Acquisition and information regarding the Group will be despatched to the shareholders of the Company within 21 days after the publication of this announcement.

The Sale and Purchase Agreement

Date: 24 March 2004

Parties: (1) Vendor: Key Engineering
(2) Purchaser: Rightime

Key Engineering is an environmental solutions company incorporated in the Republic of Korea and the issued shares of which are listed and traded on the KOSDAQ in the Republic of Korea. As Key Engineering together with its associates presently own approximately 29.95% of the issued share capital of the Company, Key Engineering is a connected person of the Company under the GEM Listing Rules.

Asset to be acquired

Pursuant to the Sale and Purchase Agreement, Rightime has conditionally agreed to acquire the Sale Shares, representing the entire issued share capital of Youngdong, from Key Engineering.

Consideration

The consideration of KRW 580 million (equivalent to approximately HK\$ 4 million) will be payable by Rightime in cash upon Completion. The Consideration represents a premium of approximately 51.04% over the audited net tangible asset value of Youngdong as at 31 December 2003.

The Consideration was determined after arms' length negotiation between the parties to the Sale and Purchase Agreement with reference to the business prospects and historical performance of Youngdong. The Directors (including the independent non-executive Directors) consider that the terms of the Acquisition are fair and reasonable and are on normal commercial terms and in the interests of the Company and its shareholders as a whole.

The original purchase cost of the entire issued share capital of Youngdong, being the subject matter of the Acquisition, was KRW 550 million (equivalent to approximately HK\$ 3.79 million).

The Directors intends to finance the Consideration by the internal resources of the Group or by bank borrowings or by the proceeds from the possible fund raising exercise of the Group. However, no exact spread has been determined as at the date of this announcement. The Company may carry out fund raising exercise to raise funds for the financing of the Consideration. However, the Directors confirm that no concrete or definite plan for such arrangement has been arrived at as at the date of this announcement. Further announcement will be made as and when appropriate in accordance with the GEM Listing Rules.

The Directors confirm that the Group has sufficient financial resources to satisfy the Consideration and the Acquisition will not have any material adverse effect on the working capital position of the Group.

Conditions of the Acquisition

Completion is conditional upon, inter alia, the following conditions having been fulfilled:

- (i) Rightime having been satisfied with the results of the due diligence exercise (which shall include but not limited to the legal and financial aspects of Youngdong) to be carried out by it on Youngdong;

- (ii) all necessary consents, authorisations, licences and approvals for the Acquisition having been obtained;
- (iii) the representations and warranties given by the parties to the Sale and Purchase Agreement remaining true and accurate in all respects; and
- (iv) there being no matters adversely affecting the legal standing or continued existence of Youngdong or the ability of Youngdong to continue to carry on its ordinary business.

If the conditions have not been fulfilled or otherwise waived by Righttime on or before 30 April 2004 or such later date as Righttime may agree, the Sale and Purchase Agreement will cease to have any effect and no party will have any liability under the Sale and Purchase Agreement save for antecedent breaches of the provisions of the Sale and Purchase Agreement.

Completion

Subject to the conditions of the Acquisition having been fulfilled or waived, Completion will take place on the next business day following the date on which all the conditions of the Acquisition have been fulfilled or waived.

Upon Completion, Youngdong will become a wholly owned subsidiary of the Company.

Information on Youngdong

Youngdong is a company incorporated in the Republic of Korea and is principally engaged in environmental and environmental-related businesses, including but not limited to installation, engineering and management of wastewater treatment systems and environmental facilities and the provision of environmental analysis and measurement services, in the Republic of Korea. Its clients include municipal governments and industrial plant operators.

Based on the audited accounts of Youngdong for the year ended 31 December 2003, the audited net tangible asset value of Youngdong as at 31 December 2003 was approximately KRW 384 million (equivalent to approximately HK\$ 2.65 million). For the year ended 31 December 2003, the audited net profit before and after tax of Youngdong were approximately KRW 143 million (equivalent to approximately HK\$ 0.99 million) and approximately KRW 112 million (equivalent to approximately HK\$ 0.77 million) respectively. Based on the unaudited management accounts of Youngdong for the year ended 31 December 2002, the unaudited profit before and after tax of Youngdong were approximately KRW 76 million (equivalent to approximately HK\$ 0.52 million) and approximately KRW 59 million (equivalent to approximately HK\$ 0.41 million) respectively. There were no minority interests in Youngdong for the two years ended 31 December 2003.

Reasons for the Acquisition

The Company is an investment holding company incorporated in the Cayman Islands and its subsidiaries are principally engaged in the production, sourcing, sale and marketing of environmental products and the provision of ancillary services for combating environmental problems.

The Directors consider that the Acquisition offers the Group a good business opportunity to create synergy for its existing operations and to further develop its one-stop-shop environmental protection services especially in the field of combating water pollution and energy wastage problems. In addition, the Directors believe that the Acquisition offers the Group an opening to undergo an expansion in the Republic of Korea so as to broaden its customer base and to minimise the economic risks that may be caused by the concentration of operation in a particular country. The Directors believe that the Group can gain access to the well-established know-how in the area of wastewater treatment and environmental measurement services established by Youngdong so as to further strengthen its existing business.

The Directors also consider that the Acquisition would have positive impact on the earning base of the Group in the long run and will be beneficial to the Group as well as the shareholders of Company as a whole.

GENERAL

Key Engineering is a connected person of the Company under the GEM Listing Rules as it together with its associates presently own approximately 29.95% of the issued share capital of the Company. As the Consideration represents more than 15% but less than 50% of the Net Tangible Assets, the Acquisition constitutes a discloseable and connected transaction of the Company under the GEM Listing Rules.

Given that the Consideration does not exceed HK\$10 million, the Acquisition is exempt from shareholders' approval requirements under Rule 20.24 of the GEM Listing Rules.

A circular containing details of the Acquisition and information regarding the Group will be despatched to the shareholders of the Company within 21 days after the publication of this announcement.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following words and expressions shall have the following meanings:

“Acquisition”	the acquisition by Righttime of the Sale Shares subject to and upon the terms and conditions of the Sale and Purchase Agreement
“associates”	has the meaning ascribed to this term under the GEM Listing Rules

“business day”	a day (other than Saturdays) on which licensed banks in Hong Kong are generally open for business throughout their normal business hours
“Company”	Grandy Corporation, a company incorporated in the Cayman Islands with limited liability on 28 May 2001 and the issued Shares of which are listed on GEM
“Completion”	completion of the Acquisition pursuant to the Sale and Purchase Agreement
“connected person”	has the meaning ascribed to this term under Chapters 1 and 20 of the GEM Listing Rules
“Consideration”	the consideration in the sum of KRW 580 million (equivalent to approximately HK\$ 4 million) payable by Rightime to Key Engineering for the sale and purchase of the Sale Shares
“Directors”	directors (including the independent non-executive directors) of the Company
“Group”	the Company and its subsidiaries
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Key Engineering”	Key Engineering Co., Ltd, a substantial shareholder of the Company and the vendor under the Sale and Purchase Agreement
“Net Tangible Assets”	the unaudited consolidated net tangible assets of the Company as at 30 September 2003, adjusted to take into account the placing of new Shares to Key Engineering which was completed on 10 November 2003 and the unaudited consolidated quarterly results of the Company for the three months ended 31 December 2003
“Rightime”	Rightime Development Limited, a company incorporated in the British Virgin Islands and a wholly owned subsidiary of the Company, the purchaser under the Sale and Purchase Agreement
“Sale and Purchase Agreement”	the sale and purchase agreement dated 24 March 2004 and entered into between Rightime and Key Engineering in respect of the Acquisition

“Sale Shares”	40,000 common voting shares of par value of KRW 5,000 each of Youngdong, representing the entire issued share capital of Youngdong
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Youngdong”	Youngdong Environmental Engineering Co., Ltd.* (영동환경엔지니어링(주)), a company incorporated in the Republic of Korea
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“KRW”	Korean Won, the lawful currency of the Republic of Korea
“%”	per cent.

For the purpose of this announcement, unless otherwise specified, conversion of Korean Won into Hong Kong dollars are based on the approximate exchange rate of KRW 145.00 to HK\$1.00.

Yours faithfully
By order of the Board
Grandy Corporation
Tsui Tai Hoi Raymond
Managing Director

Hong Kong, 24 March 2004

* *for identification purpose only*

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this announcement is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this announcement misleading; and (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

This announcement will remain on the “Latest Company Announcements” page of the GEM website for at least seven days from the day of its posting and on the website of the Company at www.grandy.com.hk.