

This announcement appears for information purpose only and does not constitute an invitation or offer to acquire, purchase or subscribe for securities.

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this announcement, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



GRANDY CORPORATION

泓迪有限公司*

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 8143)

MAJOR TRANSACTION:

ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF SEBICS KOREA CO., LTD.*

On 8 June 2004, Able Developments, a wholly-owned subsidiary of the Company, entered into the Sale and Purchase Agreement with Pioneer States in relation to the acquisition of the entire issued share capital of Sebics from Pioneer States for an aggregate consideration of HK\$ 20,465,255, which shall be satisfied by Able Developments procuring the Company to allot and issue an aggregate of 240,767,705 Consideration Shares at the issue price of HK\$0.085 per Consideration Share to Pioneer States upon Completion, credited as fully paid. Based on the closing price of HK\$0.088 per Share as quoted on GEM on 7 June 2004, being the last trading day immediately prior to the date of this announcement, the market value of the Consideration Shares amounted to approximately HK\$21,187,558.

Sebics was incorporated under the laws of the Republic of Korea and is principally engaged in energy saving and energy saving-related businesses including, but not limited to, the installation, development, and manufacturing of energy saving products in the Republic of Korea.

Pioneer States and its beneficial owners are not connected persons (as defined under the GEM Listing Rules) of the Company and not parties acting in concert (as defined under the Takeovers Code) with any of the directors, chief executive and other shareholders of the Company or its subsidiaries or any of their respective associates. Immediately after Completion, (i) Pioneer States will become interested in approximately 17.20% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares; and (ii) Pioneer States and its beneficial owners and parties acting in concert (as defined under the Takeovers Code) with any of them will not hold more than 30% equity interests in the issued share capital of the Company.

The Acquisition is subject to the conditions set out in the paragraph headed “Conditions” below.

The Consideration Shares represent approximately 20.78% of the issued share capital of the Company as at the date of this announcement and approximately 17.20% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares.

The issue price for the Consideration Shares of HK\$0.085 each represents a discount of approximately 3.41% to the closing price of HK\$0.088 per Share as quoted on GEM on 7 June 2004, being the last trading day immediately prior to the date of this announcement and a discount of approximately 5.13% to the average closing price of approximately HK\$0.0896 per Share as quoted on GEM for the last five consecutive trading days up to and including 7 June 2004.

The Acquisition constitutes a major transaction of the Company under the GEM Listing Rules and is subject to the approval of the Shareholders.

A circular containing details of, among other things, the Acquisition and information of the Group and setting out a notice of the extraordinary general meeting of the Company will be despatched to the Shareholders within 21 days after the publication of this announcement.

At the request of the Company, the trading in Shares on GEM was suspended with effect from 9:30 a.m. on 8 June 2004, pending the release of this announcement. Application has been made by the Company for the resumption of trading in Shares on GEM with effect from 9:30 a.m. on 21 June 2004.

THE SALE AND PURCHASE AGREEMENT

Date: 8 June 2004

Parties: (1) Vendor: Pioneer States
(2) Purchaser: Able Developments

Pioneer States is a company incorporated under the laws of the British Virgin Islands. Pioneer States is principally engaged in investment holding. Its only asset is its entire equity interests in Sebics. Pioneer States and its ultimate and beneficial owners are not connected persons (as defined under the GEM Listing Rules) of the Company and are not parties acting in concert (as defined under the Takeovers Code) with any of the directors, chief executive and other shareholders of the Company or its subsidiaries or any of their respective associates. Pioneer States did not have any interests in the Shares prior to entering into the Sale and Purchase Agreement. Immediately after Completion, (i) Pioneer States will become interested in approximately 17.20% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares; and (ii) Pioneer States and its beneficial owners and parties acting in concert (as defined under the Takeovers Code) with any of them will not hold more than 30% equity interests in the issued share capital of the Company.

Asset to be acquired

Pursuant to the Sale and Purchase Agreement, Able Developments, which is a wholly-owned subsidiary of the Company, has agreed to acquire the Sale Shares, representing the entire issued share capital of Sebics, from Pioneer States.

Consideration

The consideration for the sale and purchase of the Sale Shares is HK\$20,465,255, which shall be satisfied by Able Developments procuring the Company to allot and issue an aggregate of 240,767,705 Consideration Shares at an issue price of HK\$0.085 per Consideration Share to Pioneer States upon Completion, credited as fully paid. The Consideration represents the price to earnings ratio of approximately 21.90 times over the audited net profit after tax of Sebics for the financial year ended 31 December 2003, which is in line with the price to earnings ratios of some of the identical or comparable industries in the Republic of Korea and the United States of America.

The Consideration was determined after arms' length negotiations between the parties to the Sale and Purchase Agreement after taking into account the following factors: (i) the Group is currently loss-making while Sebics is profit-making; (ii) the future growth prospect of Sebics's business; (iii) there being no initial cash outlay for the Company as the Acquisition will be satisfied by the issue of the Consideration Shares; (iv) having considered the price to earnings ratios of some of the identical or comparable industries in the Republic of Korea and the United States of America; and (v) the synergies between the business of the Group and Sebics. 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 the Shareholders as a whole. In particular, the Directors consider that the Acquisition offers the Group a good business opportunity to benefit from Sebics's existing marketing network in the Republic of Korea to further penetrate into the Korean market. Also, it is expected that Sebics will benefit from the experience of the Company's management and its existing marketing presence in the PRC to pave its way into the PRC market. Both could lead to enlarging the customer base of the Group in the PRC and the Republic of Korea. Accordingly, the Directors consider that there will be synergies between the business of the Group and Sebics.

The Consideration Shares will be allotted and issued under the specific mandate to be granted to the Directors at the extraordinary general meeting of the Company to be convened and held to approve the Sale and Purchase Agreement and the transactions contemplated thereunder, including but not limited to the allotment and issue of the Consideration Shares.

The issue price for the Consideration Shares of HK\$0.085 each represents a discount of approximately 3.41% to the closing price of HK\$0.088 per Share as quoted on GEM on 7 June 2004, being the last trading day immediately prior to the date of this announcement and a discount of approximately 5.13% to the average closing price of approximately HK\$0.0896 per Share as quoted on GEM for the last five consecutive trading days up to and including 7 June 2004. Based on the closing price of HK\$0.088 per Share as quoted on GEM on 7 June 2004, the market value of the Consideration Shares amounted to approximately HK\$21,187,558.

The Consideration Shares represent approximately 20.78% of the issued share capital of the Company as at the date of this announcement and approximately 17.20% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares. The Consideration Shares, when allotted and issued, will rank *pari passu* in all respects with all Shares in issue including the right to any dividends or distributions made, declared or paid on or after the date of such allotment and issue.

There is no trading restriction on the Consideration Shares.

Application will be made to the Stock Exchange for the listing of and permission to deal in the Consideration Shares on GEM.

Conditions

Completion is conditional upon:

- (i) the passing of an ordinary resolution at the extraordinary general meeting of the Company approving the Sale and Purchase Agreement and the transactions contemplated thereunder including but not limited to the allotment and issue of the Consideration Shares to Pioneer States;
- (ii) the GEM Listing Committee granting the listing of and permission to deal in the Consideration Shares;
- (iii) Able Developments having satisfied with the results of the due diligence review (including but not limited to the financial and legal aspects of the affairs of Sebics) to be conducted by it on Sebics;
- (iv) all necessary consents, authorisations, licences and approvals for or in connection with the sale and purchase of the Sale Shares having been obtained; and
- (v) there being no matters adversely affecting the legal standing or continued existence of Sebics or the ability of Sebics to continue to carry on its ordinary business.

Conditions (i) and (ii) above cannot be waived. If the conditions have not been fulfilled or otherwise waived (in relation to conditions (iii) to (v) only) by the parties to the Sale and Purchase Agreement on or before 12:00 noon on 31 August 2004 or such later date as Able Developments may agree, the Sale and Purchase Agreement will cease and determine and neither party will have any obligations and liability under the Sale and Purchase Agreement save for antecedent breaches of the same.

Completion

Completion will take place on the third business day following the date on which the conditions above have been fulfilled or waived (as the case may be).

Pioneer States has indicated that it will not appoint any representative to the Board upon Completion.

Upon Completion, Pioneer States will become interested in approximately 17.20% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares and will become a substantial Shareholder.

The shareholding structure of the Company immediately before and after Completion are as follows:

Name of Shareholder	Shareholding structure immediately before Completion		Shareholding structure immediately after Completion	
	Number of Shares	% shareholding (approximate)	Number of Shares	% shareholding (approximate)
Achieve Century Limited (<i>Note 1</i>)	416,769,983	35.97%	416,769,983	29.78%
Key Engineering Co., Ltd. (<i>Note 2</i>)	287,000,000	24.77%	287,000,000	20.51%
Genesis Southstar Ltd. (<i>Note 3</i>)	60,000,000	5.18%	60,000,000	4.29%
Pioneer States Holdings Limited (<i>Note 4</i>)	–	–	240,767,705	17.20%
Public	394,901,684	34.08%	394,901,684	28.22%
Total	<u>1,158,671,667</u>	<u>100.00%</u>	<u>1,399,439,372</u>	<u>100.00%</u>

Notes:

- (1) The issued share capital of Achieve Century Limited is owned as to approximately 53.87% by Tipmax Limited and as to approximately 46.13% by Star Wave Limited.

Tipmax Limited is wholly owned by Mr. Tsui Tai Hoi Raymond, an executive Director. The issued share capital of Star Wave Limited is owned as to approximately 40.55%, 13.51%, 13.51%, 10.81%, 10.81% and 10.81% by Mr. Hoang Tan Van George, Mr. Yeung Kam Yan, Mr. Leung Chi Kin, Mr. To Hang Ming, Mr. Mio Kwok Man and Mr. Chan Hon Chiu respectively. Mr. Chan Hon Chiu and Mr. Yeung Kam Yan are executive Directors. Apart from their shareholding in the Company, each of Mr. To Hang Ming, Mr. Mio Kwok Man and Mr. Hoang Tan Van George is not connected person (as defined under the GEM Listing Rules) of the Company.

- (2) The issued shares of Key Engineering Co., Ltd. are listed on the KOSDAQ in the Republic of Korea.
- (3) The issued share capital of Genesis Southstar Ltd. is owned as to approximately 62.32% by PML Associates Ltd. and as to approximately 37.68% by Littauer Technologies Co. Ltd.. The entire issued share capital of PML Associates Ltd. is owned by Mr. Chan Sio Peng who, apart from his shareholding in the Company, is not a connected person (as defined under the GEM Listing Rules) of the Company.
- (4) The issued share capital of Pioneer States is ultimately and beneficially owned as to 30% by Mr. Kim In Soung, 50% by Mr. Kim Sang In and as to 20% by Mr. Kim Joo Heon. Pioneer States and its beneficial owners are not connected persons (as defined under the GEM Listing Rules) of the Company and not parties acting in concert (as defined under the Takeovers Code) with any of the directors, chief executive and other shareholders of the Company or its subsidiaries or any of their respective associates.

The Company will ensure that not less than 25% of the issued Shares are held in public hands from time to time to maintain the minimum public float requirement in accordance with Rule 11.23 of the GEM Listing Rules.

Information on Sebics

Sebics was incorporated and commenced its operations on 10 April 2002. It was incorporated under the laws of the Republic of Korea and is principally engaged in energy saving and energy saving-related businesses including, but not limited to, the installation, development, and manufacturing of energy saving products in the Republic of Korea.

Set out below is a summary of the financial results of Sebics for (i) the period from 10 April 2002 (being the date of its incorporation) to 31 December 2002; and (ii) the financial year ended 31 December 2003:

	The financial year ended 31 December 2003		The period from 10 April 2002 (being the date of its incorporation) to 31 December 2002	
	<i>KRW</i>	<i>HK\$</i> <i>(approximate)</i>	<i>KRW</i>	<i>HK\$</i> <i>(approximate)</i>
Profit (loss) before tax	156,943,330	1,046,289	(91,054,099)	(607,027)
Profit tax	(16,971,940)	(113,146)	–	–
Net profit (loss) after tax	139,971,390	933,143	(91,054,099)	(607,027)
	As at 31 December 2003		As at 31 December 2002	
	<i>KRW</i>	<i>HK\$</i> <i>(approximate)</i>	<i>KRW</i>	<i>HK\$</i> <i>(approximate)</i>
Net tangible asset value	124,826,990	832,180	6,683,101	44,554

The Consideration was arrived at by the Group and Sebics based on the price to earnings ratio of approximately 21.90 times over the audited net profit after tax of Sebics for the financial year ended 31 December 2003, which is in line with the price to earnings ratios of some of the identical or comparable industries in the Republic of Korea and the United States of America.

Reasons for the Acquisition

The Company 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 in Hong Kong, the PRC and the Republic of Korea.

The Directors consider that the Acquisition offers the Group a good business opportunity to create synergy for its existing operations and to further expand its business both in terms of customer base and in terms of product range.

In relation to customer base, the Directors believe the Acquisition can create synergy as follows: (i) the Group has been expanding its environment and environmental-related business, especially in wastewater treatment systems and environmental facilities in the Republic of Korea by the acquisition of the entire issued share capital of Youngdong Environmental Engineering Co., Ltd., details of which were set out in the announcement and circular of the Company dated 24 March 2004 and 14 April 2004 respectively; (ii) the Directors believe that it is a good opportunity for the Group to continue developing its energy saving-related businesses in the same country so as to broaden its customer base further in such business; and (iii) in particular, the Directors consider that the Acquisition offers the Group a good business opportunity to benefit from Sebics's existing marketing network in the Republic of Korea and help the Group to further penetrate into the Korean market and further enlarge its customer base in the Republic of Korea.

As regards product range, the Directors believe the Acquisition can create synergy as follows: (i) the Group has been providing small-scale individual environmental products, principally fluorescent lighting; (ii) Sebics, on the other hand, has been providing customised engineering systems such as energy-saving lighting system, energy-saving air-conditioning system and energy-saving pumping system; (iii) Sebics has been providing these systems to large-scale government institutions and industrial plants in the Republic of Korea; and (iv) accordingly, the Directors consider that the Acquisition can enlarge the existing product range offered by the Group and integrate the existing product range offered by the Group in the development of energy saving system, which has been the forte of Sebics.

Furthermore, the current energy-saving technology used by Sebics is the "series type" technology, which is different from other conventional technologies which use "parallel type" and which has helped Sebics to attract customers in sectors which require high level of customised engineering, such as large-scale chemical corporations and local city halls in the Republic of Korea. Also, Sebics is having an alliance with Junbook University in the Republic of Korea to develop other core energy-saving technologies to treat high voltage and noise reduction, which the Directors believe would help to strengthen the competitiveness of the Group. Accordingly, the Directors believe that the Group can gain access to the well-established know-how (especially the "series type" technology and other core energy saving technologies) in the area of energy saving and energy saving-related businesses established by Sebics so as to further strengthen its existing business.

Shareholders should note that their existing shareholding in the Company will be diluted as a result of the allotment and issue of the Consideration Shares. As set out in the table in the paragraph headed "Completion" above, immediately before Completion, public Shareholders in aggregate hold approximately 34.08% of the issued share capital of the Company. Immediately after Completion, the aggregate shareholding of the public Shareholders will be diluted by approximately 5.86% to approximately 28.22%.

However, despite such dilution effect, the Directors consider that the Acquisition would have positive impact on the earning base of the Group and will be beneficial to the Group as well as the Shareholders as a whole. Upon Completion, the Group will hold the entire issued share capital of Sebics and the results of Sebics will be consolidated into that of the Group. The Directors also consider that the Acquisition will also strengthen the asset base of the Group.

General

The Acquisition constitutes a major transaction of the Company under the GEM Listing Rules and is subject to the approval of the Shareholders.

A circular containing details of, among other things, the Acquisition and information of the Group and setting out a notice of the extraordinary general meeting of the Company will be despatched to the Shareholders within 21 days after the publication of this announcement.

At the request of the Company, the trading in Shares on GEM was suspended with effect from 9:30 a.m. on 8 June 2004, pending the release of this announcement. Application has been made by the Company for the resumption of trading in Shares on GEM with effect from 9:30 a.m. on 21 June 2004.

DEFINITIONS

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

“Able Developments”	Able Developments Limited, a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of the Company
“Acquisition”	the acquisition by Able Developments 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
“Board”	board of Directors
“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
“Consideration”	the consideration of HK\$20,465,255 for the sale and purchase of the Sale Shares
“Consideration Shares”	an aggregate of 240,767,705 new Shares to be allotted and issued to Pioneer States at Completion, credited as fully paid

“Directors”	the 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 PRC
“Pioneer States”	Pioneer States Holdings Limited, a company incorporated in the British Virgin Islands
“PRC”	the People’s Republic of China, which for the purpose of this announcement, excludes Hong Kong and the Macau Special Administrative Region of the PRC
“Sale and Purchase Agreement”	the sale and purchase agreement dated 8 June 2004 entered into between Able Developments and Pioneer States in respect of the Acquisition
“Sale Shares”	20,000 common voting shares of par value of KRW 5,000 each of Sebics, representing the entire issued share capital of Sebics
“Sebics”	Sebics Korea Co., Ltd.* ((주)세빅코리아), a company incorporated in the Republic of Korea
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	the holder(s) of Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“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 is based on the approximate exchange rate of KRW150 to HK\$1.00.

By order of the Board
Tsui Tai Hoi Raymond
Managing Director

Hong Kong, 18 June 2004

** for identification purpose only*

As at the date of this announcement, the Board consists of Mr Tsui Tai Hoi Raymond, Mr Chan Hon Chiu, Mr Yeung Kam Yan (all being executive Directors), Mr Yu Chai Mei and Mr Hsu Shiu Foo, William (both being independent non-executive Directors).

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 Group. 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 date of its posting and on the website of the Company at www.grandy.com.hk.