GRANDY CORPORATION
泓迪有限公司*

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 8143)

RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 MARCH 2004

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This announcement for which the directors of Grandy Corporation collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange for the purpose of giving information with regard to Grandy Corporation. 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.

FINANCIAL HIGHLIGHTS

- Turnover of the Group in the year under review was approximately HK$18.6 million in comparison with approximately HK$28.3 million for the previous year, representing a decrease of approximately 34.4%.

- Net loss attributable to shareholders for the year under review was approximately HK$34.7 million.

- No dividend is proposed.

RESULTS

The board (the "Board") of directors (the "Directors") of Grandy Corporation (the "Company") announces the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 March 2004 together with the comparative audited figures for the corresponding years in 2003 as follows:

	Notes	**2004** *HK$*	**2003** *HK$*
Turnover	*2*	18,578,214	28,318,430
Cost of sales		(8,915,682)	(13,893,650)
Gross profit		9,662,532	14,424,780
Other operating income		76,456	394,048
Selling and distribution costs		(1,864,301)	(2,253,361)
Administrative expenses		(21,315,027)	(20,846,648)
Allowance for bad and doubtful debts		(11,791,283)	(2,024,952)
Impairment in value of intangible assets		(10,007,048)	–
Product development costs written off		–	(911,359)
Impairment in value of goodwill		(3,133,987)	–
Loss from operations	*3*	(38,372,658)	(11,217,492)
Finance costs	*4*	(101,637)	(476,675)
Loss on disposal of a subsidiary		(972,238)	–
Loss before taxation		(39,446,533)	(11,694,167)
Taxation	*5*	–	10,031
Loss before minority interests		(39,446,533)	(11,684,136)
Minority interests		4,717,881	309,356
Net loss for the year		(34,728,652)	(11,374,780)
Loss per share – Basic	*6*	(3.53) cents	(1.38) cents

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2004

	Share capital HK$	Share premium HK$	Special reserve HK$	Translation reserve HK$	Deficit HK$	Total HK$
At 1 April 2002	86,667	3,888,697	2,935,416	–	(1,070,976)	5,839,804
Issue of shares	2,316,667	54,800,000	–	–	–	57,116,667
Expenses incurred in connection with the issue of shares	–	(9,487,788)	–	–	–	(9,487,788)
Capitalisation on bonus issue of shares	6,313,333	(6,313,333)	–	–	–	–
Exchange differences arising from translation of financial statements of overseas operations, net of minority interests' share	–	–	–	(12,118)	–	(12,118)
Net loss for the year	–	–	–	–	(11,374,780)	(11,374,780)
At 31 March 2003	8,716,667	42,887,576	2,935,416	(12,118)	(12,445,756)	42,081,785
Issue of shares	2,870,050	7,175,850	–	–	–	10,045,900
Exchange differences arising from translation of financial statements of overseas operations, net of minority interests' share	–	–	–	2	–	2
Net loss for the year	–	–	–	–	(34,728,652)	(34,728,652)
At 31 March 2004	**11,586,717**	**50,063,426**	**2,935,416**	**(12,116)**	**(47,174,408)**	**17,399,035**

The special reserve of the Group represents the difference between the nominal amount of the shares issued by the Company and the aggregate amount of the share capital of a subsidiary acquired pursuant to a group reorganisation in 2001.

Notes:

1. **Basis of preparation**

These results have been prepared in accordance with Statements of Standard Accounting Practice ("SSAP") issued by the Hong Kong Society of Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention.

In the current year, the Group has adopted for the first time the Hong Kong Financial Reporting Standards ("HKFRS") – Statement of Standard Accounting Practice ("SSAP") No. 12 (Revised) "Income taxes" issued by the Hong Kong Society of Accountants ("HKSA"). The term of the HKFRS is inclusive of SSAPs and Interpretations approved by the HKSA. The adoption of this revised SSAP 12 has introduced a new basis of accounting for income taxes (including both current tax and deferred tax) and additional disclosure requirements. These changes have not had any significant impact on the results for the current or prior periods. Accordingly, no prior period adjustment was required.

2. Turnover

Business segments

For management purposes, the Group is only engaged in one single segment which is the manufacture and sales of environmental protection products.

Geographical segments

The Group's operations are located in Hong Kong, Mainland China (the "PRC"), Singapore and Malaysia, representing the basis on which the Group reports its primary segment information. The following table provides an analysis of the Group's geographical segment information.

	Turnover		**Results**	
	2004	**2003**	**2004**	**2003**
	HK$	*HK$*	*HK$*	*HK$*
Hong Kong	13,868,976	11,714,861	5,963,773	5,343,691
PRC	4,118,907	6,285,405	(2,580,463)	927,630
Singapore	385,875	–	(15,409)	–
Malaysia	204,456	10,324,404	(7,360,953)	3,875,146
Inter-segment sales elimination	–	(6,240)	–	–
	18,578,214	28,318,430	(3,993,052)	10,146,467
Unallocated other operating income			76,456	394,048
Unallocated corporate expenses			(21,315,027)	(20,846,648)
Impairment in value of intangible assets			(10,007,048)	–
Product development costs written off			–	(911,359)
Impairment in value of goodwill			(3,133,987)	–
Loss from operations			(38,372,658)	(11,217,492)
Finance costs			(101,637)	(476,675)
Loss on disposal of a subsidiary			(972,238)	–
Loss before taxation			(39,446,533)	(11,694,167)
Taxation			–	10,031
Loss before minority interests			(39,446,533)	(11,684,136)
Minority interests			4,717,881	309,356
Net loss for the year			(34,728,652)	(11,374,780)

Inter-segment sales were charged at the prevailing market rate.

Balance sheet

	Segment assets		Segment liabilities	
	2004	**2003**	**2004**	**2003**
	HK$	*HK$*	*HK$*	*HK$*
Hong Kong	15,018,952	27,764,762	4,155,721	2,620,908
PRC	3,451,681	6,267,680	2,940,264	143,556
Singapore	–	–	200,134	–
Malaysia	6,242	10,582,710	–	570,713
	18,476,875	44,615,152	7,296,119	3,335,177
Unallocated	8,648,840	6,358,649	2,105,334	641,231
	27,125,715	50,973,801	9,401,453	3,976,408

Other information

	Capital additions		Depreciation and amortisation		Loss on disposal of property, plant and equipment		Allowance for bad and doubtful debts	
	2004	**2003**	**2004**	**2003**	**2004**	**2003**	**2004**	**2003**
	HK$	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
Hong Kong	415,158	18,673,983	2,406,897	1,406,385	49,977	58,074	454,085	24,952
PRC	1,042,715	1,213,537	146,448	40,599	–	–	3,708,651	2,000,000
Singapore	95,301	–	44,500	–	50,802	–	204,547	–
Malaysia	10,188	189,110	27,994	22,979	139,174	–	7,424,000	–
	1,563,362	20,076,630	2,625,839	1,469,963	239,953	58,074	11,791,283	2,024,952

	Impairment in value of property, plant and equipment		Impairment in value of intangible assets		Impairment in value of goodwill	
	2004	**2003**	**2004**	**2003**	**2004**	**2003**
	HK$	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
Hong Kong	1,302,573	–	9,298,000	–	3,133,987	–
PRC	–	–	709,048	–	–	–
	1,302,573	–	10,007,048	–	3,133,987	–

3. Loss from operations

	2004	2003
	HK$	*HK$*
Loss from operations has been arrived at after charging:		
Directors' remuneration	1,579,541	2,776,282
Other staff's retirement benefits scheme contributions	341,950	274,160
Other staff costs	7,797,554	7,417,714
	9,719,045	10,468,156
Amortisation of goodwill included in administrative expenses	189,600	47,400
Amortisation of intangible assets included in administrative expenses	600,096	162,856
Auditors' remuneration		
– current year	400,665	541,374
– under (over) provision in prior years	9,340	(40,714)
Costs of goods sold	6,486,514	6,909,203
Depreciation of property, plant and equipment		
– owned by the Group	1,799,106	1,159,282
– held under finance leases	37,037	100,425
Impairment in value of property, plant and equipment included in administrative expenses	1,302,573	–
Loss on disposal of property, plant and equipment	239,953	58,074
Operating lease rentals in respect of		
– land and buildings	1,370,647	1,326,681
– machinery and equipment	–	248,970
Research and development costs	–	228,148
and after crediting:		
Interest income	5,073	381,687
Rental income from hire of machinery and equipment	30,400	378,800

4. Finance costs

	2004	2003
	HK$	*HK$*
Interest on		
– bank borrowings wholly repayable within five years	(70,581)	(33,778)
– convertible notes, including accretion of premium payable upon the final redemption of the convertible notes	–	(420,966)
– finance leases	(31,056)	(21,931)
	(101,637)	(476,675)

5. Taxation

No provision for Hong Kong Profits Tax has been made in the financial statements as the Group had no assessable profit for the year. The credit in 2003 represented overprovision in prior year.

Pursuant to the relevant laws and regulations in the PRC, the subsidiary in Beijing is entitled to exemption from PRC income tax for three years commencing from their first profit-making year of operation and thereafter, the subsidiary will be entitled to a 50% relief from PRC income tax for the following three years. No provision for PRC income tax has been made in the financial statements as the PRC subsidiaries had no assessable profit for the year.

6. Loss per share

The calculation of the basic loss per share is based on the net loss for the year of HK$34,728,652 (2003: HK$11,374,780) and the weighted average number of 983,323,092 (2003: 822,269,406) shares in issue during the year.

No diluted loss per share has been presented as the exercise price of the Company's share options was higher than the average market price of the Company's shares during the year.

7. Dividends

No dividends had been paid or declared by the Company for the year ended 31 March 2004 (2003: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Group is principally engaged in the production, sourcing, sales and marketing of environmental protection products and services for combating environmental problems including energy wastage, waste handling and treatment for pollutions of both air and water.

Results of the Group for the year ended 31 March 2004 have shown a significant setback compared to the previous year. Turnover of the Group fell to approximately HK$18.6 million mainly because most operating subsidiaries established have failed to achieve their business targets and our group credit policies have tightened in the face of a significant level of provisions for bad debts already made. As a result of the fall in turnover and provisions made in relation to closure of certain operating subsidiaries, loss attributable to the shareholders increased to approximately HK$34.7 million.

Apart from the immediate impacts of Severe Acute Respiratory Syndrome ("SARS") on results for first half of the year, the poor performance is also linked to over-expansion within a short period (i.e. incorporation of four subsidiaries within 9 months) and insufficient monitoring on the level of expenses against forecasted business targets in respect of the major operating subsidiaries, in particular those established outside the Hong Kong Special Administrative Region ("HKSAR").

Taking the opportunities of working with a new business partner, Spackman Group (who has profound experiences in corporate governance and merger and acquisition activities), the Company has embarked on a different business development strategies as explained below.

Re-focus of business development strategies

In view of the losses incurred for year ended 31 March 2003 and for the nine months ended 31 December 2003 and a placing of new shares to Key Engineering Co., Ltd. ("Key Engineering", a company listed in KOSDAQ in the Republic of Korea and a member of the Spackman Group) in November 2003, the Board has decided to re-focus the Group's business expansion strategies by closure and/or scaling down of the majority of existing loss-making operating subsidiaries and to acquire only profit-making operations to improve our bottom lines.

The decision is made with an aim to cut down possible future further losses to be incurred by the existing loss-making operating subsidiaries as the marketing of our existing core products (e.g. Uyama Enzyme, Light Eco Energy Saver System) are much more difficult than the management of the Company anticipated when incorporation of these subsidiaries are being proposed.

Steps have therefore been taken since late December 2003 to achieve this objective. As at the date of this report, the Group has already disposed of its subsidiary in Malaysia. The subsidiaries in Beijing and Singapore will soon be disposed of and/or wound up either in the first quarter or second quarter of the financial year ending 31 March 2005. The subsidiary incorporated in Zhuhai will be scaled down and kept as our window for the Southern China markets to (a) maintain on going existing businesses and relationships; and (b) to capitalize on future opportunities that may have arisen in relation to promotion of products and services to be introduced by our profit-making subsidiaries already acquired or to be acquired.

Provisions and write offs of approximately HK$4.7 million have been recorded in the results for the year ended 31 March 2004 due to the scaling down and disposals of the overseas subsidiaries.

Food waste treatment project

Before we acquire the project, we understand from reliable sources that there will be approximately HK$100 millions of funding from the HKSAR government to promote the use of environmentally friendly methods to deal with food wastes and in fact an implementation programme has been running in fifteen housing estates in Shatin using the machines and technologies of our project.

Unfortunately, this funding programme has not been continued due to change in funding priority of the relevant government department. At the date of this report, the Group's management is unable to ascertain when will the programme in the HKSAR be continued again even though similar programmes have been actively supported by the government in Beijing since 2002 and also by government in Taipei recently.

Despite the Group management's belief that the food waste project will generate reasonable returns for the Group in the longer term, the management has agreed to make full provision of the intangible assets (i.e. approximately HK$9.3 million operation rights and approximately HK$3.1 million goodwill arising from the acquisition of the project) associated with the food waste project on grounds of prudence without valid and conclusive evidence that there will be sufficient revenue in the shorter term to cover the amortization of the related intangibles.

Currently, the management is focusing on promotion of the food waste machines and technologies in the education sectors including both primary and secondary schools and tertiary education institutes in the HKSAR.

Acquisitions of operations with track records

In line our re-focus in business expansion strategies and with the business knowledge, networks and connections brought by Spackman Group and Key Engineering, the Group has identified certain operations in the Republic of Korea ("**Korea**") as potential targets for acquisitions. Apart from possible synergies associated with Key Engineering, the Group management believes that Korea is a good choice for potential acquisitions considering (a) it has developed industrial and technology base as well as domestic markets for environmental and environmental-related businesses; (b) its close proximity to the PRC markets; (c) technologies and products offered by Korea are competitive compared to similar technologies and products from Europe or America.

In April 2004, the Group has completed its acquisition of Youngdong Environmental Engineering Co., Ltd* ("**Youngdong**"), which is a company involving mainly in environmental and environmental-related businesses.

The core businesses of Youngdong include the installation, engineering and management of waste water treatment systems and environmental facilities and the provision of environmental analysis and measurement services. Prior to acquisition by the Group, Youngdong's operations are mainly focused in Korea. After the acquisition, the Group management is now liaising with the management of Youngdong on the best ways to introduce Youngdong's technologies, products and services into the PRC markets. For further details of this acquisition, please refer to the announcement and the circular of the Company dated on 24 March 2004 and 14 April 2004 respectively.

The Group is currently negotiating the terms of another acquisition in Korea with the target company engaging mainly in energy saving and related businesses. For further details of this acquisition, please refer to the announcement of the Company dated on 18 June 2004.

Future Plans and Prospects

In a nutshell, the Group is planning to dispose its loss-making operations and develop profit-making operations through mergers and acquisitions.

In respect of specific environmental protection related products and services, the Group management will focus in the areas of waste treatment, waste water treatment and energy saving and their related operations as shortage of water resources and energy are two of the most important unresolved issues for the current central government in the PRC.

As long as the Group can provide cost effective technologies, products and solutions to resolve these two issues, the Group's management believe that there are immense business opportunities in the PRC. It is with the above aims that the Group is eyeing on the potentials in Korea. The Group's management believe that Korea technologies, products and solutions are among those available that can best fit in the gaps in the PRC markets in terms of cost effectiveness and competitiveness.

Waste Water Treatment. Following the continuing growth in population and industrialization processes in the PRC, shortage in water resources and energy will inevitably only attract more and more attention of the policy makers as well as decision makers.

To take one example, many cities (including even a lot of the coastal cities) in the PRC are still using fresh water to flush toilets and this has added to the overall burdens of demands for fresh water. One feasible solution is to use water from the comparatively less polluted channels (e.g. water from the bath basin, water from the kitchen) to be recycled for the purposes of flushing toilets. The Group's management therefore believe that waste water recycling and treatment will be much needed to resolve the water shortage problems in the PRC.

Energy Saving. As regard the energy shortage, it is already public knowledge that interruptions (whether it is pre-scheduled or due to malfunctions of the systems) to electricity supply for both residential and industrial users have almost been treated as part of their normally daily lives.

To take one example, the municipal government of Shanghai has been restricting property management companies to turn on the advertising and/or decorative lightings outside their buildings during the electricity consumption peak period in the summer months when most residents and users will turn on their air-conditioning systems. The central government in the PRC has recently approved the major electricity companies to increase their tariffs throughout most part of the country and this is seen also as one measure to reduce the gap between demand and supply of electricity.

As a result, the Group management is in the process of identifying suitable energy saving technologies that we foresee can capture the huge business opportunities in the PRC markets.

Nano Products. As a direct impact of SARS, the community is putting more and more emphasis on personal hygiene standards and sanitary measures to protect our health. In response to this demand and the fact that we found it increasing difficult to promote our enzyme products (which has lacked the sterilizing functions that are being requested by most users nowadays), we have worked with a inventor and manufacturer in Guangzhou and jointly designed a new product using nano technologies that combined the characteristics of (i) removal of unpleasant bad odors (one major function of our enzyme products); and (ii) removal of most commonly known germs, bacteria and/or viruses.

Similar to our existing enzyme products, the new nano product is mainly designed for uses in flushing water tanks and garbage rooms. We have started to launch the products in February 2004 and so far responses from our major customers are positive.

After the first few months of trial running and demonstrations, the new product is anticipated to generate revenue starting from the second quarter of the financial year ending 31 March 2005. We anticipate that the nano products will have higher potential compared to the existing enzyme products since the sterilization function (in addition to removal of bad odors) is a very strong selling point under the current sentiments of the users.

Closure of Beijing Office, Malaysia Office and Singapore Office. As a direct result of our re-focus on business development strategies, the Group's management have decided to close the Beijing Office, the Malaysia Office and the Singapore Office.

For Beijing Office, we have discussed and agreed with our joint venture partner to sell the existing paid up capital to the joint venture partner. For Malaysia Office, we have transferred our share capital to the General Manager of our Malaysian operations who is interested to take up the operations. For Singapore Office, we are still negotiating with the local management to identify the best possible ways to close the office.

Formalities for disposal of the Malaysia have been completed while the documentations relating to closure of the Beijing Office are in progress and are anticipated to be completed very soon in the second quarter of the financial year ending 31 March 2005. The losses and potential losses connected with the disposals have been provided for in the results for the year ended 31 March 2004.

Scale down of Dongguan Office. Even though the Dongguan Office have also not performed well, the Group's management have decided to scale down its operations instead of closing the office considering (a) there are on going businesses of our energy saving products; and (b) the maintenance costs can be kept to a minimum (e.g. much lower traveling costs compared to traveling to the three offices mentioned above); and (c) it may be used as our window for the Southern China markets and for potential promotion of the new products to be identified in the future (e.g. from subsidiary acquired or to be acquired).

Costs Rationalization Measures. Running parallel with our strategies on re-focus of business development are a series of costs reduction measures already taken in Hong Kong included the followings:

- Reduction in headcounts for the Hong Kong operations to 31 compared to 41 at same period in the previous year.

- Reduction in individual employee's salary.

- Management shareholders receiving only a notional salary of HK$1 effective from 1 October 2003.

- Cancellation of staff benefits which are not mandatory e.g. medical insurance

Further measures to be implemented include planned cut in office rental and use of salesmen purely on commission basis with no basic salary to reduce fixed staff costs as a percentage of turnover. The Group's management is currently identifying opportunities for re-location of the office to a site with lower overall costs soonest possible.

Liquidity and Financial Resources

The Group had total cash and bank balances (including pledged bank deposits) of approximately HK$8,649,000 as at 31 March 2004 (2003: HK$6,359,000). After deducting interest-bearing bank loans and overdrafts of approximately HK$2,090,000 as at 31 March 2004 (2003: HK$306,000), the Group recorded a net positive cash balance of approximately HK$6,559,000 as at 31 March 2004 as compared to a net positive cash balance of approximately HK$6,053,000 as at 31 March 2003.

The interest-bearing bank loans at 31 March 2004 were applied to finance the purchase of the inventories of the Group. The gearing ratio of the Group, as calculated by dividing the total interest-bearing debts by the total asset value of the Group, is approximately 0.077 as at 31 March 2004. The comparative gearing ratio was approximately 0.006 as at 31 March 2003 and the higher gearing ratio at 31 March 2004 was mainly caused by decrease in financial resources as a direct result of the losses incurred by the Group.

The Group recorded total current asset of approximately HK$24.2 million as at 31 March 2004 (2003: HK$31.9 million) and total current liability of approximately HK$9.4 million as at 31 March 2004 (2003: HK$3.8 million). The current ratio of the Group, calculated by dividing the current asset by the current liability, was approximately 2.58 as at 31 March 2004 (2003: 8.38). The fall in the current ratio was mainly due to the losses incurred by the Group.

The Group recorded a decrease in shareholders' funds of approximately HK$24.7 million which was attributable to losses incurred for the year and increases in issued share capital of the Company due to placing of new shares to Key Engineering.

Foreign Exchange Exposure

As at 31 March 2004, the Group had three overseas subsidiaries in Beijing, Singapore and Zhuhai.

However, the Group's management considered that there is no exposure (2003: HK$4,124,000) for the Group since sufficient provisions have been made at 31 March 2004 for the respective receivables and net assets of these subsidiaries in view of our plans to close or scale down their activities.

Charges on Group Assets

Apart from two photocopiers and a trade receivable of HK$615,440 which were used as collaterals for their corresponding finance leases and bank loan, the Group had no other charges on its assets as at 31 March 2004.

Contingent Liabilities

As at 31 March 2004, the Company has given corporate guarantees of approximately HK$1,500,000 (2003: HK$10,500,000) to banks to secure credit facilities granted to its subsidiaries.

Segment information

During the year, the revenue of the Group was principally generated from the manufacture and sales of environmental protection products. Geographically, the Group established operations in Singapore during the year. Financial information in respect of these operations is presented in note 2 to the financial results above.

Capital Structure

As at 31 March 2003, the total issued share capital of the Company was HK$8,716,667 divided into 871,666,667 shares of HK$0.01 each.

During the current year, a total of 287,005,000 shares credited as fully paid were allotted and issued to Key Engineering (287,000,000 shares) and an option holder (5,000 shares) respectively. For further details of the placing of new shares to Key Engineering, please refer to the announcement and the circular of the Company dated on 7 October 2003 and 21 October 2003 respectively.

As at 31 March 2004, the total issued share capital of the Company was HK$11,586,717 divided into 1,158,671,667 shares of HK$0.01 each.

Material Acquisition of a Subsidiary

On 24 March 2004, Rightime Development Limited (a wholly owned subsidiary of the Company, referred to as "**Rightime**") entered into a sale and purchase agreement with Key Engineering (the Company's second largest shareholder and a connected person of the Company under the GEM Listing Rules) under which and subject to the terms and conditions thereof, Rightime acquired a 100% interest in Youngdong from Key Engineering for an aggregate consideration of KWR 580 million in cash.

Youngdong is a company incorporated in the Republic of Korea and is principally engaged in installation, engineering and management of waste water treatment systems and environmental facilities and the provision of environmental analysis and measurement services.

The acquisition was completed on 30 April 2004. For further details of this acquisition, please refer to the announcement and the circular of the Company dated on 24 March 2004 and 14 April 2004 respectively.

Employee Information

As at 31 March 2004, the Group had 52 (2003: 82) full time employees as shown in the following table:

Location	**Number of Staff**
Hong Kong	31
Beijing	5
Dongguan	14
Singapore	2

For the year ended 31 Mach 2004, staff cost (including Directors' emoluments) amounted to approximately HK$9.7 million (2003: HK$10.5 million). The decrease was attributable to both a reduction in headcounts and in the level of individual salaries as explained in the paragraph under "Costs Rationalization Measures" above. The Group remunerates its employees based on individual performance. Apart from the basic remuneration, staff benefits include medical insurance and retirement benefits under the Mandatory Provident Fund Scheme etc.

Auditors

Except for the year ended 31 March 2002 in which Messrs. Ernst & Young acted as auditors of the Company, Messrs. Deloitte Touche Tohmatsu have acted as auditors of the Company for the past three years. A resolution will be submitted to the annual general meeting of the Company to re-appoint Messrs. Deloitte Touche Tohmatsu as auditors of the Company for the forthcoming year.

Comparison of Business Objectives with Actual Business Progress

As explained under sections headed "Business Review" and "Future Plans and Prospects" above, the Group has re-focused its business development strategies and therefore many business objectives proposed at the time of listing have been re-assessed and revised during the second half of financial year ended 31 March 2004.

In summary, the Group's existing strategies is to (a) concentrate on its existing businesses with net contributions to the Group; (b) expand via mergers with and/or acquisitions of profit-making businesses and (c) to expand into the PRC markets at the minimum costs e.g. via reputable marketing agents.

For comparisons of business objectives with actual business progress for the six months periods ended on 30 September 2002 and on 31 March 2003, please refer to the 2003 Annual Report of Grandy Corporation. For comparisons of business objectives with actual business progress for the six months period ended on 30 September 2003, please refer to the Half-year Report of Grandy Corporation for the financial year ended 31 March 2004.

Business objectives for the period from 1 October 2003 to 31 March 2004 as stated in the Prospectus of the Company dated 29 April 2002	**Actual business progress for the period from 1 October 2003 to 31 March 2004**
1. Geographical expansion	
• Organize seminars and workshops for potential customers in the PRC and Malaysia	Seminars held on crystallization and process improvement to key clients of the Beijing Grandy Green Technology Limited.
• Appoint additional agent(s) in the PRC for the Group's expansion in the Guizhou Province, Fujian Province and Jiangxi Province of the PRC	Not carried out as the Group is in the process of re-assessment of the performance of existing agents.
• Appoint agent(s) to develop the Group's business in Vietnam	Not carried out due to more urgent priorities on re-focus of business development strategies and cost rationalization measures.

Business objectives for the period from 1 October 2003 to 31 March 2004 as stated in the Prospectus of the Company dated 29 April 2002	Actual business progress for the period from 1 October 2003 to 31 March 2004
2. Improvement of existing products and sourcing of new products	
Water Quality Improvement	
• Commence further development of the auto-dosing system	Not carried out as the focus is shifted to marketing of a new nano product which does not require auto-dosing system as a result of the foreseen difficulties encountered for the marketing of enzymes.
• Conduct practical evaluation of the performance of bio-farm technology in different water systems	Plan postponed as priority is given to the marketing of the new nano product.
• Launch PCO technology products to the market of waste treatment	Plan postponed due to focus on marketing of existing products as a measure to save unnecessary product development costs.
• Conduct feasibility studies for the further applications of waste water recycling treatment models	Plan postponed due to focus on marketing of existing products as a measure to save unnecessary product development costs.
Air Quality Improvement	
• Commence research in widening the application	Objective postponed due to new opportunities on indoor air sterilization based on ozone and to cut down unnecessary product development costs.
• Commence development of new types of PCO reactor	Objective postponed due to new opportunities on indoor air sterilization based on ozone and to cut down unnecessary product development costs.

Business objectives for the period from 1 October 2003 to 31 March 2004 as stated in the Prospectus of the Company dated 29 April 2002	Actual business progress for the period from 1 October 2003 to 31 March 2004
Energy Saving	
• Compact Heat Exchangers	
Commence sourcing of appropriate Compact Heat Exchanger devices for customers to enhance energy efficiency	Objective postponed in favor of process improvement projects, oil/gas well boosting technology.
• Chemical processing improvement technology	
Set up pilot scale facilities for processing improvement	Consultancy project in progress with key client, one of top 100 chemical producers in the PRC.
3. Establishment of product development and evaluation capabilities	
• Continue collaboration programmes	Collaboration programmes ceased due to focus on existing profitable businesses and plan to re-focus business development strategies.
• Search for appropriate location for the setting up of a collaborative research centre in the PRC for chemical processing improvement technology	Collaboration programmes ceased due to focus on existing profitable businesses and plan to re-focus business development strategies.
• Conduct collaboration programme with local university/institution	Collaboration programmes ceased due to focus on existing profitable businesses and plan to re-focus on business development strategies.
• Form strategic alliance with institution/university in the PRC for the Group's application analysis and product development activities	Strategic alliance ceased due to re-focus on business development strategies.
• Continue Innovation and Technology Fund ("ITF") programme application	ITF programmes ceased due to cost rationalization measures.

Business objectives for the period from 1 October 2003 to 31 March 2004 as stated in the Prospectus of the Company dated 29 April 2002	Actual business progress for the period from 1 October 2003 to 31 March 2004
4. Marketing and brand building	
• Sponsor and organize environmental related education programmes	None carried out to date as focus remained on sales and re-focus of business development strategies.
• Advertise the Group's products and services in journals and magazines	None carried out to date as focus remained on sales and re-focus of business development strategies.
• Participate in different environmental related exhibitions	No participation during the period as a cost control measure.
• Expand existing sales and marketing team	The sales and marketing team has been reorganized to cut down fixed costs by the use of a higher portion of salesmen purely on commission basis.
• Maintain the Group's website	The Group's website redesigned in December 2003 to give more investor related information and a precise and concise layout.

Use of Proceeds from the Initial Public Offering

A comparison of the planned uses of proceeds from the initial public offering against the actual uses is set out below:

	Planned amount to be used up to 31 March 2004 as disclosed in the prospectus dated 29 April 2002	**Actual amount used up to 31 March 2004**
	HK$ million	*HK$ million*
Geographical expansion	3.20	4.60
Improvement of existing products and sourcing of new products	3.86	3.27
Establishment of application analysis and product development capabilities	5.50	3.85
Marketing and brand building	1.20	1.00
Redemption of the convertible notes	10.00	10.00
General working capital	15.24	21.28
	39.00	44.00

As a result of the changes in business development strategies and also the losses incurred by the Group for the financial years ended 31 March 2003 and 31 March 2004, the use of proceeds of the Company has been revised.

As at 31 March 2004, the proceeds of approximately HK$44 million from the initial public offering had all been used up.

BOARD PRACTICES & PROCEDURES

The Company has compiled throughout the year ended 31 March 2004 with the board practices and procedures as set out in Rules 5.34 to 5.45 of the GEM Listing Rules.

AUDIT COMMITTEE

The Company established an audit committee on 2 November 2001, with written terms of reference in compliance with Rules 5.28 to 5.30 of the GEM Listing Rules. The primary duties of the audit committee are (i) to review the annual report and accounts, half-year report, quarterly reports and give advice and comments thereon to the Directors; and (ii) to review and supervise the financial reporting processes and internal controls.

The audit committee comprises the two independent non-executive Directors of the Company. Quarterly meetings were held during the year. The audited financial results for the year ended 31 March 2004 have been discussed and reviewed by the members of the audit committee.

COMPETING INTEREST

None of the directors or the management shareholders (as defined in the GEM Listing Rules) of the Company or their respective associates had any interest in a business which competes with or may compete with the business of the Group.

SPONSOR'S INTERESTS

As updated and notified by the Company's sponsor, Hantec Capital Limited (the "**Sponsor**"), as at 31 March 2004, neither the Sponsor nor its directors or employees or associates (as referred to in Rules 6.36 and 18.63 of the GEM Listing Rules) had any interest in the securities of the Company or any member of the Group or any right to subscribe for or to nominate persons to subscribe for the securities of the Company or any member of the Group.

Pursuant to the sponsorship agreement dated 26 April 2002 entered into between the Company and the Sponsor, the Sponsor has been retained for a fee as the continuing sponsor of the Company until 31 March 2005.

PURCHASE, SALE AND REDEMPTION OF THE COMPANY'S LISTED SHARES

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares.

ACKNOWLEDGEMENT

On behalf of the Board, I would like to take this opportunity to extend my gratitude to all my fellow directors and staff for their valued commitment and hard work, which has been so important to the development of the Group in recent years. I would also like to express my sincere thanks to our business partners for their continuous support.

On behalf of
Grandy Corporation
Tsui Tai Hoi, Raymond
Managing Director

Hong Kong, 28 June 2004

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, Willam (both being independent non-executive Directors).

The announcement will remain on the GEM website at www.hkgem.com on the "Latest Company Announcements" page for at least 7 days from the date of its posting and the website of the Company at www.grandy.com.hk.

* *for identification purpose only*