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GRANDY CORPORATION

泓迪有限公司*

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 8143)

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

Reference is made to the announcement of the Company dated 18 June 2004.

As set out in the Sale and Purchase Agreement, Completion is conditional upon, among other matters, Able Developments (a wholly-owned subsidiary of the Company), being the purchaser, has satisfied with 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. On 9 July 2004, Able Developments has notified Pioneer States that it is not satisfied with the results of such due diligence review and has discovered breaches of certain warranties given by Pioneer States under the Sale and Purchase Agreement. Accordingly, such condition cannot be fulfilled. The Acquisition will not proceed and the Sale and Purchase Agreement shall cease and determine in accordance with its terms.

Reference is made to the announcement (the “**Announcement**”) of the Company dated 18 June 2004 in relation to the acquisition of the entire issued share capital of Sebics by Able Developments at the aggregate consideration of HK\$20,465,255 which shall be satisfied by the Company allotting and issuing an aggregate of 240,767,705 Consideration Shares at the issue price of HK\$0.085 per Consideration Share. Unless otherwise defined, capitalised terms used in this announcement shall have the same meanings as those used in the Announcement.

As set out in the Sale and Purchase Agreement, Completion is conditional upon, among other matters, Able Developments (a wholly-owned subsidiary of the Company), being the purchaser, has satisfied with 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. On 9 July 2004, Able Developments has

notified Pioneer States that it is not satisfied with the results of such due diligence review and has discovered breaches of certain warranties given by Pioneer States under the Sale and Purchase Agreement. Accordingly, such condition cannot be fulfilled. The Acquisition will not proceed and the Sale and Purchase Agreement shall cease and determine in accordance with its terms. The Group has asked Pioneer States to indemnify it on all costs and losses made due to the breach of warranties by Pioneer States pursuant to the Sale and Purchase Agreement. The maximum aggregate fees and expenses incurred by the Group is estimated to be approximately HK\$820,000.

The Board considers that the termination of the Sale and Purchase Agreement has no material adverse impact on the business of the Group. The Board confirms that there will not be any resulting operating loss due to such termination.

By order of the Board
Tsui Tai Hoi Raymond
Managing Director

Hong Kong, 9 July 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); and Mr Yu Chai Mei and Mr Hsu Shiu Foo, William (all 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.