

2004/05
Interim Report



Environmental protection
always pays..... ..

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “EXCHANGE”)

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is publication on the internet website operated by the Exchange. GEM-listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.

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

This report 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 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 report 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 report misleading; and 3. all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

Message from the Executive Directors

Grandy Corporation (the “Company”) has undergone a tough period in the past twelve months and with supports from its dedicated management team, employees and the major shareholders, the Company has survived despite all the difficulties experienced.

Looking forward, the board of directors (the “Board”) will stick to their promises of continuing to identifying and implementing all possible costs cutting measures as far as practicable and reasonable. At the same time, the Board will try their very best to search for new products and business partners that can help to strengthen the range of products and services currently being offered by the Company's operating subsidiaries.

As discussed in the Annual Report for the year ended 31 March 2004, the Board has re-focused the business development strategies by closure of the loss-making subsidiaries and acquisition of profit-making operations. In this regard, the Company has disposed during the interim period two loss-making subsidiaries incorporated respectively in Beijing, the People's Republic of China (“PRC”) and in the British Virgin Islands originally with planned operations in Hong Kong.

Apart from the acquisition of Youngdong Environmental Engineering Co., Ltd. (“Youngdong”) in April 2004, the Company has not acquired any other operations in the second quarter of the fiscal year ending 31 March 2005. The Board will continue to look for potential business partners and possible acquisition opportunities and will make announcements in accordance with the GEM Listing Rules when negotiations come to a more mature stage.

Management Discussion and Analysis

Business Review

Grandy Corporation (the “Company”) and its subsidiaries (collectively, 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 pollution of both air and water. The integrated range of products and services being offered enables the Group to be a total solution provider in environmental technology services covering Hong Kong, PRC and the Republic of Korea.

Results of the Group for the six months ended 30 September 2004 have shown an improvement in business performance in comparison with results for the corresponding period of the previous year. Turnover of the Group in the six months under review was approximately HK\$17,666,000 in comparison with approximately HK\$9,832,000 for the same period of the previous year, representing an increase of approximately 79.67%. Net loss attributable to shareholders for the six months under review was approximately HK\$1,140,000, whereas a net loss of approximately HK\$16,783,000 was recorded for the corresponding six-month period in the previous year.

On the one hand, the loss for the six months ended 30 September 2004 reflects the fact that the Group's current businesses are still not solid enough to generate stable turnovers and results for breaking even on a quarterly basis. On the other hand, the improvement (i.e. net loss reduced by approximately HK\$15,643,000 compared to the corresponding previous period) in the bottom line was achieved by a combination of the successes of the Group's costs cutting measures and the fact that a significant portion of the corresponding losses in previous year are related to one-off provisions (i.e. allowance for bad and doubtful debts) made that are non-recurring in nature. The increase of approximately HK\$7,834,000 in turnover in comparison with that for the six months of the previous year was a direct result of the acquisition of Youngdong as Youngdong's turnover accounted for more than 70% of the Group's turnover under review as shown in the analysis of turnover by geographical segments.

Office Relocation Plan. In order to cut down office rental as one significant fixed overhead expenditure, the Company is actively negotiating with potential tenants and the landlord in the past few months for relocation of its office prior to the original lease expiry date in May 2005. As at the date of this report, negotiations are undergoing and no consensus have been reached between all the parties involved.

Waste Water Treatment Businesses. Currently, the Group's waste water treatment businesses are mainly carried out through Youngdong in the Republic of Korea. Turnover for the period under review totalled approximately HK\$12,722,000 and has been progressing in line with anticipation of the local management in the Republic of Korea. The Group would expect to see continuous growth of turnover and results in this business line which is anticipated to be one major source of improvements for the Group's overall turnover and results in the coming year.

Energy-saving Products. Contracts for implementation of energy-saving solutions completed in the first two quarters totalled HK\$2,056,000 compared to HK\$3,557,000 in the corresponding previous period. The fall in turnover is mainly a result of a significant contract of over HK\$1,000,000 being booked in previous period for sales to one major customer of the Group and this major customer is anticipated to resume orders on the Group during the last two quarters of this fiscal year. For the year ahead, the projected revenue for energy-saving products is estimated to remain stable unless significant breakthrough can be made in the PRC markets via major property development and management customers of the Group.

Nano Products. Contracts for installation and maintenance services related to the newly launched nano products are behind our original schedules due to the slower than expected responses from individual customers and the unforeseen time spent to improve the product package and contents to adjust for specific customer's requirements based on feedbacks and test results gathered during the trial runs.

After incorporating all major comments collected through certain trial runs and/or small scale orders arranged with friendly customers, the Group has decided to renegotiate the relevant pricing and commission schemes with certain major distribution agents in anticipation of a faster growth of sales in the remaining quarters of this fiscal year.

Food Waste Treatment and Management. No surprises are reported for the project and the Group is marketing the products and services to certain local government departments and non-profit making organizations in Hong Kong e.g. educational sectors including primary and secondary schools.

A booklet has been prepared and the marketing director is promoting the product via personal networks to reach the management of certain primary and secondary schools. Without the necessary supports from the government (such as administrative measures to enforce the use of food waste treatment machines), marketing of this product and the related services will definitely be difficult and the management will remain alert on the marketing costs.

Future Prospects

Outlook. The management believes that it is not easy for current operations in Hong Kong (mainly relying on enzymes and energy-saving products) to have a breakthrough given the fact that there are comparatively less supports from the government and the condition of the economy is yet to improve in many areas.

As a result, the management is devoting more efforts to the identification of new products and services as well as new business partners aiming at improving both the Group's earning base and asset base.

Liquidity and Financial Resources

The Group had total cash and bank balances (including pledged bank deposits) of approximately HK\$8,888,000 at 30 September 2004 (31 March 2004: HK\$8,649,000). With interest-bearing bank loans and overdrafts of approximately HK\$7,025,000 (31 March 2004: HK\$2,090,000), the Group recorded a net cash balance of approximately HK\$1,863,000 at 30 September 2004 (31 March 2004: net cash balance of HK\$6,559,000).

The fall in net cash position at 30 September 2004 compared to 31 March 2004 was mainly caused by the use of cash for acquisition of Youngdong i.e. approximately HK\$3,898,000.

The Group recorded total current assets of approximately HK\$28,168,000 at 30 September 2004 (31 March 2004: HK\$24,238,000) and total current liabilities of approximately HK\$16,412,000 at 30 September 2004 (31 March 2004: HK\$9,395,000). The current ratio of the Group, calculated by dividing the current assets by the current liabilities, was 1.72 at 30 September 2004 (31 March 2004: 2.58). The gearing ratio of the Group, calculated by dividing total interest bearing borrowings by equity, was 0.432 at 30 September 2004 (31 March 2004: 0.120).

The negative trend in the Group's liquidity, current ratio and gearing ratio were mainly due to cash used for the acquisition of Youngdong as explained above. Despite the negative impacts on cash positions, the management believes that the acquisition of Youngdong will help to improve the Group's financial performances in the long term.

Treasury Policies

The Group generally finances its operations with a combination of internal resources and banking facilities provided by banks in Hong Kong.

Charge on Assets

The Group's trade receivables in Hong Kong of approximately HK\$154,000 at 30 September 2004 (31 March 2004: trade receivables in Hong Kong of approximately HK\$615,000) were pledged to a bank to secure banking facilities granted to one of the Group's wholly owned subsidiaries.

In addition, the Group's fixed deposits of approximately HK\$4,500,000 at 30 September 2004 (31 March 2004: NIL) were pledged to a bank to obtain overdraft facilities for providing general working capital to the Group. One of the Group's photocopier used in Hong Kong office was held under finance leases and the relevant outstanding obligations amounted to approximately HK\$11,000 at 30 September 2004 (31 March 2004: approximately HK\$16,000).

Foreign Exchange Exposure

The Group had three operating subsidiaries established in the Republic of Korea, Singapore and Zhuhai, PRC respectively at 30 September 2004. The capital and loans committed to these three subsidiaries amounted to approximately HK\$8,487,000 at 30 September 2004 (31 March 2004: three subsidiaries in Beijing, Singapore and Zhuhai for approximately HK\$6,839,000).

It is the Group's policy that each operating entity should borrow in its local currency, where possible, in order to minimise currency risks and therefore the Group does not have any financial instrument for hedging purpose.

Employee Information

At 30 September 2004, the Group had 67 full time employees. During the six months ended 30 September 2004, the staff costs, including directors' remuneration, total approximately HK\$4,474,000. The Group's employment and remuneration policies remained the same as detailed in its Annual Report for the year ended 31 March 2004.

Geographical Expansion

During the six months ended 30 September 2004, the Group invested in one subsidiary incorporated in the Republic of Korea. The subsidiary in the Republic of Korea is 100% owned by the Group with paid up capital of approximately HK\$1,333,000 (i.e. KRW\$200,000,000).

COMPARISON OF THE PLANNED USE OF PROCEEDS FROM THE INITIAL PUBLIC OFFERING AGAINST THE ACTUAL USE

	Amount to be used up to 30 September 2004 as disclosed in the prospectus dated 29 April 2002 (the "Prospectus")	Actual Amount up to 30 September 2004
	<i>HK\$ million</i>	<i>HK\$ million</i>
Geographical expansion	4.60	4.60
Improvement of existing products and sourcing of new products	4.36	3.27
Establishment of application analysis and product development capabilities	6.80	3.85
Marketing and brand building	1.50	1.00
Redemption of convertible notes	10.00	10.00
General working capital	15.24	21.28
	<hr style="width: 100%; border: 0.5px solid black;"/>	<hr style="width: 100%; border: 0.5px solid black;"/>
	42.50	44.00

As disclosed in the annual report for the year ended 31 March 2004, the Group has re-focused its business development strategies and therefore many business objectives proposed at the time of listing have been re-assessed since the second half of the financial year ended 31 March 2004.

In summary, the Group's existing strategies are 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.

As at 30 September 2004, the proceeds of approximately HK\$44 million from the initial public offering had all been used up.

COMPARISON OF BUSINESS OBJECTIVES AGAINST ACTUAL BUSINESS PROGRESS

The following is a comparison of actual business progress in the six months ended 30 September 2004 with the business objectives for the same period as set out in the Prospectus. The Company reviews its business objectives and strategies on an ongoing basis and makes adjustments as necessary.

Business objectives up to 30 September 2004 as stated in the Prospectus

Actual business progress up to 30 September 2004

Geographical expansion

- | | |
|---|---|
| – Organize seminars and workshops for potential customers in the PRC and other parts of South East Asia | Not carried out due to revised business development strategies and costs cutting measures |
| – Appoint additional agents in the PRC for the Group's expansion in the Hubei Province, Anhui Province, Jiangsu Province, Zhejiang Province and Henan Province of the PRC | Not carried out due to revised business development strategies and cost cutting measures |
| – Appoint agent(s) to develop the Group's business in Thailand | Not carried out due to revised business development strategies |
| – Evaluate the success of marketing strategies in developing the PRC and South East Asia markets | Not carried out due to revised business development strategies |

**Business objectives up to 30 September 2004
as stated in the Prospectus**

**Actual business progress up to
30 September 2004**

**Improvement of existing products and sourcing
of new products**

Water quality improvement

<i>GreaseKil, EcoTonic and FlusKleen</i>	– Conduct trials on the new system and perform evaluation	Due to change in business environment, the Group has focused on developing existing products
Bio-farm technology	– Launch advanced bio-farm technology to the market for different water systems	Technology not developed due to change in business development strategies and costs cutting measures
PCO technology	– Commence development of new type of PCO reactor for waste treatment	Technology not developed due to change in business development strategies and costs cutting measures
Wastewater treatment and recycling process	– Commence development of new type of wastewater recycling treatment models	Technology not developed due to change in business development strategies and costs cutting measures

**Business objectives up to 30 September 2004
as stated in the Prospectus**

**Actual business progress up to
30 September 2004**

Air quality improvement

EcoKleen

- Evaluate the newly developed application from research

Product not developed due to change in business development strategies and costs cutting measures

IAQ

- Evaluate the performance of new type of PCO reactor
- Conduct real site demonstration

Project ceased as we cannot reach major co-operation terms with Finland partner and the pricing of product is considered too high based on current market situations

Energy Saving

Heat energy saving system (Compact Heat Exchanger)

- Continue sourcing of appropriate Compact Heat Exchanger devices for customers to enhance energy efficiency

Product not sourced due to change in business development strategies and costs cutting measures

Chemical processing improvement technology

- Set up a collaborative research centre in the PRC

Centre not set up due to change in business development strategies and costs cutting measures

**Business objectives up to 30 September 2004
as stated in the Prospectus**

**Actual business progress up to
30 September 2004**

**Establishment of product development and
evaluation capabilities**

- | | |
|---|---|
| <ul style="list-style-type: none"> – Continue collaboration programmes | <p>Programmes not carried out due to change in business development strategies and costs cutting measures</p> |
| <ul style="list-style-type: none"> – Set up a collaborative research centre in the PRC for chemical processing improvement technology | <p>Centre not set up due to change in business development strategies and costs cutting measures</p> |
| <ul style="list-style-type: none"> – Conduct collaboration programme with local university/institution | <p>Collaboration programmes not carried out due to change in business development strategies and costs cutting measures</p> |
| <ul style="list-style-type: none"> – Form strategic alliance with institution/ university in the PRC for the Group's application analysis and product development activities | <p>Strategic alliance not formed due to change in business development strategies and costs cutting measures</p> |
| <ul style="list-style-type: none"> – Continue ITF programme | <p>Programmes ceased due to cost cutting measures</p> |

**Business objectives up to 30 September 2004
as stated in the Prospectus**

**Actual business progress up to
30 September 2004**

Marketing and brand building

- | | |
|---|---|
| – Sponsor and organize environmental related education programmes | Due to change in business environment, marketing and brand building has been temporarily postponed and the Group is concentrating on the sales of existing products |
| – Advertise the Group's products and services in journals and magazines | None carried out to date as focus remained on sales |
| – Participate in different environmental related exhibitions | None carried out to date as focus remained on sales |
| – Expand existing and sales and marketing team | Sales and marketing expanded by the use of salesmen purely on commission basis |
| – Maintain the Group's website | Group's website in English and Chinese continually updated |

UNAUDITED CONSOLIDATED RESULTS**Condensed Consolidated Income Statements**

For the three months and six months ended 30 September 2004

	Notes	Three months ended 30 September		Six months ended 30 September	
		2004 HK\$'000 (Unaudited)	2003 HK\$'000 (Unaudited)	2004 HK\$'000 (Unaudited)	2003 HK\$'000 (Unaudited)
Turnover	3	12,970	5,843	17,666	9,832
Cost of sales		(7,479)	(3,508)	(8,183)	(5,148)
Gross profit		5,491	2,335	9,483	4,684
Other operating income		15	20	313	23
Selling and distribution costs		(1,609)	(610)	(1,876)	(1,039)
Administrative expenses		(5,077)	(6,237)	(8,417)	(12,356)
Allowance for bad and doubtful debts		-	(6,942)	-	(8,442)
Loss from operations	4	(1,180)	(11,434)	(497)	(17,130)
Finance costs		(99)	(35)	(212)	(70)
Loss on disposal of subsidiaries		(222)	-	(222)	-
Loss before taxation		(1,501)	(11,469)	(931)	(17,200)
Taxation		(69)	(-)	(237)	(-)
Loss before minority interests		(1,570)	(11,469)	(1,168)	(17,200)
Minority interests		11	236	28	417
Net loss for the period		(1,559)	(11,233)	(1,140)	(16,783)
Loss per share	6				
– Basic		(0.13) cents	(1.29) cents	(0.10) cents	(1.93) cents
– Diluted		N/A	N/A	N/A	N/A

Condensed Consolidated Balance Sheet

At 30 September 2004

	<i>Notes</i>	30 September 2004 HK\$'000 (Unaudited)	31 March 2004 HK\$'000 (Audited)
Non-current assets			
Property, plant and equipment		2,883	2,888
Goodwill		1,786	–
		4,669	2,888
Current assets			
Inventories		5,502	4,575
Trade and other receivables	7	13,778	11,014
Pledged bank deposits		4,517	–
Bank balances and cash		4,371	8,649
		28,168	24,238
Current liabilities			
Trade and other payables	8	7,665	6,663
Obligations under finance leases due within one year		11	9
Amounts due to directors		225	473
Amount due to major shareholder		1,326	–
Amounts due to minority shareholders of subsidiaries		160	160
Secured short-term bank loans		958	–
Trust receipt loans – secured		1,568	999
Bank overdrafts – secured		4,499	1,091
		16,412	9,395
Net current assets		11,756	14,843
Total assets less current liabilities		16,425	17,731

	30 September	31 March
	2004	2004
<i>Notes</i>	HK\$'000	<i>HK\$'000</i>
	(Unaudited)	(Audited)
Non-current liabilities		
Obligations under finance leases due after one year	–	7
Minority interests	166	325
Net assets	16,259	17,399
Capital and reserves		
Share capital	11,587	11,587
Reserves	4,672	5,812
Shareholders' funds	16,259	17,399

Condensed Consolidated Statement of Changes in Equity*For the six months ended 30 September 2004*

	Share capital	Share premium	Special reserve	Translation reserve	Deficit	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
At 1 April 2003	8,717	42,888	2,935	(12)	(12,446)	42,082
Net loss for the period	–	–	–	–	(16,783)	(16,783)
At 30 September 2003	8,717	42,888	2,935	(12)	(29,229)	25,299
Issue of shares	2,870	7,175	–	–	–	10,045
Net loss for the period	–	–	–	–	(17,945)	(17,945)
At 31 March 2004	11,587	50,063	2,935	(12)	(47,174)	17,399
Net loss for the period	–	–	–	–	(1,140)	(1,140)
At 30 September 2004	11,587	50,063	2,935	(12)	(48,314)	16,259

Condensed Consolidated Cash Flow Statement*For the six months ended 30 September 2004*

	Six months ended	
	30 September	
	2004	2003
	HK\$'000	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Net cash from/(used in) operating activities	47	(5,225)
Net cash used in investing activities	(3,570)	(498)
Net cash from/(used in) financing activities	(737)	3,161
	<hr/>	<hr/>
Net decrease in cash and cash equivalents	(4,260)	(2,562)
Cash and cash equivalents at 1 April	8,649	5,053
	<hr/>	<hr/>
Cash and cash equivalents at 30 September	4,389	2,491
	<hr/> <hr/>	<hr/> <hr/>

Notes To The Condensed Consolidated Financial Statements

For the six months ended 30 September 2004

1. Basis of Preparation

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Chapter 18 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and the Statement of Standard Accounting Practice ("SSAP") No. 25 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

2. Principal Accounting Policies

The condensed consolidated financial statements have been prepared under the historical cost convention.

The accounting policies adopted are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2004.

3. Segment Information

Business segments

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

Geographical segments

During the period under review, the Group's operations are located in Hong Kong, Mainland China (the "PRC") and the Republic of Korea while the previous periods also included results of operations located in Malaysia and Singapore, 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:

	Three months ended		Six months ended	
	30 September		30 September	
	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover				
– Hong Kong	2,442	2,831	4,582	6,372
– PRC	–	2,933	362	3,017
– Korea	10,528	–	12,722	–
– Malaysia	–	–	–	320
– Singapore	–	79	–	123
	12,970	5,843	17,666	9,832
Results				
– Hong Kong	1,414	1,256	2,987	2,823
– PRC	–	(148)	82	(382)
– Korea	2,468	–	4,538	–
– Malaysia	–	(6,237)	–	(7,293)
– Singapore	–	(88)	–	55
	3,882	(5,217)	7,607	(4,797)
Unallocated other operating income	15	20	313	23
Unallocated corporate expenses	(5,077)	(6,237)	(8,417)	(12,356)
Loss from operations	(1,180)	(11,434)	(497)	(17,130)
Finance costs	(99)	(35)	(212)	(70)
Loss on disposal of subsidiaries	(222)	–	(222)	–
Loss before taxation	(1,501)	(11,469)	(931)	(17,200)
Taxation	(69)	–	(237)	–
Loss before minority interests	(1,570)	(11,469)	(1,168)	(17,200)
Minority interests	11	236	28	417
Net loss for the period	(1,559)	(11,233)	(1,140)	(16,783)

4. Loss from Operations

	Three months ended		Six months ended	
	30 September		30 September	
	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Loss from operations has been arrived at after charging:				
Depreciation of property, plant and equipment	183	445	409	887
Amortisation of goodwill included in administrative expenses	97	47	162	95
Amortisation of intangible assets included in administrative expenses	—	150	—	300

5. Taxation

No provision for Hong Kong profits tax has been made in the financial statements as the Group had no assessable profits deriving from Hong Kong's operations during the period.

Provision for corporate income tax had been made at 27% for the net profit derived from operations in the Republic of Korea.

6. Loss Per Share

The calculation of the basic loss per share for the three months ended 30 September 2004 is based on the unaudited net loss for the period of approximately HK\$1,559,000 (2003: HK\$11,233,000) and the weighted average number of 1,158,671,667 (2003: 871,666,667) shares in issue during the period.

The calculation of the basic loss per share for the six months ended 30 September 2004 is based on the unaudited net loss for the period of approximately HK\$1,140,000 (2003: HK\$16,783,000) and the weighted average number of 1,158,671,667 (2003: 871,666,667) shares in issue during the period.

No diluted loss per share has been presented for the three months and six months ended 30 September 2004 and three months and six months ended 30 September 2003 as the exercise price of the Company's share options was higher than the average market price of the Company's shares during the period.

7. Trade and Other Receivables

Payment terms with customers are mainly on credit together with deposits. Invoices are normally payable from 30 to 90 days of issuance, except for certain well established customers. The following is an aged analysis of trade receivables at the reporting date:

	30 September	31 March
	2004	2004
	HK\$'000	HK\$'000
Trade receivables	8,872	7,058
Deposits and prepayments	3,231	3,279
Other receivables	1,675	677
	13,778	11,014
Trade receivables		
Age		
0 to 90 days	3,512	1,880
91 to 180 days	1,776	3,210
181 to 365 days	1,751	2,958
Over 365 days	1,833	992
	8,872	9,040
Less: Allowance for bad and doubtful debts	-	(1,982)
	8,872	7,058

8. Trade and Other Payables

	30 September	31 March
	2004	2004
	HK\$'000	HK\$'000
Trade payables	5,186	2,475
Other payables	2,479	4,188
	<u>7,665</u>	<u>6,663</u>
Trade payables		
Age		
0 to 90 days	2,093	433
91 to 180 days	69	717
181 to 365 days	3,022	1,325
Over 365 days	2	–
	<u>5,186</u>	<u>2,475</u>

9. Interim Dividend

The directors do not recommend the payment of an interim dividend for the three months and six months ended 30 September 2004 respectively (2003: Nil).

DISCLOSURE OF INTERESTS

A. Directors and Chief Executives

At 30 September 2004, the interests of the directors (the "Director") and chief executives of the Company and their respective associates who had interests in the shares of the Company (the "Shares") and underlying Shares as recorded in the register maintained by the Company under Section 352 of the Securities and Futures Ordinance ("SFO") are as follows:

Shares

Name of Director	Number of Shares	Capacity/Nature of interest	Approximate percentage of the issued share capital (%)
Chan Hon Chiu (<i>Note</i>)	20,783,993	Beneficial owner	1.79
Yeung Kam Yan (<i>Note</i>)	25,976,186	Beneficial owner	2.24

Note: The shares held by the above executive directors are transferred from Achieve Century Limited, which previously held all the shares owned by the management shareholders.

Other than the holdings disclosed above, no interests and short positions were held or deemed or taken to be held under Part XV of the SFO by any Directors and chief executives of the Company or their respective associates (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Exchange pursuant to Part XV of the SFO or pursuant to the Model Code for Securities Transaction by Directors of Listed Companies or which are required pursuant to Section 352 of the SFO to be entered in the register referred therein. Nor any of the Directors and the chief executives of the Company (including their spouses and children under the age of 18) had, as at 30 September 2004, any interest in, or had been granted any right to subscribe for the securities of the Company's associated corporations within the meaning of the SFO, or had exercised any such rights.

B. Substantial Shareholders

So far as was known to any Director, at 30 September 2004, the following parties, other than the Directors and chief executives of the Company, had interests in the Shares representing 10% or more of the voting power at any general meeting of the Company as recorded in the register maintained by the Company under Section 336 of the SFO:

Name of Shareholders	Number of Shares	Capacity	Approximate percentage of the issued share capital (%)
Key Engineering Co., Ltd.	347,000,000	Beneficial owner	29.95
Top Rainbow Ltd. (Note 1)	224,506,294	Beneficial owner	19.38
Mr. Yang Pei Gen (Note 2)	224,506,294	Interest in a controlled corporation	19.38

Notes:

1. Top Rainbow Ltd. is a company incorporated in the British Virgin Islands and is the beneficial owner of these 224,506,294 Shares.
2. Mr. Yang Pei Gen was deemed to have interests in 224,506,294 Shares by virtue of his equity interests in Top Rainbow Ltd..

Save as disclosed above, as at 30 September 2004, no persons, other than the Directors and chief executives of the Company whose interests are set out in section A above, had interests or short positions in Shares or underlying Shares representing 10% or more of the voting power at any general meeting of the Company as recorded in the register required to be kept under Section 336 of the SFO, or who is interested in 10% or more of the voting power at any general meeting of any other members of the Group.

C. Certain Other Persons

At 30 September 2004, the following persons who are required to disclose their interests pursuant to Part XV of the SFO, other than the Directors and chief executives of the Company, had interests in the Shares and underlying Shares as recorded in the register required to be kept under Section 336 of the SFO:

Name of Shareholders	Number of Shares	Capacity	Approximate percentage of the issued share capital (%)
Top Accurate Limited	59,229,995	Beneficial owner	5.11
Mr. Ma She Shing, Albert (Note 1)	59,229,995	Interest in a controlled corporation	5.11

Note:

- I. Mr. Ma She Shing, Albert was deemed to have interests in 59,229,995 Shares by virtue of his equity interests in Top Accurate Limited.

Save as disclosed above, at 30 September 2004, no other person who was required to disclose their interests pursuant to Part XV of the SFO, other than the Directors and chief executives of the Company whose interests are set out in section A above, had registered any interests or short position in any Shares or underlying Shares as recorded in the register required to be kept under Section 336 of the SFO.

OUTSTANDING SHARE OPTIONS

At 30 September 2004, options to subscribe for an aggregate of 11,145,000 Shares granted pursuant to the pre-listing share option scheme adopted by the Company on 20 April 2002 and the post-listing share option scheme after listing were outstanding, details of which are as follows:

(a) Pre-listing share option scheme

Options to subscribe for an aggregate of 80,000,000 shares of the Company at an exercise price of HK\$0.14 each were granted on 26 April 2002 and these options related to the options granted to seven Directors (including the Directors as disclosed above), one technical adviser and five employees of the Group at the date of grant. The options will vest in three equal tranches on 10 November 2002, 10 May 2003 and 10 May 2004 respectively. The options, if not otherwise exercised, will lapse on 9 May 2012. The total number of outstanding options in respect of which shares are issuable under this pre-listing share option scheme is 4,000,000, representing approximately 0.3% of the issued share capital of the Company at 30 September 2004.

(b) Post-listing share option scheme

Options to subscribe for an aggregate of 7,150,000 Shares at an exercise price of HK\$0.18 each were granted on 8 July 2002 to an independent advisor. Half of the options are exercisable from 9 May 2003 to 9 May 2005 and the remainder from 9 May 2004 to 9 May 2005. The closing market price of the Shares immediately before the date of grant is HK\$0.173. The total number of outstanding options in respect of which shares are issuable under this post-listing share option scheme is 7,145,000, representing approximately 0.6% of the issued share capital of the Company at 30 September 2004.

The Directors consider that it is not necessary to state the value of the share options granted during the period on the ground that the market price of the Shares were constantly lower than the exercise price of the options after the date of grant. Furthermore, the information based on the speculative assumptions for valuing the options would not be useful to the shareholders and may be misleading to the shareholders.

APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTOR

During the period under review, Mr. Chan Ping Kuen, Francis was appointed as an independent non-executive director and a member of the audit committee of the Company with effect from 27 September 2004.

COMPETING INTERESTS

None of the Directors or management shareholders of the Company (as defined in the GEM Listing Rules) has any interest in a business which competes 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"), at 30 September 2004, neither the Sponsor nor its directors or employees or associates (as referred to in Rules 6.35 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.

AUDIT COMMITTEE

The written terms of reference which describe the authority and duties of the Company's audit committee (the "Audit Committee") were prepared and adopted with reference to Rules 5.28 to 5.33 of the GEM Listing Rules.

The primary duties of the Audit Committee are (i) to review the annual reports and accounts, half-year reports and quarterly reports and give advice and comments thereon to the Directors; and (ii) to review and supervise the financial reporting process and internal controls. The Audit Committee comprises the three independent non-executive Directors.

The Audit Committee had a meeting, during which the Group's results for the six months ended 30 September 2004 have been reviewed.

BOARD PRACTICES AND PROCEDURES

During the six months ended 30 September 2004, the Company has complied with Board Practices and Procedures as set out in Rules 5.34 to 5.45 of the GEM Listing Rules.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

During the six months ended 30 September 2004, the Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company has also made specific enquiry of all Directors and the Company was not aware of any non-compliance with the required standard of dealings and its code of conduct regarding securities transactions by the Directors.

PURCHASE, SALE OR REDEMPTION OF THE SHARES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any shares of the Company during the six months ended 30 September 2004.

On behalf of the Board

Grandy Corporation

Chan Hon Chiu

Executive Director

Hong Kong, 12 November 2004

At the date of this report, the Executive Directors are Mr. Chan Hon Chiu and Mr. Yeung Kam Yan. The Independent Non-executive Directors are Mr. Hsu Shiu Foo, William, Mr. Yu Chai Mei and Mr. Chan Ping Kuen, Francis.