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GRANDY CORPORATION

泓迪有限公司*

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 8143)

PLACING OF UNLISTED CONVERTIBLE NOTES

Placing Agent



Hantec Capital Limited

The Company has entered into the Placing Agreement with the Placing Agent on 25 November 2005 under which the Placing Agent has agreed to place on a best endeavours basis certain unsecured convertible notes in the aggregate principal amount of more than HK\$15,000,000 and up to HK\$20,000,000 to Placees which are currently intended to be not less than six investors.

Approximately up to 74,626,865 Conversion Shares will fall to be issued upon conversion of the Notes (in the aggregate principal amount of HK\$20,000,000) at the Conversion Price per Conversion Share will represent approximately 22.03 per cent. of the existing issued share capital of the Company and approximately 18.06 per cent. of the enlarged issued share capital of the Company.

The terms and conditions of the Notes, including the Conversion Price, were negotiated between the Company and the Placing Agent on an arm's length basis. The Conversion Price was determined with reference to the current market price of the Shares and the duration of the Notes. The Directors consider such terms to be fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

* for identification purpose only

Completion of the Placing Agreement is to take place on the second Business Day after the fulfillment of all the conditions precedent set out under the section headed “Conditions” below. One of the conditions precedent is the passing by the Shareholders of an ordinary resolution to approve the Placing Agreement, the issue of the Notes and the Conversion Shares at the EGM.

The Placing is subject to termination on the occurrence of, amongst other things, any event of force majeure (which includes events set out under the section headed “Termination” below) at or before 8:00 a.m. on the date of completion of the Placing Agreement.

The net proceeds will be approximately HK\$14.50 to 19.50 million (after deducting placing commission, legal fees and other expenses payable by the Company for the Placing). The Directors currently intend to apply the net proceeds, as to approximately one-fourth towards environmentally-related projects, approximately one-fourth towards general working capital of the Group and the balance towards projects or investments in the healthcare sector in Hong Kong and the PRC with a promising future, and which has high growth potential and are expected to bring positive return to the Company in the long term.

While the Group intends to continue to pursue its principal business, the Directors intend to make investments in the healthcare sector in Hong Kong and the PRC. The Directors believe that, given the improving living standards and health consciousness as well as government encouragement particularly in the PRC as evidenced by the increase in the Gross Domestic Product per capita and increase in yearly expenditure on the healthcare sector in the PRC, the healthcare sector represents a business sector with high growth potential. Moreover, the Directors consider that the healthcare sector in Hong Kong and the PRC provides ample business opportunities for the Group to utilize its existing expertise and experience in environmental industry and technology, such as the application of its enzyme products, waste treatment, energy saving products, waste water treatment and ancillary services in the healthcare sector with an aim to eventually penetrate part of its business in such sector. However, up to the date of this announcement, no suitable investment in the healthcare sector has been identified nor any concrete plan or arrangement has been made. Further update on the status of negotiations or arrangements of such investments will be provided in the circular in respect of the Placing Agreement to be dispatched to the Shareholders.

The Company will make further announcements in relation to the investment in the healthcare sector as and when appropriate in accordance with the GEM Listing Rules.

Application will be made for the listing of, and permission to deal in the Conversion Shares on GEM.

A circular containing information regarding, among other matters, the Placing Agreement, the terms and conditions of the Notes and the notice of the EGM will be dispatched to the Shareholders as soon as practicable in accordance with the GEM Listing Rules.

Trading in the Shares was suspended, at the request of the Company, on the Stock Exchange with effect from 9:30 a.m. on Monday, 28 November 2005 pending the release of this announcement. Application has been made to the Stock Exchange for the resumption of trading in the Shares with effect from 9:30 a.m. on Friday, 2 December 2005.

THE PLACING AGREEMENT

The Directors are pleased to announce that the Company has entered into the Placing Agreement with the Placing Agent.

Date : 25 November 2005

Issuer : The Company

Placing Agent : Hantec Capital Limited

The Placing Agent has conditionally agreed to place on a best endeavours basis the Notes in an aggregate principal amount of more than HK\$15,000,000 and up to HK\$20,000,000 to not less than six Placees.

INDEPENDENCE OF THE PLACING AGENT AND THE PLACEES

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, (a) the Placing Agent and its ultimate beneficial owners are third parties independent of, and not connected with the directors, chief executive, substantial shareholders or management shareholders of the Company or its subsidiaries or their respective associates; and (b) the Placees, who are expected to be independent individuals, corporate and/or institutional investors, and their respective ultimate beneficial owners are expected to be third parties independent of, and not connected with, the directors, chief executive, substantial shareholders or management shareholders of the Company or its subsidiaries or their respective associates.

CONDITIONS

Completion of the Placing Agreement shall take place on the second Business Day after the fulfillment of all of the following conditions precedent (or such other date as the Company and the Placing Agent may agree in writing):

- (a) the GEM Listing Committee granting (either unconditionally or subject only to conditions to which the Company does not reasonably object) listing of and permission to deal in the Conversion Shares on GEM;

- (b) all the requirements imposed by the Stock Exchange under the GEM Listing Rules or otherwise in connection with the transactions contemplated by the Placing Agreement having been fully complied with (including, without limitation, the publication of this announcement by the Company in relation to the Placing Agreement in accordance with the GEM Listing Rules);
- (c) the passing by the Shareholders of an ordinary resolution to approve the Placing Agreement, the issue of the Notes and the Conversion Shares at the EGM;
- (d) the Company obtaining all consents and approval from the relevant authorities in respect of the transactions contemplated under the Placing Agreement, if applicable; and
- (e) the Placing Agent procuring Placees to subscribe for the Notes with an aggregate principal amount of more than HK\$15,000,000.

If any of the conditions precedent has not been fulfilled, or waived (by the Placing Agent only in relation to condition precedent (e) above) on or before 15 January 2006 (or such other date to be agreed by the Company and the Placing Agent in writing), the Placing Agreement shall be null and void and of no effect save for any liability arising out of any antecedent breaches thereof. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, there is no consent or approval from any authorities required to be obtained by the Company in respect of the transactions contemplated under the Placing Agreement.

TERMINATION

The Placing Agent may terminate the Placing Agreement with immediate effect by giving written notice to the Company at any time prior to 8:00 a.m. on the date of completion of the Placing Agreement if:

- (a) there comes to the notice of the Placing Agent that:
 - (i) any matter or event showing any of the representations and warranties given by the Company under the Placing Agreement to be untrue or misleading or having been breached in any material respect; or
 - (ii) the Company is in material breach of any of its obligation under the Placing Agreement; or
- (b) there shall develop, occur, exist or come into effect:
 - (i) any new law or any change in existing laws of any nature whatsoever or any change in the interpretation or application thereof by any court or other competent authority of any relevant jurisdiction; or

- (ii) any change (whether or not forming part of a series of changes occurring or continuing before, on and/or after the date hereof and including an event or change in relation to or a development of an existing state of affairs) in local, national or international financial, political, military, industrial, fiscal or economic conditions or prospects; or
- (iii) any change in the conditions of local, national or international securities or commodities markets (or in conditions affecting a sector only of such market) including, for the avoidance of doubt, any significant adverse change in index level or volume or turnover of any such markets; or
- (iv) the imposition of any moratorium, suspension or material restriction on trading in securities generally on GEM occurring due to exceptional financial circumstances or otherwise; or
- (v) any event, or series of events, beyond the reasonable control of the Placing Agent (including, without limitation, acts of government, strikes, lock-outs, fire, explosion, flooding, civil commotion, acts of war, acts of God, acts of terrorism, accident or interruption or delay in transportation, economic sanctions, public disorder, riot and epidemic); or
- (vi) any other change whether or not ejusdem generis with any of the foregoing,

and which, in each case, in the reasonable opinion of the Placing Agent:

- (A) is or will or is likely to be materially adverse to the business, financial or other condition or prospects of the Group; or
- (B) has or will have or is likely to have a material adverse effect on the success of the Placing; or
- (C) makes it inadvisable or inexpedient to proceed with the Placing.

EFFECT ON THE SHAREHOLDING STRUCTURE AS A RESULT OF CONVERSION

Upon full conversion of the Notes (in the aggregate principal amount of HK\$20,000,000) at the Conversion Price, up to 74,626,865 Conversion Shares will fall to be issued. The following table summarises the potential effects on the shareholding structure of the Company as a result of the issue and conversion of the Notes (with reference to the current shareholdings):

Name of Shareholder	Shareholdings as at the date of this announcement		Upon full conversion of the Notes (in the aggregate principal amount of HK\$20,000,000) at the Conversion Price	
	No. of Shares	Percentage of Issued Shares	No. of Shares	Percentage of Issued Shares
Key Engineering Co., Ltd. (Note 1)	66,830,000	19.73%	66,830,000	16.17%
Easeglory Holdings Limited (Note 2)	46,346,000	13.68%	46,346,000	11.21%
Top Rainbow Ltd. (Note 3)	44,901,258	13.26%	44,901,258	10.86%
Mr. Yeung Kam Yan (Note 4)	3,795,237	1.12%	3,795,237	0.92%
Mr. Chan Hon Chiu (Note 4)	4,156,798	1.23%	4,156,798	1.01%
Noteholders	–	–	74,626,865	18.06%
Public	172,651,040	50.98%	172,651,040	41.77%
Total	<u>338,680,333</u>	<u>100%</u>	<u>413,307,198</u>	<u>100%</u>

- Notes:
1. Key Engineering Co., Ltd. is a company incorporated in the Republic of Korea and the issued shares of which are listed and traded on The KOSDAQ Stock Exchange, Inc. in the Republic of Korea.
 2. Easeglory Holdings Limited is beneficially owned by Mr. Yung Kwok Leong who is an executive Director and the chairman of the Company.
 3. The entire issued share capital of Top Rainbow Ltd. is owned by Mr. Yang Pei Gen.
 4. Mr. Yeung Kam Yan and Mr. Chan Hon Chiu are executive Directors.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries:

- (a) Key Engineering Co., Ltd. or Top Rainbow Ltd. and their respective ultimate beneficial owners are third parties independent of and not connected with the directors, chief executive, substantial shareholders or management shareholders of the Company or its subsidiaries or their respective associates; and

- (b) none of Key Engineering Co., Ltd., Easeglory Holdings Limited, Top Rainbow Ltd., Mr. Yeung Kam Yan and Mr. Chan Hon Chiu are parties acting in concert.

PRINCIPAL TERMS OF THE NOTES

The principal terms of the Notes are summarised below:

Issuer

The Company

Aggregate Principal Amount of the Notes

More than HK\$15,000,000 and up to HK\$20,000,000.

Conversion Price

The Conversion Price of the Notes is initially HK\$0.268, subject to adjustments as set out under the paragraph headed "Adjustment Provisions" below.

The Conversion Price represents a premium of approximately 15.02 per cent. to the closing price per Share as quoted on the Stock Exchange of HK\$0.233 on 25 November 2005, being the last trading day before the date of this announcement. The Conversion Price also represents a premium of approximately 13.56 per cent. to the average closing price per Share for the last 5 trading days ended on 25 November 2005 of HK\$0.236.

The Conversion Price was negotiated between the Company and the Placing Agent on an arm's length basis and determined with reference to the current market price of the Shares and the duration of the Notes.

The net Conversion Price is approximately HK\$0.259 to HK\$0.261, depending on the amount of net proceeds raised from the Placing.

Interest

The Notes will bear interest from Issue Date at the rate of 4 per cent. per annum (determined with reference to the current bank prime lending rate and the medium-to-long term deposit rates in Hong Kong), which will be payable quarterly in arrears on dates following three months, six months, nine months, one year, one year and three months, one year and six months, one year and nine months, two years, two years and three months, two years and six months, two years and nine months, and three years after the Issue Date.

Maturity Date

The third anniversary of the Issue Date.

Redemption

Unless previously redeemed or converted or otherwise provided in the Placing Agreement, the Company shall redeem the outstanding principal amounts of the Notes on the Maturity Date. Upon the happening of any of the following events of default, the outstanding principal amounts and/or interests under the Notes may become due and payable:

- (a) there is a default in the performance by the Company of any of the obligations under the Notes and such default shall continue for 14 Business Days;
- (b) the holder of any encumbrance takes possession or a receiver is appointed of the whole or material part of the assets or undertaking of the Company or any of its major subsidiaries;
- (c) the Company and/or any of its major subsidiaries cease to carry on their business;
- (d) the Company or any of its major subsidiaries is unable to pay its debts;
- (e) it shall become unlawful for the Company to perform all or any of its obligations under the Notes;
- (f) any statement made by the Company in the Notes shall be at any time incorrect in any material respect;
- (g) a moratorium is agreed or declared in respect of any present or future indebtedness of the Company or any of its major subsidiaries or any governmental agency or authority confiscates or seizes or compulsorily purchases or expropriates all or a material part of the assets or capital of the Company or any of its major subsidiaries;
- (h) a distress, execution or seizure before judgment is levied upon any part of the property of the Company or any of its major subsidiaries and is not discharged or stayed within 30 Business Days thereof; and
- (i) the listing of the Shares on GEM or such other recognised stock exchange is at any time terminated, or the Shares are suspended for trading for a period of more than 30 consecutive dealing days and the Company is unable to provide a reason therefor.

Conversion Provisions

Subject to the approval by the GEM Listing Committee having been granted in respect of the listing of, and permission to deal in, the Conversion Shares on GEM, each of the Noteholders will have the right, at any time six months after the Issue Date to convert all or part (in an amount of integral multiple of HK\$500,000) of the outstanding principal amounts of the Notes into Shares at the Conversion Price on any Business Day up to the close of business on the Maturity Date.

Conversion Shares

Approximately up to 74,626,865 Conversion Shares will fall to be issued upon full conversion of all the Notes (in the aggregate principal amount of HK\$20,000,000) at the Conversion Price representing approximately 22.03 per cent. of the existing issued share capital of the Company and approximately 18.06 per cent. of the enlarged issued share capital of the Company. The number of Conversion Shares fall to be issued upon full conversion of all the Notes may change if there is an adjustment to the Conversion Price under the provisions of the Notes.

The Conversion Shares will rank pari passu in all respects with the Shares in issue as at the date of the registration of the Conversion Shares issued upon conversion of the Notes.

As the general mandate to allot and issue Shares granted by the Shareholders to the Directors at the annual general meeting of the Company held on 29 July 2005 has been utilized to a great extent, the Directors will seek the Shareholders' approval at the EGM for a specific mandate to allot and issue the Conversion Shares.

Adjustment Provisions

The Conversion Price shall be adjusted in accordance with the terms of the Notes as a result of certain changes in the share capital of the Company including consolidation or sub-division of the Shares, capitalization of profits or reserves, capital distributions in cash or specie or subsequent issue of securities in the Company. Further details of the adjusting events will be disclosed in the circular in respect of the Placing Agreement to be dispatched to the Shareholders.

Voting

None of the Noteholders will be entitled to attend or vote at any meetings of the Company by reason only of it being a Noteholder.

Transferability

The Notes will be freely transferable (in an amount or integral multiple of HK\$500,000) subject to the Noteholders giving at least 14 days prior notice in writing to the Company. A Noteholder shall not, without the prior written consent of the Company, transfer the Note (or any part thereof) to any person which is a connected person (as defined in the GEM Listing Rules) of the Company. The Company has undertaken to notify the Stock Exchange immediately upon becoming aware that there are any dealings in the Notes by any connected persons (as defined in the GEM Listing Rules).

REASONS FOR THE PLACING

Given the current market sentiment, the Directors consider that the Placing represents an appropriate timing and opportunity for the Group to raise additional funds for investing in the business as detailed in the section headed “Use of Proceeds”. The Directors expect that the Placing could not only strengthen the financial position of the Group but could also better position itself to grasp suitable investments in either environmentally related projects or other projects which have a promising future with growth potential and are expected to bring positive return to the Group in the long term, when any such opportunities arise.

The Directors consider that the Placing is an appropriate means of raising additional funds for the Company since the Placing will not have an immediate dilution effect on the shareholding of the existing shareholders of the Company like other equity financing methods; and if the conversion rights attached to the Notes are exercised, the loan capital represented by the Notes that are exercised will become share capital of the Company and the holders of such Notes will become shareholders of the Company.

The terms of the Placing Agreement, including the interest provision, have been determined with reference to the current bank prime lending rate and the medium-to-long term deposit rates in Hong Kong after arm’s length negotiations between the Company and the Placing Agent, and are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

USE OF PROCEEDS

The net proceeds will be approximately HK\$14.50 to 19.50 million (after deducting placing commission, legal fees and other expenses payable by the Company for the Placing). The Directors currently intend to apply the net proceeds, as to approximately one-fourth towards environmentally-related projects, approximately one-fourth towards general working capital of the Group and the balance towards projects or investments in the healthcare sector in Hong Kong and the PRC with a promising future, has high growth potential and are expected to bring positive return to the Company in the long term.

While the Group intends to continue to pursue its principal business, the Directors intend to make investments in the healthcare sector in Hong Kong and the PRC. The Directors believe that, given the improving living standards and health consciousness as well as government encouragement particularly in the PRC as evidenced by the increase in the Gross Domestic Product per capita and increase in yearly expenditure on the healthcare sector in the PRC, the healthcare sector represents a business sector with high growth potential. Moreover, the Directors consider that the healthcare sector in Hong Kong and the PRC provides ample business opportunities for the Group to utilize its existing expertise and experience in environmental industry and technology, such as the application of its enzyme products, waste treatment, energy saving products, waste water treatment and its respective ancillary services in the healthcare sector with an aim to eventually penetrate part of its business in such sector. However, up to the date of this announcement, no suitable investment in the healthcare sector has been identified nor any concrete plan or arrangement has been made. Further update on the status of negotiations or arrangements of such investments will be provided in the circular in respect of the Placing Agreement to be dispatched to the Shareholders.

The Company will make further announcements in relation to the investment in the healthcare sector as and when appropriate in accordance with the GEM Listing Rules.

FUND RAISING EXERCISE BY THE COMPANY IN THE PAST TWELVE MONTHS

In the last twelve months from the date of this announcement, the Company conducted a total of two placing of new Shares, pursuant to which an aggregate gross amount of approximately HK\$15.53 million has been raised by the Company, with net proceeds of approximately HK\$15.20 million as disclosed in the respective announcements of the Company dated 20 January 2005 and 12 October 2005. The following is a brief summary of the aforesaid placing:

	First Placing	Second Placing
Number of Shares Placed	46,346,000 Shares	55,600,000 Shares
Completion Date of Placing	3 February 2005	16,000,000 Shares on 21 October 2005 39,600,000 Shares on 11 November 2005
Placing Price per Share	HK\$0.18	HK\$0.13
Gross Proceeds	approximately HK\$8.30 million	approximately HK\$7.23 million
Net Proceeds	approximately HK\$8.20 million	approximately HK\$7.00 million

	First Placing	Second Placing
Places of Placing	Easeglory Holdings Limited	Mr. Chan Fung, Mr. Lau Kam Chee and Fruitful Profits Limited
Intended Use of Proceeds	approximately HK\$8.20 million will be applied for future investment in environmentally related projects in the PRC and/or general working capital	approximately HK\$5.00 million will be applied towards the Group's future investment in environmentally related projects Balance will be applied towards other investment(s) and general working capital
Actual Use of Proceeds	approximately HK\$6.25 million has been applied for acquiring a production line for the manufacturing of melamine materials used for producing household products in the PRC which are widely used in environmentally conscious countries as announced on 12 October 2005 Balance has been applied for general working capital	Not yet utilized, but will be applied in the way as originally intended

APPLICATION FOR LISTING

No application will be made for the listing of, or permission to deal in, the Notes on GEM or any other stock exchange. An application will be made to the GEM Listing Committee for the listing of, and permission to deal in, the Conversion Shares on GEM.

GENERAL

A circular containing information regarding, among other matters, the Placing Agreement, the terms and conditions of the Notes and the notice of the EGM will be dispatched to the Shareholders as soon as practicable in accordance with the GEM Listing Rules.

The Company will make further announcements disclosing, among other things, the relevant information upon confirmation of the number and the identities of the Placees and the aggregate principal amount raised pursuant to the issue of the Notes upon completion of the Placing Agreement, whether there will be any new substantial shareholders as a result of the full conversion of the Notes by the Placees and the details of the investment in the healthcare sector as and when appropriate.

SUSPENSION AND RESUMPTION OF TRADING IN THE SHARES

Trading in the Shares on the Stock Exchange was suspended with effect from 9:30 a.m. on Monday, 28 November 2005 at the request of the Company pending publication of this announcement. An application will be made by the Company for the resumption of trading of Shares on the Stock Exchange with effect from 9:30 a.m. on Friday, 2 December 2005.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms shall have the following meanings when used herein:

“associates”	has the meaning given to it under the GEM Listing Rules
“Board”	the board of directors of the Company
“Business Day(s)”	a day (excluding Saturday and days on which a tropical cyclone warning No. 8 or above or a “black rainstorm warning signal” is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.) on which banks in Hong Kong are generally open for banking business
“Company”	Grandy Corporation, a company incorporated in the Cayman Islands with limited liability and the issued Shares are listed on GEM
“Conversion Price”	the initial conversion price of HK\$0.268 per Conversion Share, subject to adjustment
“Conversion Shares”	the Shares to be issued by the Company under the Notes upon conversion
“Directors”	directors, including the independent non-executive directors, of the Company from time to time
“EGM”	an extraordinary general meeting of the Company to be convened for the purpose of approving, among other things, the Placing Agreement and the issue of the Notes and the Conversion Shares

“GEM”	the Growth Enterprise Market operated by the Stock Exchange
“GEM Listing Committee”	the listing sub-committee of the board of the Stock Exchange with responsibility for GEM
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“Issue Date”	the date of the issue of the Notes
“major subsidiaries”	has the meaning given to it under the GEM Listing Rules
“Maturity Date”	the date which is the third anniversary of the Issue Date
“Noteholder”	the person who is for the time being the holder of a Note and “Noteholders” shall be construed accordingly
“Notes”	the series of unsecured convertible notes issued by the Company in the aggregate principal amount of more than HK\$15,000,000 and up to HK\$20,000,000
“Placees”	the investors who are expected to be independent of the Company and not connected (within the meaning of the GEM Listing Rules) with the Company or any of the directors, chief executive, substantial shareholders or management shareholders of the Company or its subsidiaries or their respective associates and who will subscribe for the Notes pursuant to the Placing
“Placing”	the placing of the Notes by the Placing Agent on and subject to the terms and conditions of the Placing Agreement to not less than six Placees
“Placing Agent”	Hantec Capital Limited

“Placing Agreement”	the conditional placing agreement entered into between the Company and the Placing Agent on 25 November 2005
“PRC”	the People’s Republic of China, excluding Hong Kong for the purpose of this announcement
“Share(s)”	share(s) of HK\$0.05 each in the Company’s share capital
“Shareholders”	shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent.

By order of the Board
Grandy Corporation
Yung Kwok Leong
Chairman

Hong Kong, 1 December 2005

As at the date of this announcement, the executive Directors are Mr. Yung Kwok Leong, Mr. Chan Hon Chiu and Mr. Yeung Kam Yan. The independent non-executive Directors are Mr. Chan Ping Kuen, Francis, Mr. Hsu Shiu Foo, William and Mr. Yu Chai Mei.

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