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**GRANDY CORPORATION**

**泓迪有限公司\***

*(incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 8143)**

**PROPOSED RIGHTS ISSUE ON THE BASIS OF ONE RIGHTS SHARE  
FOR EVERY TWO EXISTING SHARES HELD  
AND  
RESUMPTION OF TRADING**

**Financial Adviser to the Company**



**INCUB CORPORATE FINANCE LIMITED**

**Underwriter**



**QUAM SECURITIES COMPANY LIMITED**

**PROPOSED RIGHTS ISSUE**

The Company proposes to raise not less than approximately HK\$10.35 million and not more than approximately HK\$10.37 million before expenses by way of a rights issue of not less than 172,465,166 Rights Shares (assuming no Share Options under the Pre-IPO Share Option Scheme would have been exercised on or before the Latest Lodging Date) and not more than 172,865,166 Rights Shares (assuming full exercise of 800,000 Share Options under the Pre-IPO Share Option Scheme on or before the Latest Lodging Date).

\* For identification purpose only

The aggregate number of Rights Shares to be issued pursuant to the terms of Rights Issue represents 50% of the existing issued share capital of the Company and approximately 33.33% of the issued share capital of the Company as enlarged by the Rights Shares, at a price of HK\$0.06 per Rights Share payable in full on acceptance on the basis of one Rights Share for every two existing Shares held on the Record Date. The Company will provisionally allot to the Qualifying Shareholders one Rights Share in nil-paid form for every two existing Shares held on the Record Date. The Rights Issue will not be available to the Excluded Shareholders.

The last day of dealings in the Shares on a cum-rights basis is 20 March 2006. The Shares will be dealt with on an ex-rights basis from 21 March 2006. To qualify for the Rights Issue, the Shareholder must be registered as a member of the Company on the Record Date and not be an Excluded Shareholder. In order to be registered as a member of the Company on the Record Date, any transfer of Shares (together with the relevant share certificates) must be lodged for registration with the Registrar at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong on or before 22 March 2006, being the Latest Lodging Date. The register of members for the Shares will be closed from 23 March 2006 to 27 March 2006, both dates inclusive.

The estimated net proceeds of the Rights Issue will amount to not less than approximately HK\$9.35 million and not more than approximately HK\$9.37 million (after deducting expenses including underwriting commission, professional fees, printing charges and sundry expenses). The Directors currently intend to use the net proceeds from the Rights Issue as to approximately HK\$0.5 million towards general working capital of the Group and the balance towards projects of investments in the healthcare sector which the Directors expect will bring synergistic effect and positive return to the existing environmental business and related projects of the Company. As disclosed in the previous announcement of the Company dated 1 December 2005 regarding the placing of unlisted Convertible Notes, the Group intends to continue to pursue its principal business and also intends to make investments in the healthcare sector in Hong Kong and the PRC. The Group is currently cooperating with a healthcare management company established in the PRC for the provision of environmentally-related services to certain hospitals in the PRC. In order to seek for more business opportunities and to maximize return to the Company in the long run, the Group is therefore, in negotiation with the shareholders of the healthcare management company who are independent third parties of the Company and its connected persons (as defined in the GEM listing Rules) to enter into a MOU with a view to acquiring the whole or part of the equity stake in a healthcare management company. The Company will make further announcement disclosing the details of the proposed cooperation and investment in the healthcare management company as and when appropriate in accordance with the GEM Listing Rules.

Pursuant to the Underwriting Agreement, Mr. Yung, who is beneficially interested in 49,096,000 existing Shares, representing approximately 14.23% of the total issued share capital of the Company as at the date of this announcement, has given an irrevocable undertaking to accept or procure acceptance of all the 24,548,000 Rights Shares to be provisionally allotted to him, or his nominee(s) as the holder of such Rights Shares pursuant to the Rights Issue. Assuming all the Rights Shares subject to the above undertakings have been fully allotted and issued to Mr. Yung, Mr. Yung's total shareholdings after the Rights Issue would amount to 73,644,000 Shares representing approximately 14.23% (assuming no Share Options under the Pre-IPO Share Option Scheme would have been exercised on or before the Latest Lodging Date) and 14.20% (assuming full exercise of the Share Options under the Pre-IPO Share Option Scheme on or before the Latest Lodging Date) of the total issued share capital of the Company as enlarged by the Rights Issue.

Assuming all the Share Options under the Pre-IPO Share Option Scheme have been exercised on or before the Latest Lodging Date, in the event that no Qualifying Shareholder (other than Mr. Yung) takes up any Rights Shares, the Underwriter will be required to subscribe for and take up all the Rights Shares (other than the Rights Shares undertaken to be taken up by Mr. Yung) that have not been subscribed for under the Rights Issue pursuant to its obligations under the Underwriting Agreement, which will result in the Underwriter holding not less than 147,917,166 Rights Shares (assuming no Share Options under the Pre-IPO Share Option Scheme would have been exercised on or before the Latest Lodging Date) and not more than 148,317,166 Rights Shares (assuming full exercise of 800,000 Share Options under the Pre-IPO Share Option Scheme on or before the Latest Lodging Date), representing approximately 28.59% and approximately 28.60% of the total issued share capital of the Company as enlarged by the issue of the Rights Shares respectively. The Rights Issue (other than the Rights Shares undertaken to be taken up by Mr. Yung) will be fully underwritten by the Underwriter on the terms and subject to the conditions set out in the Underwriting Agreement.

**The Rights Issue is conditional and is fully underwritten. In particular, it is subject to the obligations of the Underwriter under the Underwriting Agreement becoming unconditional and not being terminated, including as a results of the provisions regarding force majeure referred to in the section headed "Termination of the Underwriting Agreement" below. Accordingly, the Rights Issue may or may not become unconditional and may or may not proceed.**

**Shareholders and potential investors are advised to exercise caution when dealing in the Shares and the nil-paid Rights Shares up to the date when the conditions of the Rights Issue are fulfilled.**

## **GENERAL**

The Company will apply to the GEM Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Rights Shares in both nil-paid and fully-paid forms.

The Prospectus Documents setting out details of the Rights issue will be despatched to the Qualifying Shareholders as soon as practicable.

## **SUSPENSION AND RESUMPTION OF TRADING**

At the request of the Company, trading in the Shares on GEM was suspended from 9:30 a.m. on 1 March 2006 pending the release of this announcement. The Company has applied to the Stock Exchange for the resumption of trading in the existing Shares with effect from 9:30 a.m. on 3 March 2006.

## **PROPOSED RIGHTS ISSUE**

### **Issue statistics**

Basis of the Rights Issue: One Rights Share for every two existing Shares held on the Record Date

Subscription Price: HK\$0.06 per Rights Share

Number of existing Shares  
in issue: 344,930,333 Shares

Number of outstanding  
Share Options: At the date of this announcement, 800,000 Share Options were granted under the Pre-IPO Share Option Scheme and 3,750,000 Share Options were granted under the Post-IPO Share Option Scheme. The Share Option holders under the Post-IPO Share Option Scheme have undertaken not to exercise their respective Share Options on or before the Record Date

Number of Rights Shares: not less than 172,465,166 Rights Shares (assuming no Share Options under the Pre-IPO Share Option Scheme would have been exercised on or before the Latest Lodging Date) and not more than 172,865,166 Rights Shares (assuming full exercise of 800,000 Share Options under the Pre-IPO Share Option Scheme on or before the Latest Lodging Date)

Number of Rights Shares  
undertaken to be taken up  
by Mr. Yung: Pursuant to the Underwriting Agreement, Mr. Yung has irrevocably undertaken to accept or procure acceptance of his entitlements under the Rights Issue for 24,548,000 Rights Shares

Underwriter: Quam Securities Company Limited

The nil-paid Rights Shares proposed to be provisionally allotted pursuant to the terms of the Rights Issue represent 50% of the existing issued share capital of the Company immediately before the Record Date and approximately 33.33% of the issued share capital of the Company as enlarged by the Rights Shares.

The Company expects to raise not less than approximately HK\$10.35 million and not more than approximately HK\$10.37 million before expenses through the Rights Issue.

### **Subscription Price of the Rights Shares**

The Subscription Price for the Rights Shares is HK\$0.06 per Rights Share, payable in full when a Qualifying Shareholder accepts his/her/its provisional allotment under the Rights Issue or applies for excess Rights Shares or when a transferee of nil-paid Rights Shares subscribes for the Rights Shares.

The Subscription Price represents:

- (i) a discount of 68.42% to the closing price of HK\$0.19 per Share as quoted on GEM on the Last Trading Date;
- (ii) a discount of 67.74% to the average closing price of HK\$0.186 per Share as quoted on GEM for the 5 consecutive trading days up to and including 28 February 2006 the Last Trading Date;
- (iii) a discount of 67.91% to the average closing price of HK\$0.187 per Share as quoted on GEM for the 10 consecutive trading days up to and including the Last Trading Date;
- (iv) a discount of 59.18% to the theoretical ex-rights price of HK\$0.147 per Share based on the closing price of HK\$0.19 per Share as quoted on GEM on the Last Trading Date; and
- (v) a discount of 13.04% to the net asset value per Share of approximately HK\$0.069 based on the unaudited consolidated net asset value of the Group as at 30 September 2005 as per its interim report 2005/2006 and the then issued share capital.

The Subscription Price was arrived at after arm's length negotiation between the Company and the Underwriter with reference to, among other things, (a) the low liquidity of the Shares in the market as indicated by the average daily trading volume of approximately 314,266 Shares for the last 30 trading days up to and including the Last Trading Date, representing approximately 0.091% of the existing issued share capital of the Company; (b) the unaudited consolidated net asset value per Share of the Group as at 30 September 2005 of HK\$0.069 as shown in the 2005 interim report 2005/2006 of the Company for the six months ended 30 September 2005; and c) the recent financial performance of the Company as indicated by the Company only returning to a profitable position for the last two quarters after suffering from three years of financial losses since financial year ended 31 March 2003.

In view of the above, in order to increase the attractiveness of the Rights Issue to the Qualifying Shareholders, the Directors consider that the terms of the Rights issue including the substantial discount are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

## **Conditions of the Rights Issue**

The Rights Issue is conditional upon, among other things, the following:

- (i) the GEM Listing Committee of the Stock Exchange granting or agreeing to grant in principle (subject to allotment of Rights Shares) the listing of and permission to deal in all the Rights Shares, in nil-paid and fully-paid forms, either unconditionally or subject to such conditions which the Company accepts and the satisfaction of such conditions (if any and where relevant) by no later than the dates specified in such approval and not having withdrawn or revoked such listings and permissions on or before the proposed time for settlement;
- (ii) compliance with the requirements under the applicable laws and regulations of Hong Kong and the Cayman Islands;
- (iii) compliance with and performance of all undertakings and obligations of the Company under the Underwriting Agreement;
- (iv) the Shares remaining listed on the Stock Exchange at all times prior to the Latest Time for Termination and the current listing of the Shares not having been withdrawn or the trading of the Shares on the Stock Exchange not being suspended for more than ten consecutive trading days at any time prior to the Latest Time for Termination (excluding any suspension in connection with the clearance of this announcement or the Prospectus Documents or other announcements or documents in connection with the Rights Issue); and
- (v) the performance in full by Mr. Yung of his undertakings in respect of taking up its rights entitlements in full under the Underwriting Agreement.

In the event that the above conditions have not been satisfied or waived in whole or in part by the Underwriter by the relevant dates and times specified in the Underwriting Agreement, all liabilities of the parties under the Underwriting Agreement shall cease and determine and none of the parties shall have any claim against the other. In such case, the Rights Issue will not proceed. Save for conditions (iii) and (iv), no conditions can be waived.

## **Status of the Rights Shares**

The Rights Shares, when allotted, issued and fully-paid, will rank *pari passu* with the existing Shares in issue in all respects. Holders of such Rights Shares will be entitled to receive full future dividends and distributions which are declared, made or paid on or after the date of allotment and issue of the Rights Shares in their fully-paid form.

## **Qualifying Shareholders**

The Company will send the Prospectus Documents to Qualifying Shareholders only.

To qualify for the Rights Issue, the Shareholder must be registered as a member of the Company on the Record Date and not be an Excluded Shareholder.

In order to be registered as a member of the Company on the Record Date, any transfer of Shares (together with the relevant share certificates) must be lodged for registration with the Registrar on or before 4:00 p.m. on 22 March 2006, being the Latest Lodging Date.

The Registrar of the Company in Hong Kong is:

Tengis Limited  
26th Floor, Tesbury Centre  
28 Queen's Road East  
Wanchai, Hong Kong

The holders of any outstanding Share Options under the Pre-IPO Share Option Scheme should note that their Share Options may be exercised by giving notice in writing to the Company stating the Share Options are thereby exercised and the number of Shares in respect of which it is exercised, accompanied by a remittance for the aggregate amount of the subscription moneys. The Company shall allot and instruct the Registrar of the Company to issue the relevant Shares to the holders of the Share Options within 5 Business Days after receipt of the notice and the remittance in full. As such, any holder of Share Options under the Pre-IPO Share Option Scheme who wish to participate in the Rights Issue are advised to consider whether he/it wishes to exercise its Share Options by giving written notice accompanied by relevant remittance in full to the Company on or before 15 March 2006 (i.e. 5 Business Days before the Latest Lodging Date).

Any Qualifying Shareholder who holds the Shares as a nominee, trustee or registered holder in any other capacity will not be treated differently from any other registered holder. Any beneficial owner of the Shares whose Shares are registered in the name of a nominee, trustee or registered holder in any other capacity should make arrangements with such nominee, trustee or registered holder in relation to the Rights Issue. Any such person may consider whether he wishes to arrange for the registration of the relevant Shares in the name of the beneficial owner prior to the Record Date.

## **Closure of register of members**

The register of members of the Company will be closed from 23 March 2006 to 27 March 2006, both dates inclusive, for the purpose of, among other things, determining entitlements to participate in the Rights Issue. No transfer of Shares will be registered during this period.

## **Rights of Overseas Shareholders**

The Prospectus Documents will not be registered or filed under the applicable securities or equivalent legislation of any jurisdiction other than that in Hong Kong. If at the close of business on the Record Date, a Shareholder's address on the Company's register of members is in a place outside of Hong Kong, that Shareholder may not be eligible to take part in the Rights Issue.

In compliance with Rule 17.41 of the GEM Listing Rules, the Directors will make enquiries as to whether the issue of Rights Shares to the Overseas Shareholder may contravene the applicable securities legislation of the relevant overseas place or the requirements of the relevant regulatory body or stock exchange. If, after making such enquiry, the Directors are of the opinion that it would be necessary or expedient, on account either of the legal restrictions under the laws of the relevant place or any requirement of the relevant regulatory body or stock exchange in that place, not to offer the Rights Shares to such Overseas Shareholders, no provisional allotment of nil-paid Rights Shares or allotment of fully-paid Rights Shares will be made to such Overseas Shareholders. Accordingly, the Rights Issue will not be extended to the Excluded Shareholders. The Rights Issue is not available to the Excluded Shareholders. The Company will send the Prospectus to Excluded Shareholders for their information only, but will not send the provisional allotment letters or forms for application for excess Rights Shares to Excluded Shareholders.

Further announcement in respect of the number of Overseas Shareholders and the results of the aforesaid enquiries made by the Directors (if applicable) will be made on or about 13 March 2006.

Arrangements will be made for the Rights Shares, which would otherwise have been provisionally allotted to the Excluded Shareholders in nil-paid form, to be sold as soon as practicable after dealings in nil-paid Rights Shares commence, if a premium, net of expenses, can be obtained. The proceeds of each sale, less expenses, of HK\$100 or more will be paid to the relevant Excluded Shareholders in Hong Kong dollars pro rata to their respective shareholdings as soon as possible. The Company will keep individual amounts of less than HK\$100 for its own benefit. Any unsold Rights Shares will be available for excess application.

### **Application for excess Rights Shares**

Qualifying Shareholders are entitled to apply for any unsold entitlements of the Excluded Shareholders and any nil-paid Rights Shares provisionally allotted but not accepted by completing the form of application for excess Rights Shares and lodging the same with a separate remittance for the excess Rights Shares being applied for.

**The Directors will allocate the excess Rights Shares at their discretion on a fair and equitable basis, but will give preference to topping-up odd lots to whole board lots of Shares. Shareholders with their Shares held by a nominee company should note that the Directors will regard the nominee company as a single Shareholder according to the register of members of the Company. Accordingly,**



**Shareholders should note that the aforesaid arrangement in relation to the top-up of odd lots for allocation of excess Rights Shares will not be extended to the ultimate beneficial owners individually. Shareholders with their Shares held by a nominee company are advised to consider whether they would like to arrange for the registration of the relevant Shares in the name of the beneficial owner(s) to increase their chances of allotment of the excess Rights Shares prior to the Record Date.**

#### **Fractional entitlements to the rights shares**

The Company will not allot fractions of Rights Shares (both nil-paid and fully-paid) and will round down such fractions to the nearest whole number. Rights Shares representing the aggregate of fractions of such Rights Shares will be provisionally allotted to a nominee of the Company which will arrange for the sale of such Rights Shares (both nil-paid and fully-paid) as soon as practicable after commencement of dealings on the Stock Exchange in Rights Shares in nil-paid form in respect of the Rights Shares in nil-paid form and commencement in dealings on the Stock Exchange in Rights Shares in fully-paid form in respect of Rights Shares in fully-paid form (as the case may be) and will keep the proceeds for the benefit of the Company (after deducting expenses of the Company, if any).

#### **Share certificates for Rights Shares and refund cheques**

Subject to the fulfillment of the conditions of the Rights Issue, share certificates for all fully-paid Rights Shares are expected to be posted to the Qualifying Shareholders who have accepted and applied for (where appropriate), and paid for the Rights Shares on or before 20 April 2006 at their own risk. Refund cheques in respect of wholly or partially unsuccessful applications for excess Rights Shares are also expected to be posted on or before 20 April 2006 at their own risk.

#### **Application for listing of the Rights Shares on GEM**

The Company will apply to the GEM Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Rights Shares in both nil-paid and fully-paid forms.

Dealing in the Rights Shares, in both their nil-paid and fully-paid forms, both in board lot of 20,000 Shares, will be subject to the payment of stamp duty in Hong Kong.

#### **Reasons for the Rights Issue and use of proceeds**

The Group is principally engaged in the production, sourcing, sales and marketing, design and development of environmental protection products and ancillary services for combating environmental problems.

The estimated net proceeds of the Rights Issue will amount to not less than approximately HK\$9.35 million and not more than approximately HK\$9.37 million (after deducting expenses including underwriting commission, professional fees, printing charges and sundry expenses). The Directors currently intend to

use the net proceeds from the Rights Issue as to approximately HK\$0.5 million towards general working capital of the Group and the balance towards projects of investments in the healthcare sector which the Directors expect will bring synergistic effect and positive return to the existing environmental business and related projects of the Company. As disclosed in the previous announcement of the Company dated 1 December 2005 regarding the placing of unlisted Convertible Notes, the Group intends to continue to pursue its principal business and also intends to make investments in the healthcare sector in Hong Kong and the PRC. The Group is currently cooperating with a healthcare management company established in the PRC for the provision of environmentally-related services to certain hospitals in the PRC. In order to seek for more business opportunities and to maximize return to the Company in the long run, the Group is therefore, in negotiation with the shareholders of the healthcare management company who are independent third parties of the Company and its connected persons (as defined in the GEM listing Rules) to enter into a MOU with a view to acquiring the whole or part of the equity stake in a healthcare management company. The Company will make further announcement disclosing the details of the proposed cooperation and investment in the healthcare management company as and when appropriate in accordance with the GEM Listing Rules.

The Directors have considered other alternative fund raising methods such as issue of new shares and bank borrowings and consider that the Rights Issue has the benefits of allowing the Qualifying Shareholders to maintain their respective pro rata shareholdings if they take up their entitled Rights Shares and participate in the future growth of the Group. Moreover, should Shareholders decide not to take up their entitlements under the Rights Issue, they can sell the nil-paid Right Shares in the market for economic benefit, if any.

The Directors believe that the Rights Issue is in the interests of the Company and the Shareholders as a whole.

## **UNDERWRITING ARRANGEMENT**

### **Undertakings from Mr. Yung**

Pursuant to the Underwriting Agreement, Mr. Yung, who is beneficially interested in 49,096,000 existing Shares, representing approximately 14.23% of the total issued share capital of the Company as at the date of this announcement, has given an irrevocable undertaking to accept or procure acceptance of all the 24,548,000 Rights Shares to be provisionally allotted to him, or his nominee(s) as the holder of such Rights Shares pursuant to the Rights Issue. Assuming all the Rights Shares subject to the above undertakings have been fully allotted and issued to Mr. Yung, Mr. Yung's total shareholdings after the Rights Issue would amount to 73,644,000 Shares representing approximately 14.23% (assuming no Share Options under the Pre-IPO Share Option Scheme would have been exercised on or before the Latest Lodging Date) and 14.20% (assuming full exercise of the Share Options under the Pre-IPO Share Option Scheme on or before the Latest Lodging Date) of the total issued share capital of the Company as enlarged by the Rights Issue.

As at the date of this announcement, neither Mr. Yung nor Easeglory has indicated whether they will apply for any of the excess Rights Shares.

## **Underwriting Agreement**

Date: 28 February 2006

Underwriter (*Note*): Quam Securities Company Limited

Number of Rights Shares underwritten: In the event that no Qualifying Shareholder (other than Mr. Yung) takes up any Rights Shares, the Underwriter will be required to subscribe for and take up all the Rights Shares (other than the Rights Shares undertaken to be taken up by Mr. Yung) that have not been subscribed for under the Rights Issue pursuant to its obligations under the Underwriting Agreement, which will result in the Underwriter holding not less than 147,917,166 Rights Shares (assuming no Share Options under the Pre-IPO Share Option Scheme would have been exercised on or before the Latest Lodging Date) and not more than 148,317,166 Rights Shares (assuming full exercise of 800,000 Share Options under the Pre-IPO Share Option Scheme on or before the Latest Lodging Date), representing approximately 28.59% and approximately 28.60% of the total issued share capital of the Company as enlarged by the issue of the Rights Shares respectively. The Rights Issue (other than the Rights Shares undertaken to be taken up by Mr. Yung) will be fully underwritten by the Underwriter on the terms and subject to the conditions set out in the Underwriting Agreement.

Commission: 2.5% of the total Subscription Price of the Rights Shares to be underwritten by the Underwriter. The commission to be received by the Underwriter will be approximately HK\$220,000. The Directors considered that underwriting commission of 2.5% is comparable with the market rate and reasonable.

*Note:* The Underwriter and its ultimate beneficial owners do not have any shareholding in the Company and are third parties independent of the Company and its connected person (as defined in the GEM Listing Rules).

As at the date of this announcement, Key Engineering Co. Ltd., Top Rainbow Ltd. and the Directors (other than Mr. Yung) have not indicated whether they will take up any Rights Shares entitled to them under the Rights Issue or any of the excess Rights Shares.

## **Termination of the Underwriting Agreement**

**Notwithstanding anything contained in the Underwriting Agreement, the Underwriter may terminate the arrangement set out in the Underwriting Agreement by notice in writing to the Company at any time prior to the Latest Time for Termination, if the Underwriter becomes aware of the fact that there shall develop, occur, exist or come into effect:**

- (i) any new law or regulation or any change in existing laws or regulations in Hong Kong or any other place that is the place of incorporation of any member of the Group, or in which any member of the Group conducts or carries on business; or**
- (ii) any significant change (whether or not permanent) in local, national or international economic, financial, political or military conditions; or**
- (iii) any significant change (whether or not permanent) in local, national or international securities market conditions (any moratorium, suspension or material restriction on trading in shares or securities generally on the Stock Exchange due to exceptional financial circumstances or otherwise) or exchange controls; or**
- (iv) any event of force majeure including, without limiting the generality thereof, any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out;**

**and in the reasonable opinion of the Underwriter, such change has or would have a material and adverse effect on the business, financial or trading position or prospects of the Company or the Group as a whole or the success of the Rights Issue or make it inadvisable or inexpedient to proceed with the Rights Issue.**

**If the Underwriter terminate the Underwriting Agreement, the Rights Issue will not proceed.**

## **WARNING OF THE RISK OF DEALING IN SHARES AND NIL-PAID RIGHTS SHARES**

**The Shares will be dealt in on an ex-rights basis from 21 March 2006. Dealing in the Rights Shares in the nil-paid form will take place from 29 March 2006 to 6 April 2006 (both dates inclusive). If the conditions of the Rights Issue are not fulfilled and/or, in respect of conditions that are waivable, waived (as the case may be) on or before 18 April 2006 (or such later time and/or date as the Company and the Underwriter may agree in writing), or the Underwriting Agreement is terminated, the Rights Issue will not proceed.**

**Any Shareholders or other persons contemplating buying or selling Shares from the date of this announcement up to the date on which all the conditions of the Rights Issue are fulfilled, and any dealings in the Rights Shares in their nil-paid form between 29 March 2006 and 6 April 2006 (both dates inclusive), bear the risk that the Rights Issue may not become unconditional or may not proceed.**

**Any Shareholder or other persons contemplating dealings in the Shares or nil-paid Rights Shares, who is in any doubt about his/ her/ its position, is recommended to consult his/ her/ its own professional advisers.**

**Shareholders and potential investors are advised to exercise caution when dealings in the Shares and the nil-paid Rights Shares up to the date when the conditions of the Rights Issue are fulfilled.**

## CHANGES IN SHAREHOLDING STRUCTURE

The following is the shareholding structure of the Company immediately before and after completion of the Rights Issue (assuming no Share Options under the Pre-IPO Share Option Scheme would have been exercised on or before the Latest Lodging Date):

| Shareholders   | At the date of<br>this announcement |                          | Immediately after the<br>completion of the<br>Rights Issue (assuming<br>no Qualifying Shareholders<br>shall take up his/her/its<br>entitlements under the<br>Rights Issue, except that<br>Mr. Yung takes up all his<br>entitlements (being 24,548,000<br>Rights Shares in aggregate) |                          | Immediately after the<br>completion of the<br>Rights Issue (assuming<br>all Qualifying Shareholders<br>shall take up his/her/its<br>entitlements under<br>the Rights Issue) |                          |
|--|-------------------------------------|--------------------------|--|--------------------------|---|--------------------------|
|  | <i>No. of<br/>Shares</i>            | <i>Approximate<br/>%</i> | <i>No. of<br/>Shares</i>   | <i>Approximate<br/>%</i> | <i>No. of<br/>Shares</i>  | <i>Approximate<br/>%</i> |
|  | Key Engineering Co. Ltd. (Note 1)   | 66,830,000               | 19.37%   | 66,830,000               | 12.92%  | 100,245,000              |
| Easeglory Holdings Limited &<br>Mr. Yung Kwok Leong (Note 2) | 49,096,000                          | 14.23%                   | 73,644,000   | 14.23%                   | 73,644,000  | 14.23%                   |
| Top Rainbow Ltd. (Note 3)                                    | 44,901,258                          | 13.02%                   | 44,901,258   | 8.68%                    | 67,351,887  | 13.02%                   |
| Mr. Yeung Kam Yan (Note 4)                                   | 3,795,237                           | 1.10%                    | 3,795,237  | 0.73%                    | 5,692,855   | 1.10%                    |
| Mr. Chan Hon Chiu (Note 4)                                   | 4,156,798                           | 1.21%                    | 4,156,798  | 0.80%                    | 6,235,197   | 1.21%                    |
| Underwriter  | –                                   | –                        | 147,917,166  | 28.59%                   | –   | –                        |
| Public   | 176,151,040                         | 51.07%                   | 176,151,040  | 34.05%                   | 264,226,560   | 51.07%                   |
| Total  | <u>344,930,333</u>                  | <u>100.00</u>            | <u>517,395,499</u>   | <u>100%</u>              | <u>517,395,499</u>  | <u>100%</u>              |

The following is the shareholding structure of the Company immediately before and after completion of the Rights Issue (assuming full exercise of Share Options under the Pre-IPO Share Option Scheme on or before the Latest Lodging Date):

| Shareholders   | At the date of<br>this announcement |                          | Immediately after the<br>completion of the Rights<br>Issue (assuming no Qualifying<br>Shareholders shall take up<br>his/her/its entitlements under<br>the Rights Issue, except that<br>Mr. Yung takes up all his<br>entitlements (being 24,548,000<br>Rights Shares in aggregate) |                          | Immediately after<br>the completion<br>of the Rights Issue<br>(assuming all Qualifying<br>Shareholders shall take up<br>his/her/its entitlements<br>under the Rights Issue) |                          |
|--|-------------------------------------|--------------------------|---|--------------------------|---|--------------------------|
|  | <i>No. of<br/>Shares</i>            | <i>Approximate<br/>%</i> | <i>No. of<br/>Shares</i>  | <i>Approximate<br/>%</i> | <i>No. of<br/>Shares</i>  | <i>Approximate<br/>%</i> |
|  |                                     |                          |   |                          |   |                          |
| Key Engineering Co. Ltd. (Note 1)                            | 66,830,000                          | 19.33%                   | 66,830,000  | 12.89%                   | 100,245,000   | 19.33%                   |
| Easeglory Holdings Limited &<br>Mr. Yung Kwok Leong (Note 2) | 49,096,000                          | 14.20%                   | 73,644,000  | 14.20%                   | 73,644,000  | 14.20%                   |
| Top Rainbow Ltd. (Note 3)                                    | 44,901,258                          | 12.99%                   | 44,901,258  | 8.66%                    | 67,351,887  | 12.99%                   |
| Mr. Yeung Kam Yan (Note 4)                                   | 3,795,237                           | 1.10%                    | 3,795,237   | 0.72%                    | 5,692,855   | 1.10%                    |
| Mr. Chan Hon Chiu (Note 4)                                   | 4,156,798                           | 1.20%                    | 4,156,798   | 0.80%                    | 6,235,197   | 1.20%                    |
| Holder of Share Options                                      | 800,000                             | 0.23%                    | 800,000   | 0.15%                    | 1,200,000   | 0.23%                    |
| Underwriter  | –                                   | –                        | 148,317,166   | 28.60%                   | –   | –                        |
| Public   | 176,151,040                         | 50.95%                   | 176,151,040   | 33.98%                   | 264,226,560   | 50.95%                   |
| Total  | <u>345,730,333</u>                  | <u>100.00</u>            | <u>518,595,499</u>  | <u>100%</u>              | <u>518,595,499</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. 49,096,000 Shares of the Company is beneficially owned by Mr. Yung, who is an executive Director and the chairman, of which 46,346,000 Shares are held by Easeglory Holdings Limited which is 100% owned by Mr. Yung.
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.

## **EXPECTED TIMETABLE**

The expected timetable for the Rights Issue set out below and is subject to change, and any such change will be announced in a separate announcement by the Company as and when appropriate.

2006

|   |                           |
|---|---------------------------|
| Last day of dealings in existing Shares on a cum-rights basis .....   | 20 March                  |
| Commencement date of trading on an ex-rights basis .....  | 21 March                  |
| Latest time for lodging transfers of Shares in order to qualify for the Rights Issue .....                  | 4:00 p.m., 22 March       |
| Register of members closes (both days inclusive) .....  | from 23 March to 27 March |
| Record Date .....   | 27 March                  |
| Despatch of Prospectus Document .....   | 27 March                  |
| First day of dealings in nil-paid Rights Shares .....   | 29 March                  |
| Latest time for splitting nil-paid Rights Shares.....   | 4:00 p.m. on 31 March     |
| Last day of dealings in nil-paid Rights Shares .....  | 6 April                   |
| Latest time for acceptance of, and payment for Rights Shares and application for excess Rights Shares ..... | 4:00 p.m. on 11 April     |
| Latest time for the Rights Issue to become unconditional .....  | 4:00 p.m. 18 April        |



|  |          |
|--|----------|
| Announcement of results of acceptance of Rights Issue on or before .....   | 19 April |
| Refund cheques in respect of wholly or partially unsuccessful applications for excess Rights Shares to be despatched on or before..... | 20 April |
| Certificates for fully-paid Rights Shares expected to be despatched on or before .....   | 20 April |
| Dealings in fully-paid Rights Shares to commence on.....   | 24 April |

## **EFFECT OF BAD WEATHER ON THE LATEST TIME FOR ACCEPTANCE OF AND PAYMENT FOR RIGHTS SHARES**

The latest time for acceptance of and payment for Rights Shares will not take place if there is:

- a tropical cyclone warning signal number 8 or above, or
- a “black” rainstorm warning

in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on 11 April 2006. Instead, the latest time of acceptance of and payment for the Rights Shares will be rescheduled to 12:00 noon on the next Business Day which does not have either of those warnings in force at any time between 9:00 a.m. and 12:00 noon. If the latest time for acceptance of and payment for the Rights Shares does not take place on 11 April 2006, the dates mentioned in the section headed “Expected Timetable” in this prospectus may be affected. A press announcement will be made by the Company in such event.

## **ADJUSTMENTS IN RELATION TO THE SHARE OPTION SCHEMES AND CONVERTIBLE SECURITIES**

As at the date of this announcement, there are 4,550,000 outstanding Share Options, of which, 800,000 and 3,750,000 Share Options were granted pursuant to the respective Pre-IPO Share Option Scheme and Post-IPO Share Option Scheme. The Company had issued the Convertible Notes on 11 January 2006 and the holder of these Convertible Notes are entitled to convert a total number of 67,164,179 Shares at the conversion price of HK\$0.268 upon the exercise of the conversion rights attached to the Convertible Notes any time after expiry of six months after the issue date, (i.e. 10 July 2006) and up to the close of business on the maturity date.

Pursuant to the terms of the Share Option Schemes and the Convertible Notes, the exercise prices and conversion prices of the respective Share Options and Convertible Notes will be adjusted in accordance with the Share Option Schemes and the Convertible Notes upon the Rights Issue becoming unconditional. The corresponding adjustments will be made to the number or nominal amount of Shares subject to the respective Share Options and Convertible Notes so far as unexercised and unconverted, and/or the subscription prices, and/or the method of exercise of the Share Options and the method of conversion of the Convertible Notes provided that such adjustments will be made on the basis that the proportion of the issued share capital to which a holder of the Share Options and/or Convertible Notes is entitled after such adjustments will remain the same as that to which he was entitled before such alteration and no Share will be issued at less than its nominal value. Such adjustments will be verified by the auditors of the Company that the adjustments are made on the basis that the proportion of the issued share capital to which a holder of the Share Options and/or Convertible Notes is entitled after the adjustments remain the same as that to which he was entitled before the alteration and in accordance with Rule 23.03(13) of the GEM Listing Rules and the supplemental guidance issued by the Stock Exchange in September 2005. The Company will notify the holders of the Share Options and Convertible Notes the required adjustment(s) as soon as practicable and details of adjustments will be provided in the circular in respect of the Rights Issue to be despatched to the Shareholders.

Save for the Share Options and Convertible Notes mentioned above, there are no outstanding warrants or share options or securities that are convertible or exchangeable into Shares as at the date of this announcement.

## **FUND RAISING ACTIVITIES OF THE COMPANY IN THE PAST TWELVE MONTHS**

In the last twelve months from the date of this announcement, the Company conducted a total of one placing of new shares and one placing of unlisted convertible notes, pursuant to which an aggregate gross amount of approximately HK\$25.23 million has been raised by the Company, with net proceeds of approximately HK\$24.50 million as disclosed in the respective announcements of the Company date 12 October 2005 and 1 December 2005. The following is a brief summary of the aforesaid placing:

|                                | <b>First Placing of New Shares</b> | <b>Second Placing of unlisted Convertible Notes</b>                            |
|--------------------------------|------------------------------------|--|
| <b>Number of Shares Placed</b> | 55,600,000 Shares                  | 67,164,179 Shares may be allotted and issued upon full conversion of the Notes |

**First Placing of New Shares****Second Placing of  
unlisted Convertible Notes**

|  |   |  |
|--|---|--|
| <b>Completion Date of Placing</b>                    | 16,000,000 Shares on 21 October 2005<br><br>39,600,000 Shares on 11 November 2005   | 11 January 2006  |
| <b>Conversion Price/<br/>Placing Price per Share</b> | HK\$0.13  | HK\$0.268  |
| <b>Gross Proceeds</b>                                | approximately HK\$7.23 million  | HK\$18 million   |
| <b>Net Proceeds</b>                                  | approximately HK\$7.00 million  | HK\$17.50 million  |
| <b>Placees of Placing</b>                            | Mr. Chan Fung, Mr. Lau Kam Chee and Fruitful Profits Limited  |  |
| <b>Intended use of proceeds</b>                      | approximately HK\$5.00 million will be applied towards the Group's future investment in environmentally related projects<br><br>Balance will be applied towards other investment(s) and general working capital | Approximately HK\$4.38 million towards environmentally-related projects, approximately HK\$4.38 million towards general working capital of the Group and the balance towards projects or investments in the healthcare sector in Hong Kong and the PRC |
| <b>Actual use of proceeds</b>                        | approximately HK\$3.37 million has been applied for acquiring machineries for environmental related projects in the PRC and the balance will be applied in the way as originally intended                       | Not yet utilized, but will be applied in the way as originally intended  |

## **SUSPENSION AND RESUMPTION OF TRADING**

At the request of the Company, trading in the existing Shares on GEM was suspended from 9:30 a.m. on 1 March 2006 pending the release of this announcement. The Company has applied to the Stock Exchange for the resumption of trading in the existing Shares with effect from 9:30 a.m. on 3 March 2006.

## **GENERAL**

The Prospectus Documents setting out details of the Rights Issue will be despatched to the Qualifying Shareholders as soon as practicable.

**Shareholders and potential investors should exercise caution in dealing in the securities of the Company.**

## **DEFINITIONS**

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

|                            |  |
|----------------------------|--|
| <b>“Board”</b>             | the board of Directors   |
| <b>“Business Day”</b>      | any day on which the Stock Exchange is open for the business in dealing securities   |
| <b>“Company”</b>           | Grandy Corporation, a company incorporated in the Cayman Islands with limited liability, the issued Shares of which are listed on GEM  |
| <b>“Convertible Notes”</b> | the series of unsecured convertible notes issued by the Company in the aggregate principal amount of HK\$18,000,000 on 11 January 2006   |
| <b>“Director(s)”</b>       | the director(s) of the Company   |
| <b>“Easeglory”</b>         | Easeglory Holdings Limited, a company incorporated under the laws of British Virgin Islands, the entire issued shared capital of which is legally and beneficially owned by Mr. Yung |

|                                      |  |
|--------------------------------------|--|
| <b>“Excluded Shareholders”</b>       | Overseas Shareholders, to whom the Directors, based on legal opinions provided by legal advisers and on account either of legal restrictions under the laws of relevant place or the requirements of the relevant regulatory body or stock exchange in that place, consider it necessary or expedient not to offer the Rights Shares |
| <b>“GEM”</b>                         | the Growth Enterprise Market of the Stock Exchange   |
| <b>“GEM Listing Rules”</b>           | The Rules Governing the Listing of Securities on GEM   |
| <b>“Group”</b>                       | the Company and its subsidiaries   |
| <b>“Hong Kong”</b>                   | The Hong Kong Special Administrative Region of the People’s Republic of China  |
| <b>“Last Trading Date”</b>           | 28 February 2006, being the last trading day of the existing Shares prior to the release of this announcement  |
| <b>“Latest Acceptance Date”</b>      | being 4:00 p.m. on 11 April 2006 or such other date and/or time as the Underwriter and the Company may agree as the latest date for acceptance and payment in respect of provisional allotments and applications for excess under the Rights Issue   |
| <b>“Latest Lodging Date”</b>         | being 4:00 p.m. on 22 March 2006 or such other date as the Underwriter and the Company may agree as the latest time for lodging transfer of existing Shares and/or existing Share Options in order to be qualified for the Rights Issue  |
| <b>“Latest Time for Termination”</b> | being 4:00 p.m. on the third Business Day after the Latest Acceptance Date or such other time as may be agreed between the Underwriter and the Company   |
| <b>“MOU”</b>                         | the non-legally binding memorandum of understanding which the Company may enter into with a healthcare management company in the PRC   |
| <b>“Mr. Yung”</b>                    | Mr. Yung Kwok Leong, the chairman, executive director and the beneficial owner of Easeglory  |
| <b>“Overseas Shareholders(s)”</b>    | the Shareholder(s) whose name(s) appear(s) on the register of members of the Company on the Record Date and whose registered address(es) as shown on such register is(are) outside Hong Kong   |

|                                       |  |
|---------------------------------------|--|
| <b>“PRC”</b>                          | The People’s Republic of China, excluding Hong Kong for the purpose of this announcement   |
| <b>“Pre-IPO Share Option Scheme”</b>  | the share option scheme adopted by the Company on 20 April 2002 which came into effect prior to the initial listing of the Shares on GEM on 10 May 2002  |
| <b>“Post-IPO Share Option Scheme”</b> | the share option scheme adopted by the Company on 20 April 2002 which only came into effect after the initial listing of the Shares on GEM on 10 May 2002  |
| <b>“Prospectus”</b>                   | the prospectus to be issued by the Company in relation to the Rights Issue   |
| <b>“Prospectus Documents”</b>         | the Prospectus, the provisional allotment letter and the form of application for excess Rights Shares  |
| <b>“Prospectus Posting Date”</b>      | 27 March 2006 or such later date as the Underwriter may agree in writing with the Company  |
| <b>“Qualifying Shareholder(s)”</b>    | the Shareholder(s), other than the Excluded Shareholder(s), whose name(s) appear(s) on the register of members of the Company on the Record Dates  |
| <b>“Underwriter”</b>                  | Quam Securities Company Limited, a licensed corporation to carry on business in type 1 (dealing in securities), type 2 (dealing in futures contracts) and type 4 (advising on securities) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) |
| <b>“Record Date”</b>                  | 27 March 2006, being the date by reference to which entitlements to the Rights Issue will be determined  |
| <b>“Registrar”</b>                    | Tengis Limited at 26/F., Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong, being the Company’s Hong Kong branch share registrar  |
| <b>“Rights Issue”</b>                 | the proposed issue of Rights Shares on the basis of one Rights Shares for every two Share to Qualifying Shareholders by way of rights or to holders of nil-paid Rights Shares at the Subscription Price, pursuant to the terms and conditions of the Rights Issue                                |

|                                 |  |
|---------------------------------|--|
| <b>”Rights Share(s)”</b>        | not less than 172,465,166 Rights Shares and not more than 172,865,166 Rights Shares to be issued pursuant to the Rights Issue                    |
| <b>“Shareholder(s)”</b>         | holder(s) of existing Shares   |
| <b>“Share(s)”</b>               | ordinary share(s) of HK\$0.05 each in the issued and unissued share capital of the Company   |
| <b>“Share Option(s)”</b>        | the share option(s) granted under the Share Option Schemes   |
| <b>“Share Option Schemes”</b>   | the Pre-IPO Share Option Scheme and the Post-IPO Share Option Scheme of the Company  |
| <b>“Stock Exchange”</b>         | The Stock Exchange of Hong Kong Limited  |
| <b>“Subscription Price”</b>     | subscription price of HK\$0.06 per Rights Share  |
| <b>“Underwriting Agreement”</b> | the underwriting agreement dated 28 February 2006 entered into between the Company, the Underwriter and Mr. Yung in relation to the Rights Issue |
| <b>“%”</b>                      | per cent.  |

By order of the Board  
**Grandy Corporation**  
**Yung Kwok Leong**  
*Chairman*

Hong Kong, 2 March 2006

*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 7 days from the date of its posting and on the website of the Company at [www.grandy.com.hk](http://www.grandy.com.hk).*