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**GRANDY CORPORATION**

**泓迪有限公司\***

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

**(Stock Code: 8143)**

**PRIVATE PLACING OF NON-LISTED WARRANTS  
AND  
RESUMPTION OF TRADING**

**PLACING OF WARRANTS**

The Directors are pleased to announce that on 18 May 2006, the conditional Warrant Placing Agreements were separately entered into between the Company and the Subscribers in relation to a private placing of 51,707,000 Warrants to each of the Subscribers, making up an aggregate of 103,414,000 Warrants collectively, at an issue price of HK\$0.02 per Warrant.

The Warrants entitle the Subscribers to subscribe for the New Shares at an initial Subscription Price of HK\$0.62 per New Share for a period of 18 months commencing from the date of issue of the Warrants. Each Warrant carries the right to subscribe for one New Share.

Completion is subject to the fulfillment of the conditions stated in the section headed "Conditions of the Warrant Placing" in this announcement.

It is intended that the net proceeds from the Warrant Placing of approximately HK\$1.5 million will be applied as general working capital of the Group.

The New Shares will be issued under the General Mandate.

The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the New Shares which may fall to be allotted and issued upon exercise of the subscription rights attaching to the Warrants. No listing of the Warrants will be sought on the Stock Exchange or any other stock exchanges.

\* *for identification purpose only*

## **SUSPENSION AND RESUMPTION OF TRADING**

At the request of the Company, trading in the Shares was suspended with effect from 9:30 a.m. on 19 May 2006 pending the issue of this announcement. Application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares with effect from 9:30 a.m. on 23 May 2006.

## **WARRANT PLACING AGREEMENTS**

Date: 18 May 2006

Parties: (i) Issuer: the Company

(ii) Subscriber: the Subscribers

### **Information on the Subscribers**

Triumph Sky Finance Limited and Happy Woodstock Limited, being the Subscribers, are companies incorporated in the British Virgin Islands carrying on principal business of investment holdings and are wholly owned by Mr. Guo Xu and Mr. Ng Chung Kit, Francisco respectively. Apart from the entering into of the Warrant Placing Agreements, each of Triumph Sky Finance Limited and Happy Woodstock Limited has not conducted any business activity since its incorporation.

Each of the Subscribers and its ultimate beneficial owner(s) are private investors. The Directors confirm that each of the Subscribers and its ultimate beneficial owner(s) are third parties independent of the Company and connected persons of the Company (as defined under the GEM Listing Rules). Before entering into of the Warrant Placing Agreements, the Subscribers did not have any interests in the Shares or any business dealings with the Group.

Mr. Guo Xu is a lawyer practising in PRC laws, and has extensive experience in advising corporate clients in Hong Kong and China with regard to PRC investments, mergers and acquisitions, and other corporate matters. Apart from being a PRC lawyer, he has a number of investments in Hong Kong and the PRC.

Mr. Ng Chung Kit, Francisco is a merchant and has extensive experience in the management, operation and strategic planning in various corporations engaging in a variety of business activities in Hong Kong and Macau.

### **Number of Warrants**

103,414,000 Warrants in aggregate and pursuant to the Warrant Placing Agreements, each of the Subscribers has agreed to subscribe for 51,707,000 Warrants representing 50% of the aggregate Warrants to be issued.

## **Warrant Issue Price**

HK\$0.02 per Warrant.

## **Subscription Price**

HK\$0.62 per New Share, subject to adjustment based on the prescribed formulas as set out in the instrument creating the Warrants for the happening of the following adjustment events:

- (i) an alteration of the nominal amount of each Share by reason of any consolidation or subdivision;
- (ii) an issue (other than pursuant to a scrip dividend scheme in lieu of a cash dividend) by the Company of Shares credited as fully paid by way of capitalisation of profits or reserves (including any share premium account or capital redemption reserve fund);
- (iii) a capital distribution in cash or in specie other than out of distributable profits of the Company being made by the Company, whether on a reduction of capital or otherwise, to Shareholders (in their capacity as such);
- (iv) a grant by the Company to Shareholders (in their capacity as such) of rights to acquire for cash assets of the Company or any of its subsidiaries;
- (v) an offer of new Shares for subscription by way of rights, or a grant of options or warrants to subscribe for new Shares, at a price which is less than 80 per cent. of the market price of the Shares on the date of the announcement of the terms of the offer or grant (whether or not such offer or grant is subject to the approval of the Shareholders or other persons) being made by the Shareholders (in their capacity as such);
- (vi) an issue wholly for cash being made by the Company or any of its subsidiaries of securities convertible into or exchangeable for or carrying rights of subscription for new Shares, if in any case the total effective consideration per new Share is less than 80 per cent. of the market price of the Shares on the date of the announcement of the terms of issue of such securities (whether or not such issue is subject to the approval of the Shareholders), or the conversion, exchange or subscription rights of any such issue are altered so that the said total effective consideration is less than 80 per cent. of such market price;
- (vii) an issue of Shares being made wholly for cash at a price less than 80 per cent. of the market price of the Shares on the date of the announcement of the issue (whether or not such issue is subject to the approval of the Shareholders); and

(viii) the purchase by the Company of Shares or securities convertible into Shares or any rights to acquire Shares (excluding any such purchase made on the Stock Exchange or any recognised stock exchange, being a stock exchange recognised for this purpose by the Executive Director of the Corporate Finance Division of the Securities and Futures Commission of Hong Kong and the Stock Exchange) in circumstances where the Directors consider that it may be appropriate to make an adjustment to the Subscription Price.

Every adjustment to the Subscription Price shall be certified either (at the option of the Company) by the auditors of the Company or by an approved merchant bank.

The Warrant Issue Price and the Subscription Price were negotiated on an arm's length basis between the Company and the Subscribers.

The Subscription Price represents (i) a discount of approximately 7.46% to the closing price of HK\$0.67 per Share as quoted on the Stock Exchange on 18 May 2006, being the last trading day before the date of the Warrant Placing Agreements; and (ii) a discount of approximately 8.01% to the average closing price of HK\$0.674 per Share as quoted on the Stock Exchange for the last five trading days up to and including 18 May 2006.

The aggregate of the Warrant Issue Price and the Subscription Price represents (i) a discount of approximately 4.48% to the closing price of HK\$0.67 per Share as quoted on the Stock Exchange on 18 May 2006; and (ii) a discount of approximately 5.04% to the average closing price of HK\$0.674 per Share as quoted on the Stock Exchange for the last five trading days up to and including 18 May 2006.

The Board considers that both the Subscription Price and the aggregate of it with the Warrant Issue Price are fair and reasonable, which are determined after arm's length negotiations between the Company and the Subscribers, and are in the interests of the Company and the Shareholders as a whole.

### **Transferability**

The Warrants are transferable only to third parties independent of the Company and connected persons of the Company (as defined under the GEM Listing Rules), in integral multiples of 5,000,000 Warrants (or if at the time of transfer, the outstanding number of Warrants are less than 5,000,000 Warrants, the whole but not part of the outstanding Warrants). Apart from the aforesaid, there are no restrictions on the transfer of the Warrants from the Subscribers to other parties, and no consent from the Company is required before such transfer is to take place.

## **Completion Date**

Completion will take place on the third Business Day after the fulfillment of the conditions referred to in the section headed “Conditions of the Warrant Placing” below.

## **Information of the Warrants**

The Warrants will be issued to the Subscribers upon Completion in registered form and constituted by a deed poll. The Warrants will rank pari passu in all respects among themselves.

Each Warrant carries the right to subscribe for one New Share at the Subscription Price and is issued at the Warrant Issue Price.

The subscription rights attaching to the Warrants may be exercised at any time during a period of 18 months commencing from the date of issue of the Warrants at integral multiples of 5,000,000 Warrants. Where the number of the outstanding Warrants is less than 5,000,000 Warrants, the Subscribers shall have the right to exercise the whole but not part of the outstanding number of Warrants to subscribe for the New Shares in cash at the Subscription Price per New Share. The New Shares, when fully paid and allotted, will rank pari passu in all respects with the then existing issued Shares.

A total of 103,414,000 Warrants are proposed to be issued. Upon full exercise of the subscription rights attaching to the Warrants, a total of 103,414,000 New Shares, representing (i) 19.80% of the issued share capital of the Company as at the date of this announcement; and (ii) approximately 16.53% of the issued share capital of the Company as enlarged by the allotment and issue of the New Shares from the full exercise of the subscription rights attaching to the Warrants.

## **Conditions of the Warrant Placing**

Completion shall be subject to and conditional upon, among other things, the following:

- (1) (if required) the Listing Committee of the Stock Exchange shall have approved the issue of the Warrants either unconditionally or subject to conditions to which neither the Company nor the Subscribers shall reasonably object and the satisfaction of such conditions;
- (2) the Listing Committee of the Stock Exchange granting the listing of, and the permission to deal in, the New Shares; and
- (3) the proposed increase in the authorised share capital of the Company from HK\$30,000,000 to HK\$100,000,000 by the creation of an additional 1,400,000,000 Shares (details of which have been set out in the circular of the Company dated 20 April 2006) becoming effective.

If the conditions of the Warrant Placing Agreements are not fulfilled on or before 2 June 2006 (or such later date as may be agreed between the Company and the Subscribers), the Warrant Placing Agreements will terminate and cease to have any effect and none of the parties shall have any claim against the other save for any antecedent breaches of the provisions thereof.

The Directors confirm that condition (1) above is not required for the Warrant Placing and the ordinary resolution in relation to the proposed increase in the authorised share capital of the Company under (3) above has been passed by the Shareholders at an extraordinary general meeting held on 9 May 2006 and became effective on the same date.

### **Voting rights for the holders of the Warrants**

The holder of the Warrants will not have any right to attend or vote at any meeting of the Company by virtue of them being the holders of the Warrants. The holder of the Warrants shall not have the right to participate in any distributions and/or offers of further securities made by the Company.

### **Mandate to issue the New Shares**

The New Shares will be allotted and issued under the General Mandate granted to the Directors by the Shareholders at an extraordinary general meeting of the Company held on 9 May 2006 to allot and issue the New Shares.

### **Application for listing**

The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the New Shares which may fall to be allotted and issued upon exercise of the subscription rights attaching to the Warrants. No listing of the Warrants will be sought on the Stock Exchange or any other stock exchanges.

## **REASONS FOR THE WARRANT PLACING**

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 in, particularly, China and Korea.

As disclosed in the previous announcement of the Company dated 2 March 2006 regarding the proposed rights issue of the Company, the Group intends to continue to pursue its principal business while making investments in the healthcare sector in Hong Kong and the PRC which, the Directors believe, will bring synergistic effect and positive return to the existing environmental business and related projects of the Company. In this regard, the Company has announced on 30 March 2006 that the Company had entered into the MOU for the provision of healthcare management services (including environmental related services) to certain hospitals in the PRC. The Board considers that the Warrant Placing can provide further funding for the Group in the event the Subscribers exercise their subscription rights under the Warrants to seek for more business opportunities in the long run.

The Board has considered other alternative fund raising methods such as debt financing and bank borrowing, but the Board considers that the Warrant Placing is a more appropriate means of fund raising for the Company as it does not have any immediate dilution effect on the shareholding of the existing Shareholders whilst further capital additional to the net proceeds that will be received by the Warrant Placing will be raised upon the exercise of the subscription rights attaching to the Warrants by the holders of the Warrants during the subscription period.

The Board considers that the terms of the Warrant Placing including the Warrant Issue Price and the Subscription Price, which, in aggregate, is close to the prevailing market price as shown above, have been arrived at after arm's length negotiations between the Company and the Subscribers and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

It is intended that the net proceeds from the Warrant Placing of approximately HK\$1.5 million will be applied towards the general working capital of the Group and any proceeds from the issue of New Shares upon full exercise of the subscription rights attaching to the Warrants in future of approximately HK\$64.1 million will be applied for potential investments in the healthcare sector in the PRC. Assuming the full exercise of the subscription rights attaching to the Warrants, the total funds including the funds received by the Warrant Placing, to be raised is approximately HK\$65.7 million, net of, among other fees, legal fees, printing expenses and the fees for the application of listing of the New Shares. As at the date of this announcement, save for the possible acquisition under the MOU, the Company does not have any specific investment plans outstanding.

Immediately after Completion, there will be no change to the composition of the Board and the principal business engaged by the Group.

The following table summaries the fund raising activities of the Group for the 12 months immediately preceding the date of this announcement:

	<b>Placing of new Shares</b>	<b>Placing of unlisted convertible notes</b>	<b>Rights issue</b>
<b>Number of Share(s) issued</b>	55,600,000 Shares	86,956,521 Shares may be allotted and issued upon full conversion of the convertible notes	172,465,166 Shares
<b>Completion date of placings/issuance (as the case may be)</b>	16,000,000 Shares on 21 October 2005  39,600,000 Shares on 11 November 2005	11 January 2006	19 April 2006

	<b>Placing of new Shares</b>	<b>Placing of unlisted convertible notes</b>	<b>Rights issue</b>
<b>Conversion price/ placing price/ subscription price per Share (as the case may be)</b>	HK\$0.13	HK\$0.207	HK\$0.06
<b>Gross proceeds</b>	approximately HK\$7.23 million	HK\$18 million	approximately HK\$10.3 million
<b>Net proceeds</b>	approximately HK\$7.00 million	approximately HK\$17.20 million	approximately HK\$9.2 million
<b>Placees of placings/ subscribing persons to the rights issue (as the case may be)</b>	Mr. Chan Fung, Mr. Lau Kam Chee and Fruitful Profits Limited	13 investors comprising individuals and corporate investors who are independent of the Company and connected persons (as defined in the GEM Listing Rules)	qualifying Shareholders
<b>Intended use of proceeds</b>	approximately HK\$5.00 million will be applied towards the Group's future investment in environmental related projects  Balance will be applied towards other investment(s) and general working capital	approximately HK\$4.38 million towards environmental 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	approximately HK\$0.5 million towards general working capital of the Group and the balance towards projects of investments in the healthcare sector
<b>Actual use of proceeds</b>	approximately HK\$5 million has been applied for acquiring machineries for environmental related projects in the PRC and the balance has been applied as general working capital	approximately HK\$2 million has been applied for acquiring machineries for environmentally related projects in the PRC, approximately HK\$4.14 million towards general working capital of the Group, HK\$10 million has been applied for the payment of a refundable deposit in relation to the MOU and the balance will be applied in the way as originally intended	not yet utilised, but will be applied in the way as originally intended



## CHANGE OF SHAREHOLDING STRUCTURE

As at the date of this announcement, the Company has 522,244,249 Shares in issue. The shareholding structure of the Company before and after the full exercise of the subscription rights attaching to the Warrants are as follows:

Shareholders	As at the date of this announcement		Immediately after full exercise of the subscription rights attached to the Warrants	
	No. of Shares	Approximate %	No. of Shares	Approximate %
Easeglory Holdings Limited (Note 1)	69,519,000	13.31%	69,519,000	11.11%
Mr. Yung Kwok Leong (Note 1)	4,125,000	0.79%	4,125,000	0.66%
Top Rainbow Ltd. (Note 2)	67,351,887	12.90%	67,351,887	10.76%
Ms. Shum Ngai Pan (Note 3)	3,600,000	0.69%	3,600,000	0.58%
Mr. Weng Jiaxing (Note 3)	3,750,000	0.72%	3,750,000	0.60%
Ms. Ge Su Lan (Note 4)	2,420,000	0.46%	2,420,000	0.39%
Subscribers	–	–	103,414,000	16.53%
Public	371,478,362	71.13%	371,478,362	59.37%
Total	<u>522,244,249</u>	<u>100.00</u>	<u>625,658,249</u>	<u>100%</u>

Notes: 1 The issued share capital of Easeglory Holdings Limited is 100% beneficially owned by Mr. Yung Kwok Leong, an executive Director and the chairman of the Company.

2. The issued share capital of Top Rainbow Ltd. is 100% beneficially owned by Mr. Yang Pei Gen.

3. Ms. Shum Ngai Pan and Mr. Weng Jiaxing are executive Directors.

4. Ms. Ge Su Lan is the spouse of Mr. Weng Jiaxing.

The Company has adopted a share option scheme prior to its shares becoming listed on GEM pursuant to a written resolution passed on 20 April 2002 by the then shareholders which was lapsed subsequent to the listing of the shares of the Company on GEM on 10 May 2002. As at the date of this announcement, there are 1,034,400 share options outstanding which had been granted to a past consultant and employee of the Company under such scheme conferring them rights to subscribe for 1,034,400 Shares representing 0.19% of the issued share capital of the Company.

The Directors confirm that save as disclosed herein, there are no other warrants, options or similar rights outstanding that confers rights to subscribe for or purchase shares of the Company that requires disclosure under Chapter 21 of the GEM Listing Rules.

## **SUSPENSION AND RESUMPTION OF TRADING**

At the request of the Company, trading in the Shares was suspended with effect from 9:30 a.m. on 19 May 2006 pending the issue of this announcement. Application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares with effect from 9:30 a.m. on 23 May 2006.

## **DEFINITIONS**

Terms or expressions used in this announcement shall, unless the context otherwise requires, have the meanings ascribed to them below:

“Board”	the board of Directors
“Business Day”	any day (not being a Saturday) on which licensed banks in Hong Kong are generally open for business throughout their normal business hours
“Company”	Grandy Corporation, a company incorporated in the Cayman Islands with limited liability, the issued Shares of which are listed on GEM
“Completion”	completion of the Warrant Placing in accordance with the terms and conditions of the Warrant Placing Agreements
“Directors”	the directors of the Company
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“General Mandate”	the general mandate granted to the Directors by the Shareholders in an extraordinary general meeting of the Company convened and held on 9 May 2006

“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“MOU”	the memorandum of understanding dated 30 March 2006 for the proposed acquisition of a hospital management company in the PRC, details of which have been disclosed in the announcement by the Company on the same date
“New Share(s)”	new Share(s) which may fall to be allotted and issued upon the exercise of the subscription rights attaching to the Warrant(s)
“PRC” or “China”	the People’s Republic of China, which for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Share(s)”	ordinary share(s) of HK\$0.05 each in the capital of the Company
“Shareholders”	holders of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscribers”	Triumph Sky Finance Limited and Happy Woodstock Limited, both are companies incorporated in the British Virgin Islands and the ultimate beneficial owner(s) of which are Mr. Guo Xu and Mr. Ng Chung Kit, Francisco respectively, the subscribers to the Warrant Placing Agreements
“Subscription Price”	an initial Subscription Price of HK\$0.62 per New Share (subject to adjustment) at which holder of the Warrants may subscribe for the New Shares
“Warrant(s)”	103,414,000 non-listed warrants to be issued by the Company at the Warrant Issue Price, each entitles the holder thereof to subscribe for one New Share at the Subscription Price of HK\$0.62 (subject to adjustment) at any time during a period of 18 months commencing from the date of issue of the Warrants
“Warrant Issue Price”	HK\$0.02 per unit of Warrant to be issued pursuant to the Warrant Placing
“Warrant Placing”	a private placing of the Warrants at the Warrant Issue Price pursuant to the Warrant Placing Agreements

“Warrant Placing Agreements”	the conditional subscription agreements of Warrants dated 18 May 2006 and entered into separately between the Company and the Subscribers in relation to the subscription of 51,707,000 Warrants by each of the Subscribers making up an aggregate of 103,414,000 Warrants collectively
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

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

Hong Kong, 22 May 2006

*As at the date of this announcement, the executive Directors are Mr. Yung Kwok Leong, Ms. Shum Ngai Pan, Mr. Chen Jin Shan and Mr. Weng Jiaxing. The independent non-executive Directors are Mr. Chan Francis Ping Kuen,, 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 Company. 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 GEM website on the “Latest Company Announcements” page and on the website of the Company at [www.grandy.com.hk](http://www.grandy.com.hk) for at least 7 days from the date of its posting.*