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**GRANDY CORPORATION**  
**泓迪有限公司\***

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

**(Stock Code: 8143)**

**LETTER OF INTENT IN RESPECT OF  
THE PROPOSED ACQUISITION**

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The Board is pleased to announce that on 12 July 2006, Grand Brilliant, as the Purchaser, being a wholly-owned subsidiary of the Company entered into of the LOI with the Vendor in relation to the proposed acquisition of the whole or part of equity interests to be indirectly held by the Vendor in Shanghai Humanity Hospital.

Shanghai Humanity Hospital is a privately-run hospital established in the PRC which provides general hospital services including surgery, obstetrics and gynaecology, urology and Chinese herbal medicine treatment etc. in Shanghai, the PRC.

This announcement is made in accordance with Rule 17.10 of the GEM Listing Rules.

**The Board wishes to emphasize that no binding agreement in relation to the Proposed Acquisition has been entered into as at the date of this announcement. As the Proposed Acquisition may or may not be entered into, investors and Shareholders are urged to exercise caution when dealing in the securities of the Company. Further announcement in respect of the Proposed Acquisition will be made by the Company as and when appropriate in accordance with the GEM Listing Rules.**

\* for identification purpose only

# LETTER OF INTENT IN RESPECT OF THE PROPOSED ACQUISITION

Date: 12 July 2006

Parties: (i) Purchaser

(ii) the Vendor, who will have a majority control in Shanghai Humanity Hospital upon completion of the Reorganisation, and to the best of Directors' knowledge, information and belief having made all reasonable enquiries, is a third party independent of the Company and its connected persons under the GEM Listing Rules

## Major terms of the LOI

Under the LOI, it is proposed that the Purchaser will acquire the whole or part of the equity interests to be indirectly held by the Vendor in Shanghai Humanity Hospital. Shanghai Humanity Hospital is a privately-run hospital established in the PRC which provides general hospital services including surgery, obstetrics and gynaecology, urology and Chinese herbal medicine treatment etc. in Shanghai, the PRC, and is the sole operating asset to be held by the Vendor upon completion of the Reorganisation.

Under the LOI, both the Purchaser and the Vendor will proceed to the negotiation for a legally binding Formal Agreement on or before 30 September 2006 (or such later date to be agreed by the parties). The entering into of the legally-binding Formal Agreement is subject to conditions including, inter alia, (i) the satisfaction to the results of the due diligence (on the financial and legal aspects) of Shanghai Humanity Hospital by the Purchaser; (ii) the granting of an in-principle approval for the Reorganisation by the relevant authorities; and (iii) any other conditions as required by the Purchaser. It is also agreed that the Vendor will not, prior to 30 September 2006 (or such later date to be agreed by the parties), enter into any negotiations with any third party for the disposal of such equity interests or any major assets of Shanghai Humanity Hospital.

A refundable amount of RMB3,000,000 (equivalent to approximately HK\$2,900,000) will be payable by the Purchaser to the Vendor as earnest money within three Business Days from the date of LOI. If no legally-binding Formal Agreement has been entered into on or before the aforesaid date, the sum will be refunded to the Purchaser in full (without interest) within three Business Days thereof.

The aggregate consideration for the Proposed Acquisition has not yet been determined at the date of this announcement and shall be subject to further negotiation between the parties thereto. It is contemplated that such consideration will be settled in cash and/or consideration shares and/or convertible notes and/or promissory notes of the Company to be determined and agreed by the respective parties.

The LOI does not constitute any legally-binding commitment in respect of the Proposed Acquisition. The Proposed Acquisition will be subject to the execution and completion of the Formal Agreement.

The Proposed Acquisition, if the Formal Agreement has been entered into, will also constitute a notifiable transaction pursuant to the GEM Listing Rules.

Further announcement in respect of the Proposed Acquisition will be made by the Company as and when appropriate in accordance with the GEM Listing Rules.

### **Shanghai Humanity Hospital**

Shanghai Humanity Hospital is a privately-run hospital established in the PRC which provides general hospital services including surgery, obstetrics and gynaecology, urology and Chinese herbal medicine treatment etc. in Shanghai. Shanghai Humanity Hospital possesses specialists and physicians with ample clinical experience and is equipped with advanced medical equipments and facilities for medical treatments. Shanghai Humanity Hospital is one of the first batch of hospitals being privatised and granted medical insurance coverage in Shanghai since the medical system reform in 1999.

### **Reasons for the Proposed Acquisition**

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, particular, the PRC and Korea. In addition, it is also engaged in the provision of healthcare management services (including environmentally related services) to hospitals in the PRC.

As disclosed in the Annual Report 2005/06, under the environment of fast economic growth in the PRC and more people becoming aware of the importance of health, the Directors believe that the healthcare market in the PRC provides abundant business opportunities for the Group in the future. Therefore, the Directors believe that potential investments in healthcare sector in the PRC will provide a stable income source to the Group and will bring synergistic effect and positive return to the existing environmental business of the Company. As disclosed in the announcement of the Company in relation to the major acquisition dated 15 June 2006, the Company has entered into the Agreement in relation to the acquisition of the 76% direct interests in Day View from Mr. Wu Wendong by Grand Brilliant, and has paved a way for the Company to enter into the healthcare sector. In order to explore more business opportunities in the promising healthcare sector in the PRC, the Directors intend to seek possible future investments in or cooperations with hospitals in the PRC (including but not limited to taking equity interests in hospitals in the PRC which the Directors believe will have growth potential) and to consider undertaking those businesses which are complimentary to the existing business as a further step to the acquisition of equity interests in Day View in order to benefit from the growth in the healthcare sector and enhance the shareholders' returns in the long-run. Therefore, the Purchaser has decided to enter into the LOI with the Vendor so as to maximize return to the Group in the long run. However, while developing the business in the healthcare sector, the Group will continue to pursue its principal business in the environmental business.

This announcement is made in accordance with Rule 17.10 of the GEM Listing Rules.

**The Board wishes to emphasize that no binding agreement in relation to the Proposed Acquisition has been entered into as at the date of this announcement. As the Proposed Acquisition may or may not be entered into, investors and Shareholders are urged to exercise caution when dealing in the securities of the Company. Further announcement in respect of the Proposed Acquisition will be made by the Company as and when appropriate in accordance with the GEM Listing Rules.**

## **DEFINITIONS**

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

“Agreement”	the conditional sale and purchase agreement dated 12 June 2006 entered into between Grand Brilliant and Mr. Wu Wendong relating to the major acquisition as disclosed in the announcement of the Company dated 15 June 2006
“Annual Report 2005/06”	annual report for the year ended 31 March 2006 of the Company dated 27 June 2006
“Board”	the board of Directors
“Business Day(s)”	a day (other than a Saturday) on which licensed banks are generally open for business in Hong Kong 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
“Day View”	Day View Group Limited, a company incorporated in the British Virgin Islands which is 85.8% beneficially owned by Mr. Wu Wendong
“Director(s)”	the director(s) of the Company
“Formal Agreement”	the sale and purchase agreement which may or may not be entered into in relation to the Proposed Acquisition
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	The Rules Governing the Listing of Securities on GEM
“Grand Brilliant”	Grand Brilliant Corporation Limited, a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of the Company

“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“LOI”	the non-legally binding letter of intent dated 12 July 2006 entered into between the Purchaser and the Vendor setting out the basic understanding in relation to the Proposed Acquisition
“Shanghai Humanity Hospital”	Shanghai Humanity Hospital Company Limited (上海博愛醫院有限公司), a privately-run hospital established in Shanghai, the PRC which, together with its associates, to the best of Directors’ knowledge, information and belief having made all reasonable enquiries, is a third party independent of the Company and its connected persons under the GEM Listing Rules
“PRC”	the People’s Republic of China, excluding Hong Kong for the purpose of this announcement
“Proposed Acquisition”	the proposed acquisition of the whole or part of the equity interests to be indirectly held by the Vendor in the registered capital of Shanghai Humanity Hospital, as contemplated under the LOI
“Purchaser”	Grand Brilliant Corporation Limited, a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of the Company
“Reorganisation”	the restructuring of Shanghai Humanity Hospital which includes, among other matters, (i) the completion of the acquisition of a majority control in Shanghai Humanity Hospital by the Vendor; and (ii) the completion of the transformation of Shanghai Humanity Hospital into a sino-foreign enterprise in the PRC
“Shareholder(s)”	holder(s) of existing Shares
“Share(s)”	ordinary share(s) of HK\$0.05 each in the issued and unissued share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Vendor”	Ms. Zhuang Yan Qiu, who will have a majority control (whether directly or indirectly) in Shanghai Humanity Hospital following completion of the Reorganisation, to the best of Directors’ knowledge, information and belief having made all reasonable enquires, is a third party independent of the Company and its connected persons under the GEM Listing Rules
“HK\$” and “cents”	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC

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

Hong Kong, 12 July 2006

*For the purpose of this announcement, unless otherwise specified, conversion of RMB into HK\$ is based on the approximate exchange rate of HK\$1.00 to RMB1.04. The exchange rate is for illustration purpose only and does not constitute a representation that any amounts have been, could have been or may be exchanged at this or any other rates at all.*

*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.*