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GRANDY CORPORATION
泓迪有限公司*

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 8143)

**DISCLOSEABLE TRANSACTION:
ACQUISITION OF PRODUCTION LINE
AND
UNUSUAL INCREASE IN PRICE AND TRADING VOLUME**

ACQUISITION

The Board announces that on 26 August 2005, the Purchaser and the Vendor entered into the Acquisition Agreement whereby the Purchaser agreed to acquire and the Vendor agreed to sell the Production Line for a total consideration of RMB6,500,000.

The Acquisition Agreement constituted a discloseable transaction under Rule 19.06 of the GEM Listing Rules.

A circular, containing further details on the Acquisition Agreement, will be dispatched to the Shareholders as soon as practicable and in any event within 21 days from the publication of this announcement in accordance with the GEM Listing Rules.

UNUSUAL PRICE AND TRADING VOLUME

The Directors have noted today's increase in share price and trading volume of the Shares and wish to state that save as disclosed herein, the Directors are not aware of any reasons for such increase in price and trading volume.

* for identification purpose only

ACQUISITION AGREEMENT

Date:

26 August 2005

Parties:

- (1) Vendor : Fujian Worldshine Development Co., Ltd.
(福建宏耀發展有限公司)
- (2) Purchaser : Prime Source (Fujian) Chemical Co., Ltd.
(柏源(福建)化工有限公司)

The Vendor is a company established in the PRC as a wholly foreign owned enterprise which carries on its principal business in the manufacture and sale of melamine materials. To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, the Vendor and its ultimate beneficial owners, are third parties independent of the Company and its connected persons (as defined under the GEM Listing Rules).

The Purchaser is an indirect wholly owned subsidiary of the Company established in the PRC as a wholly owned foreign enterprise and is principally engaged in manufacturing, research and development and distribution of melamine materials and its related products.

Assets Acquired:

Pursuant to the Acquisition Agreement, the Purchaser has agreed to acquire and the Vendor has agreed to sell the Production Line. The Production Line comprises machineries forming a production line and other supporting equipment such as storage tanks, grinding machines, electrical distributors and pipelines for the production of melamine materials. Melamine materials are raw materials used in the manufacture of household products which are widely used in environmental conscious countries and are durable, water-proof, heat-resistant, with bright color, non-toxic and easy to be processed. The Acquisition Agreement was made in the normal course of business of the Group.

Consideration and Terms:

The Acquisition Agreement was entered into for a consideration of RMB6,500,000 (equivalent approximately to HK\$6,250,000) in cash.

The consideration for the Acquisition shall be satisfied by the Purchaser in two payments and in the following manner:

- (a) the first payment of RMB3,250,000 (equivalent approximately to HK\$3,125,000) has been paid upon the signing of the Acquisition Agreement; and
- (b) the balance of RMB3,250,000 (equivalent approximately to HK\$3,125,000) shall be payable on Completion.

The consideration for the Acquisition was determined after arm's length negotiations between the parties to the Acquisition Agreement based on a valuation of the Production Line as of 31 July 2005 conducted by a Hong Kong independent valuer amounting to RMB6,500,000, who and whose ultimate beneficial owners, to the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, are third parties independent of the Company and its connected persons (as defined under the GEM Listing Rules). The Directors consider that the terms and conditions of the Acquisition (including the consideration thereof) are made on normal commercial terms and they are fair and reasonable and the Acquisition is in the interests of the Company and the Shareholders as a whole.

Conditions:

The Acquisition is conditional upon the followings:

- (a) if required, the granting of necessary consents or approvals to the Acquisition by the relevant regulatory authorities to the Purchaser; and
- (b) the Purchaser being satisfied with the inspection report prepared by both the Vendor and the Purchaser of the Production Line as to its quality, specifications, performance and quantity.

In respect of condition (a), to the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, the Directors are not aware of any consents or approvals that are required to be obtained on the part of the Group in the PRC for the Acquisition.

If the conditions are not satisfied, the Acquisition Agreement will be terminated and the Vendor shall forthwith refund within 3 days of the date of termination the first payment paid upon the signing of the Acquisition Agreement to the Purchaser. There is no long stop date for the Acquisition Agreement.

Completion:

Completion is expected to take place within 3 days after the fulfillment of the conditions mentioned above.

SOURCE OF FUNDING

The consideration for the Acquisition will be funded by the proceeds raised from the placement of new Shares in January 2005. This application of such proceeds corresponds to the “use of proceeds” mentioned in the relevant announcement which provides, among other things, for the application towards the Group’s future investment in environmental related projects in the PRC.

INFORMATION ON THE VENDOR

The Vendor is a company established in the PRC as a wholly foreign owned enterprise which carries on its principal business in the manufacture and sale of melamine materials. To the best of the Directors’ knowledge, information and belief after having made all reasonable enquiries, the Vendor and its ultimate beneficial owners, are third parties independent of the Company and its connected persons (as defined in the GEM Listing Rules).

REASONS FOR THE ACQUISITION AGREEMENT

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.

It has been the Company’s objectives to tap into the PRC market. By entering into the Acquisition Agreement, the Group expands into the production of melamine materials for producing environmental protection products in which the Group has not been involved before and also captures new opportunity in conducting its sales and marketing business in the PRC. The expansion of the Group’s production capability provides flexibility in its production which in turn enhances the Group’s ability in adapting market changes.

Following the completion of the Acquisition, the Purchaser and the Vendor will also enter into the Lease pursuant to which the Purchaser agreed to lease and the Vendor agreed to let approximately 1,600 m² of part of a factory situated at 莆田市荔城區西天尾鎮澄渚村 (Chengzhu Cun, Xitianwei County, Licheng District, Putian, Fujian Province, the PRC) for production. The Lease shall be for a term of one year from the date of the Lease for a monthly rent of RMB4,800. The Lease is renewable by a three-months written notice served on the Vendor prior to the expiry of the term of lease at the then prevailing market rent or as agreed by the parties, and for a term to be determined by the parties, to the Lease. As at the date of this announcement, the commencement date of the Lease has not been fixed. The entering into of the Lease is not a commitment under the Acquisition Agreement.

GEM LISTING RULES IMPLICATIONS

The relevant percentage ratios calculated pursuant to Rule 19.07 of the GEM Listing Rules of the Acquisition exceed 5% but less than 25% and thus, the Acquisition constituted a discloseable transaction on the part of the Company under Rule 19.06 of the GEM Listing Rules.

GENERAL

A circular containing further details on the Acquisition Agreement will be despatched to the Shareholders as soon as practicable and in any events within 21 days from the publication of this announcement in accordance with the GEM Listing Rules.

UNUSUAL PRICE AND TRADING VOLUME

The Directors have noted today's increase in share price and trading volume of the Shares and wish to state that save as disclosed herein, the Directors are not aware of any reasons for such increase in price and trading volume.

Save as disclosed herein, the Directors confirm that there are no negotiations or agreements relating to intended acquisitions or realisations which are discloseable under Chapters 19 to 20 of the GEM Listing Rules, neither is the Board aware of any matter discloseable under the general obligation imposed by rule 17.10 of the GEM Listing Rules, which is or may be of a price-sensitive nature.

Made by the order of the Board, the Directors of which collectively and individually accept responsibility for the accuracy of this announcement.

DEFINITIONS

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

“Acquisition”	the proposed acquisition of the Production Line
“Acquisition Agreement”	the acquisition agreement dated 26 August 2005 entered into between the Vendor and the Purchaser in relation to the Acquisition
“associates”	has the meaning ascribed to this term under the GEM Listing Rules
“Board”	the board of Directors

“Company”	Grandy Corporation, a company incorporated in the Cayman Islands with limited liability and the issued Shares of which are listed on GEM
“Completion”	completion of the Acquisition in accordance with the terms of the Acquisition Agreement
“connected person(s)”	has the meaning ascribed to this term under the GEM Listing Rules
“Directors”	directors of the Company from time to time
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Lease”	a lease to be entered into between the Purchaser and the Vendor in relation to a letting by the Vendor to the Purchaser of approximately 1,600 m ² of part of a factory situated at 莆田市荔城區西天尾鎮澄渚村 (Chengzhu Cun, Xitianwei County, Licheng District, Putian, Fujian Province, the PRC) following the completion of the Acquisition
“PRC”	the People’s Republic of China and for the purpose of this announcement, excludes Taiwan, Hong Kong and the Macau Special Administrative Region of the PRC
“Production Line”	machineries forming a production line and other supporting equipment such as storage tanks, grinding machines, electrical distributors and pipelines for the manufacturing of melamine materials
“Purchaser”	Prime Source (Fujian) Chemical Co., Ltd. (柏源(福建)化工有限公司), an indirect wholly owned subsidiary of the Company established in the PRC
“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
“Vendor”	Fujian Worldshine Development Co., Ltd. (福建宏耀發展有限公司), a company established in the PRC as a wholly foreign owned enterprise
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent.

By order of the Board
Grandy Corporation
Yung Kwok Leong
Chairman

Hong Kong, 2 September 2005

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

This announcement, for which the Directors collectively and individually accept 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 “Latest Company Announcements” page of the GEM website for at least 7 days from the date of its posting and the website of the Company at www.grandy.com.hk.