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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**

**LEASING OF PREMISES FOLLOWING  
COMPLETION OF THE ACQUISITION**

Reference is made to the announcement and the circular of the Company dated 2 September 2005 and 23 September 2005 respectively in relation to the Acquisition.

The Board is pleased to announce that following the completion of the Acquisition, the Landlord (vendor to the Acquisition Agreement) and the Tenant (purchaser to the Acquisition Agreement) had entered into the Lease on 26 September 2005.

The Lease, together with the Acquisition, constituted a discloseable transaction under Rules 19.06 and 19.22 of the GEM Listing Rules.

A circular, containing further details on the Lease, will be despatched 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.

\* *for identification purpose only*

## **LEASE**

### **Date:**

26 September 2005

### **Parties:**

- (1) Landlord : Fujian Worldshine Development Co., Ltd. (福建宏耀發展有限公司), vendor to the Acquisition Agreement and in the capacity as the landlord under the Lease
- (2) Tenant : Prime Source (Fujian) Chemical Co., Ltd. (柏源(福建)化工有限公司), purchaser to the Acquisition Agreement and in the capacity as the tenant under the Lease

The Landlord, who is also the vendor to the Acquisition Agreement, 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 Landlord (vendor to the Acquisition Agreement) and its ultimate beneficial owners, are third parties independent of the Company and its connected persons (as defined under the GEM Listing Rules).

The Tenant, who is also the purchaser to the Acquisition Agreement, 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.

### **Land Use Rights Acquired:**

Pursuant to the Lease, the Tenant (purchaser to the Acquisition Agreement) agreed to lease and the Landlord (vendor to the Acquisition Agreement) agreed to let approximately 1,600 m<sup>2</sup> 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 the production of melamine materials by the Tenant (purchaser to the Acquisition Agreement) for sale to its customers to produce environmental protection products.

### **Consideration and Terms:**

The term of the Lease is one year commencing from 1 October 2005 for a monthly rent of RMB4,800 payable at the beginning of each month in arrears. The Lease is renewable by a three months' written notice served on the Landlord (vendor to the Acquisition Agreement) prior to the expiry of the term of the 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. The entering into of the Lease is not a commitment to the Acquisition Agreement.

The term of the Lease and the monthly rent were determined after arm's length negotiations between the parties to the Lease based on the prevailing market rent obtainable of a similar factory within the vicinity of the subject lease. The Directors consider that the terms and conditions of the Lease are made on normal commercial terms and they are fair and reasonable and the Lease is in the interests of the Company and the Shareholders as a whole.

## **SOURCE OF FUNDING**

The monthly rent for the Lease will be funded by the internal resources of the Group.

## **REASONS FOR ENTERING INTO THE LEASE**

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.

Following the completion of the Acquisition, on 26 September 2005, the Tenant (purchaser to the Acquisition Agreement) and the Landlord (vendor to the Acquisition Agreement) entered into the Lease pursuant to which the Tenant (purchaser to the Acquisition Agreement) agreed to lease and the Landlord (purchaser to the Acquisition Agreement) agreed to let approximately 1,600 m<sup>2</sup> 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) where the Production Line is presently situated for the production of melamine materials by the Tenant (purchaser to the Acquisition Agreement) for sale to its customers to produce environmental protection products. The Directors consider that the Lease and the present arrangement are in the interests of the Company and the Shareholders as a whole as the Group can save the moving and installation costs and the Production Line may be put into operation immediately after the completion of the Acquisition.

## **GEM LISTING RULES IMPLICATIONS**

The Lease, together with the Acquisition constituted a discloseable transaction on the part of the Company pursuant to Rules 19.06 and 19.22 of the GEM Listing Rules.

## **GENERAL**

A circular, containing further details, on the Lease 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.

## DEFINITIONS

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

“Acquisition”	the acquisition of the Production Line pursuant to the Acquisition Agreement
“Acquisition Agreement”	the acquisition agreement dated 26 August 2005 entered into between the Landlord (vendor to this agreement) and the Tenant (purchaser to this agreement) 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
“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
“Landlord”	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, vendor to the Acquisition Agreement and in the capacity as the landlord under the Lease

“Lease”	a lease dated 26 September 2005 entered into between the Tenant (purchaser to the Acquisition Agreement) and the Landlord (vendor to the Acquisition Agreement) in relation to the letting by the Landlord (vendor to the Acquisition Agreement) to the Tenant (purchaser to the Acquisition Agreement) of approximately 1,600 m <sup>2</sup> 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)
“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
“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
“Tenant”	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, purchaser to the Acquisition Agreement and in the capacity as the tenant under the Lease
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent.
“m <sup>2</sup> ”	square metres

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

Hong Kong, 5 October 2005

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

*This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the 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](http://www.grandy.com.hk).*