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**GRANDY CORPORATION**

**泓迪有限公司\***

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

**(Stock Code: 8143)**

**SUBSCRIPTION OF NEW SHARES  
PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL  
AND  
SUSPENSION AND RESUMPTION OF TRADING**

**SUBSCRIPTION OF NEW SHARES**

On 10 October 2005, the Company entered into the Subscription Agreements with the Subscribers pursuant to which the Subscribers have conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue an aggregate of 55,600,000 Subscription Shares at a Subscription Price of HK\$0.13 per Subscription Share. The Subscription Agreements are not conditional upon each other.

The Subscription Price represents (i) a discount of approximately 19.25% to the closing price of HK\$0.161 per Share as quoted on the Stock Exchange on 10 October 2005, being the last trading day before the date of this announcement; (ii) a discount of approximately 18.24% to the average closing price of approximately HK\$0.159 per Share as quoted on the Stock Exchange for the last 5 consecutive trading days up to and including 10 October 2005, being the last trading day before the date of this announcement; and (iii) a premium of 100% over the net assets value per share of approximately HK\$0.065 based on the net assets value as shown in the consolidated balance sheet of the Company as at 31 March 2005 adjusted by the net loss for the three months ended 30 June 2005 as shown in the first quarterly report of the Company. The Subscription Price was arrived at after arm's length negotiations between the Company and the Subscribers. The Directors consider that the Subscription Price is fair and reasonable so far as the Shareholders as a whole are concerned.

\* *for identification purpose only*

The Subscription Shares represent approximately 20.00% of the existing issued share capital of the Company and approximately 16.67% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares. The net proceeds of the Subscription of about HK\$7.00 million will be applied towards the Group's future investment in environmental related projects in the PRC, other potential investment(s) and the general working capital of the Group.

## **PROPOSED INCREASE IN AUTHORISED CAPITAL**

The Company proposes to increase the authorised share capital of the Company from HK\$15,000,000 divided into 300,000,000 Shares of HK\$0.05 each to HK\$30,000,000 divided into 600,000,000 Shares of HK\$0.05 each by the creation of an additional 300,000,000 unissued Shares of HK\$0.05 each.

## **SUSPENSION AND RESUMPTION OF TRADING**

At the request of the Company, trading in Shares on the Stock Exchange was suspended from 9:30 a.m. on Wednesday, 12 October 2005 pending the release of this announcement. Application has been made by the Company to the Stock Exchange for the resumption of trading in Shares on the Stock Exchange with effect from 9:30 a.m. on 13 October 2005.

## **SUBSCRIPTION AGREEMENTS**

On 10 October, 2005, the Company entered into the Subscription Agreements with the Subscribers, pursuant to which the Subscribers have conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue an aggregate of 55,600,000 Subscription Shares at a Subscription Price of HK\$0.13 per Subscription Share. The Subscription Agreements are not conditional upon each other.

### **The Subscribers**

Mr. Lau, Mr. Chan and Fruitful Profits Limited. Each of the Subscribers, and their ultimate beneficial owner(s), as the case may be, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, are third parties independent of the Company and its connected persons (as defined under the GEM Listing Rules) and that the Subscribers are not parties acting in concert as defined under the Hong Kong Code on Takeovers and Mergers.

Mr. Lau is a merchant with over 20 years' experience in the management, operation and strategic planning in a printing company and a manufacturer and exporter of branded shoes to Europe and America.

Mr. Chan is a merchant with over 20 years' experience in the management, operation and strategic planning in a company in the PRC engaging in the export and import of office stationary.

Mr. Lam, the beneficial owner of Fruitful Profit Limited, which is an investment holding company, has over 20 years' experience in accounting and auditing and held personal investments in different sectors.

The Subscribers intend to invest in the Company on a medium to long term basis.

### **Number of Subscription Shares**

The Subscription Shares represent approximately 20% of the existing issued share capital of the Company and approximately 16.67% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares.

### **Subscription Price**

The Subscription Price of HK\$0.13 per Subscription Share represents:

- (i) a discount of approximately 19.25% to the closing price of HK\$0.161 per Share as quoted on the Stock Exchange on 10 October 2005, being the last trading day before the date of this announcement;
- (ii) a discount of approximately 18.24% to the average closing price of approximately HK\$0.159 per Share as quoted on the Stock Exchange for the last 5 consecutive trading days up to and including 10 October 2005, being the last trading day before the date of this announcement.
- (iii) a premium of 100% over the net assets value per share of approximately HK\$0.065 based on the net assets value as shown in the consolidated balance sheet of the Company as at 31 March 2005 adjusted by the net loss for the three months ended 30 June 2005 as shown in the first quarterly report of the Company.

The net Subscription Price, after deduction of the relevant expenses, is approximately HK\$0.126 per Subscription Share.

The Subscription Price was arrived at after arm's length negotiations between the Company and the Subscribers. The Directors consider that the Subscription Price and the terms of the Subscription Agreements are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

### **Rights**

The Subscription Shares, when allotted and issued, will rank equally in all respects among themselves and with the Shares in issue on the date of allotment and issue of the Subscription Shares.

## **Mandate to issue the Subscription Shares**

The Subscription Shares will be allotted and issued pursuant to the General Mandate. The Company has not allotted and issued any new Shares pursuant to the General Mandate and the General Mandate is sufficient for the issue and allotment of the Subscription Shares.

## **Condition of the Subscription**

The Subscription, which comprises Chan's Subscription, Lau's Subscription and Fruitful's Subscription, is conditional upon the GEM Listing Committee granting or agreeing to grant the listing of, and permission to deal in, the Subscription Shares.

Lau's Subscription and Fruitful's Subscription are further subject to the passing of an ordinary resolution by the Shareholders approving the increase in the authorised share capital of the Company at the EGM.

In the event that the GEM Listing Committee does not grant or agree to grant the listing of, and permission to deal in, the Subscription Shares in respect of Chan's Subscription by 5:00 p.m. on or before 20 October 2005 or such other date as may be agreed between Mr. Chan and the Company, Chan's Agreement shall cease and determine and neither the Company nor Mr. Chan shall have any obligations and liabilities under Chan's Agreement.

In the event that all the conditions are not fulfilled by 5:00 p.m. on or before 20 November 2005 or such other date as may be agreed between the relevant parties to Lau's Agreement and Fruitful's Agreement, Lau's Agreement and Fruitful's Agreement shall cease and determine and neither the Company nor Mr. Lau or Fruitful shall have any obligations and liabilities under their respective subscription agreements.

## **Completion of the Subscription**

Completion of Chan's Subscription will take place at 4:00 p.m. on the next business day after the GEM Listing Committee has granted or agreed to grant the listing of, and permission to deal in, the Subscription Shares under Chan's Subscription (or such other date as may be agreed between the Company and Mr. Chan).

Completion of Lau's Subscription and Fruitful's Subscription will take place at 4:00 p.m. on the next business day after all the conditions are fulfilled (or such other date as may be agreed between the relevant parties to Lau's Agreement and Fruitful's Agreement)

## **Application for listing**

Application will be made by the Company to the GEM Listing Committee for the listing of, and permission to deal in, the Subscription Shares.

## **REASONS FOR THE SUBSCRIPTION**

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 Directors has considered various ways of raising funds and consider that the Subscription represents an opportunity to raise capital for the Group while broadening its shareholder and capital base. By entering into the Subscription Agreements, the Group raises further capital to strengthen its financial position for possible future investments.

The gross proceeds of the Subscription is approximately HK\$7.23 million. Net proceeds of approximately HK\$7.00 million (after deducting the legal fees and other related expenses paid by the Company) of the Subscription, will be applied towards the Group's future investment in environmental related projects, other potential investment(s) and the general working capital of the Group as thought fit by the Directors for such purposes. As at the date of this announcement, the Company has not yet identified any investment in environmental related projects or any other concrete investment plans. However, the Directors expect that approximately HK\$5.00 million of the net proceeds will be applied towards the Group's future investment in environmental related projects and the balance on other investment(s) and general working capital.

The Directors consider that the Subscription Agreements are entered into upon normal commercial terms following arm's length negotiations between the Company and the Subscribers and that the terms of the Subscription Agreements are fair and reasonable so far as the interests of the Company and the Shareholders as a whole are concerned.

## **FUND RAISING EXERCISE BY THE COMPANY IN THE PAST TWELVE MONTHS**

The Company has completed a placement of 46,346,000 new Shares to Easeglory Holdings Limited and raised a net proceeds of approximately HK\$8,200,000 on 3 February 2005. As at the date of this announcement, approximately HK\$6,250,000 has been applied for the acquisition of a production line for the manufacturing of melamine materials for producing household products in the PRC which are widely used in environmental conscious countries in accordance with the usage as disclosed in the announcement dated 20 January 2005. The remaining proceeds of approximately HK\$1,700,000 have been applied for general working capital purpose consistent with its original intent.

## CHANGES OF SHAREHOLDING STRUCTURE

The changes of the shareholding structure of the Company as a result of the Subscription are as follows:

Shareholders	As at the date of this announcement and immediately before completion of the Subscription		Immediately after completion of the Subscription	
	Number of issued Shares	Approximate Percentage	Number of issued Shares	Approximate Percentage
Easeglory Holdings Limited ( <i>Note 1</i> )	46,346,000	16.67%	46,346,000	13.89%
Key Engineering Co., Ltd. ( <i>Note 2</i> )	66,830,000	24.03%	66,830,000	20.03%
Top Rainbow Ltd. ( <i>Note 3</i> )	44,901,259	16.15%	44,901,259	13.46%
Yeung Kam Yan ( <i>Note 4</i> )	3,795,237	1.36%	3,795,237	1.14%
Chan Hon Chiu, Kenneth ( <i>Note 4</i> )	4,156,798	1.49%	4,156,798	1.25%
Mr. Lau ( <i>Note 5</i> )	–	–	23,600,000	7.07%
Mr. Chan ( <i>Note 6</i> )	–	–	16,000,000	4.80%
Fruitful Profits Limited ( <i>Note 7</i> )	–	–	16,000,000	4.80%
Public	112,051,039	40.30%	112,051,039	33.56%
<b>Total:</b>	<b>278,080,333</b>	<b>100.00%</b>	<b>333,680,333</b>	<b>100.00%</b>

### Notes:

- Easeglory Holding Limited is beneficially owned by Mr. Yung Kwok Leong who is the executive Director and the chairman of the Company. Ms. Yung Muk Ying is deemed to be interested in 46,346,000 Shares by virtue of her being the spouse of Mr. Yung Kwok Leong.
- 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 in the Republic of Korea.
- The entire issued share capital of Top Rainbow Ltd. is owned by Mr. Yang Pei Gen. Ms. Lu Jin Ming is deemed to be interested in the Company by virtue of her being the spouse of Mr. Yang Pei Gen.
- Mr. Yeung Kam Yan and Mr. Chan Hon Chiu, Kenneth are executive Directors of the Company.
- Mr. Lau is the beneficial owner of 23,600,000 Shares to be issued pursuant to Lau's Agreement.
- Mr. Chan is the beneficial owner of 16,000,000 Shares to be issued pursuant to Chan's Agreement.
- Fruitful Profits Limited is wholly owned by Mr. Lam who is the beneficial owner of 16,000,000 Shares to be issued pursuant to Fruitful's Agreement.

## **PROPOSED INCREASE IN AUTHORISED CAPITAL**

As at the date of this announcement, the authorised share capital of the Company was HK\$15,000,000 divided into 300,000,000 Shares, of which 278,080,333 Shares had been issued and fully paid or credited as fully paid. In order to accommodate future expansion and growth of the Group, the Directors propose to increase the authorised share capital of the Company from HK\$15,000,000 divided into 300,000,000 Shares to HK\$30,000,000 divided into 600,000,000 Shares by the creation of an additional 300,000,000 unissued Shares.

The increase in the authorised share capital of the Company is conditional upon the passing of an ordinary resolution by the Shareholders at the EGM.

## **GENERAL**

The EGM will be held to consider and, if thought fit, passing the resolutions to approve, among others, the proposed increase in the authorised share capital of the Company.

A circular containing, among other things, details of the proposed increase in the authorised share capital of the Company and the notice of the EGM, will be despatched to the Shareholders as soon as possible.

## **SUSPENSION AND RESUMPTION OF TRADING**

At the request of the Company, trading in Shares on the Stock Exchange was suspended from 9:30 a.m. on Wednesday, 12 October 2005 pending the release of this announcement. Application has been made by the Company to the Stock Exchange for resumption of trading in Shares on the Stock Exchange with effect from 9:30 a.m. on 13 October 2005.

## **DEFINITIONS**

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

“associates”	has the meaning ascribed to this term under the GEM Listing Rules
“Board”	the board of Directors
“Chan’s Agreement”	the agreement dated 10 October 2005 and entered into between the Company and Mr. Chan in respect of Chan’s Subscription

“Chan’s Subscription”	the subscription for 16,000,000 Subscription Shares by Mr. Chan pursuant to Chan’s Agreement
“Company”	Grandy Corporation, a company incorporated in the Cayman Islands with limited liability and the issued Shares of which are listed on GEM
“Directors”	directors (including the independent non-executive directors) of the Company from time to time
“EGM”	the extraordinary general meeting of the Company to be held and convened to approve, among others, the increase in the authorised share capital of the Company
“Fruitful”	Fruitful Profits Limited, a company incorporated in the British Virgin Islands with limited liability, being 100% beneficially owned by Mr. Lam
“Fruitful’s Agreement”	the agreement dated 10 October 2005 and entered into between the Company and Fruitful in respect of Fruitful’s Subscription
“Fruitful’s Subscription”	the subscription for 16,000,000 Subscription Shares by Fruitful pursuant to Fruitful’s Agreement
“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 to allot, issue and deal with new Shares at the annual general meeting of the Company held on 29 July 2005, pursuant to which a maximum of 55,616,066 new Shares may be allotted and issued as at the date of this announcement.
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Lau’s Agreement”	the agreement dated 10 October 2005 and entered into between the Company and Mr. Lau in respect of Lau’s Subscription



“Lau’s Subscription”	the subscription for 23,600,000 Subscription Shares by Mr. Lau pursuant to Lau’s Agreement
“Mr. Chan”	Mr. Chan Fung, the beneficial owner of 16,000,000 Shares to be issued pursuant to Chan’s Agreement
“Mr. Lam”	Mr. Lam Hing Lun, the ultimate beneficial owner of Fruitful, which is the Subscriber of 16,000,000 Shares to be issued pursuant Fruitful’s Agreement
“Mr. Lau”	Mr. Lau Kam Chee, the beneficial owner of 23,600,000 Shares to be issued pursuant to the Lau’s Agreement
“PRC”	the People’s Republic of China which for the purpose of this announcement, excluding Taiwan, Hong Kong and Macau Special Administrative Region of the PRC
“Share(s)”	ordinary share(s) of HK\$0.05 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Subscribers”	Mr. Lau, Mr. Chan and Fruitful Profits Limited
“Subscription”	the subscription for the Subscription Shares by the Subscribers pursuant to the Subscription Agreements
“Subscription Agreements”	together the Chan’s Agreement, Lau’s Agreement and Fruitful’s Agreement
“Subscription Price”	the subscription price of HK\$0.13 per Subscription Share
“Subscription Shares”	an aggregate of 55,600,000 new Shares to be subscribed by the Subscribers pursuant to the Subscription Agreements as to 23,600,000 new Shares by Mr. Lau, as to 16,000,000 new Shares by Mr. Chan and as to 16,000,000 new Shares by Fruitful
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“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, 12 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 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).*