
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker, or other licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Grandy Corporation (the “Company”), you should at once hand this circular to the purchaser or transferee, or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this circular, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any losses howsoever arising from or in reliance upon the whole or any part of the contents of this circular.



GRANDY CORPORATION 泓迪有限公司*

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 8143)

PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL

A letter from the board of directors of the Company is set out on pages 3 to 5 of this circular.

A notice convening an extraordinary general meeting (the “EGM”) of the Company to be held at Room 1902, 19th Floor, Sing Pao Building, No. 101 King’s Road, North Point, Hong Kong on Tuesday, 8 November 2005 at 11:00 a.m. is set out on pages 6 to 7 of this circular. Whether or not you are able to attend the EGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company’s Hong Kong branch share registrar Tengis Limited, at G/F, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong as soon as possible and in any event no later than 48 hours before the time appointed for the holding of the EGM or any adjourned meeting (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM should you so wish.

This circular will remain on the GEM website at <http://www.hkgem.com> on the “Latest Company Announcements” page for seven days from the date of its publication and the website of the Company at www.grandy.com.hk.

21 October 2005

* for identification purpose only

CHARACTERISTICS OF GEM

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination of GEM is publication on the Internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website at www.hkgem.com in order to obtain up-to-date information of GEM-listed issuers.

CONTENTS

	<i>Page</i>
Definitions	1
Letter from the Board	3
Introduction	3
Proposed increase in authorised share capital	4
EGM	4
Procedures for demanding a poll at general meeting	5
Recommendation	5
Notice of EGM	6

DEFINITIONS

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

“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
“Director(s)”	the director(s) of the Company from time to time
“EGM”	the extraordinary general meeting of the Company to be held at Room 1902, 19th Floor, Sing Pao Building, No. 101 King’s Road, North Point, Hong Kong on Tuesday, 8 November 2005 at 11:00 a.m. (or such adjournment thereof) to consider and, if thought fit, approve the Proposed Share Capital Increase, a notice of which is set out on page 6 to 7 of this circular
“Fruitful”	Fruitful Profits Limited, a company incorporated in the British Virgin Islands with limited liability, being 100% beneficially owned by Mr. Lam Hing Lun
“Fruitful’s Agreement”	the agreement dated 10 October 2005 and entered into between the Company and Fruitful in respect of Fruitful’s subscription for 16,000,000 new Shares
“GEM”	the Growth Enterprise Market of the Stock Exchange
“Group”	the Company together with its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Latest Practicable Date”	17 October 2005, being the latest practicable date for the purpose of ascertaining certain information for inclusion in this circular
“Lau’s Agreement”	the agreement dated 10 October 2005 and entered into between the Company and Mr. Lau in respect of Mr. Lau’s subscription for 23,600,000 new Shares

DEFINITIONS

“Mr. Lau”	Mr. Lau Kam Chee, the beneficial owner of 23,600,000 new Shares to be allotted and issued pursuant to Lau’s Agreement
“Main Board”	the stock market operated by the Stock Exchange prior to the establishment of GEM (excluding the option market) and which stock market continues to be operated by the Stock Exchange in parallel with, and excluding GEM
“Proposed Share Capital Increase”	the proposed increase in 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
“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)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

LETTER FROM THE BOARD



GRANDY CORPORATION 泓迪有限公司*

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 8143)

Executive Directors:

Mr. Yung Kwok Leong

Mr. Chan Hon Chiu

Mr. Yeung Kam Yan

Independent non-executive Directors:

Mr. Chan Ping Kuen, Francis

Mr. Hsu Shiu Foo, William

Mr. Yu Chai Mei

Registered office:

Century Yard

Cricket Square

Hutchins Drive

P.O. Box 2681 GT

George Town

Grand Cayman

British West Indies

*Head office and principal place
of business in Hong Kong:*

Room 1902 19th Floor

Sing Pao Building

No 101 King's Road

North Point

Hong Kong

21 October 2005

To the Shareholders

Dear Sir or Madam,

PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL

INTRODUCTION

On 12 October 2005, the Board announced, among other matters, a proposal 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 of HK\$0.05 each. The Proposed Share Capital Increase is subject to the passing of an ordinary resolution at the EGM by the Shareholders.

* for identification purpose only

LETTER FROM THE BOARD

The purpose of this circular is to provide you with further details of the Proposed Share Capital Increase and to set out the notice convening the EGM at which an ordinary resolution will be proposed to consider and, if thought fit, approve the Proposed Share Capital Increase.

PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL

As at the Latest Practicable Date, 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.

Subject to the passing of the ordinary resolution by the Shareholders at the EGM on the Proposed Share Capital Increase, which is a condition precedent to both Lau's Agreement and Fruitful's Agreement as announced on 12 October 2005, the Company shall allot and issue respectively 16,000,000 and 23,600,000 new Shares to Fruitful and Mr. Lau pursuant to the said agreements. In compliance with Rule 17.61 of the GEM Listing Rules, the Company indicates that it intends to allot and issue all of the new Shares to be allotted and issued under Lau's Agreement and Fruitful's Agreement out of the capital of the Proposed Share Capital Increase.

EGM

Set out in this circular is a notice convening the EGM which will be held at Room 1902, 19th Floor, Sing Pao Building, No. 101 King's Road, North Point, Hong Kong on Tuesday, 8 November 2005 at 11:00 a.m. where an ordinary resolution will be proposed to consider and, if thought fit, approve the Proposed Share Capital Increase.

A form of proxy for use at the EGM is enclosed with this circular. Whether or not you are able to attend the EGM, you are encouraged to complete and return the enclosed form of proxy in accordance with the instructions printed thereon and return it as soon as possible to the Registrar at G/F, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong and in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjourned meeting. Completion and return of the enclosed form of proxy will not preclude you from attending and voting in person at the EGM should you so wish.

LETTER FROM THE BOARD

PROCEDURES FOR DEMANDING A POLL AT GENERAL MEETING

According to article 66 of the articles of association of the Company, a resolution put to the vote of a meeting shall be decided on a show of hands unless (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is demanded:

- (a) by the chairman of such meeting; or
- (b) by at least three Shareholders present in person or in the case of a Shareholder being a corporation by its duly authorised representative or by proxy for the time being entitled to vote at the meeting; or
- (c) by a Shareholder or Shareholders present in person or in the case of a Shareholder being a corporation by its duly authorised representative or by proxy and representing not less than one-tenth of the total voting rights of all Shareholders having the right to vote at the meeting; or
- (d) by a Shareholder or Shareholders present in person or in the case of a Shareholder being a corporation by its duly authorised representative or by proxy and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

RECOMMENDATION

The Board is of the opinion that the Proposed Share Capital Increase is in the best interests of the Company and the Shareholders as a whole and accordingly recommends the Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the Proposed Share Capital Increase and the transactions contemplated thereby.

By order of the Board
Grandy Corporation
Yung Kwok Leong
Chairman

Hong Kong, 21 October 2005

NOTICE OF EGM



GRANDY CORPORATION

泓迪有限公司*

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 8143)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “EGM”) of the shareholders of Grandy Corporation (the “**Company**”) will be held at Room 1902, 19th Floor, Sing Pao Building, No. 101 King’s Road, North Point, Hong Kong on Tuesday, 8 November 2005 at 11:00 a.m. for the purpose of considering and, if thought fit, passing with or without amendments, the following resolution as an ordinary resolution of the Company:

ORDINARY RESOLUTION

“**that** the authorised share capital of the Company be increased 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 and the directors of the Company be and are generally authorised to do all such acts and things and execute all such documents, including under seal where applicable, as they consider necessary or expedient to give effect to the increase in the authorised share capital of the Company.”

By order of the Board
Grandy Corporation
Yung Kwok Leong
Chairman

Hong Kong, 21 October 2005

* *for identification purpose only*

NOTICE OF EGM

Registered office:

Century Yard
Cricket Square
Hutchins Drive
P.O. Box 2681 GT
George Town
Grand Cayman
British West Indies

*Head office and principal place of
business in Hong Kong:*

Room 1902 19th Floor
Sing Pao Building
No 101 King's Road
North Point
Hong Kong

Notes:

1. A member entitled to attend and vote at the EGM is entitled to appoint one or more proxy to attend and, subject to the provisions of the articles of association of the Company, to vote on his behalf. A proxy need not be a member of the Company but must be present in person at the EGM to represent the member. If more than one proxy is so appointed, the appointment shall specify the number and class of shares in respect of which each such proxy is so appointed.
2. A form of proxy for use at the EGM is enclosed. Whether or not you intend to attend the EGM in person, you are encouraged to complete and return the enclosed form of proxy in accordance with the instructions printed thereon. Completion and return of a form of proxy will not preclude a member from attending in person and voting at the EGM or any adjournment thereof, should he so wish.
3. In order to be valid, the form of proxy, together with a power of attorney or other authority, if any, under which it is signed, or a certified copy of such power or authority must be deposited at the Company's Hong Kong branch share registrar, Tengis Limited at G/F, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong, not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof.
4. In the case of joint holders of shares, any one of such holders may vote at the EGM, either personally or by proxy, in respect of such share as if he was solely entitled thereto, but if more than one of such joint holder are present at the EGM personally or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company in respect of such shares shall alone be entitled to vote in respect thereof.