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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.

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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**

A letter from the board of directors of the Company is set out on pages 4 to 7 of this circular.

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.

25 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.

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DEFINITIONS

In this circular, unless the context otherwise requires, the following 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”	has the meaning ascribed to this term under the GEM Listing Rules
“Director(s)”	the director(s) 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 together with its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“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

DEFINITIONS

“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 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)
“Latest Practicable Date”	20 October 2005, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein
“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
“PRC”	the People’s Republic of China and for the purpose of this circular, excluding Taiwan, Hong Kong and 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
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shares”	ordinary shares 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

DEFINITIONS

“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 dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent.
“m ² ”	square metres

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

25 October 2005

To the Shareholders

Dear Sir or Madam,

DISCLOSEABLE TRANSACTION:

LEASING OF PREMISES FOLLOWING COMPLETION OF THE ACQUISITION

INTRODUCTION

On 2 September 2005, the Board announced that the Tenant (purchaser to the Acquisition Agreement) and the Landlord (vendor to the Acquisition) have on 26 August 2005 entered into the Acquisition Agreement. In compliance with Rule 19.38 of the GEM Listing Rules, the circular in relation to the Acquisition Agreement had been despatched to the Shareholders on 23 September 2005.

* *for identification purpose only*

LETTER FROM THE BOARD

Following the completion of the Acquisition, the Board further announced on 5 October 2005 that 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 on the part of the Company pursuant to Rules 19.06 and 19.22 of the GEM Listing Rules.

The purpose of this circular is to provide you with further details regarding the Lease in accordance with the GEM Listing Rules.

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.

LETTER FROM THE BOARD

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 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) where the Production Line is presently located 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 Production Line is and will be for the exclusive use of the Group and that measures have been applied to ensure such exclusivity of use by the Group.

Consideration and Terms:

The term of the Lease is one year commencing from 1 October 2005 for a monthly rent of RMB4,800 payable in 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 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. According to the terms of the Lease, the renewal of it is at the sole discretion of the Tenant (purchaser to the Acquisition Agreement.) 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 of similar size 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 paid in cash and funded by the internal resources of the Group. Apart from the payment of the monthly rent of RMB4,800, there is no material effect on the Group's earnings, assets and liabilities by entering into the Lease.

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.

LETTER FROM THE BOARD

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 (vendor to the Acquisition Agreement) 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) 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.

FURTHER INFORMATION

Your attention is also drawn to the additional information set out in the appendix to this circular.

Yours faithfully
For and on behalf of the Board
Grandy Corporation
Yung Kwok Leong
Chairman

1. RESPONSIBILITY STATEMENT

This circular, 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 circular 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 circular misleading; and
- (3) all opinions expressed in this circular have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

2. DISCLOSURE OF INTERESTS**(a) Director's interests and short positions in the securities of the Company and its associated corporations**

As at the Latest Practicable Date, the following Director had or was deemed to have interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to

section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were, pursuant to rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by Directors to be notified to the Company and the Stock Exchange:

Name of Director	Nature of interest	Number of Shares held	Position	Approximate percentage of issued share capital
Yung Kwok Leong	Corporate interest (Note 1)	46,346,000	Long	16.67%
	Personal Interest (Note 2)	2,750,000	Long	0.99%
Chan Hon Chiu (Note 3)	Personal interest	5,406,798	Long	1.94%
Yeung Kam Yan (Note 4)	Personal interest	5,045,237	Long	1.81%

Note:

- These Shares are held through Easeglory Holdings Limited, a company incorporated in the British Virgins Islands with limited liability, with its entire issued share capital being owned by Mr. Yung Kwok Leong.
- 2,750,000 Shares represent Shares to be allotted and issued upon full exercise of the options granted to Mr. Yung Kwok Leong on 7 July 2005 under the share option scheme of the Company
- Amongst 5,406,798 Shares, 4,156,798 Shares of which represent interests beneficially held by Mr. Chan Hon Chiu and the balance of 1,250,000 Shares represent Shares to be allotted and issued upon full exercise of the options granted to him on 7 July 2005 under the share option scheme of the Company.
- Amongst 5,045,237 Shares, 3,795,237 Shares of which represent interests beneficially held by Mr. Yeung Kam Yan and the balance of 1,250,000 Shares represent Shares to be allotted and issued upon full exercise of the options granted to him on 7 July 2005 under the share option scheme of the Company.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors nor the chief executive of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were, pursuant to rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by Directors to be notified to the Company and the Stock Exchange.

(b) Persons who have an interest or short position which is discloseable under Divisions 2 and 3 of Part XV of the SFO and substantial Shareholders

So far as is known to the Directors, as at the Latest Practicable Date, the following person (not being Directors or chief executive of the Company) had, or was deemed to have, interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or who were directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group:

Name of Shareholder	Number of Shares held	Position	Approximate percentage of issued share capital
Key Engineering Co., Ltd.	66,830,000	Long	24.03%
Easeglory Holdings Limited (Note 1)	46,346,000	Long	16.67%
Yung Muk Ying (Note 1)	49,096,000	Long	17.66%
Top Rainbow Ltd. (Note 2)	44,901,258	Long	16.15%
Yang Pei Gen (Note 2)	44,901,258	Long	16.15%
Lu Jin Ming (Note 2)	44,901,258	Long	16.15%
Lau Kam Chee (Note 3)	23,600,000	Long	8.49%
Lam Yuen Yin (Note 3)	23,600,000	Long	8.49%

Note:

1. The issued share capital of Easeglory Holdings Limited is 100% beneficially owned by Mr. Yung Kwok Leong, an executive Director and the chairman of the Company. Ms. Yung Muk Ying is deemed to be interested in 49,096,000 Shares which comprise of 46,346,000 Shares held by Easeglory Holdings Limited and 2,750,000 Shares to be allotted and issued upon full exercise of the options granted to Mr. Yung Kwok Leong on 7 July 2005 under the share option scheme of the Company by virtue of her being the spouse of Mr. Yung Kwok Leong.
2. The issued share capital of Top Rainbow Ltd. is 100% beneficially 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.
3. Pursuant to three subscription agreements dated 10 October 2005 entered into by the Company separately with Mr. Lau Kam Chee (“**Mr. Lau**”), Mr. Chan Fung and Fruitful Profits Limited as disclosed in the announcement of the Company dated 12 October 2005, the Company will allot and issue an aggregate of 55,600,000 new Shares of which the allotment and issue of 39,600,000 new Shares is subject to, but assuming the passing of, an ordinary resolution by the Shareholders approving an increase of the authorised share capital of the Company at the extraordinary general meeting to be held on 8 November 2005 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. As at the Latest Practicable Date, Mr. Lau is deemed to be interested in 23,600,000 Shares, all of which have not yet been allotted and issued, representing 8.49% of the issued share capital of the Company as at the Latest Practicable Date and 7.07% of the issued share capital as enlarged. Ms. Lam Yuen Yin is deemed to be interested in 23,600,000 Shares by virtue of her being the spouse of Mr. Lau.

Save as disclosed above, as at the Latest Practicable Date, the Directors were not aware of any other person (other than the Directors and the chief executive of the Company) who had, or was deemed to have, interests or short positions in the Shares or underlying Shares (including any interests in options in respect of such capital), which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

3. DIRECTORS' SERVICE CONTRACTS

Each of Mr. Chan Hon Chiu and Mr. Yeung Kam Yan, being executive Directors, has entered into a service agreement with the Company. Brief particulars of these service agreements are set out below:

- (a) the term of each of the service agreement shall be for an initial term of two years commencing from 10 May 2002 and will continue thereafter; and

- (b) each of the service agreement may be terminated by either party giving to the other not less than six months' written notice during the initial term and three months' written notice during any renewed term after the first two years.

Mr. Chan Ping Kuen, Francis, being an independent non-executive Director, has also entered into a service contract with the Company for a period of one year commencing from 27 September 2004 which will continue thereafter until terminated by either party giving to the other party not less than one month's notice in writing.

Both Mr. Hsu Shiu Foo, William and Mr. Yu Chai Mei were appointed by letters of appointment as independent non-executive Directors for an initial term of one year commencing from 10 May 2002 which will continue thereafter until terminated by either party giving to the other party not less than one month's notice in writing.

Save as disclosed herein, none of the Directors has entered into any service contract or management agreement, proposed or otherwise with any member of the Group (excluding contracts expiring or terminable by the employer within one year without payment of compensation other than statutory compensation).

4. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors or the management Shareholders (as defined in the GEM Listing Rules) or their respective associates has any interest in business which competes with or may compete with the business of the Group.

5. LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration of material importance and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened against any member of the Group.

6. MISCELLANEOUS

- (a) The registered office of the Company is located at Century Yard, Cricket Square, Hutchins Drive, P.O. Box 2681 GT, George Town, Grand Cayman, British West Indies.
- (b) The head office and principal place of business of the Company in Hong Kong is located at Room 1902, 19/F., Sing Pao Building, No. 101 King's Road, North Point, Hong Kong.

- (c) The branch share registrar and transfer office in Hong Kong of the Company is Tengis Limited at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong.
- (d) The company secretary and qualified accountant of the Company is Mr. Chan Siu Wing, Raymond, who is an associate member of the Hong Kong Institute of Certified Public Accountants and a member of the Certified Practising Accountant in Australia, with over 15 years of accounting and company secretarial experiences.
- (e) The compliance officer of the Company is Mr. Chan Hon Chiu who is also an executive Director.
- (f) The Company has established an audit committee on 2 November 2001 with written terms of reference in compliance with Rules 5.28 to 5.29 of the GEM Listing Rules. The primary duties of the audit committee are (i) to review the annual reports and accounts, interim and quarterly reports and give advice and comments thereon to the Directors and (ii) to review and supervise the financial reporting process and internal controls of the Group. The audit committee comprises three independent non-executive Directors, namely, Mr. Chan Ping Kuen, Francis, Mr. Hsu Shiu Foo William, Mr. Yu Chai Mei with Mr. Chan acting as the chairman of the audit committee:
 - (i) Mr. Chan Ping Kuen, Francis, aged 46, was appointed as an independent non-executive Director in September 2004. Mr. Chan is a member of The Institute of Chartered Accountants in Australia and also a member of the Hong Kong Institute of Certified Public Accountants. Mr. Chan holds a bachelor degree in economics from the University of Sydney. Mr. Chan has over 20 years of experience in auditing, accounting and financial management and previously worked for an international accounting firm and a number of companies listed in Hong Kong and in the United States.

Mr. Chan was previously an independent non-executive director of AGL MediaTech Holdings Limited and Kinetana International Biotech Pharma Limited, both of which are companies listed on GEM. Mr. Chan is currently an independent non-executive director of China Elegance (Holdings) Limited and Earnest Investments Holdings Limited which are both listed on the Main Board.

- (ii) Mr. Hsu Shiu Foo, William, aged 54, was appointed as an independent non-executive Director in November 2001. Mr. Hsu is an Associate Professor at the School of Business at Brigham Young University, Hawaii. Mr. Hsu has over 15 years' global business experience in tourism and related fields in various international corporations. Mr. Hsu holds a bachelor of arts degree from the Brigham Young University, Hawaii, a master degree from Cornell University, New York, in the United States and a doctoral degree in business administration from the University of Western Sydney in Australia. Mr. Hsu was previously an independent non-executive director of Kinetana International Biotech Pharma Limited and is currently an independent non-executive director of KanHan Technologies Group Limited, both companies are listed on the GEM of the Stock Exchange.

- (iii) Mr. Yu Chai Mei, aged 49, was appointed as an independent non-executive Director in November 2001. Mr. Yu is a Professor in the Department of Chemistry and the Director of Studies in Environmental Science Programme of The Chinese University of Hong Kong. Mr. Yu possesses extensive knowledge in pollution treatment and environmental monitoring. Mr. Yu obtained his doctoral degree in Chemistry at the University of Idaho, in the United States. Mr. Yu has made contributions by advising the Group on development potentials of PCO technology and has helped the Group to carry out research on the functions of PCO reactors in the early stage of the Group's business development.

- (g) The English text of this circular shall prevail over the Chinese text in case of inconsistency.