
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in 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 same or transfer was effected for transmission to the purchaser or transferee.

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GRANDY CORPORATION

泓迪有限公司*

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 8143)

PLACING OF UNLISTED CONVERTIBLE NOTES

A letter from the board of directors of the Company is set out on pages 5 to 20 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, 3 January 2006 at 11:00 a.m. is set out on pages 29 to 30 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 principal place of business in Hong Kong at Room 1902, 19th Floor, Sing Pao Building, No.101 King’s Road, North Point, 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 at any adjournment thereof (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 or any adjournment thereof 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.

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:

“Announcement”	the announcement made by the Company on 1 December 2005 in respect of, among other things, the Placing Agreement and the Notes;
“associates”	has the meaning given to it under the GEM Listing Rules;
“Board”	the board of Directors;
“Business Day(s)”	a day (excluding Saturday and days on which a tropical cyclone warning No.8 or above or a “black rainstorm warning signal” is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.) on which banks in Hong Kong are generally open for banking business;
“Company”	Grandy Corporation, a company incorporated in the Cayman Islands with limited liability and the issued Shares are listed on GEM;
“Conversion Price”	the initial conversion price of HK\$0.268 per Conversion Share, subject to adjustment;
“Conversion Shares”	the Shares to be issued by the Company under the Notes upon conversion;
“Directors”	directors, including the independent non-executive directors, of the Company from time to time;
“EGM”	an extraordinary general meeting of the Company to be convened on Tuesday, 3 January 2006 at 11:00 a.m. at Room 1902, 19th Floor, Sing Pao Building, No. 101 King’s Road, North Point, Hong Kong or any adjournment thereof for the purpose of approving, ratifying and confirming, among other things, the Placing Agreement and the issue of the Notes and the Conversion Shares;
“EGM Notice”	notice convening the EGM as set out on pages 29 to 30 of this circular;

DEFINITIONS

“GEM”	the Growth Enterprise Market operated by the Stock Exchange;
“GEM Listing Committee”	the listing sub-committee of the board of the Stock Exchange with responsibility for GEM;
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM;
“Group”	the Company and its subsidiaries and “member of the Group” shall be construed accordingly;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China;
“Issue Date”	the date of the issue of the Notes;
“Latest Practicable Date”	9 December 2005, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein;
“Laws”	includes all laws, bye-laws, rules, regulations, directives, guidelines, opinions (whether formally published or not), notices, circulars, orders, judgments, decrees or rulings, standards or procedures of any court, government, governmental or regulatory authority whether or not ejusdem generis with any of the foregoing, as amended, re-enacted or modified and the “Law” shall be construed accordingly;
“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;
“Maturity Date”	the date which is the third anniversary of the Issue Date;
“Noteholder”	the person who is for the time being the holder of a Note and “Noteholders” shall be construed accordingly;

DEFINITIONS

“Notes”	the series of unsecured convertible notes issued by the Company in the aggregate principal amount of more than HK\$15,000,000 and up to HK\$20,000,000 and “Note” shall be construed accordingly;
“Placees”	the investors who are expected to be independent of the Company and not connected (within the meaning of the GEM Listing Rules) with the Company or any of the directors, chief executive, substantial shareholders or management shareholders of the Company or its subsidiaries or their respective associates and who will subscribe for the Notes pursuant to the Placing;
“Placing”	the placing of the Notes by the Placing Agent on and subject to the terms and conditions of the Placing Agreement to not less than six Placees;
“Placing Agent”	Hantec Capital Limited;
“Placing Agreement”	the conditional placing agreement entered into between the Company and the Placing Agent on 25 November 2005;
“Post-IPO Share Option Scheme”	the share option scheme adopted by the Company on 20 April 2002 which only came into effect after the initial listing of the Shares on GEM on 10 May 2002;
“Pre-IPO Share Option Scheme”	the share option scheme adopted by the Company on 20 April 2002 which came into effect prior to the initial listing of the Shares on GEM on 10 May 2002;
“PRC”	the People’s Republic of China, excluding Hong Kong for the purpose of this circular;
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong;
“Share(s)”	share(s) of HK\$0.05 each in the capital of the Company existing at the Latest Practicable Date and all other (if any) stock or shares from time to time and for the time being ranking pari passu therewith and all other (if any) shares or stock resulting from any sub-division, consolidation or re-classification thereof;

DEFINITIONS

“Share Option Schemes”	the Pre-IPO Share Option Scheme and the Post-IPO Share Option Scheme;
“Shareholders”	the holders of Shares and “Shareholder” shall be construed accordingly;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited; and
“%”	per cent.

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

15 December 2005

To the Shareholders

Dear Sir or Madam,

PLACING OF UNLISTED CONVERTIBLE NOTES

INTRODUCTION

It was announced on 1 December 2005 that the Company had entered into the Placing Agreement with the Placing Agent on 25 November 2005 under which the Placing Agent has agreed to place on a best endeavours basis certain unsecured convertible notes in the aggregate principal amount of more than HK\$15,000,000 and up to HK\$20,000,000 to Placees which are currently intended to be not less than six investors.

* for identification purpose only

LETTER FROM THE BOARD

The purposes of this circular are to give you (a) further information on, among other matters, the Placing Agreement and the Notes; and (b) the EGM Notice at which necessary resolution will be proposed to seek your approval.

THE PLACING AGREEMENT

The Directors announced on 1 December 2005 that the Company entered into the Placing Agreement with the Placing Agent.

Date : 25 November 2005

Issuer : The Company

Placing Agent : Hantec Capital Limited

The Placing Agent has conditionally agreed to place on a best endeavour basis the Notes in an aggregate principal amount of more than HK\$15,000,000 and up to HK\$20,000,000 to not less than six Placees.

INDEPENDENCE OF THE PLACING AGENT AND THE PLACEES

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, (a) the Placing Agent and its ultimate beneficial owners are third parties independent of, and not connected with the directors, chief executive, substantial shareholders or management shareholders of the Company or its subsidiaries or their respective associates; and (b) the Placees who are expected to be independent individuals, corporate and/or institutional investors, and their respective ultimate beneficial owners are expected to be third parties independent of, and not connected with, the directors, chief executive, substantial shareholders or management shareholders of the Company or its subsidiaries or their respective associates.

CONDITIONS

Completion of the Placing Agreement shall take place on the second Business Day after the fulfillment of all of the following conditions precedent (or such other date as the Company and the Placing Agent may agree in writing):

- (a) the GEM Listing Committee granting (either unconditionally or subject only to conditions to which the Company does not reasonably object) listing of and permission to deal in the Conversion Shares on GEM;

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- (b) all the requirements imposed by the Stock Exchange under the GEM Listing Rules or otherwise in connection with the transactions contemplated by the Placing Agreement having been fully complied with (including, without limitation, the publication of the Announcement);
- (c) the passing by the Shareholders of an ordinary resolution to approve the Placing Agreement, the issue of the Notes and the Conversion Shares at the EGM;
- (d) the Company obtaining all consents and approval from the relevant authorities in respect of the transactions contemplated under the Placing Agreement, if applicable; and
- (e) the Placing Agent procuring Placees to subscribe for the Notes with an aggregate principal amount of more than HK\$15,000,000.

If any of the conditions precedent has not been fulfilled, or waived (by the Placing Agent only in relation to condition precedent (e) above) on or before 15 January 2006 (or such other date to be agreed by the Company and the Placing Agent in writing), the Placing Agreement shall be null and void and of no effect save for any liability arising out of any antecedent breaches thereof. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, there is no consent or approval from any authorities required to be obtained by the Company in respect of the transactions contemplated under the Placing Agreement.

TERMINATION

The Placing Agent may terminate the Placing Agreement with immediate effect by giving written notice to the Company at any time prior to 8:00 a.m. on the date of completion of the Placing Agreement if:

- (a) there comes to the notice of the Placing Agent that:
 - (i) any matter or event showing any of the representations and warranties given by the Company under the Placing Agreement to be untrue or misleading or having been breached in any material respect; or
 - (ii) the Company is in material breach of any of its obligation under the Placing Agreement; or

LETTER FROM THE BOARD

- (b) there shall develop, occur, exist or come into effect:
- (i) any new law or any change in existing laws of any nature whatsoever or any change in the interpretation or application thereof by any court or other competent authority of any relevant jurisdiction; or
 - (ii) any change (whether or not forming part of a series of changes occurring or continuing before, on and/or after the date of the Placing Agreement and including an event or change in relation to or a development of an existing state of affairs) in local, national or international financial, political, military, industrial, fiscal or economic conditions or prospects; or
 - (iii) any change in the conditions of local, national or international securities or commodities markets (or in conditions affecting a sector only of such market) including, for the avoidance of doubt, any significant adverse change in index level or volume or turnover of any such markets; or
 - (iv) the imposition of any moratorium, suspension or material restriction on trading in securities generally on GEM occurring due to exceptional financial circumstances or otherwise; or
 - (v) any event, or series of events, beyond the reasonable control of the Placing Agent (including, without limitation, acts of government, strikes, lock-outs, fire, explosion, flooding, civil commotion, acts of war, acts of God, acts of terrorism, accident or interruption or delay in transportation, economic sanctions, public disorder, riot and epidemic); or
 - (vi) any other change whether or not ejusdem generis with any of the foregoing,

and which, in each case, in the reasonable opinion of the Placing Agent:

- (A) is or will or is likely to be materially adverse to the business, financial or other condition or prospects of the Group; or
- (B) has or will have or is likely to have a material adverse effect on the success of the Placing; or
- (C) makes it inadvisable or inexpedient to proceed with the Placing.

LETTER FROM THE BOARD

EFFECT ON THE SHAREHOLDING STRUCTURE AS A RESULT OF CONVERSION

Upon full conversion of the Notes (in the aggregate principal amount of HK\$20,000,000) at the Conversion Price, up to approximately 74,626,865 Conversion Shares will fall to be issued. The following table summarises the potential effects on the shareholding structure of the Company as a result of the issue and conversion of the Notes (with reference to the current shareholdings):

Name of Shareholder	Shareholdings as at the date of the Announcement		Upon full conversion of the Notes (in the aggregate principal amount of HK\$20,000,000) at the Conversion Price and assuming all outstanding options granted under the Share Option Schemes (Note 5) remained unexercised as at the Latest Practicable Date	
	No. of Shares	Percentage of the Total Issued Shares	No. of Shares	Percentage of the Total Issued Shares
Key Engineering Co., Ltd. (Note 1)	66,830,000	19.73%	66,830,000	16.17%
Easeglory Holdings Limited (Note 2)	46,346,000	13.68%	46,346,000	11.21%
Top Rainbow Ltd. (Note 3)	44,901,258	13.26%	44,901,258	10.86%
Mr. Yeung Kam Yan (Note 4)	3,795,237	1.12%	3,795,237	0.92%
Mr. Chan Hon Chiu (Note 4)	4,156,798	1.23%	4,156,798	1.01%
Noteholders	–	–	74,626,865	18.06%
Public	172,651,040	50.98%	172,651,040	41.77%
Total	338,680,333	100%	413,307,198	100%

Notes: 1. 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 Stock Exchange, Inc. in the Republic of Korea.

LETTER FROM THE BOARD

2. Easeglory Holdings Limited is beneficially owned by Mr. Yung Kwok Leong who is an executive Director and the chairman of the Company.
3. The entire issued share capital of Top Rainbow Ltd. is owned by Mr. Yang Pei Gen.
4. Mr. Yeung Kam Yan and Mr. Chan Hon Chiu are executive Directors.
5. As at the Latest Practicable Date, the total number of underlying Shares in respect of which options were granted and remained outstanding under the Pre-IPO Share Option Scheme was 800,000 Shares representing approximately 0.24% of the total issued Shares and the total number of underlying Shares in respect of which options were granted and remained outstanding under the Post-IPO Share Option Scheme was 10,000,000 Shares, representing approximately 2.95% of the total issued Shares.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries:

- (a) Key Engineering Co., Ltd. or Top Rainbow Ltd. and their respective ultimate beneficial owners are third parties independent of and not connected with the directors, chief executive, other substantial shareholders or management shareholders of the Company or its subsidiaries or their respective associates; and
- (b) none of Key Engineering Co., Ltd., Easeglory Holdings Limited, Top Rainbow Ltd., Mr. Yeung Kam Yan and Mr. Chan Hon Chiu are parties acting in concert.

PRINCIPAL TERMS OF THE NOTES

The principal terms of the Notes are summarised below:

Issuer

The Company

Aggregate Principal Amount of the Notes

More than HK\$15,000,000 and up to HK\$20,000,000.

Conversion Price

The Conversion Price of the Notes is initially HK\$0.268, subject to adjustments as set out under the paragraph headed "Adjustment Provisions" below.

LETTER FROM THE BOARD

The Conversion Price represents a premium of approximately 15.02% to the closing price per Share as quoted on the Stock Exchange of HK\$0.233 on 25 November 2005, being the last trading day before the date of the Announcement. The Conversion Price also represents a premium of approximately 13.56% to the average closing price per Share for the last 5 trading days ended on 25 November 2005 of HK\$0.236.

The Conversion Price was negotiated between the Company and the Placing Agent on an arm's length basis and determined with reference to the current market price of the Shares and the duration of the Notes.

The net Conversion Price is approximately HK\$0.259 to HK\$0.261, depending on the amount of net proceeds raised from the Placing.

Interest

The Notes will bear interest from Issue Date at the rate of 4% per annum (determined with reference to the current bank prime lending rate and the medium-to-long term deposit rates in Hong Kong), which will be payable quarterly in arrears on dates following three months, six months, nine months, one year, one year and three months, one year and six months, one year and nine months, two years, two years and three months, two years and six months, two years and nine months, and three years after the Issue Date.

Maturity Date

The third anniversary of the Issue Date.

Redemption

Unless previously redeemed or converted or otherwise provided in the Placing Agreement, the Company shall redeem the outstanding principal amounts of the Notes on the Maturity Date. Upon the happening of any of the following events of default, the outstanding principal amounts and/or interests under the Notes may become due and payable:

- (a) there is a default in the performance by the Company of any of the obligations under the Notes and such default shall continue for 14 Business Days;
- (b) the holder of any encumbrance takes possession or a receiver is appointed of the whole or material part of the assets or undertaking of the Company or any of its major subsidiaries (as defined in the Notes);

LETTER FROM THE BOARD

- (c) the Company and/or any of its major subsidiaries (as defined in the Notes) cease to carry on their business;
- (d) the Company or any of its major subsidiaries (as defined in the Notes) is unable to pay its debts;
- (e) it shall become unlawful for the Company to perform all or any of its obligations under the Notes;
- (f) any statement made by the Company in the Notes shall be at any time incorrect in any material respect;
- (g) a moratorium is agreed or declared in respect of any present or future indebtedness of the Company or any of its major subsidiaries (as defined in the Notes) or any governmental agency or authority confiscates or seizes or compulsorily purchases or expropriates all or a material part of the assets or capital of the Company or any of its major subsidiaries (as defined in the Notes);
- (h) a distress, execution or seizure before judgment is levied upon any part of the property of the Company or any of its major subsidiaries (as defined in the Notes) and is not discharged or stayed within 30 Business Days thereof; and
- (i) the listing of the Shares on GEM or such other recognised stock exchange is at any time terminated, or the Shares are suspended for trading for a period of more than 30 consecutive dealing days (as defined in the Notes) and the Company is unable to provide a reason therefor.

Conversion Provisions

Subject to the approval by the GEM Listing Committee having been granted in respect of the listing of, and permission to deal in, the Conversion Shares on GEM, each of the Noteholders will have the right, at any time six months after the Issue Date to convert all or part (in an amount of integral multiple of HK\$500,000) of the outstanding principal amounts of the Notes into Shares at the Conversion Price on any Business Day up to the close of business on the Maturity Date.

LETTER FROM THE BOARD

Conversion Shares

Approximately up to 74,626,865 Conversion Shares will fall to be issued upon full conversion of all the Notes (in the aggregate principal amount of HK\$20,000,000) at the Conversion Price representing approximately 22.03% of the existing issued share capital of the Company and approximately 18.06% of the enlarged issued share capital of the Company. The number of Conversion Shares fall to be issued upon full conversion of all the Notes may change if there is an adjustment to the Conversion Price under the provisions of the Notes.

The Conversion Shares will rank *pari passu* in all respects with the Shares in issue as at the date of the registration of the Conversion Shares issued upon conversion of the Notes.

As the general mandate to allot and issue Shares granted by the Shareholders to the Directors at the annual general meeting of the Company held on 29 July 2005 has been utilized to a great extent, the Directors will seek the Shareholders' approval at the EGM for a specific mandate to allot and issue the Conversion Shares.

Adjustment Provisions

The Conversion Price shall be adjusted in accordance with the terms of the Notes if any of the following circumstances arises:

- (a) the Shares become of a different nominal amount;
- (b) the Company shall issue any Shares credited as fully paid to the Shareholders, as a bonus issue or otherwise, by way of capitalisation of profits or reserves other than Shares paid up out of profits or reserves (including any share premium account or capital redemption reserve fund) and issued in lieu of the whole or any part of a cash dividend which the Shareholders would otherwise have received but only to the extent that the market value (as defined in the Notes) of such Shares does not exceed the amount of such cash dividend or the relevant part thereof;
- (c) the Company shall make any capital distribution (as defined in the Notes) to the Shareholders;

LETTER FROM THE BOARD

- (d) the Company shall offer to the Shareholders new Shares for subscription by way of rights, or shall grant to Shareholders any options or warrants to subscribe for new Shares, in each case at less than 90% of the current market price (as defined in the Notes) at the date of the announcement of the terms of the offer or grant;
- (e) the Company shall issue any securities (other than Shares or options, warrants or other rights to subscribe for or purchase Shares) to Shareholders as a class by way of rights, or grant to Shareholders as a class by way of rights any options, warrants or other rights to subscribe for or purchase any securities;
- (f) the Company shall issue wholly for cash any Shares (other than Shares issued on the exercise of rights of conversion into, or exchange or subscription for, Shares), or options, warrants or other rights to subscribe for or purchase Shares, in each case at a price per Share which is less than 90% of the current market price (as defined in the Notes) on the last dealing day preceding the date of announcement of the terms of such issue;
- (g) the Company or any of its subsidiaries, or (at the direction or request of, or pursuant to any arrangements with, the Company or any of its subsidiaries) any other company, person or entity shall issue wholly for cash any securities which by their terms of issue carry rights of conversion into, or exchange or subscription for, Shares to be issued by the Company upon conversion, exchange or subscription at a consideration per Share which is less than 90% of the current market price (as defined in the Notes) on the last dealing day (as defined in the Notes) preceding the date of announcement of the terms of issue of such securities;
- (h) there shall be any modification of the rights of conversion, exchange or subscription attaching to any such securities (other than in accordance with the terms applicable to such securities) so that the consideration per Share is less than 90% of the current market price (as defined in the Notes) on the last dealing day (as defined in the Notes) preceding the date of announcement of the proposals for such modification; and
- (i) if the Company or any of its subsidiaries or (at the direction or request of, or pursuant to any arrangements with, the Company or any of its subsidiaries) any other company, person or entity offers any securities in connection with which offer the Shareholders generally (meaning for these purposes the holders of at least 60% of the Shares outstanding at the time such offer is made) are entitled to participate in arrangements whereby such securities may be acquired by them.

LETTER FROM THE BOARD

Voting

None of the Noteholders will be entitled to attend or vote at any meetings of the Company by reason only of it being a Noteholder.

Transferability

The Notes will be freely transferable (in an amount or integral multiple of HK\$500,000) subject to the Noteholders giving at least 14 days prior notice in writing to the Company. A Noteholder shall not, without the prior written consent of the Company, transfer the Note (or any part thereof) to any person which is a connected person (as defined in the GEM Listing Rules) of the Company. The Company has undertaken to notify the Stock Exchange immediately upon becoming aware that there are any dealings in the Notes by any connected persons (as defined in the GEM Listing Rules).

REASONS FOR THE PLACING

Given the current market sentiment, the Directors consider that the Placing represents an appropriate timing and opportunity for the Group to raise additional funds for investing in the business as detailed in the paragraph headed “Use of Proceeds”. The Directors expect that the Placing could not only strengthen the financial position of the Group but could also better position itself to grasp suitable investments in either environmentally related projects or other projects which have a promising future with growth potential and are expected to bring positive return to the Group in the long term, when any such opportunities arise.

The Directors consider that the Placing is an appropriate means of raising additional funds for the Company since the Placing will not have an immediate dilution effect on the shareholding of the existing Shareholders like other equity financing methods; and if the conversion rights attached to the Notes are exercised, the loan capital represented by the Notes that are exercised will become share capital of the Company and the holders of such Notes will become Shareholders.

The terms of the Placing Agreement, including the interest provision, have been determined with reference to the current bank prime lending rate and the medium-to-long term deposit rates in Hong Kong after arm’s length negotiations between the Company and the Placing Agent, and are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

USE OF PROCEEDS

The net proceeds will be approximately HK\$14.50 to 19.50 million (after deducting placing commission, legal fees and other expenses payable by the Company for the Placing). The Directors currently intend to apply the net proceeds, as to approximately one-fourth towards environmentally-related projects, approximately one-fourth towards general working capital of the Group and the balance towards projects or investments in the healthcare sector in Hong Kong and the PRC with a promising future, has high growth potential and are expected to bring positive return to the Company in the long term.

While the Group intends to continue to pursue its principal business, the Directors intend to make investments in the healthcare sector in Hong Kong and the PRC. The Directors believe that, given the improving living standards and health consciousness as well as government encouragement particularly in the PRC as evidenced by the increase in the Gross Domestic Product per capita and increase in yearly expenditure on the healthcare sector in the PRC, the healthcare sector represents a business sector with high growth potential. Moreover, the Directors consider that the healthcare sector in Hong Kong and the PRC provides ample business opportunities for the Group to utilize its existing expertise and experience in environmental industry and technology, such as the application of its enzyme products, waste treatment, energy saving products, waste water treatment and its respective ancillary services in the healthcare sector with an aim to eventually penetrate part of its business in such sector. However, up to the Latest Practicable Date, no suitable investment in the healthcare sector has been identified nor any concrete plan or arrangement has been made and there has not been any progress on the status of negotiations or arrangements of such investments. The Company will make further announcement disclosing the details of the investment in the healthcare sector as and when appropriate in accordance with the GEM Listing Rules.

LETTER FROM THE BOARD

FUND RAISING EXERCISE BY THE COMPANY IN THE PAST 12 MONTHS

In the last 12 months from the date of the Announcement, the Company conducted a total of two placing of new Shares, pursuant to which an aggregate gross amount of approximately HK\$15.53 million has been raised by the Company, with net proceeds of approximately HK\$15.20 million as disclosed in the respective announcements of the Company dated 20 January 2005 and 12 October 2005. The following is a brief summary of the aforesaid placing:

	First Placing	Second Placing
Number of Shares Placed	46,346,000 Shares	55,600,000 Shares
Completion Date of Placing	3 February 2005	16,000,000 Shares on 21 October 2005 39,600,000 Shares on 11 November 2005
Placing Price per Share	HK\$0.18	HK\$0.13
Gross Proceeds	approximately HK\$8.30 million	approximately HK\$7.23 million
Net Proceeds	approximately HK\$8.20 million	approximately HK\$7.00 million
Places of Placing	Easeglory Holdings Limited	Mr. Chan Fung, Mr. Lau Kam Chee and Fruitful Profits Limited
Intended Use of Proceeds	approximately HK\$8.20 million will be applied for future investment in environmentally related projects in the PRC and/or general working capital	approximately HK\$5.00 million will be applied towards the Group's future investment in environmentally related projects Balance will be applied towards other investment(s) and general working capital

LETTER FROM THE BOARD

Actual Use of Proceeds

approximately HK\$6.25 million has been applied for acquiring a production line for the manufacturing of melamine materials used for producing household products in the PRC which are widely used in environmentally conscious countries as announced on 12 October 2005

Not yet utilized, but will be applied in the way as originally intended

Balance has been applied for general working capital

APPLICATION FOR LISTING

No application will be made for the listing of, or permission to deal in, the Notes on GEM or any other stock exchange. An application has been made to the GEM Listing Committee for the listing of, and permission to deal in, the Conversion Shares on GEM.

FURTHER ANNOUNCEMENT

The Company will make further announcements disclosing, among other things, the relevant information upon confirmation of the number and the identities of the Placees and the aggregate principal amount raised pursuant to the issue of the Notes upon completion of the Placing Agreement, whether there will be any new substantial shareholders as a result of the full conversion of the Notes by the Placees and the details of the investment in the healthcare sector as and when appropriate.

INFORMATION OF THE COMPANY

The Group is principally engaged in the production, sourcing, sales and marketing, design and development of environmental products and ancillary services for combating environmental problems in the areas of energy-saving, enzyme treatments and waste water treatment.

LETTER FROM THE BOARD

EGM

Set out on pages 29 to 30 of this circular is the EGM Notice. The EGM will be held at Room 1902, 19th Floor, Sing Pao Building, No. 101 King's Road, North Point, Hong Kong on Tuesday, 3 January 2006 at 11:00 a.m. where an ordinary resolution will be proposed to consider and, if thought fit, approve, ratify and confirm, among other things, the Placing Agreement, the issue of the Notes and the Conversion Shares.

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 Company's principal place of business in Hong Kong at Room 1902, 19th Floor, Sing Pao Building, No. 101 King's Road, North Point, Hong Kong and in any event no less than 48 hours before the time appointed for the holding of the EGM or at any adjournment thereof. Completion and return of the enclosed form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

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 hand 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.

LETTER FROM THE BOARD

RECOMMENDATION

The Board is of the opinion that the entering into of the Placing Agreement, the issue of the Notes and the subsequent issue of the Conversion Shares are in the 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 Placing Agreement, the issue of the Notes and the Conversion Shares and the transactions contemplated thereby.

GENERAL INFORMATION

Your attention is drawn to the general information set out in the Appendix to this circular.

By order 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:

- (a) the information contained in this circular is accurate and complete in all material respects and not misleading;
- (b) there are no other matters the omission of which would make any statement in this circular misleading; and
- (c) 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. SHARE CAPITAL OF THE COMPANY

The authorised and issued share capital of the Company as at the Latest Practicable Date were, and the Shares to be allotted and issued upon full conversion of the Notes (in the aggregate principal amount of HK\$20,000,000) are, as follows:

<i>Authorised:</i>	<i>HK\$</i>
600,000,000 Shares (<i>Note</i>)	<u>30,000,000</u>
<i>Issue and fully paid:</i>	
338,680,333 Shares	<u>16,934,017</u>
<i>To be allotted and issued upon full conversion of the Notes (in the principal amount of HK\$20,000,000):</i>	
Approximately 74,626,865 Conversion Shares (subject to adjustment)	<u>3,731,343</u>

Note: On 8 November 2005, the authorised share capital of the Company was increased 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 Shares.

All of the Shares currently in issue and to be issued rank pari passu in all respects with each other, including, in particular, as to dividends, voting rights and return of capital. No part of the share capital of the Company is listed or dealt in on any stock exchange other than GEM.

3. 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 Directors had or were 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:

(i) Interests in Shares:

Name of Director	Nature of interest	Number of Shares held	Position	Approximate percentage of the total issued Share
Yung Kwok Leong	Corporate interest (Note)	46,346,000	Long	13.68%
Chan Hon Chiu	Personal interest	4,156,798	Long	1.23%
Yeung Kam Yan	Personal interest	3,795,237	Long	1.12%

Note: These Shares are held through Easeglory Holdings Limited, a company incorporated in the British Virgin Islands with limited liability, the entire issued share capital of which is owned by Mr. Yung Kwok Leong.

(ii) Interests in Options:

On 7 July 2005, the Company granted options to certain eligible persons, including the Directors, to subscribe for Shares under the Post-IPO Share Option Scheme at an exercise price of HK\$0.102 per Share. The details of the interests of the Directors as at the Latest Practicable Date were as follows:

Name of Director	Nature of interest	Exercise Period	Number of underlying Shares in respect of which Options were granted	Number of underlying Shares outstanding as at the Latest Practicable Date	Position	Approximate percentage of the total issued Share (assuming the Options are exercised in full)
Yung Kwok Leong	Personal interest	7 July 2005 to 6 July 2015	2,750,000	2,750,000	Long	0.81%
Chan Hon Chiu	Personal interest	7 July 2005 to 6 July 2015	1,250,000	1,250,000	Long	0.37%
Yeung Kam Yan	Personal interest	7 July 2005 to 6 July 2015	1,250,000	1,250,000	Long	0.37%

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 persons (not being Directors or chief executive of the Company) had, or were 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:

(i) Substantial Shareholders:

Name of Shareholder	Number of Shares held	Position	Capacity	Approximate percentage of the total issued Share
Key Engineering Co., Ltd.	66,830,000	Long	Beneficial owner	19.73%
Easeglory Holdings Limited (<i>Note 1</i>)	46,346,000	Long	Beneficial owner	13.68%
Yung Muk Ying (<i>Note 1</i>)	46,346,000	Long	Interest of spouse	13.68%
Top Rainbow Ltd. (<i>Note 2</i>)	44,901,258	Long	Beneficial owner	13.26%
Yang Pei Gen (<i>Note 2</i>)	44,901,258	Long	Interest of a controlled corporation	13.26%
Lu Jin Ming (<i>Note 2</i>)	44,901,258	Long	Interest of spouse	13.26%

Notes: 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 46,346,000 Shares and 2,750,000 underlying Shares in respect of which options were granted to Mr. Yung Kwok Leong 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.

(ii) **Other persons who are required to disclose their interests:**

Name of Shareholder	Number of Shares held	Position	Capacity	Approximate percentage of the total issued Share
Lau Kam Chee (<i>Note</i>)	23,600,000	Long	Beneficial interest	6.97%
Lam Yuen Yin (<i>Note</i>)	23,600,000	Long	Interest of spouse	6.97%

Note: Ms. Lam Yuen Yin is deemed to be interested in 23,600,000 Shares by virtue of her being the spouse of Mr. Lau Kam Chee.

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.

4. DIRECTOR'S 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 on 20 April 2002. 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 terminated by the employer within one year without payment of compensation other than statutory compensation).

5. 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.

6. 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.

7. MISCELLANEOUS

- (a) The share registrar and transfer office of the Company in Hong Kong is Tengis Limited at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong, and with effect from 3 January 2006 the address will be changed to 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.
- (b) 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.
- (c) The compliance officer of the Company is Mr. Chan Hon Chiu who is also an executive Director.

(d) The Company 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 given 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 acts 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 55, was appointed as an independent non-executive Director on 2 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 on 2 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 the technology in photocatalytic oxidation, an oxidation process that is catalysed under the supply of light source (UV light) (“PCO”) 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.
- (e) The English text of this circular shall prevail over the Chinese text in case of inconsistency.

EGM NOTICE



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, 3 January 2006 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 conditional placing agreement dated 25 November 2005 entered into between the Company and Hantec Capital Limited (the “**Placing Agreement**”) in relation to the placing of certain convertible notes in the aggregate principal amount of more than HK\$15,000,000 and up to HK\$20,000,000 (the “**Notes**”) (a copy of which is tabled at the meeting marked “A” and initialled by the chairman of the meeting for identification purposes), the details of which are set out in the circular of the Company dated 15 December 2005; and the transactions contemplated under the Placing Agreement, including but not limited to the issue of the Notes, be and are hereby approved, ratified and confirmed and the board of directors of the Company (the “**Board**”) be and is hereby authorised to issue the certificates in respect of the Notes subject to the fulfilment or waiver of the conditions precedent set out in the Placing Agreement, and to take such action, do such things and execute such further documents as the Board may, in its opinion, deem necessary or desirable for the purpose of implementing the Placing Agreement and the Notes, including, but not limited to, the exercise of any power of the Company to allot and issue the shares of HK\$0.05 each in the capital of the Company which may fall to be issued upon conversion of the Notes.”

By order of the Board
Grandy Corporation
Yung Kwok Leong
Chairman

Hong Kong, 15 December 2005

* *for identification purpose only*

EGM NOTICE

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 or any adjournment thereof 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.
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/she 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 of attorney or authority must be deposited at the Company's principal place of business in Hong Kong at Room 1902, 19th Floor, Sing Pao Building, No.101 King's Road, North Point, 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, the vote of the senior who tenders a vote, whether present in person or by proxy, will be accepted to the exclusion of the vote(s) of the other joint holder(s), and for this purpose seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.