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If you have sold or transferred all your shares in Grandy Corporation (the “Company”), you should at once hand this circular and the accompanying form of proxy to the purchaser or the 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)

PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL, PROPOSED GENERAL MANDATES TO ISSUE NEW SHARES AND REPURCHASE SHARES, AND PROPOSED REFRESHMENT OF SCHEME MANDATE LIMIT

**Independent Financial Adviser to the
Independent Board Committee and Independent Shareholders**

VEDA | CAPITAL
智略資本

A letter from the Independent Board Committee is set out on page 13 of this circular. A letter from Veda Capital, the independent financial adviser to the Independent Board Committee and the Independent Shareholders is set out on pages 14 to 20 of this circular.

A notice convening the extraordinary general meeting of the Company (the “EGM”) to be held at Room 1902, 19/F., Sing Pao Building, No. 101 King’s Road, North Point, Hong Kong on Tuesday, 9 May 2006 at 11:00 a.m. is set out on pages 33 to 37 of this circular.

A form of proxy for the EGM is enclosed with this circular. Whether or not you are able to attend the EGM, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return the same to the principal place of business of the Company at Room 1902, 19/F, Sing Pao Building, No. 101 King’s Road, North Point, Hong Kong as soon as possible but in any event not later than 48 hours before the time appointed for the holding of the EGM. Completion and delivery of the enclosed form of proxy will not preclude you from attending and voting at the meeting should you so wish.

This circular will remain on the “Latest Company Announcements” page of the GEM website at www.hkgem.com for at least 7 days from the date of its posting and the website of the Company at www.grandy.com.hk.

20 April 2006

* 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 of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is publication on the internet website operated by the Stock Exchange. Listed GEM 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 on GEM-listed issuers.

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DEFINITIONS

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

“2005 AGM”	the annual general meeting of the Company held on 29 July 2005
“Adjustments”	adjustments in relation to the Pre-IPO Scheme, Share Option Scheme and Convertible Notes, upon the Rights Issue becoming unconditional, as detailed in section 8 of the appendix to the Prospectus Document
“Articles of Association”	articles of association of the Company adopted pursuant to the written resolutions of the Shareholders passed on 20 April 2002; and company name changed pursuant to a special resolution passed on 9 January 2004; and certain articles amended pursuant to a special resolution passed on 30 September 2004
“associates”	have the same meaning as ascribed in the GEM Listing Rules
“Board”	the board of Directors
“Company”	Grandy Corporation, a company incorporated in the Cayman Islands with limited liability, the issued Shares of which are listed on GEM of the Stock Exchange
“Convertible Notes”	the series of unsecured convertible notes issued by the Company in the aggregate principal amount of HK\$18,000,000 on 11 January 2006
“Director(s)”	the director(s) of the Company
“Extraordinary General Meeting” or “EGM”	the extraordinary general meeting of the shareholders of the Company to be held at Room 1902, 19/F., Sing Pao Building, No. 101 King’s Road, North Point, Hong Kong on Tuesday, 9 May 2006, at 11:00 a.m., a notice of which is set out on pages 33 to 37 of this circular
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries

DEFINITIONS

“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	the committee of independent non-executive Directors comprising Mr. Chan Francis Ping Kuen, Mr. Hsu Shiu Foo, William and Mr. Yu Chai Mei to advise the Independent Shareholders as to the refreshment of general mandates
“Independent Shareholders”	Shareholders other than the Directors (excluding independent non-executive Directors), chief executive of the Company and their respective associates
“Latest Lodging Date”	being 4:00 p.m. on 22 March 2006 or such other date as the underwriter and the Company may agree as the latest time for lodging transfers of existing Shares in order to qualify for the Rights Issue
“Latest Practicable Date”	11 April 2006, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“New General Mandate”	the general mandate proposed to be granted to the Directors at the EGM to allot, issue and otherwise deal with additional Shares not exceeding 20% of the share capital of the Company in issue on the date of the passing of the relevant ordinary resolution
“Option(s)”	a right/rights granted to subscribe for Shares pursuant to the Pre-IPO Scheme and the Share Option Scheme
“Participants”	(i) employees of the Company (whether full-time or part time) or any of its subsidiaries or associated companies; (ii) directors (whether executive directors or non-executive directors or independent non-executive directors) of the Company or any of its subsidiaries or associated companies; (iii) suppliers of goods and/or services to the Company or any of its subsidiaries or associated companies; (iv) customers of the Company or any of its subsidiaries or associated companies; (v) any person or entity that provides research, development or other technological support to the Company or any of its subsidiaries or associated companies; and (vi) any shareholder of any member of the Group or any of its subsidiaries or associated companies or any holder of any securities issued by any member of the Group or any of its subsidiaries or associated companies

DEFINITIONS

“Pre-IPO Scheme”	the pre-listing share option scheme conditionally approved and adopted by the Company on 20 April 2002
“Proposed Share Capital Increase”	the proposed increase in the authorised share capital of the Company from HK\$30,000,000 divided into 600,000,000 Shares to HK\$100,000,000 divided into 2,000,000,000 Shares
“Prospectus Documents”	the prospectus, the other documents despatched on 27 March 2006 in relation to the Rights Issue of 172,465,166 Rights Shares at HK\$0.06 per Rights Share on the basis of one Rights Share for every two existing Shares held on the Record Date
“Record Date”	27 March 2006, being the date by reference to which entitlements to the Rights Issue will be determined
“Repurchase Mandate”	a general and unconditional mandate to the Directors to exercise all powers of the Company to repurchase Shares up to a maximum of 10% of the issued share capital of the Company as at the date of passing the relevant resolution granting such mandate
“Rights Issue”	the proposed issue of Rights Shares on the basis of one Rights Share for every two existing Shares to qualifying shareholders (as defined in the Prospectus Document) by way of rights or to holders of nil-paid Rights Shares at the subscription price (as defined in the Prospectus Document), pursuant to the terms and conditions of the Rights Issue
“Rights Share(s)”	172,465,166 Rights Shares to be issued pursuant to the Rights Issue
“Scheme Mandate Limit”	the number of Shares which may be issued upon exercise of all Options of the Company which shall not in aggregate exceed 10% of the Shares in issue as at the date of adoption of the Share Option Scheme or of the refreshment of such limit
“SFO”	the Hong Kong Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)

DEFINITIONS

“Share Option Scheme”	the post-listing share option scheme conditionally approved and adopted by the Company on 20 April 2002
“Share Consolidation”	the consolidation of every five shares of HK\$0.01 each in the issued and unissued share capital of the Company into one consolidated Share of HK\$0.05 in the issued and unissued share capital of the Company (which was approved by the then shareholders of the Company at the extraordinary general meeting held on 11 May 2005)
“Shareholder(s)”	holder/holders of the Shares
“Shares”	ordinary shares of HK\$0.05 each in the issued and unissued share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	The Hong Kong Code on Takeovers and Mergers
“Veda Capital”	Veda Capital Limited, a licensed corporation permitted to carry out type 6 regulated activity (advising on corporate finance) under the SFO, being the independent financial adviser to the Independent Board Committee in relation to the proposed grant of New General Mandate
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	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. Yeung Kam Yan

Independent non-executive Directors:

Mr. Chan Francis Ping Kuen
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, 19/F.
Sing Pao Building
No. 101, King's Road
North Point, Hong Kong

20 April 2006

To the Shareholders

Dear Sir or Madam,

**PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL,
PROPOSED GENERAL MANDATES TO ISSUE
NEW SHARES AND REPURCHASE SHARES,
AND
PROPOSED REFRESHMENT OF SCHEME MANDATE LIMIT**

A. INTRODUCTION

The purpose of this circular is to provide you with information regarding (a) certain ordinary resolutions to be proposed at the forthcoming EGM to be held on 9 May 2006 including but not limited to (i) ordinary resolution relating to the increase in authorized share capital; (ii) ordinary

* for identification purpose only

LETTER FROM THE BOARD

resolutions relating to the grant of New General Mandate and Repurchase Mandate to the Directors for the issue and repurchase of its Shares; and (iii) ordinary resolution relating to the approval of refreshment of the 10% limit on grant of Options under the Share Option Scheme and (b) the recommendation from the Independent Board Committee to the Independent Shareholders on the proposed grant of the New General Mandate; (c) the recommendation from Veda Capital to the Independent Board Committee and the Independent Shareholders, on the proposed grant of the New General Mandate; and (d) the notice of EGM, at which an ordinary resolution will be proposed to the Independent Shareholders to consider and, if thought fit, approve the New General Mandate by way of poll.

B. PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL

As at the Latest Practicable Date, the authorised share capital of the Company was HK\$30,000,000 divided into 600,000,000 Shares, of which 344,930,333 Shares had been issued and fully paid or credited as fully paid and 172,465,166 Rights Shares will be issued and allotted. 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\$30,000,000 divided into 600,000,000 Shares to HK\$100,000,000 divided into 2,000,000,000 Shares by the creation of an additional 1,400,000,000 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.

C. PROPOSED GENERAL MANDATES TO ISSUE AND REPURCHASE SHARES

At the 2005 AGM, ordinary resolutions were passed by the then Shareholders to give general unconditional mandates to the Directors to:

- (1) allot, issue and deal with additional Shares with an aggregate nominal amount not exceeding 20% of the aggregate nominal amount of the issued share capital of the Company as at the date of passing of the requisite resolution at the 2005 AGM;
- (2) repurchase such number of Shares with an aggregate nominal amount not exceeding 10% of the aggregate nominal amount of the issued share capital of the Company as at the date of passing of the requisite resolution at the 2005 AGM; and
- (3) extend the general mandate granted to the Directors to allot, issue and deal with additional Shares as mentioned in paragraph (1) above by the amount representing the aggregate nominal amount of the share capital of the Company repurchased by the Company under the general mandate granted to the Directors as mentioned in paragraph (2) above.

LETTER FROM THE BOARD

The general mandate granted to the Directors to allot, issue and deal with a maximum of 55,616,066 new Shares pursuant to the resolution passed at the 2005 AGM, being 20% of the total amount of issued share capital of the Company as at the date of the 2005 AGM, i.e. 29 July 2005, has been substantially utilised by the Company by issuing 55,600,000 new Shares with approximately HK\$7 million raised pursuant to the subscription agreements with three subscribers dated 10 October 2005 as detailed in the announcement of the Company dated 12 October 2005. Since 2005 AGM, there had not been any refreshment of general mandate. The Directors therefore propose to seek approval of the Shareholders by way of ordinary resolution at the EGM to grant the New General Mandate to the Directors to further issue securities of the Company up to a maximum of 20% of the aggregate issued share capital at the date of passing the relevant resolution. The Directors wish to state that they have no immediate plan to issue any Shares or repurchase any Shares pursuant thereto.

The Directors consider that the grant of New General Mandate at the moment will provide the Group with the flexibility, which is essential to the Group, for obtaining equity fund raising upon any new investment opportunities arises such as those disclosed in the announcement dated 2 March 2006 in relation to the Rights Issue.

At the EGM, an ordinary resolution will be proposed that the Directors be granted the New General Mandate to allot, issue and deal with Shares up to a maximum of 20% of the issued share capital of the Company at the date of passing of such resolution. Another ordinary resolution will also be proposed to increase limit of this 20% by the amount of any Shares repurchased by the Company of up to a maximum of 10% of the issued share capital of the Company at the date of passing of the relevant resolution.

Pursuant to the Rights Issue, 172,465,166 Rights Shares will be issued and allotted on top of existing total issued share of the Company of 344,930,333 Shares. As at the Latest Practicable Date, the issued Shares and Rights Shares to be issued and allotted of the Company was 517,395,499 immediately upon the completion of Rights Issues. Assuming no Shares are repurchased or issued before the date of passing of the ordinary resolution giving a general mandate to issue new Shares of the Company, the maximum number of Shares to be issued is 103,479,099 Shares.

At the EGM, an ordinary resolution will be proposed to grant to the Directors a general mandate to repurchase its own Shares on GEM. Under the Repurchase Mandate, the number of Shares the Company may repurchase shall not exceed 10% of the issued share capital of the Company on the date of passing of the relevant resolution.

As at the Latest Practicable Date, the issued Shares and the Rights Shares to be issued and allotted of the Company will be 517,395,499 Shares. Assuming no Shares are repurchased or issued before the date of passing of the ordinary resolution giving a general mandate to the Directors to repurchase Shares, the maximum number of Shares that may be repurchased will be 51,739,549 Shares.

LETTER FROM THE BOARD

Each of the New General Mandate and Repurchase Mandate will continue in force until whichever is the earliest of:

- (a) the conclusion of the next annual general meeting of the Company;
- (b) the expiration of the period within which the next annual general meeting of the Company is required by any applicable laws of the Cayman Islands or the Articles of Association to be held; or
- (c) the date on which the relevant mandate is revoked or varied by an ordinary resolution of the Shareholders in a general meeting.

D. PROPOSED REFRESHMENT OF THE SCHEME MANDATE LIMIT

The Company adopted the Pre-IPO Scheme and the Share Option Scheme by way of written resolution of shareholders on 20 April 2002 (the “Adoption Date”).

At present, the Company has no other share option scheme apart from the Pre-IPO Scheme and the Share Option Scheme. As at the Latest Practicable Date, the number of Options under the Pre-IPO Scheme granted, cancelled and outstanding are as follows:

Number of Options under the Pre-IPO Scheme (after adjusting for the effects of Share Consolidation and Adjustments)				outstanding (adjusted)
granted	cancelled	outstanding		
16,000,000	15,200,000	800,000		1,034,400

The above 1,034,400 outstanding adjusted Options, 620,640 Options were granted to an adviser and 413,760 were granted to a former employee of the Company.

From the Adoption Date and up to the Latest Practicable Date, the number of Options under the Share Option Scheme granted, exercised, lapsed and outstanding are as follows:

Number of Options under the Share Option Scheme (after adjusting for the effects of Share Consolidation and Adjustments)					outstanding (adjusted)
granted	exercised	lapsed	outstanding		
16,430,000	11,251,000	1,429,000	3,750,000		4,848,750

The above 4,848,750 outstanding adjusted Options of which 1,616,250 Options were granted to Mr. Yeung Kam Yan, the executive Director and 3,232,500 Options were granted to others.

LETTER FROM THE BOARD

As at the Latest Practicable Date, an aggregate of 5,883,150 Options, representing 1.14% of the issued share capital of the Company upon completion of the Rights Issue, remain outstanding under the Pre-IPO Scheme and Share Option Scheme.

The Directors announced on 2 March 2006 that the Company proposed to raise not less than approximately HK\$10.35 million and not more than approximately HK\$10.37 million (before expenses) by way of a rights issue of not less than 172,465,166 Rights Shares and not more than 172,865,166 Rights Shares at the subscription price per Rights Share on the basis of one Rights Share for every two existing Shares held on the Record Date. The Rights Issue will be fully underwritten by the underwriter in accordance with the terms of the underwriting agreement. As at the Latest Practicable Date, the total issued share capital of the Company upon completion of Rights Issue is 517,395,499 Shares.

Under the rules of the Share Option Scheme and subject to the GEM Listing Rules:

- (i) the number of Shares subject to Options that may be granted shall not exceed 10% of the Shares in issue at the Adoption Date;
- (ii) the Company may seek Shareholders' approval to renew the Scheme Mandate Limit on the grant of Options under the Share Option Scheme as and when required. However, the Scheme Mandate Limit as renewed shall not exceed 10% of the Shares in issue as at the date of the aforesaid Shareholders' approval. Options previously granted under the Share Option Scheme and other share option schemes (including those outstanding, cancelled, lapsed in accordance with the Share Option Scheme or exercised Options) will not be counted for the purpose of calculating the Scheme Mandate Limit as renewed. A circular must be sent to Shareholders in connection with the meeting at which their approval will be sought;
- (iii) the Company may seek separate approval of the Shareholders in general meeting to grant Options beyond the Scheme Mandate Limit to participants specifically identified by the Company before the aforesaid Shareholders' meeting where such approval is sought; and
- (iv) the overall limit on the number of Shares which may be issued upon the exercise of all outstanding Options granted and yet to be exercised under the Share Option Scheme (after renewal of Scheme Mandate Limit) and any other option schemes of the Company must not in aggregate exceed 30% of the total number of Shares in issue from time to time.

LETTER FROM THE BOARD

The Directors consider that the Company should renew the Scheme Mandate Limit so that the Company could have more flexibility to provide incentives to Participants by way of granting Options to them. If the Scheme Mandate Limit is again renewed on the basis of 517,395,499 Shares in issue as at the Latest Practicable Date and assuming that no Shares are issued or repurchased by the Company prior to the EGM, the Scheme Mandate Limit will be refreshed to 51,739,549 Shares (being 10% of the issued share capital of the Company as at the date of the EGM in which the refreshed limit is approved) and the Company will be allowed to grant further Options under the Share Option Scheme of the Company carrying the rights to subscribe for a maximum of 51,739,549 Shares.

The proposed renewal of the Scheme Mandate Limit will be conditional upon the Listing Committee of GEM granting the listing of, and the permission to deal in, such number of Shares, representing 10% of the Shares in issue as at the date of the EGM which may fall to be allotted and issued pursuant to the exercise of Options granted under the renewed Scheme Mandate Limit.

In this regard, the Company will seek approval from the Shareholders in the EGM for renewing the Scheme Mandate Limit. Application will be made to the Stock Exchange for the listing of and permission to deal in the Shares to be issued pursuant to the exercise of the Options granted under the Share Option Scheme up to the renewed Scheme Mandate Limit.

The Directors consider that the renewal of the Scheme Mandate Limit is in the interests of the Group and the Shareholders as a whole because it enables the Company to reward and motivate its employees and other selected Participants under the Share Option Scheme. The renewal of the Scheme Mandate Limit is in line with the purpose of the Share Option Scheme.

An ordinary resolution, as a special business, will be proposed at the forthcoming EGM to approve the renewal of the existing Scheme Mandate Limit in the terms as set out in the notice of the EGM. In order that the Company could continue to grant Options to selected Participants as incentives or rewards for their contribution to the Company, the Directors recommend that Shareholders vote in favour of this resolution.

LETTER FROM THE BOARD

E. EXTRAORDINARY GENERAL MEETING

Pursuant to Rule 17.42A(1) of the GEM Listing Rules, the New General Mandate requires the approval of the Independent Shareholders at the EGM at which any of the controlling Shareholders and their associates or, where there are no controlling Shareholders, Directors (excluding independent non-executive Directors) and the chief executive of the Company and their respective associates shall abstain from voting in favour of the relevant resolutions. Since the Company has no controlling Shareholders, the Directors (excluding independent non-executive Directors) and the chief executive of the Company and their respective associates shall abstain from voting. As at the Latest Practicable Date, Mr. Yung Kwok Leong, the executive Director and his associate, Easeglory Holdings Limited, being in aggregate interested in about 14.23% of the share capital of the Company in issue and Mr. Yeung Kam Yan, the executive Director, being interested in about 0.98% of the share capital of the Company will abstain from voting in favour of the relevant resolution. The Board were advised by them that they have no intention to vote against the grant of the New General Mandate. Other than Mr. Yung Kwok Leong, Easeglory Holdings Limited and Mr. Yeung Kam Yan, no other Directors or their respective associates had any interests in the Shares as at the Latest Practicable Date. Further, pursuant to Rule 17.47(4)(b) of the GEM Listing Rules, any vote of the Independent Shareholders at the EGM will be taken by poll and a results announcement will be made after the EGM.

The notice convening the EGM is set out on pages 33 to 37 of this circular. At the EGM, ordinary resolution will be proposed to approve the grant of the New General Mandate among other ordinary resolutions. A form of proxy for use at the EGM is also enclosed with this circular. To be valid, the enclosed form of proxy, together with any power of attorney or other authority under which it is signed must be completed in accordance with the instructions printed thereon and delivered to the Hong Kong branch share registrar and transfer office of the Company, Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjourned meeting. The completion and return of the form of proxy will not preclude you from attending and voting at the EGM or any adjourned meeting in person if you so wish.

F. INDEPENDENT BOARD COMMITTEE

The Independent Board Committee comprises Mr. Chan Francis Ping Kuen, Mr. Hsu Shiu Foo, William and Mr. Yu Chai Mei, all being independent non-executive Directors. It has been established to advise the Independent Shareholders on the grant of the New General Mandate.

Veda Capital has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the grant of the New General Mandate.

LETTER FROM THE BOARD

G. PROCEDURES FOR DEMANDING A POLL AT GENERAL MEETING

According to Article 66 of the Articles of Association, 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 authorized 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 authorized 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.

H. RECOMMENDATIONS

The Directors consider that the Proposed Share Capital Increase, New General Mandate and Repurchase Mandate and proposed refreshment of Scheme Mandate Limit are all in the best interests of the Company and its Shareholders and so recommend all Shareholders and/or Independent Shareholders to vote in favour of the resolutions to be proposed at the forthcoming EGM.

The Independent Board Committee, having taken into account the advice of Veda Capital, the independent financial adviser, considers that the granting of the New General Mandate is fair and reasonable so far as the Independent Shareholders are concerned and accordingly recommends the Independent Shareholders to vote in favour of the relevant resolution to be proposed at the EGM for approving the grant of the New General Mandate.

Yours faithfully,
On behalf of the Board
Grandy Corporation
Yung Kwok Leong
Chairman

LETTER FROM INDEPENDENT BOARD COMMITTEE



GRANDY CORPORATION 泓迪有限公司*

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 8143)

20 April 2006

To the Independent Shareholders

Dear Sir or Madam

GRANT OF NEW GENERAL MANDATE

We have been appointed as members of the Independent Board Committee to advise you in connection with the grant of the New General Mandate, details of which are set out in the letter from the Board in a circular dated 20 April 2006 issued by the Company to the Shareholders, of which this letter forms a part. Unless the context requires otherwise, capitalised terms used herein shall have the same meanings as defined in this circular.

Veda Capital has been appointed as the independent financial adviser to advise us and the Independent Shareholders in this respect. Your attention is drawn to the letter from Veda Capital concerning its advice to us and the Independent Shareholders on whether the grant of the New General Mandate is fair and reasonable and is in the interests of the Company and the Shareholders as a whole as set out on pages 14 to 20 of the circular. Your attention is also drawn to the letter from the Board set out on pages 5 to 12 of the circular and the additional information set out in the appendix to this circular.

Having considered the advice and recommendations given by Veda Capital, we consider the grant of the New General Mandate is fair and reasonable and is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the relevant ordinary resolution to be proposed at the EGM to approve the grant of the New General Mandate by way of poll.

Yours faithfully

By order of the board of
Independent Board Committee

Chan Francis Ping Kuen

Hsu Shiu Foo, William

Yu Chai Mei

Independent non-executive Directors

* for identification purpose only

LETTER FROM VEDA CAPITAL

The following is the text of a letter of advice from Veda Capital to the Independent Board Committee and the Independent Shareholders in connection with the grant of the New General Mandate, which has been prepared for the purpose of incorporation in this circular:

VEDA | CAPITAL
智略資本

Veda Capital Limited

**Suite 2816, 28/F, One International Finance Centre
1 Harbour View Street, Central, Hong Kong**

20 April 2006

*To the Independent Board Committee and the Independent Shareholders of
Grandy Corporation*

Dear Sirs,

GRANT OF NEW GENERAL MANDATE

INTRODUCTION

We refer to our engagement as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in connection with the grant of the New General Mandate to the Directors to allot, issue and deal with additional Shares with an aggregate nominal amount not exceeding 20% of the aggregate nominal amount of the issued share capital of the Company as at the date of passing the requisite resolution at the EGM, details of which are set out in the “Letter from the Board” in the circular (the “Circular”) issued by the Company to the Shareholders dated 20 April 2006 of which this letter forms part. Capitalised terms used in this letter shall have the same meanings ascribed to them in the Circular unless the context otherwise requires.

As at the Latest Practicable Date, the Company did not have a “controlling shareholder” (as such term is defined in the GEM Listing Rules) and an aggregate of 52,891,237 Shares, representing approximately 15.33% of the existing issued share capital of the Company, were held by the Directors (excluding independent non-executive Directors) and their respective associates (as defined in the GEM Listing Rules). In accordance with the GEM Listing Rules, the grant of the New General Mandate requires the approval of the Independent Shareholders at which the Directors (excluding independent non-executive Directors), the chief executive of the Company and their respective associates shall abstain from voting in respect of the resolution at the EGM. Voting of the Independent Shareholders at the EGM shall be taken by poll according to the GEM Listing Rules.

LETTER FROM VEDA CAPITAL

The Independent Board Committee, comprising Mr. Chan Francis Ping Kuen, Mr. Hsu Shiu Foo, William and Mr. Yu Chai Mei, all being the independent non-executive Directors, has been formed to advise the Independent Shareholders as to whether the grant of the New General Mandate are fair and reasonable so far as the Independent Shareholders are concerned and whether the grant of the New General Mandate is in the interests of the Company and the Independent Shareholders as a whole.

In formulating our view and recommendation to the Independent Board Committee and the Independent Shareholders in relation to the grant of the New General Mandate, we have relied on the accuracy of the information and representations contained in the Circular which have been provided to us by the Directors and which the Directors consider to be complete and relevant. We are not aware that any statements, information and representations made or referred to in the Circular, for which the Directors are solely responsible, were untrue and incorrect in all respects at the time when they were made and continued to be so as at the date of the Circular. We are also not aware that any statements of belief, opinion and intention made by the Directors in the Circular were not reasonably made after due and careful enquiry and are not based on honestly-held opinions. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors and we have been advised by the Directors that no material facts have been omitted from the information and representations provided in and referred to in the Circular.

We consider that we have received sufficient information to enable us to reach an informed view and to justify our reliance on the accuracy of the information and representations contained in the Circular and to provide a reasonable basis for our view and recommendation. We have no reason to suspect that any material information has been withheld by the Company or by the Directors. We have not, however, carried out any independent in-depth investigation into the business and affairs of the Group.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation to the Independent Board Committee and the Independent Shareholders in relation to the grant of the New General Mandate, we have considered the principal factors and reasons set out below:

Background

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 VEDA CAPITAL

The existing general mandate granted to the Directors to allot, issue and deal with a maximum of 55,616,066 new Shares pursuant to the resolution passed at the 2005 AGM, being 20% of the total amount of issued share capital of the Company as at the date of the 2005 AGM, i.e. 29 July 2005, has been substantially utilised by the Company by issuing 55,600,000 new Shares as detailed in the announcement of the Company dated 12 October 2005. The Board would like to propose a resolution at the EGM to grant the New General Mandate to the Directors to exercise the power of the Company to allot and issue Shares not exceeding 20% of the aggregate nominal amount of the issued share capital of the Company as at the date of the EGM.

History of usage of general mandate since the last general meeting of the Company

The following table summarises the information relating to the Company's history of usage of general mandate granted since the 2005 AGM on 29 July 2005:

Date of general mandate granted in relation to the fund raising activity	Date of announcement	Event	Date of completion	Intended use of net proceeds	Actual use of net proceeds as at the Latest Practicable Date
29 July 2005	12 October 2005	Issue of 55,600,000 new Shares at HK\$0.13 per Share	24 October 2005 and 11 November 2005 respectively	The net proceeds of approximately HK\$7 million, of which, approximately HK\$5 million will be applied towards the Group's future investment in environmental related projects, other potential investment(s) and approximately HK\$2 million will be used as general working capital of the Group.	According to the Prospectus Document, approximately HK\$3.37 million has been used for acquiring machineries for environmental related projects in the PRC and a further of approximately HK\$1.63 million will be applied for the same usage. The remaining balance of approximately HK\$2 million is intended to use towards the Group's general working capital

LETTER FROM VEDA CAPITAL

The subscription price of HK\$0.13 per Share of the subscription (the “Subscription”) of new Shares pursuant to the announcement of the Company dated 12 October 2005 represented (i) a discount of approximately 19.25% to the closing price of HK\$0.161 per Share as quoted on the Stock Exchange on 10 October 2005, being the last trading day before the date of the relevant announcement; and (ii) a discount of approximately 18.24% to the average closing price of approximately HK\$0.159 per Share as quoted on the Stock Exchange for the last 5 consecutive trading days up to and including 10 October 2005, being the last trading day before the date of the relevant announcement. The subscription price was arrived at after arm’s length negotiations between the Company and the subscribers and the discount represented by such subscription price to the then prevailing market prices complied with rule 17.42B of the GEM Listing Rules. We concurred with the Directors that the subscription price was fair and reasonable so far as the then Shareholders as a whole were concerned. The actual use of net proceeds of the Subscription is in line with the intended use of net proceeds and we considered that such use of net proceeds by the Company is fair and reasonable so far as the Shareholders as a whole are concerned.

The cash and bank balances of the Group was approximately HK\$2,697,000 as at 30 September 2005 and approximately HK\$3,136,000 as at 31 March 2005 according to the latest interim report and annual report of the Group respectively. Net proceeds from the subscription of new Shares pursuant to subscription agreements dated 10 October 2005 and placing of the Convertible Notes are approximately HK\$7 million and HK\$17.2 million respectively. The estimated net proceeds from the Rights Issue will be approximately HK\$9.35 million. Taking into account the net proceeds from the subscription of new Shares mentioned above and placing of the Convertible Notes and the estimated net proceeds from the Rights Issue, the Directors believed that the Group has sufficient cash resources to meet its present requirements. The Directors also confirmed that save for the projects of investments in healthcare sector as mentioned in the prospectus of the Rights Issue dated 27 March 2006 and a memorandum of understanding in respect of a proposed acquisition entered into by the Group as stated in the announcement dated 30 March 2006, the Group did not have any concrete proposal for any investment or acquisition or any fundraising plan as at the Latest Practicable Date.

However, there is no certainty that such cash resources will be adequate for acquisition of the appropriate investment that may be identified by the Company in the future. In the event that the Group identifies a suitable investment opportunity and does not have sufficient cash resources on hand, and it fails to obtain loans on terms which the Directors consider acceptable to the Group or raise funds from the equity capital market, or it cannot find other alternatives to finance the acquisition of such investment opportunity in a timely manner, the Group may lose its bid in an otherwise favourable investment.

LETTER FROM VEDA CAPITAL

Financial flexibility

The Directors believed that the grant of the New General Mandate will provide the Company with additional flexibility in deciding the source of finance for any acquisition opportunities that may arise in the future until the next annual general meeting of the Company and for the purpose of raising general working capital of the Group. We consider that the grant of the New General Mandate could enhance the financing flexibility of the Company to raise capital and to strengthen the capital base of the Group, if and when required, through placing of Shares for further development of the Group. In addition, the Directors consider that if investment or acquisition opportunities arise, decisions may have to be made within a short period of time. The grant of the New General Mandate would provide the Group with the flexibility to allot and issue new Shares to raise capital through placing of Shares as consideration for funding such potential investments and/or acquisitions in the future until the next annual general meeting of the Company as and when such opportunities arise. The increased amount of capital which may be raised under the New General Mandate provides more options of financing to the Group when assessing and negotiating potential acquisitions in a timely manner.

Other financing alternatives

Other than raising fund by way of issuing equity capital, the Directors will consider other financing methods such as bank financing, debt financing and funding through internal resources in order to meet its financing requirements arising from future development of the Group, depending on the then financial position, capital structure and cost of funding of the Group and the then market condition. As advised by the Directors, the New General Mandate provides another alternative to the Directors to finance the Group's businesses and the Directors will use the method which serves the best interest of the Group. We consider that it is a sensible consideration to make reference to the then financial position of the Group in order to decide on a financing method for the future development of the Group.

LETTER FROM VEDA CAPITAL

Potential dilution to shareholding of the Independent Shareholders

We set out below a table depicting (i) the shareholding structure of the Company as at the Latest Practicable Date, (ii) the shareholding structure of the Company after the completion of the Rights Issue (assuming all qualifying Shareholders shall take up his/her/its entitlements under the Rights Issue) and, (iii) for illustrative purpose, the shareholding structure of the Company upon full utilisation of the New General Mandate after the completion of the Rights Issue (assuming that the grant of the New General Mandate will be approved at the EGM and all qualifying Shareholders shall take up his/her/its entitlements under the Rights Issue):

	(i) Issued Shares as at the Latest Practicable Date		(ii) Issued Shares after completion of the Rights Issue		(iii) Issued Shares after completion of the Rights Issue with full utilisation of the New General Mandate	
	<i>No. of Shares</i>	<i>%</i>	<i>No. of Shares</i>	<i>%</i>	<i>No. of Shares</i>	<i>%</i>
Easeglory Holdings Limited & Mr. Yung Kwok Leong (Note 1)	49,096,000	14.23	73,644,000	14.23	73,644,000	11.86
Win Triple Limited & Mr. Lee Kun Hung (Note 2)	48,230,000	13.98	72,345,000	13.98	72,345,000	11.65
Top Rainbow Ltd. (Note 3)	44,901,258	13.02	67,351,887	13.02	67,351,887	10.85
Mr. Yeung Kam Yan (Note 4)	3,795,237	1.10	5,692,855	1.10	5,692,855	0.92
Shares issued under the New General Mandate	–	–	–	–	103,479,099	16.67
Public	198,907,838	57.67	298,361,757	57.67	298,361,757	48.05
Total	344,930,333	100	517,395,499	100	620,874,598	100

Notes:

- 49,096,000 Shares of the Company are beneficially owned by Mr. Yung Kwok Leong, who is an executive Director and the chairman, of which 46,346,000 Shares are held by Easeglory Holdings Limited which is 100% owned by Mr. Yung Kwok Leong.

LETTER FROM VEDA CAPITAL

2. 48,230,000 Shares of the Company are beneficially owned by Mr. Lee Kun Hung of which 46,830,000 Shares are held by Win Triple Limited which is 100% owned by Mr. Lee Kun Hung.
3. The entire issued share capital of Top Rainbow Ltd. is owned by Mr. Yang Pei Gen.
4. Mr. Yeung Kam Yan is an executive Director.

For illustrative purpose, assuming that (i) the grant of the New General Mandate is approved by the Independent Shareholders at the EGM; (ii) the Rights Issue is duly completed and; (iii) the New General Mandate is fully utilised, 103,479,099 Shares will be issued, representing 20% of the issued share capital of the Company as at the date of the EGM and approximately 16.67% of the issued share capital of the Company as enlarged by the Shares issued under the New General Mandate after the completion of the Rights Issue respectively. The aggregate shareholding of the public Shareholders after the completion of the Rights Issue will decrease from approximately 57.67% to approximately 48.05% upon full utilisation of the New General Mandate, a potential maximum dilution of approximately 9.62%.

Taken into account that the grant of the New General Mandate (i) will provide an alternative to increase the amount of capital which may be raised under the New General Mandate; (ii) provides more options of financing to the Group for further development of its business as well as in other potential future investment and/or acquisitions as and when such opportunities arise and; (iii) the fact that the shareholding of all the Shareholders will be diluted proportionally to their respective shareholdings upon any utilisation of the New General Mandate, we consider such potential dilution to shareholdings of the Independent Shareholders to be justifiable.

CONCLUSION

Having taken into consideration of the above principal factors and reasons, we are of the view that the grant of the New General Mandate is fair and reasonable, so far as the Independent Shareholders are concerned and that the grant of the New General Mandate is in the interests of the Company and the Independent Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the grant of the New General Mandate.

Yours faithfully,

For and on behalf of

Veda Capital Limited

Hans Wong

Managing Director

Julisa Fong

Director

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 Group. 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. SHARE CAPITAL

(a) Authorized and issued share capital

The authorised and issued share capital of the Company as at the Latest Practicable Date and following completion of the Rights Issue are and will be as follows:

As at the Latest Practicable Date

<i>Authorised:</i>	<i>HK\$</i>
<u>600,000,000</u> Shares	<u>30,000,000</u>
<i>Issued and fully paid:</i>	
<u>344,930,333</u> Shares	<u>17,246,517</u>

Upon completion of the Rights Issue

<i>Authorised:</i>	<i>HK\$</i>
<u>600,000,000</u> Shares	<u>30,000,000</u>
<i>Issued and fully paid:</i>	
344,930,333 Shares	17,246,517
<u>172,465,166</u> Rights Shares	<u>8,623,258</u>
<u>517,395,499</u>	<u>25,869,775</u>

All the Shares and Rights Shares in their fully paid form to be issued rank and will rank pari passu in all respects with each other including as regards to dividends, voting and return of capital.

The Shares are listed on GEM. No part of the Shares or loan capital of the Company is listed or dealt in, nor is listing or permission to deal in the Shares or loan capital of the Company being or proposed to be sought, on any other stock exchange.

Dealings in the Shares of the Company may be settled through CCASS and Shareholders should consult their stockbroker or other registered dealer of securities, bank manager, solicitors, professional accountant or other professional adviser for details of these settlement arrangements and how such arrangements may affect their rights and interests.

(b) Share option schemes

As at the Latest Practicable Date (after Adjustments), there are 5,883,150 outstanding adjusted Options, of which, 1,034,400 and 4,848,750 Options were granted pursuant to the respective Pre-IPO Scheme and Share Option Scheme. The Option holders under the Share Option Scheme have undertaken not to exercise their respective Options on or before the Record Date. No Options under the Pre-IPO Scheme has been exercised on or before the Latest Lodging Date. Accordingly, the number of issued Shares of the Company remains as 344,930,333 Shares and the number of Rights Shares to be issued under the Rights Issue is 172,465,166 Rights Shares. Details of the outstanding Options are as follows:

(i) Pre-IPO Scheme

A summary of the pre-listing Options which are exercisable in three equal tranches from 10 November 2002, 10 May 2003 and 10 May 2004 respectively, to 9 May 2012 at an exercise price of HK\$0.541 per Share (after adjusting for the effects of the Share Consolidation and Adjustments) is as follows:

Grantee	Number of Shares to be allotted and issued upon exercise of the outstanding Options (adjusted)
Advisor	620,640
Former employee	413,760
	<hr/>
	<u>1,034,400</u>

(ii) Share Option Scheme

On 7 July 2005, the Company passed written resolutions pursuant to the Share Option Scheme adopted on 20 April 2002 to grant 15,000,000 Options to Directors and employees. It was resolved that Options be offered to the Directors and employees at the subscription price of HK\$0.079 per Share (after Adjustments) with exercise period commencing from 7 July 2005 and ending on 6 July 2015.

Grantee	Number of Shares to be allotted and issued upon exercise of the outstanding share options (adjusted)
Yeung Kam Yan (<i>Note 1</i>)	1,616,250
Others	3,232,500

Note 1: Mr. Yeung Kam Yan is the executive Director.

(iii) Convertible notes

The Company had issued the Convertible Notes on 11 January 2006 and the holders of these Convertible Notes are entitled to convert a total number of 86,956,521 Shares at the conversion price of HK\$0.207 upon the exercise of the conversion rights attached to the Convertible Notes any time after expiry of six months after the issue date, (i.e. 10 July 2006) and up to the close of business on the maturity date (after Adjustments).

Except for the foregoing, the Company has no other options, warrants and conversion rights convertible into Shares. No Share or loan capital of the Company has been issued or is proposed to be issued for cash (save for the Rights Issue) or otherwise and no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any such capital.

No Share or loan capital of the Company or any member of the Group has been put under option or agreed conditionally or unconditionally to be put under option and no warrant or conversion right affecting the Shares has been issued or granted or agreed conditionally, or unconditionally to be issued or granted.

There are no arrangements under which future dividends will be waived or agreed to be waived.

Subject to the passing of the resolution in relation to the Repurchase Mandate and on the basis that no Shares are issued or repurchased by the Company prior to the EGM, the Company will be allowed under the Repurchase Mandate to repurchase a maximum of 51,739,549 Shares equivalent to 10% of the issued share capital of the Company. The Shares repurchased by the Company shall, subject to applicable laws, be automatically cancelled upon such repurchase.

3. REASONS FOR REPURCHASES

The Directors believe that the Repurchase Mandate will provide the Company the flexibility to make such repurchases when appropriate and beneficial to the Company and the Shareholders. Such repurchases may, depending on market conditions and funding arrangements at the relevant time, lead to an enhancement of the net asset value of the Company and/or earnings per Share.

4. FUNDING OF REPURCHASES

Repurchase of Shares will be funded out of funds legally available for such purpose in accordance with Articles of Association and the applicable laws and regulations of the Cayman Islands and the GEM Listing Rules.

There might be a material adverse impact on the working capital or the gearing position of the Group as compared with the position disclosed in the audited financial statements for the year ended 31 March 2005, being the date to which the latest published audited financial statements of the Company were made up, in the event that the Repurchase Mandate is exercised in full. However, the Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of the Group or on the gearing positions which in the opinion of the Directors are from time to time appropriate for the Group.

5. DISCLOSURE OF INTERESTS

(a) Directors' 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	Position	Approximate percentage of the total issued Shares	Approximate percentage of shareholding upon completion of the Rights Issue
Yung Kwok Leong	Corporate interest (Note)	69,519,000	Long	20.15	13.44
	Beneficial interest	4,125,000	Long	1.20	0.80
Yeung Kam Yan	Beneficial interest	5,085,237	Long	1.47	0.98

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 Share Options:

On 7 July 2005, the Company granted Options to certain eligible persons, including the Directors, to subscribe for Shares under the Share Option Scheme at an exercise price of HK\$0.079 per Share (after Adjustments). 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	Position	Approximate percentage of the total issued Shares (assuming the Options are exercised in full and Rights Issue becomes unconditional)
Yeung Kam Yan	Beneficial interest	7 July 2005 to 6 July 2015	1,616,250	Long	0.31

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 executives 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	Position	Capacity	Approximate percentage of the total issued Shares	Approximate percentage of shareholding upon completion of the Rights Issue
Easeglory Holdings Limited <i>(Note 1)</i>	69,519,000	Long	Beneficial owner	20.15	13.44
Yung Muk Ying <i>(Note 1)</i>	73,644,000	Long	Interest of spouse	21.35	14.23
Lee Kun Hung <i>(Note 2)</i>	48,230,000	Long	Beneficial owner and interest of a controlled corporation	13.98	9.32
Win Triple Limited <i>(Note 2)</i>	46,830,000	Long	Beneficial owner	13.58	9.05
Top Rainbow Ltd. <i>(Note 3)</i>	44,901,258	Long	Beneficial owner	13.02	8.68
Yang Pei Gen <i>(Note 3)</i>	44,901,258	Long	Interest of a controlled corporation	13.02	8.68
Lu Jin Ming <i>(Note 3)</i>	44,901,258	Long	Interest of spouse	13.02	8.68
Quam Securities Company Limited <i>(Note 4)</i>	148,317,166	Long	Beneficial owner	43.00	28.67

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 these 73,644,000 Shares by virtue of her being the spouse of Mr. Yung Kwok Leong.

2. 48,230,000 Shares are beneficially owned by Mr. Lee Kun Hung of which 46,830,000 Shares are held by Win Triple Limited which is 100% owned by Mr. Lee Kun Hung.
3. 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 these 44,901,258 Shares by virtue of her being the spouse of Mr. Yang Pei Gen.
4. 148,317,166 Shares represent the maximum number of Rights Shares Quam Securities Company Limited as underwriter is required to subscribe or procure to subscribe for pursuant to the underwriting agreement made between the Company and Quam Securities Company Limited dated 28 February 2006. As such, Quam Securities Company Limited is deemed to be interested in these 148,317,166 Shares under the SFO.

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

Name of Shareholder	Number of Shares	Position	Capacity	Approximate percentage of the total issued Shares
Lau Kam Chee (<i>Note 1</i>)	23,600,000	Long	Beneficial owner	6.84
Lam Yuen Yin (<i>Note 1</i>)	23,600,000	Long	Interest of spouse	6.84
Li Hua (<i>Note 2</i>)	25,328,358	Long	Beneficial owner	7.34

Note 1: Ms. Lam Yuen Yin is deemed to be interested in these 23,600,000 Shares by virtue of her being the spouse of Mr. Lau Kam Chee.

Note 2: Ms. Li Hua is interested in 16,000,000 Shares and is deemed to be interested in 9,328,358 Shares to be allotted and issued upon full conversion of the Convertible Notes subscribed by her pursuant to the placing agreement dated 25 November 2005.

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.

6. SHARE PRICES

The highest and lowest prices were adjusted prices after Share Consolidation becoming effective on 12 May 2005 at which Shares have been traded on GEM in each of the past twelve months preceding the Latest Practicable Date were as follows:-

	Price per Share	
	Highest <i>HK\$</i>	Lowest <i>HK\$</i>
2005		
April	0.2030	0.0870
May	0.1260	0.0850
June	0.0930	0.0880
July	0.0930	0.0800
August	0.1350	0.0770
September	0.1800	0.1200
October	0.1800	0.1190
November	0.1970	0.1570
December	0.1930	0.1730
2006		
January	0.1670	0.1430
February	0.1600	0.1330
March	0.4900	0.1400
April	0.7600	0.4350
As at 11 April 06, being the Latest Practicable Date	0.7600	0.6800

7. UNDERTAKING OF THE DIRECTORS

As at the Latest Practicable Date, the Board consisted of five Directors. The executive Directors are Mr. Yung Kwok Leong and Mr. Yeung Kam Yan and the independent non-executive Directors are Mr. Chan Francis Ping Kuen, Mr. Hsu Shiu Foo, William and Mr. Yu Chai Mei.

The Directors have undertaken to the Stock Exchange that they will exercise the power of the Company to make repurchases pursuant to the proposed resolution in accordance with the GEM Listing Rules, the applicable laws of Hong Kong, the Articles of Association and any applicable laws of the Cayman Islands.

None of the Directors nor, to the best of the knowledge and belief of the Directors having made all reasonable enquires, any of the associates of any of the Directors has any present intention, in the event that the proposed Repurchase Mandate is approved by the Shareholders, to sell Shares to the Company.

As at the Latest Practicable Date, no connected person (as defined in the GEM Listing Rules) of the Company has notified the Company that he/she has a present intention to sell Shares to the Company nor has he/she undertaken not to sell any of the Shares held by him/her to the Company in the event that the Company is authorized to make repurchases of Shares.

8. THE HONG KONG CODE ON TAKEOVERS AND MERGERS

If as a result of a repurchase of Shares, a Shareholder's proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition for the purpose of Rule 32 of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert, could obtain or consolidate control of the Company and become obliged to make a mandatory offer in accordance with Rules 26 and 32 of the Takeovers Code.

APPENDIX ONE

EXPLANATORY STATEMENT

As at the Latest Practicable Date, the register maintained by the Company under Section 336 of the SFO showed that the following parties had interests in the Shares representing 10% or more of the voting power at any general meeting of the Company:

Name of Shareholder	Number of Shares	Position	Capacity	Approximate percentage of the total issued Shares	Approximate percentage of shareholding upon completion of the Rights Issue	Approximate percentage of shareholding if the Repurchase Mandate is exercised in full
Easeglory Holdings Limited <i>(Note 1)</i>	69,519,000	Long	Beneficial owner	20.15	13.44	14.93
Yung Muk Ying <i>(Note 1)</i>	73,644,000	Long	Interest of spouse	21.35	14.23	15.82
Lee Kun Hung <i>(Note 2)</i>	48,230,000	Long	Beneficial owner and interest of a controlled corporation	13.98	9.32	10.36
Win Triple Limited <i>(Note 2)</i>	46,830,000	Long	Beneficial owner	13.58	9.05	10.06
Top Rainbow Ltd. <i>(Note 3)</i>	44,901,258	Long	Beneficial owner	13.02	8.68	9.64
Yang Pei Gen <i>(Note 3)</i>	44,901,258	Long	Interest of a controlled corporation	13.02	8.68	9.64
Lu Jin Ming <i>(Note 3)</i>	44,901,258	Long	Interest of spouse	13.02	8.68	9.64
Quam Securities Company Limited <i>(Note 4)</i>	148,317,166	Long	Beneficial owner	43.00	28.67	31.85 <i>(Note 5)</i>

- Notes:*
- 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 these 73,644,000 Shares by virtue of her being the spouse of Mr. Yung Kwok Leong.
 - 48,230,000 Shares are beneficially owned by Mr. Lee Kun Hung of which 46,830,000 Shares are held by Win Triple Limited which is 100% owned by Mr. Lee Kun Hung.

3. 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 these 44,901,258 Shares by virtue of her being the spouse of Mr. Yang Pei Gen.
4. 148,317,166 Shares represent the maximum number of Rights Shares Quam Securities Company Limited as underwriter is required to subscribe or procure to subscribe for pursuant to the underwriting agreement made between the Company and Quam Securities Company Limited dated 28 February 2006. As such, Quam Securities Company Limited is deemed to be interested in these 148,317,166 Shares under the SFO.
5. Directors shall not exercise the Repurchase Mandate with the consequences of giving rise to an obligation to make a mandatory offer under Rule 26 of the Takeovers Code.

In the event that the Directors shall exercise in full the Repurchase Mandate, the total interests of the above Shareholders would be increased to approximately the respective percentages shown in the last column above. The Directors are not aware of any consequences as a result of any repurchase of Shares under the Repurchase Mandate which may give rise to an obligation to make a mandatory offer under Rule 26 of the Takeovers Code as a result of any purchase made under the Repurchase Mandate nor reduce the amount of Shares held by the public to less than 25%.

9. SHARE REPURCHASE MADE BY THE COMPANY

No Shares had been repurchased by the Company, whether on the GEM or otherwise, in the last six months prior to the Latest Practicable Date.

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, 9 May 2006 at 11:00 a.m. for the purpose of considering and, if thought fit, passing with or without amendments, the following resolutions as ordinary resolutions of the Company by show of hands or by way of poll as appropriate:

ORDINARY RESOLUTIONS

1. **“THAT** the authorised share capital of the Company be increased from HK\$30,000,000 divided into 600,000,000 shares of the Company (the “Shares”) of HK\$0.05 each to HK\$100,000,000 divided into 2,000,000,000 Shares of HK\$0.05 each by the creation of an additional 1,400,000,000 unissued Shares of HK\$0.05 each and the directors of the Company (the “Directors”) 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.”

2. **“THAT:**
 - (a) subject to paragraph (c) of this resolutions, and pursuant to the Rules Governing the Listing of Securities on the Growth Enterprise Market (“GEM”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”), the exercise by the Directors during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue and deal with unissued Shares and to make or grant offers, agreements and options which might require the exercise of such powers be and the same is hereby generally and unconditionally approved;

* for identification purpose only

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- (b) the approval in paragraph (a) of this resolution shall authorize the Directors during the Relevant Period to make or grant offers, agreements and options which might require the exercise of such powers after the end of the Relevant Period;
- (c) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to options or otherwise) issued or dealt with by the Directors pursuant to the approval in paragraph (a) of this resolution, otherwise than pursuant to (i) a Rights Issue (as defined below); or (ii) the exercise of any options granted under the share option schemes of the Company or any other option, scheme or similar arrangement for the time being adopted for the grant or issue to officers and/or employees of the Company and/or any of its subsidiaries of Shares or rights to acquire Shares of the Company; or (iii) any scrip dividend or similar arrangements providing for the allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the articles of association of the Company (the “Articles of Association”) in force from time to time; or (iv) any issue of Shares upon the exercise of rights of subscription or conversion under the terms of any warrants of the Company or any securities of the Company which carry rights to subscribe for or are convertible into Shares, shall not exceed the aggregate of:
 - (i) 20% of the aggregate nominal amount of the share capital of the Company in issue on the date of the passing of this resolution; and
 - (ii) (if the Directors are so authorized by a separate ordinary resolution of the Shareholders) the nominal amount of any share capital of the Company repurchased by the Company subsequent to the passing of this resolution (up to a maximum equivalent to 10% of the aggregate nominal amount of the share capital of the Company in issue on the date of the passing of this resolution), and the authority pursuant to paragraph (a) of this resolution shall be limited accordingly; and
- (d) for the purpose of this resolution:

“Relevant Period” means the period from the date of the passing of this resolution until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Articles of Association, or any other applicable laws of the Cayman Islands to be held; and

NOTICE OF EGM

- (iii) the passing of an ordinary resolution by the Shareholders in a general meeting revoking or varying the authority given to the Directors by this resolution.

“Rights Issue” (for the purpose herein) means an offer or issue of Shares, or an offer or issue of warrants, options or other securities giving rights to subscribe for Shares open for a period fixed by the Directors to holders of Shares on the register on a fixed record date in proportion to their then holdings of such Shares (subject to such exclusion or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements, or having regard to any restrictions or obligations under the laws of, or the requirements of, or the expenses or delay which may be involved in determining the existence or extent of any restrictions or obligations under the laws of, or the requirements of, any jurisdiction applicable to the Company, or any recognized regulatory body or any stock exchange applicable to the Company).”

3. **“THAT:**

- (a) the exercise by the Directors during the Relevant Period (as hereinafter defined) of all powers of the Company to purchase its Shares on the Stock Exchange or any other stock exchange on which the Shares may be listed and recognized by the Securities and Futures Commission of Hong Kong (the “SFC”) and the Stock Exchange for such purpose, and otherwise in accordance with the rules and regulations of the SFC, the Stock Exchange or any other stock exchange as amended from time to time and all applicable laws in this regard, be and the same is hereby generally and unconditionally approved;
- (b) the aggregate nominal amount of Shares which may be purchased by the Company pursuant to the approval in paragraph (a) of this resolution during the Relevant Period shall not exceed 10% of the aggregate nominal amount of the issued share capital of the Company as at the date of passing of this resolution and the authority pursuant to paragraph (a) of this resolution shall be limited accordingly; and
- (c) for the purpose of this resolution:

“Relevant Period” means the period from the date of the passing of this resolution until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of the Company;

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- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Articles of Association , or any other applicable laws of the Cayman Islands to be held; and
 - (iii) the passing of an ordinary resolution by the Shareholders in general meeting revoking or varying the authority given to the Directors by this resolution”
4. “**THAT** conditional upon resolutions 2 and 3 set out in the notice convening the EGM being passed, the general mandate granted to the Directors to allot, issue and deal with additional Shares in the Company pursuant to the said resolution 2 be and is hereby extended by the addition thereto of an amount representing the aggregate nominal amount of Shares in the capital of the Company which are repurchased by the Company under the authority granted to the Directors pursuant to the said resolution 3, provided that the amount of Shares so repurchased by the Company shall not exceed 10% of the aggregate nominal amount of the issued share capital of the Company as at the date of the passing of this resolution.”
5. “**THAT** subject to and conditional upon the Listing Committee of The Stock Exchange granting the listing of and permission to deal in such number of fully paid Shares in the capital of the Company which may fall to be allotted and issued pursuant to the exercise of the options which may be granted under the share option schemes adopted by the Company on 20 April 2002 (the “Share Option Scheme”) and any other share option schemes of the Company, representing 10% of the issued share capital of the Company as at the date on which these resolutions is passed, the existing Scheme Mandate Limit in respect of the granting of share options under the Share Option Scheme be renewed provided that the total number of shares in the capital of the Company which may be issued upon the exercise of all options to be granted under the Share Option Scheme and any other option schemes of the Company shall not exceed 10% of the aggregate nominal amount of the share capital of the Company in issue as at the date of passing of this resolution.”

By order of the Board
Grandy Corporation
Yung Kwok Leong
Chairman

Hong Kong, 20 April 2006

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 proxies to attend and, subject to the provisions of the Articles of Association, 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 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 of Shares, any one of such holders may vote at the EGM, either personally or by proxy, in respect of such Shares as if he was solely entitled thereto, but if more than one such joint holders 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.
5. Pursuant to the GEM Listing Rules, the voting on ordinary resolution 2 at the EGM will be conducted by way of poll.