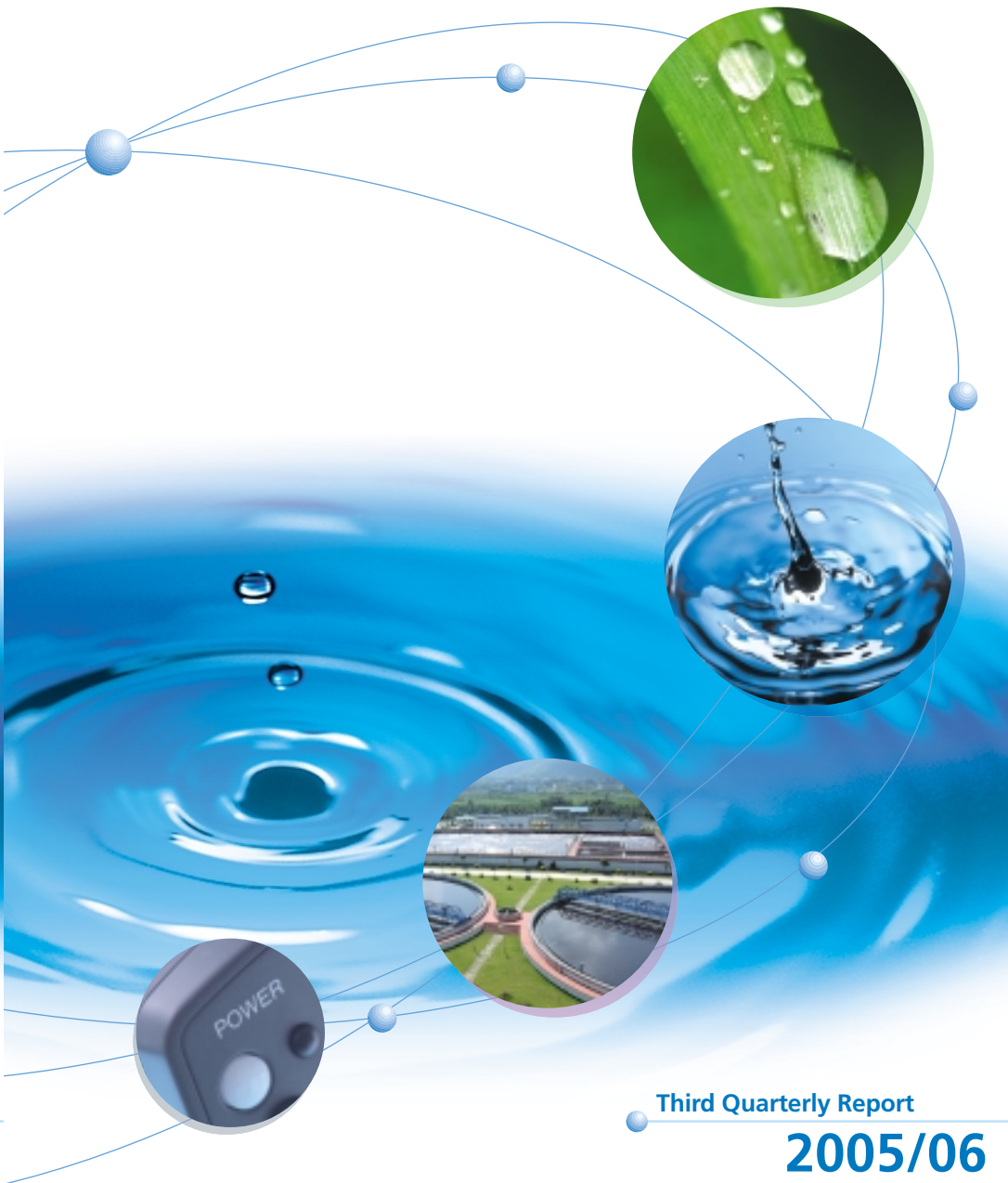




Grandy Corporation

(Incorporated in the Cayman Islands with limited liability)



Third Quarterly Report

2005/06

Characteristics of the Growth Enterprise Market (“GEM”) of the Stock Exchange of Hong Kong Limited (the “Stock Exchange”)

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 on GEM is publication on the Internet website operated by the 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.

The Stock Exchange takes no responsibility for the contents of this report, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss however arising from or in reliance upon the whole or any part of the contents of this report.

This report, for which the directors (“the Directors”) of Grandy Corporation (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Exchange for the purpose of giving information with regard to Grandy Corporation. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief:– (i) the information contained in this report is accurate and complete in all material respects and not misleading; (ii) there are no other matters the omission of which would make any statement in this report misleading; and (iii) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

FINANCIAL SUMMARY

1. Turnover of the Group was approximately HK\$24,381,000 for the nine months ended 31 December 2005, representing a slight decrease of approximately 6% from the corresponding period in the previous fiscal year.
2. For the nine months ended 31 December 2005, gross profit of the Group was approximately HK\$14,681,000 as compared to the gross profit of approximately HK\$14,072,000 recorded in the corresponding period in the previous fiscal year.
3. Net profit of the Group for the nine months ended 31 December 2005 amounted to approximately HK\$945,000 as compared to net loss of approximately HK\$2,408,000 for the corresponding period in the previous fiscal year.
4. Earnings per share of the Group for the nine months ended 31 December 2005 was approximately HK\$0.32 cents (2004: loss HK\$1.04 cents).
5. The Directors do not recommend the payment of an interim dividend for the three months and nine months ended 31 December 2005 (2004: nil).

CONSOLIDATED THIRD QUARTERLY RESULTS (UNAUDITED)

The board (the "Board") of Directors of the Company is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively, the "Group") for the three months and nine months ended 31 December 2005, together with the unaudited comparative figures for the corresponding periods in 2004 as follows:–

UNAUDITED CONSOLIDATED INCOME STATEMENTS

For the three months and nine months ended 31 December 2005

	Notes	Three months ended 31 December		Nine months ended 31 December	
		2005 HK\$'000 (Unaudited)	2004 HK\$'000 (Unaudited)	2005 HK\$'000 (Unaudited)	2004 HK\$'000 (Unaudited)
Turnover	3	8,803	8,173	24,381	25,839
Cost of sales		(3,045)	(3,584)	(9,700)	(11,767)
Gross profit		5,758	4,589	14,681	14,072
Other operating income		46	14	1,007	327
Selling and distribution costs		(467)	(1,014)	(1,524)	(2,890)
Administrative expenses		(4,705)	(4,911)	(12,920)	(13,328)
Profit/(Loss) from operations		632	(1,322)	1,244	(1,819)
Finance costs		(97)	12	(136)	(200)
Loss on disposal of subsidiaries		–	–	–	(222)
Profit/(Loss) before taxation		535	(1,310)	1,108	(2,241)
Taxation	4	(116)	16	(236)	(221)
Profit/(Loss) before minority interests		419	(1,294)	872	(2,462)
Minority interests		26	26	73	54
Net Profit/(Loss) for the period		445	(1,268)	945	(2,408)
Earnings/(Loss) per share	5				
– Basic		0.14 cents	(0.55) cents	0.32 cents	(1.04) cents
– Diluted		N/A	N/A	N/A	N/A

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 31 December 2005

	Share capital	Share premium	Special reserve*	Translation reserve	Accumulated losses	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2004	11,587	50,063	2,935	(12)	(47,174)	17,399
Net loss for the period	–	–	–	–	(2,408)	(2,408)
At 31 December 2004	<u>11,587</u>	<u>50,063</u>	<u>2,935</u>	<u>(12)</u>	<u>(49,582)</u>	<u>14,991</u>
At 1 April 2005	13,904	56,022	2,935	355	(54,220)	18,996
Issue of shares	3,030	4,708	–	–	–	7,738
Issuing expenses	–	(152)	–	–	–	(152)
Exchange difference on translation of financial statements of overseas subsidiaries	–	–	–	(308)	–	(308)
Net profit for the period	–	–	–	–	945	945
At 31 December 2005	<u>16,934</u>	<u>60,578</u>	<u>2,935</u>	<u>47</u>	<u>(53,275)</u>	<u>27,219</u>

* The special reserve represents the difference between the nominal amount of the shares issued by the Company and the aggregate amount of the share capital of a subsidiary acquired pursuant to a group reorganization in 2001.

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 31 December 2005

1. General

The Company was incorporated in the Cayman Islands as an exempted company with limited liability. The shares of the Company are listed on the GEM of the Stock Exchange.

The Company acts as an investment holding company while its subsidiaries are 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 businesses.

2. Basis of Preparation

The unaudited consolidated results have been prepared under the historical cost convention and in accordance with accounting standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of Hong Kong Companies Ordinance and the GEM Listing Rules.

In 2004, the HKICPA has issued a number of new and revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards ("new HKFRS") which are effective for accounting periods beginning on or after 1 January 2005. The Group has adopted the new HKFRS in the preparation of financial statements from 1 April 2005 onwards. The adoption of these new HKFRS has no material impact on the Group's results of operations and financial position for the nine months ended 31 December 2005 except the following:

Adoption of HKFRS 3 "Business Combination"

In prior years, positive goodwill was recognised as an asset which was amortised on a straight line basis over its useful life of not more than 20 years.

Following the adoption of HKFRS 3, the Group ceased annual amortisation of positive goodwill, which arose from the acquisition of the subsidiary in the Republic of Korea, with its estimated useful economic life of 5 years. According to HKFRS 3, the positive goodwill should be tested for impairment annually. No retrospective adjustment has been made in respect of previously amortised goodwill.

The adoption of HKFRS 3 has increased the Group's earnings for the nine months ended 31 December 2005 by approximately HK\$348,000 as positive goodwill is no longer amortised.

The accounting policies adopted in preparing the unaudited consolidated results for the period ended 31 December 2005 are consistent with those followed in the preparation of the annual financial statements for the year ended 31 March 2005.

3. Turnover

Turnover represents the aggregate of net amounts received and receivable from third parties in connection with the sales of environmental protection products and provision of related services.

4. Taxation

No provision for Hong Kong profits tax has been made in the financial statements as the Group had no assessable profits deriving from Hong Kong's operations during the period.

Provision for corporate income tax had been made for the profits derived from operations in the Republic of Korea and the PRC.

5. Earnings/(Loss) Per Share

The calculation of basic earnings (2004: loss) per share for the three months ended 31 December 2005 was based on the net profit for the period of approximately HK\$445,000 (2004: loss HK\$1,268,000) and on the weighted average number of 317,228,159 shares (2004: 231,734,333 shares) in issue during the period.

The calculation of basic earnings (2004: loss) per share for the nine months ended 31 December 2005 was based on the net profit of approximately HK\$945,000 (2004: loss HK\$2,408,000) and on the weighted average number of 291,177,060 shares (2004: 231,734,333 shares) in issue during the period after adjusting for the effects of the share consolidation approved on 11 May 2005. The basic loss per share for 2004 had been adjusted accordingly.

No diluted earnings per share has been presented as there was no dilutive potential ordinary shares outstanding for both periods.

6. Interim Dividend

The Directors do not recommend the payment of an interim dividend for the three months and nine months ended 31 December 2005 (2004: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

For the nine months ended 31 December 2005, results of the Group have shown an improvement in business performance in comparison with results for the corresponding period in the previous fiscal year. The Group recorded a turnover of approximately HK\$24,381,000 (2004: HK\$25,839,000) and a net profit of approximately HK\$945,000 (2004: a net loss of HK\$2,408,000).

Operating expenses for the period decreased by 11% to approximately HK\$14,444,000 as compared to approximately HK\$16,218,000 for the corresponding period in the previous fiscal year. Such decrease was mainly attributable to the stringent cost control and the sizable reduction of rental expense after relocating to the new office in Hong Kong in May 2005.

Despite a slight decrease in turnover, the Group recorded a net profit of approximately HK\$945,000. Profit attributable to shareholders was driven by the profits earned from the business operations in the Republic of Korea, the new business line of trading environmentally friendly household products, and the environmental protection services provided for hospitals in the PRC.

Business Review And Outlook

Waste Water Treatment Businesses

Currently, the Group's waste water treatment businesses are mainly carried out through Youngdong Environmental Engineering Co. Ltd. ("Youngdong") in the Republic of Korea. Youngdong's turnover for the period under review totalled approximately HK\$10,396,000 (2004: HK\$18,324,000). The decrease in turnover was due to the drop in new waste water treatment contracts in the Republic of Korea.

The Group also provides cleansing and ancillary services to both public and private housing in Hong Kong for cleansing of fresh and flush roof tanks, sump tanks and water tanks. Other waste water treatments such as grease trap and under sink maintenance have been routinely carried out to commercial sectors in Hong Kong. The turnover for this division of business for the nine months ended 31 December 2005 recorded approximately HK\$1,532,000 (2004: HK\$1,100,000).

Energy Saving Products

The Group's energy saving division recorded a turnover of approximately HK\$2,868,000 for the nine months ended 31 December 2005 (2004: HK\$3,580,000). The decrease in turnover was due to intense market competition of the products.

Enzyme Treatments

The Group's enzyme treatments division recorded a turnover of approximately HK\$1,889,000 for the nine months ended 31 December 2005 (2004: HK\$2,306,000). The decrease in turnover was due to intense market competition of the products.

Nano Products

Turnover for the nano products for the nine months ended 31 December 2005 was approximately HK\$336,000 (2004: HK\$218,000).

Food Waste Treatment and Management

Turnover for the food waste treatment and management businesses for the nine months ended 31 December 2005 was approximately HK\$14,000 (2004: HK\$311,000). The significant decrease in turnover was due to the decrease in demand as result of the withholding of funds originally planned for the food waste projects by the government agency.

Trading of Environmentally Friendly Household Products

In July 2005, the Group had commenced a new business line of trading of household products made from the environmentally friendly melamine materials which are widely used in environmental conscious countries. The turnover recorded in this line of business for the nine months ended 31 December 2005 was approximately HK\$5,134,000. Management is of the view that the trend of these products is positive and will experience a continuous growth.

Environmental Protection Consultancy Services

In October 2005, the Group entered into the service agreements with hospitals in the PRC to provide professional consulting services in the areas of environmental protection such as energy saving, waste water treatments, and improvement on the hospitals' air and water quality. In addition to rendering environmental protection services for hospitals, the Group subcontracts its services to a hospital management company in the PRC to provide hospital management services. The turnover recorded in these lines of businesses for the nine months ended 31 December 2005 was approximately HK\$2,212,000. Management is of the view that the trend of these services is positive and will experience a continuous growth.

Future Prospects

The Board believes that the Group will benefit from the economic growth in both Hong Kong and the PRC and the increase in awareness of environmental protection among the general public, the outlook for the Group remains positive.

Management of the Company is constantly monitoring the Group's business operations and market position in order to improve the Group's earnings and asset base. The management will identify and reinforce business segments which have high growth potential and at the same time the management will scale down those business segments with less competitive edge. With the help from Mr. Yung Kwok Leong, the Company's Chairman, who has established networks in the PRC, the Group can facilitate its investment in the strong growth potential PRC markets at a relatively lower cost.

In view of greater concern about environmental problems and the increasing demand for environmental protection, the Group acquired a melamine materials production line in the Fujian Province, the PRC in September 2005 with a cash consideration of approximately HK\$6,250,000. Melamine materials are environmentally friendly raw materials used in the manufacture of household products such as tablewares and kitchenwares. With the acquisition, the Group expands in both its products range and market in the PRC pursuant to the Group's established objective of developing future business prospect of environmental products into the PRC market. The Directors expect that the production line will commence to generate revenue for the Group in January 2006. The slight delay in operation of the production line was due to the application for tax exemption permit from the relevant regulatory authorities.

In October and November 2005, the Company completed the placing of 55,600,000 new shares to three places and raised an aggregate principal amount of approximately HK\$7,000,000. The Directors intend to apply the net proceeds of approximately HK\$5,000,000 towards the Group's future investment in environmental related projects and the balance on other investment(s) and general working capital.

On 11 January 2006, the Company completed the placing of the unlisted convertibles notes and raised an aggregate principal amount of HK\$18,000,000. The Directors intend to apply the net proceeds of approximately HK\$17,500,000, 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 which have a high growth potential and promising future and are expected to bring positive return to the Company in the long term.

DISCLOSURE OF INTERESTS

(a) Director's interests and short positions in the securities of the Company and its associated corporations

As at 31 December 2005, 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:

Name of Director	Nature of interest	Number of shares held	Position	Approximate percentage of issued share capital
Yung Kwok Leong	Corporate interest (Note 1)	46,346,000	Long	13.68%
	Personal interest (Note 2)	2,750,000	Long	0.81%
Chan Hon Chiu	Personal interest (Note 3)	5,406,798	Long	1.60%
Yeung Kam Yan	Personal interest (Note 4)	5,045,237	Long	1.49%

Notes:

- These shares are held through Easeglory Holdings Limited, a company incorporated in the British Virgin Islands with limited liability, with its entire issued share capital being owned by Mr. Yung Kwok Leong.

2. 2,750,000 shares represent shares to be allotted and issued upon full exercise of the options granted to Mr. Yung Kwok Leong on 7 July 2005 under the share option scheme of the Company.
3. Amongst 5,406,798 shares, 4,156,798 shares of which represent interests beneficially held by Mr. Chan Hon Chiu and the balance of 1,250,000 shares represent shares to be allotted and issued upon full exercise of the options granted to him on 7 July 2005 under the share option scheme of the Company.
4. Amongst 5,045,237 Shares, 3,795,237 shares of which represent interests beneficially held by Mr. Yeung Kam Yan and the balance of 1,250,000 shares represent shares to be allotted and issued upon full exercise of the options granted to him on 7 July 2005 under the share option scheme of the Company.

Save as disclosed above, as at 31 December 2005, 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) Directors' rights to acquire shares or debentures

Save as disclosed under the heading "SHARE OPTIONS" below, at no time during the period was the Company or any of its subsidiaries a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate and neither the Directors nor the chief executive, nor and of their spouses or children under the age of 18, had any rights to subscribe for securities of the Company, or had exercised any such rights.

(c) 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 31 December 2005, 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 issued share capital
Key Engineering Co., Ltd.	66,830,000	Long	Beneficial owner	19.73%
Easeglory Holdings Limited (Note 1)	46,346,000	Long	Beneficial owner	13.68%
Yung Muk Ying (Note 1)	49,096,000	Long	Interest of spouse	14.49%
Top Rainbow Ltd. (Note 2)	44,901,258	Long	Beneficial owner	13.26%
Yang Pei Gen (Note 2)	44,901,258	Long	Interest of a controlled corporation	13.26%
Lu Jin Ming (Note 2)	44,901,258	Long	Interest of spouse	13.26%

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 49,096,000 shares which comprise 46,346,000 shares held by Easeglory Holdings Limited and 2,750,000 shares to be allotted and issued upon full exercise of the options granted to Mr. Yung Kwok Leong on 7 July 2005 under the share option scheme of the Company by virtue of her being the spouse of Mr. Yung Kwok Leong.

2. The issued share capital of Top Rainbow Ltd. is 100% beneficially owned by Mr. Yang Pei Gen. Ms. Lu Jin Ming is deemed to be interested in the Company by virtue of her being the spouse of Mr. Yang Pei Gen.

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

Name of shareholder	Number of shares held	Position	Capacity	Approximate percentage of issued share capital
Lau Kam Chee (Note 1)	23,600,000	Long	Beneficial interest	6.97%
Lam Yuen Yin (Note 1)	23,600,000	Long	Interest of spouse	6.97%
Li Hua (Note 2)	25,328,358	Long	Beneficial interest	7.48%

Note 1: 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.

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 31 December 2005, 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.

SHARE OPTIONS

Details of share options to subscribe for shares in the Company granted to participants under two share option schemes of the Company during the nine months ended 31 December 2005 were as follows:

(a) Pre-listing share option scheme

A summary of the pre-listing share 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\$0.70 per share (after adjusting for the effects of the share consolidation approved on 11 May 2005) is as follows:

Type of participants	Number of share options (after adjusting for the effects of the share consolidation approved on 11 May 2005)		
	Outstanding at 1 April 2005	Lapsed/ cancelled during the period	Outstanding at 31 December 2005
Advisor	480,000	–	480,000
Former employee	320,000	–	320,000
	<u>800,000</u>	<u>–</u>	<u>800,000</u>

The total number of shares in respect of which options are issuable under this pre-listing share option scheme was 800,000, representing approximately 0.24% of the issued share capital of the Company at 31 December 2005. None of the options has been exercised during the period.

(b) Post-listing share option scheme

On 9 May 2005, an aggregate of 1,429,000 share options granted to an independent advisor in July 2002 at an exercise price of HK\$0.90 were lapsed.

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 share options to Directors and employees as incentives and rewards for their contributions to the success of the Group. It was resolved that share options be offered to the Directors and employees at the subscription price of HK\$0.102 per share with exercise period commencing from 7 July 2005 and ending on 6 July 2015.

Details of the movements in the number of share options during the period under the Company's post-listing scheme are as follows:

Type of participants	Number of share options (after adjusting for the effects of the share consolidation approved on 11 May 2005)				
	Outstanding at 1 April 2005	Grant on 7 July 2005	Exercised during the period	Lapsed during the period	Outstanding at 31 December 2005
Advisor	1,429,000	-	-	(1,429,000)	-
Directors	-	5,250,000	-	-	5,250,000
Employees	-	9,750,000	(5,000,000)	-	4,750,000
	<u>1,429,000</u>	<u>15,000,000</u>	<u>(5,000,000)</u>	<u>(1,429,000)</u>	<u>10,000,000</u>

The total number of shares in respect of which options are issuable under this post-listing share option scheme was 10,000,000, representing approximately 2.95% of the issued share capital of the Company at 31 December 2005. Two employees of the Company had exercised their share options during the nine months ended 31 December 2005.

(c) Valuation of share options

The options granted to Directors, employees and advisor are not recognised in the financial statements until they are exercised. The Directors consider that it is not appropriate to state the value of share options during the nine months ended 31 December 2005 on the ground that a number of variables which are crucial for the valuation of the option value cannot be reasonably determined.

DIRECTORS' SERVICE CONTRACTS

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

- (a) the term of each of the service agreement shall be for an initial term of two years commencing from 10 May 2002 and will continue thereafter; and
- (b) each of the service agreement may be terminated by either party giving to the other not less than six months' written notice during the initial term and three months' written notice during any renewed term after the first two years.

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

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

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

COMPETING INTERESTS

None of the Directors or management shareholders (as defined in the GEM Listing Rules) of the Company or their respective associates has any interest in the business which competes or may compete with the business of the Group.

PRE-EMPTIVE RIGHTS

There is no provision for the pre-emptive rights under the Company's Articles of Association or the laws of Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

During the nine months ended 31 December 2005, the Company had adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company had made specific enquiry of all Directors and the Company was not aware of any non-compliance with the required standard of dealings and its code of conduct regarding securities transactions by the Directors.

CORPORATE GOVERNANCE

During the nine months ended 31 December 2005, the Company has complied with the Code on Corporate Governance Practices as set out in Appendix 15 of the GEM Listing Rules.

REMUNERATION COMMITTEE

A Remuneration Committee has been established with written terms of reference in accordance with the requirements of the Code of Corporate Governance Practices. The Remuneration Committee comprises three independent non-executive Directors, namely Messrs. Chan Ping Kuen, Francis, Hsu Shiu Foo, William and Yu Chai Mei. The principal responsibilities of the Remuneration Committee include making recommendations to the Board on the Company's Policy, and structure for remuneration of all Directors and senior management, and reviewing the specific remuneration packages of all executive Directors and senior management by reference to corporate goals and objectives resolved by the Board from time to time.

AUDIT COMMITTEE

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, half-year reports and quarterly reports and give advice and comments thereon to the Directors; and (ii) to review and supervise the financial reporting process and internal controls. The audit committee comprises the three independent non-executive Directors of the Company.

The audit committee had held a meeting to review the Group's results for the nine months ended 31 December 2005.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SHARES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares during the nine months ended 31 December 2005.

On behalf of the Board of
Grandy Corporation
Yung Kwok Leong
Chairman

Hong Kong, 10 February 2006