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**GRANDY APPLIED ENVIRONMENTAL TECHNOLOGY CORPORATION****泓迪應用環保科技有限公司****(incorporated in the Cayman Islands with limited liability)***DISCLOSEABLE TRANSACTION
INVOLVING CASH CONSIDERATION AND ISSUANCE OF NEW SHARES**

**in respect of
the acquisition of an interest in a company
which will be established and engaged in the food waste management business**

This circular will remain on the GEM website at www.hkgem.com on the "Latest Company Announcements" page for at least 7 days from the date of its posting and on the website of Grandy Applied Environmental Technology Corporation at www.grandy.com.hk.

11 December 2002

* for identification purpose only

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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.

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DEFINITION

“Agreement”	means the agreement entered into between Green Jade, Kindness Biological and Mr Mak in respect of the Transaction dated 22 November 2002;
“Allbright”	means Allbright Holdings Limited, a limited liability company incorporated under the laws of the British Virgin Islands, being a wholly owned subsidiary of Kindness Biological at the date of the Agreement;
“Asset Transfer”	means the transfer by Kindness Biological all food waste management assets owned by it as at the date of the Agreement to the Newco upon the establishment of the Newco, including but not limited to the Exclusive Rights, the food waste recycling machinery, microorganism and any other assets;
“Board”	means the board of Directors of Grandy;
“Business”	means the business of food waste management by using the food waste recycling technology developed by Guangzhou Tianwei Bio-Tech Ltd. (廣州天蔚生物技術有限公司);
“Cash Consideration”	means the aggregate cash consideration in the amount of HK\$6,135,800 as part of the Consideration;
“Completion”	means the completion of the Transaction;
“Consideration”	means the aggregate consideration in the amount of HK\$11,135,800 payable by Green Jade for the Transaction;
“Consideration Shares”	means 41,666,667 new Grandy Shares credited as fully paid at the issue price of HK\$0.12 per Grandy Share to be allotted and issued to Kindness Biological as part of the Consideration;
“Director(s)”	means the director(s) of Grandy;
“Exclusive Rights”	means the exclusive rights granted by Guangzhou Tianwei Bio-Tech Ltd. (廣州天蔚生物技術有限公司) for a term of 20 years commencing from 15 November 2000 to the distribution, operation and further technical development and modification of the design of the food waste recycling machinery which is run in conjunction with the microorganisms for the purpose of carrying out a food waste management business in the territory of Hong Kong;

DEFINITION

“Enlarged Capital”	means 871,666,667 shares in issue in the share capital of Grandy upon the Completion assuming that there are no further issue of Grandy Shares from the date of the Agreement up to the Completion other than the Consideration Shares;
“Existing Capital”	means 830,000,000 Grandy Shares in issue as at the Latest Practicable Date;
“Grandy”	means Grandy Applied Environmental Technology Corporation, a company incorporated in the Cayman Islands and whose shares are listed on GEM;
“Grandy Group”	means Grandy and its subsidiaries;
“Grandy Share(s)”	means the share(s) of par value of HK\$0.01 each in the authorised capital of Grandy;
“Green Jade”	means Green Jade Asia Limited, a limited liability company incorporated under the laws of the British Virgin Islands, being an indirect wholly owned subsidiary of Grandy;
“GEM”	means the Growth Enterprise Market of the Stock Exchange;
“GEM Listing Rules”	means the Rules Governing the Listing of Securities on the GEM of the Stock Exchange;
“HK\$”	means Hong Kong dollars;
“Hong Kong”	means the Hong Kong Special Administrative Region of the People’s Republic of China;
“Kindness Biological”	means Kindness Biological Development Limited, a company incorporated under the laws of Hong Kong, which is principally engaged in the food waste management business and independent of the Directors, chief executive, substantial shareholders or management shareholders of Grandy or any of their respective associates (as defined in the GEM Listing Rules);
“Latest Practicable Date”	means 9 December 2002, being the latest practicable date prior to the bulk print of this circular for ascertaining certain information herein;
“Longstop Date”	22 December 2002;
“Mainland China”	means the People’s Republic of China, excluding Hong Kong;

DEFINITION

“Market Price”	means HK\$0.096, being the closing price per Grandy Share as quoted on the Stock Exchange on 22 November 2002;
“Mr Mak”	means Mr Mak Hing Hei, Jackie, who is independent of the Directors, chief executive, substantial shareholders or management shareholders of Grandy or any of their respective associates (as defined in GEM Listing Rules);
“Newco”	means a limited liability company to be incorporated in Hong Kong as a wholly owned subsidiary of Allbright to carry on the business of food waste management;
“Pre-IPO Share Option Scheme”	means the Pre-IPO share option scheme adopted by Grandy on 20 April 2002 (as described in Appendix IV of Grandy’s prospectus dated 29 April 2002);
“SDI Ordinance”	means the Securities (Disclosure of Interests) Ordinance, Chapter 396 of the laws of Hong Kong (as amended);
“Share Acquisition”	means the acquisition by Green Jade of a 60% equity interest in Allbright;
“Share Option Scheme”	means the share option scheme adopted by Grandy on 20 April 2002;
“Shareholder(s)”	means shareholder(s) of Grandy;
“Stock Exchange”	means The Stock Exchange of Hong Kong Limited; and
“Transaction”	means Green Jade’s acquisition from Kindness Biological of a 60% interest in Newco through Share Acquisition.

LETTER FROM THE BOARD



GRANDY APPLIED ENVIRONMENTAL TECHNOLOGY CORPORATION

泓迪應用環保科技有限公司*

(incorporated in the Cayman Islands with limited liability)

Executive Directors:

Tsui Tai Hoi Raymond (*Managing Director*)

Yeung Kam Yan

Leung Chi Kin

Hoang Tan Van George

Chan Hon Chiu

To Hang Ming

Non-Executive Director:

Kong Li Szu

Independent Non-Executive Directors:

Hsu Shiu Foo William

Yu Chai Mei

Registered Office:

Century Yard

Cricket Square

Hutchins Drive

P. O. Box 2681 GT

George Town

Grand Cayman

Cayman Islands

British West Indies

Principal Place of Business:

10/F Luk Kwok Centre

72 Gloucester Road

Wanchai, Hong Kong

11 December 2002

To the Shareholders

Dear Sir or Madam,

DISCLOSEABLE TRANSACTION INVOLVING CASH CONSIDERATION AND ISSUANCE OF NEW SHARES

**in respect of
the acquisition of an interest in a company
which will be established and engaged in the food waste management business**

A. INTRODUCTION

On 22 November 2002, the Board announced that Green Jade had entered into the Agreement with Kindness Biological and Mr Mak under which and subject to the terms and conditions thereof, Green Jade had agreed to acquire a 60% equity interest in Allbright for an aggregate consideration of HK\$11,135,800.

* for identification purpose only

LETTER FROM THE BOARD

Of the HK\$11,135,800 consideration, HK\$6,135,800 will be satisfied in cash; and HK\$5,000,000 will be satisfied by way of the allotment and issue of 41,666,667 new Grandy Shares at HK\$0.12 per Grandy Share (representing approximately 5.02% of the Existing Capital and 4.78% of the Enlarged Capital) to Kindness Biological credited as fully paid. Based on the Market Price, the aggregate consideration for the Transaction is HK\$10,135,800.

The issue price per Grandy Share represents a premium of approximately 25% to the closing price of HK\$0.096 per Grandy Share as quoted on the Stock Exchange on 22 November 2002 (i.e. the date of Agreement) and a premium of approximately 25% to the average closing price of HK\$0.096 per Grandy Share of 10 consecutive trading days before and including the date of Agreement as quoted on the Stock Exchange.

As the Consideration for the Transaction exceeds 15% of the latest adjusted net asset value of Grandy Group, the Transaction constitutes a discloseable transaction of Grandy under the GEM Listing Rules.

The purpose of this circular is to provide the Shareholders with further information in relation to the Transaction. This circular also contains information in compliance with the GEM Listing Rules.

B. THE AGREEMENT

Date: 22 November 2002

Parties: (1) Purchaser: Green Jade
(2) Vendor: Kindness Biological
(3) Guarantor for the Vendor: Mr Mak

Assets to be acquired

60% of the entire issued share capital of Allbright. Allbright is the holding company of Newco, a company to be established for the carrying on of food waste management business and the holder of certain food waste management assets, which will be acquired by Green Jade through the Share Acquisition. Allbright has no business other than the holding of an interest in the Newco.

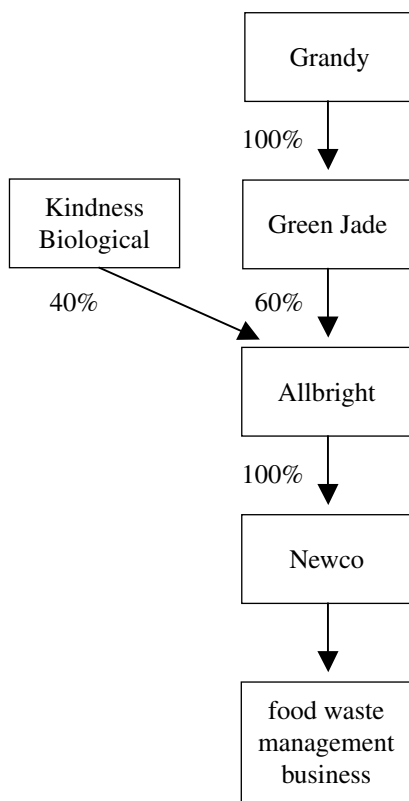
Major terms of the Transaction

1. Kindness Biological will establish the Newco, as a wholly owned subsidiary of Allbright which will be principally engaged in the Business;
2. Upon establishment of the Newco and prior to Completion, Kindness Biological will transfer to the Newco all the food waste management assets and rights owned by or granted to it at the date of the Agreement for the purpose of carrying on the Business;
3. Upon completion of the Asset Transfer, Kindness Biological will sell 60% of the entire equity interest in Allbright to Green Jade for the Consideration;

LETTER FROM THE BOARD

4. Immediately after Completion, the board of directors of each of Allbright and Newco will consist of 5 members of which 3 directors will be nominated by Green Jade and the remaining 2 directors will be nominated by Kindness Biological.

Shareholding structure of the Newco immediately after Completion:



Consideration

The aggregate consideration for the Transaction is HK\$11,135,800, of which,

- (a) HK\$6,135,800, being approximately 55.1% of the Consideration, will be satisfied in cash. The Cash Consideration will be paid to Kindness Biological upon the signing of the Agreement and will be funded from Grandy's internal resources. If Completion does not take place on or before the Longstop Date, the Cash Consideration shall immediately be refunded to Green Jade with interest at the prevailing bank deposit rates for one-month time deposit at the date of payment; and
- (b) HK\$5,000,000, being approximately 44.9% of the Consideration, will be satisfied by way of the allotment and issue of 41,666,667 new Grandy Shares (representing approximately 5.02% of the Existing Capital and approximately 4.78% of the Enlarged Capital) to Kindness Biological credited as fully paid at the issue price of HK\$0.12 per Grandy Share to Kindness Biological or its nominee at Completion.

LETTER FROM THE BOARD

The issue price per Grandy Share represents a premium of approximately 25% to the closing price of HK\$0.096 per Grandy Share as quoted on the Stock Exchange on 22 November 2002 (i.e. the date of Agreement) and a premium of approximately 25% to the average closing price of HK\$0.096 per Grandy Share of 10 consecutive trading days before and including the date of Agreement as quoted on the Stock Exchange.

Based on the Market Price, the aggregate consideration for the Transaction is HK\$10,135,800.

The Consideration was arrived at after arm's length negotiations on a commercial basis and the expected revenue the Business would bring to Grandy.

Lock-up period

Pursuant to the Agreement:

1. the Consideration Shares to be allotted and issued to Kindness Biological as part of the Consideration may not be sold during a period of 12 months after the date of issuance of the same; and
2. the Consideration Shares may be sold from the beginning of the 13th month after the date of issuance of the same; but the aggregate number of Consideration Shares which may be sold on any one trading day may not exceed 5% of the total number of Consideration Shares or exceed HK\$250,000 in value, whichever is the lower.

Human resources arrangement

Grandy Group does not have experience in the Business directly. However, as food waste management is also one of the environmental protection services, the Directors believe that Grandy has the requisite knowledge, expertise and connections to carry on the Business. Furthermore, Mr Mak, the substantial shareholder of Kindness Biological in charge of the Business, has committed to provide services to the Newco for a minimum of two years after Completion. By this arrangement, Grandy can ensure that the Business can run smoothly after Completion.

Moreover, Grandy will assign a Director to work closely with Mr Mak with Grandy's supports to develop the Business and will recruit further technical staff based on the business progress.

The Directors have no intention to change the composition of the Board at the moment and the Transaction will not result in a change of control of Grandy.

Conditions precedent

Completion of the Agreement is conditional on, inter alia, the following conditions having been fulfilled:

1. subject to the approval of Guangzhou Tianwei Bio-Tech Limited, the Asset Transfer having been completed by Kindness Biological to the Newco; and

LETTER FROM THE BOARD

- the Listing Committee of GEM of the Stock Exchange granting approval to the listing of and permission to deal in, the Consideration Shares and such listing and permission to deal not having subsequently been revoked prior to Completion.

Completion

Completion shall take place no later than 14 business days after all the conditions precedent described in the Agreement are fulfilled and/or waived by Green Jade or such other date as the parties may otherwise agree and in any event by the Longstop Date.

C. INFORMATION ON KINDNESS BIOLOGICAL

Kindness Biological was established in 2000 in Hong Kong and beneficially owned as to approximately 35.38%, 35.38%, 21.74% and 7.5% by Mr Mak, Mr Mok Shiu Chuen, Mr Cheng Chiu Ting Joseph and Mr Lee Wai Chung respectively, all being independent third parties. Kindness Biological entered into an agency agreement dated 15 November 2000 as supplemented by a confirmation letter dated 13 April 2002 with Guangzhou Tianwei Bio-Tech Ltd, pursuant to which the Exclusive Rights were granted to Kindness Biological. Under the Exclusive Rights, Kindness Biological operates the food waste management business in Hong Kong by adopting the food waste recycling system of Guangzhou Tianwei Bio-Tech Ltd that incorporates highly active but harmless microorganisms for the transformation of food waste into a soil conditioner of commercial value. The rights to the use of such microorganisms in conjunction with the food waste recycling machinery are conditional on obtaining the Exclusive Rights.

The audited pro forma values of net tangible assets and net assets of Kindness Biological were HK\$1,928,718 and HK\$5,728,718 respectively for the period ended 31 March 2002. The audited pro forma loss after taxation of Kindness Biological was HK\$955,272 for the period ended 31 March 2002. For the avoidance of doubt, the pro forma figures described above relate to the Business of Kindness Biological that is the subject matter of the Agreement.

D. REASONS FOR ENTERING INTO THE AGREEMENT

Grandy Group is principally engaged in the production, sourcing, sales and marketing of environmental protection products and services for combating a range of environmental problems.

The Transaction will provide Grandy Group with an opportunity to broaden its product range. The food waste management technology, hence, fits well with Grandy Group's green building clientele as green building objectives include the using of resources more efficiently and reducing their impact on the environment. Moreover, the food waste management system was tested by an independent authority in Hong Kong in 2001 and its use in Hong Kong has already become established as from November 2001. The technology is of high priority for environmental protection in Mainland China and Hong Kong. The Transaction will confer on Grandy Group the Exclusive Rights. From a business perspective, the Transaction will also provide Grandy Group with access to revenue streams through entering into sale and leasing agreements with its clients for food waste recycling systems.

LETTER FROM THE BOARD

The Directors believe that the Transaction and the subsequent establishment of the food waste management business in Hong Kong will provide a stepping stone for Grandy Group's business opportunities in the area of food waste management in Mainland China, such as in Beijing where the 2008 "Green Olympics" will be held. For such "Green Business" in Mainland China, the addition of the food waste recycling business complements Grandy Group's comprehensive range of environmental protection products, and will thus increase Grandy Group's prospects of carrying out such "Green Business" in major cities such as Beijing.

The Directors believe that the funding of the Cash Consideration is in line with the intended use of proceeds from the listing of Grandy Shares for sourcing of new products and enhancing products development capabilities which together account for a maximum of HK\$12.36 million as disclosed in its prospectus dated 29 April 2002. The Directors also believe that the Transaction is in line with overall business objectives of Grandy of the provision of environmental protection products and services without creating harmful effects to humans, plants and animals or the environment in Hong Kong and the Mainland China as disclosed in the said prospectus. The Directors do not expect the Transaction will have any immediate material impact on either the earnings or the assets and liabilities of Grandy Group upon Completion.

E. GENERAL

The Directors consider that the Agreement is entered into on normal commercial terms in the ordinary and usual course of business of Grandy Group and that the terms of the Agreement are fair and reasonable and in the interests of Grandy Group and its shareholders as a whole.

The Consideration Shares will be allotted and issued pursuant to the general mandate granted to the Directors by the shareholders of Grandy at the annual general meeting of Grandy held on 2 August 2002.

An application has been made by Grandy to the Listing Committee of GEM for the listing of and permission to deal in the Consideration Shares to be allotted and issued pursuant to the Agreement. This circular appears for information purpose only and does not constitute an invitation of offer to acquire, purchase or subscribe for the Grandy Shares.

As the Consideration for the Transaction exceeds 15% of the latest adjusted net asset value of Grandy Group, the Transaction constitutes a discloseable transaction of Grandy under the GEM Listing Rules.

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

Yours faithfully
On behalf of the Board
Grandy Applied Environmental Technology Corporation
Tsui Tai Hoi Raymond
Managing 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 Grandy. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief:

- (a) the information contained in this circular is accurate and complete in all material respects and not misleading;
- (b) there are no other matters the omission of which would make any statement in this circular misleading; and
- (c) all opinions expressed in this circular have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

2. DISCLOSURE OF INTERESTS AND DIRECTORS' RIGHT TO ACQUIRE SHARES

As at the Latest Practicable Date, the interests of the Directors and chief executive and their respective associates in the securities of Grandy and its associated corporations (within the meaning of SDI Ordinance) which were notified to Grandy and the Stock Exchange pursuant to Section 28 of the SDI Ordinance (including interests which they were taken or deemed to have under Section 31 of, or Part I of the Schedule to, the SDI Ordinance), or which were required, pursuant to Section 29 of the SDI Ordinance, to be entered in the register referred to therein, or which were required, pursuant to Rules 5.40 to 5.59 of the GEM Listing Rules, to be notified to Grandy and the Stock Exchange, were as follows:

1. Grandy

Name of Director	Number of Grandy Shares held Corporate Interests	Number of options held (Note c)
Tsui Tai Hoi Raymond	416,769,983 (Note a)	8,000,000
Yeung Kam Yan	416,769,983 (Note a)	8,000,000
Leung Chi Kin	416,769,983 (Note a)	8,000,000
Hoang Tan Van George	416,769,983 (Note a)	8,000,000
Chan Hon Chiu	416,769,983 (Note a)	8,000,000
To Hang Ming	416,769,983 (Note a)	8,000,000
Kong Li Szu	119,229,995 (Note b)	–
Yu Chai Mei	–	2,400,000

Notes:

- a. The six references to 416,769,983 Grandy Shares relate to the same block of shares held by Achieve Century Limited, a company incorporated in the British Virgin Islands. Approximately 53.87% and approximately 46.13% of the issued share capital of Achieve Century Limited are respectively owned by Tipmax Limited and Star Wave Limited, companies incorporated in the British Virgin Islands.

Tipmax Limited is 100% owned by Tsui Tai Hoi Raymond, whereas Star Wave Limited is owned as to approximately 13.51% by each of Yeung Kam Yan and Leung Chi Kin, approximately 40.55% by Hoang Tan Van George, and approximately 10.81% by each of To Hang Ming, Chan Hon Chiu and a non-Director related person.

- b. The corporate interest of Kong Li Szu in the Grandy Shares was held by Count Wealth Investments Limited, a company incorporated in the British Virgin Islands and beneficially owned as to 100% by Kong Sun Holdings Limited. Kong Sun Holdings Limited is a company incorporated in Hong Kong and its shares are listed on the main board of the Stock Exchange. Approximately 40.28% of the issued share capital of Kong Sun Holdings Limited is beneficially owned by Kong Fa Holding Limited, in which Kong Li Szu has beneficial interests.
- c. These Pre-IPO share options at an exercise price per share of HK\$0.14, representing 50% of the offer price of HK\$0.28 per Share in respect of Grandy's initial public offering were granted on 26 April 2002. The Pre-IPO share options may be exercised in three equal tranches. The three tranches are exercisable any time commencing on 10 November 2002, 10 May 2003 and 10 May 2004, respectively. These share options, if not otherwise exercised, will lapse on 9 May 2012.

2. Associated corporation-Kong Sun Holdings Limited

As at the Latest Practicable Date, Kong Li Szu had the following interests in the share capital of Kong Sun Holdings Limited, a company listed on the Stock Exchange:

Corporate Interest	Personal Interest	Total number of ordinary shares
1,434,975,836 (<i>Note a</i>)	22,760,695 (<i>Note b</i>)	1,457,736,531

Notes:

- a. Mr Kong is deemed to be interested in 1,434,975,836 shares in Kong Sun Holdings Limited, of which 1,031,600,042 and 403,375,794 were held by Kong Fa Holding Limited and Kong Sun Enterprise Sdn. Bhd. respectively. Mr Kong Li Szu is a director and shareholder of Kong Fa Holding Limited.
- b. Mr Kong was granted 22,760,695 share options at a consideration of HK\$1.00 to subscribe for shares in Kong Sun Holdings Limited on 7 July 2001. On 4 November 2002, these share options were exercised in full at an exercise price of HK\$0.17984 per share. As at the Latest Practicable Date, Mr Kong had no share options in Kong Sun Holdings Limited.

Other than as disclosed above, as at the Latest Practicable Date, none of the Directors and the chief executive of Grandy had any interest in the equity or debt securities of Grandy or any associated corporations (within the meaning of the SDI Ordinance) which were required to be notified to Grandy and the Stock Exchange pursuant to section 28 of the SDI Ordinance (including the interests which each of them was taken or deemed to have under section 31 of, or Part I of the Schedule to, the SDI Ordinance), or pursuant to rules 5.40 to 5.59 of the GEM Listing Rules or which were required, pursuant to section 29 of the SDI Ordinance, to be entered in the register referred to therein.

3. SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, according to the register of substantial Shareholders maintained by Grandy pursuant to section 16(1) of the SDI Ordinance and so far as is known to the Directors or chief executive of Grandy, the following companies/persons were interested or taken or deemed to be interested in 10% or more of the issued share capital of Grandy:

Name of Shareholders	Number of Shares held
Achieve Century Limited	416,769,983
Tipmax Limited (<i>Note a</i>)	416,769,983
Star Wave Limited (<i>Note a</i>)	416,769,983
Count Wealth Investments Limited	119,229,995
Kong Sun Holdings Limited (<i>Note b</i>)	119,229,995
Kong Fa Holding Limited (<i>Note b</i>)	119,229,995
Kong Look Sen (<i>Note b</i>)	119,229,995

Notes:

- (a) These companies were deemed to have interests in 416,769,983 Grandy Shares by virtue of their equity interests in Achieve Century Limited.
- (b) These parties were deemed to have interests in 119,229,995 Grandy Shares by virtue of their equity interests in Count Wealth Investments Limited.

Save as disclosed above, the Directors are not aware of any person who was, as at the Latest Practicable Date, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital (including options in respect of such capital) carrying rights to vote in all circumstances at general meetings of Grandy Group other than the Directors whose interests are set out in section 2 above.

4. OUTSTANDING SHARE OPTIONS

As at the Latest Practicable Date, options to subscribe for an aggregate of 87,150,000 Grandy Shares granted pursuant to the Pre-IPO Share Option Scheme and the Share Option Scheme after listing were outstanding, details of which are as follows:

(a) Pre-IPO Share Option Scheme

As at the Latest Practicable Date, options to subscribe for an aggregate of 80,000,000 Grandy Shares at an exercise price of HK\$0.14 each were outstanding and these options relate to the options granted to 7 Directors (including the Directors as disclosed above), one technical adviser and 6 employees of Grandy at the date of grant. The options will vest in three equal tranches on 10 November 2002, 10 May 2003 and 10 May 2004 respectively. The options, if not otherwise exercised, will lapse on 9 May 2012.

(b) Share Option Scheme

Options to subscribe for an aggregate of 7,150,000 Grandy Shares at an exercise price of HK\$0.18 each were granted on 8 July 2002 to an independent business consultant. The options will vest in 2 equal tranches on 9 May 2003 and 9 May 2004 respectively and they, if not otherwise exercised, will lapse on 9 May 2005.

5. COMPETING INTERESTS

None of the Directors or management Shareholders of Grandy (as defined in the GEM Listing Rules) has any interest in a business which competes or may compete with the business of Grandy Group.

6. SPONSOR'S INTERESTS

As updated and notified by Grandy's sponsor, Hantec Capital Limited (the "Sponsor"), as at the Latest Practicable Date, neither the Sponsor nor its directors or employees or associates (as referred to in Rules 6.35 and 18.63 of the GEM Listing Rules) had any interest in the securities of Grandy or any member of Grandy Group, or any right to subscribe for or to nominate persons to subscribe for the securities of Grandy or any member of Grandy Group.

Pursuant to the sponsorship agreement dated 26 April 2002 entered into between Grandy and the Sponsor, the Sponsor has been retained for a fee as the continuing sponsor of Grandy until 31 March 2005.

7. LITIGATION

No member of Grandy Group is engaged in any litigation or arbitration of material importance and, as far as the Directors are aware, no litigation or claim of material importance is pending or threatened against Grandy Group.

8. SERVICE CONTRACTS

Each of Tsui Tai Hoi Raymond, Yeung Kam Yan, Leung Chi Kin, Hoang Tan Van George, To Hang Ming, Chan Hon Chiu, Hsu Shiu Foo William and Yu Chai Mei, all being Directors, has entered into a service contract with Grandy on 20 April 2002 for an initial fixed term of two years commencing from 10 May 2002 and thereafter to be continuous until terminated by the other party thereto by giving not less than six months' prior notice in writing, or otherwise in accordance with its terms.

Save as disclosed above, none of the Directors has entered into any service agreements with any member of Grandy Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation).

9. GENERAL

- (a) The head office and principal place of business of Grandy is at 10/F, Luk Kwok Centre, 72 Gloucester Road, Wanchai, Hong Kong.
- (b) The share registrar and transfer office of Grandy is Tengis Limited at 4/F, Hutchison House, 10 Harcourt Road, Central, Hong Kong.
- (c) The compliance officer of Grandy is Tsui Tai Hoi Raymond. Mr Tsui is also the Managing Director of Grandy. He gained a Bachelor's Degree of Business Administration at City University of New York, the USA.
- (d) The qualified accountant of Grandy is Wilfred Wong. Mr Wong is a fellow of the Association of Chartered Certified Accountants and an associate of Hong Kong Society of Accountants. He holds a bachelor of arts degree from The University of Hong Kong.
- (e) The company secretary of Grandy is Barbara Lau. Miss Lau holds a Bachelor's degree of Business Administration and is an associate of The Hong Kong Institute of Company Secretaries and The Institute of Chartered Secretaries and Administrators.
- (f) Grandy has established an audit committee on 2 November 2001 with written terms of reference in compliance with Rules 5.23 to 5.25 of the GEM Listing Rules. The primary duties of the audit committee, are among other matters, (i) to review the annual reports and accounts, half-year reports and quarterly reports and provide advice and comments thereon to the Board; and (ii) to review and supervise the financial reporting process and internal control system of Grandy Group.

The audit committee has two members comprising the two independent non-executive Directors, further details of whom are set out below:

Hsu Shiu Foo William, aged 52, was appointed as an independent non-executive Director in November 2001. He is a lecturer at Brigham Young University, Hawaii. He has over 10 years of global experience in tourism and related fields in various international corporations. He holds a Bachelor of Arts degree from Brigham Young University, Hawaii and a master's degree in professional studies (hotel administration) from Cornell University, New York.

Yu Chai Mei, aged 46, was appointed as an independent non-executive Director in November 2001. He is the Associate Professor of the Department of Chemistry and the director of Studies in Environmental Science Programme of The Chinese University of Hong Kong. He obtained his doctoral degree in Chemistry at the University of Idaho, the USA.

- (f) As at the Latest Practicable Date, the authorised share capital of Grandy is HK\$15,000,000 divided into 1,500,000,000 Grandy Shares of HK\$0.01 each. As at the Latest Practicable Date, the issued share capital of Grandy was HK\$8,300,000 divided into 830,000,000 Grandy Shares of HK\$0.01 each.
- (g) Dealings in Grandy Shares may be settled through the Central Clearing and Settlement System established and operated by Hong Kong Securities Clearing Company Limited, and investors should seek the advice of their stockbroker or other professional adviser for details of those settlement arrangement and how such arrangements will affect their rights and interests.
- (h) The English text of this circular shall prevail over the Chinese text.