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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

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

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 AGREEMENT

Date: 22 November 2002

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

* For identification purpose only

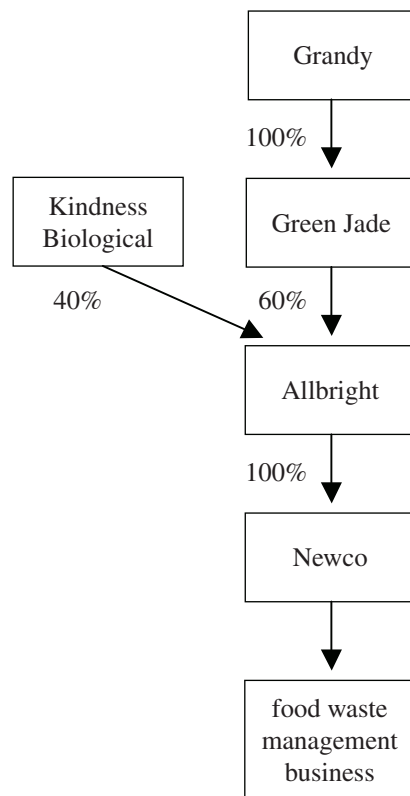
Assets to be acquired

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;
4. Immediately after Completion, the board of directors of each of Allbright and Newco will consist of 5 members of which 3 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.

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.

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
2. 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.

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 that has 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 losses after taxation of Kindness Biological were 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.

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. By this arrangement, Grandy can ensure that the Business can be 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.

REASONS FOR ENTERING INTO THE AGREEMENT

The 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 the Group with an opportunity to broaden its product range. The food waste management technology, hence, fits well with the 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 the 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.

The Directors believe that the Transaction and the subsequent establishment of the food waste business in Hong Kong will provide a stepping stone for the 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 the Group's comprehensive range of environmental protection products, and will thus increase the 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 and that the Transaction is also in line with the statement of business objectives of Grandy as disclosed therein.

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.

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 will be made by Grandy to the Listing Committee of GEM for the listing of and permission to deal in the Consideration Shares to be issued pursuant to the Agreement. This announcement 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. A circular containing details of the Transaction will be dispatched to the shareholders of Grandy as soon as possible.

DEFINITIONS

“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 Limited (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 Limited (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;
“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 date of this announcement;
“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);
“Longstop Date”	22 December 2002;
“Mainland China”	means the People’s Republic of China, excluding Hong Kong;
“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;
“Share Acquisition”	means the acquisition by Green Jade of a 60% equity interest in Allbright;
“Stock Exchange”	means The Stock Exchange of Hong Kong Limited; and
“Transaction”	means Green Jade’s acquisition from Kindness Biological of a 60% equity interest in Allbright.

On behalf of the Board
**Grandy Applied Environmental Technology
Corporation**
Tsui Tai Hoi Raymond
Managing Director

Hong Kong, 22 November 2002

This announcement, 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 (i) the information contained in this announcement 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 announcement misleading; and (iii) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

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