

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult a stockbroker or other registered dealer in securities, a bank manager, solicitor, professional accountant or other professional adviser.

If you have sold all your shares in Grandy Applied Environmental Technology Corporation, you should at once hand this circular to the purchaser or the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser.

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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)

PROPOSED MANDATES TO ISSUE AND REPURCHASE SHARES

A notice convening the Annual General Meeting (the "Annual General Meeting") of Grandy Applied Environmental Technology Corporation (the "Company") to be held at 10/F Luk Kwok Centre, 72 Gloucester Road, Wanchai, Hong Kong on Friday, 25 July 2003 at 9:30 a.m. is set out in the Annual Report 2002/03 of the Company.

Whether or not you are able to attend the Annual General Meeting, you are requested to complete and return the form of proxy accompanying the Annual Report 2002/03 in accordance with the instructions printed thereon to the principal place of business in Hong Kong of the Company at 10/F Luk Kwok Centre, 72 Gloucester Road, 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 Annual General Meeting.

This circular, for which the directors of the Company (the "Directors") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (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.

This circular will remain on the "Latest Company Announcements" page of the GEM website for at least seven days from its date of publication and the website www.grandy.com.hk.

27 June 2003

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 Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.

LETTER FROM THE BOARD OF DIRECTORS



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

Registered Office:

Century Yard

Cricket Square

Hutchins Drive

P. O. Box 2681 GT

George Town

Grand Cayman

British West Indies

Independent Non-Executive Directors:

Hsu Shiu Foo William

Yu Chai Mei

Principal Place of Business:

10/F Luk Kwok Centre

72 Gloucester Road

Wanchai, Hong Kong

27 June 2003

To the shareholders of the Company

PROPOSED MANDATES TO ISSUE AND REPURCHASE SHARES

INTRODUCTION

It is proposed that at the annual general meeting (the “Annual General Meeting”) of Grandy Applied Environmental Technology Corporation (the “Company”) to be held on 25 July 2003, notice of which (the “AGM Notice”) is set out in the annual report of the Company for the year ended 31 March 2003 (the “Annual Report 2002/03”), an ordinary resolution, as set out in the AGM Notice, will be proposed at the Annual General Meeting to grant the directors of the Company (the “Directors”) general mandates to issue and repurchase shares of HK\$0.01 each of the Company (the “Shares”).

GENERAL MANDATE TO ISSUE SHARES

At the Annual General Meeting, an ordinary resolution will be proposed, which, if passed, will give the Directors a general and unconditional mandate to allot, issue and otherwise deal with new Shares

* *for identification purpose only*

LETTER FROM THE BOARD OF DIRECTORS

representing up to 20% of the aggregate nominal amount of the share capital of the Company in issue as at the date the resolution is passed, since the general mandate previously granted to the Directors at the annual general meeting of the Company held on 2 August 2002 will expire at the conclusion of the forthcoming Annual General Meeting. In addition, conditional upon the proposed resolution to authorise the repurchase of Shares as is more particularly described under the paragraph below headed “GENERAL MANDATE TO REPURCHASE SHARES” being passed, an ordinary resolution will be proposed to authorise the Directors to allot, issue and otherwise deal with new Shares up to an amount equal to the aggregate nominal amount of the Shares purchased under the authority to repurchase. In accordance with the Rules Governing the Listing of Securities on the Growth Enterprises Market (“GEM”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) (the “GEM Listing Rules”), the Company may not make a new issue of securities or announce a proposed new issue of securities for a period of 30 days after any repurchase of securities by it, other than an issue of securities pursuant to the exercise of warrants, share options or similar instruments requiring the Company to issue securities which are outstanding prior to such repurchase, without the prior approval of the Stock Exchange.

GENERAL MANDATE TO REPURCHASE SHARES

At the Annual General Meeting, an ordinary resolution will also be proposed granting the Directors a general mandate to repurchase Shares which shall not exceed 10% of the aggregate nominal amount of the share capital of the Company in issue as at the date the resolution is passed (the “Repurchase Mandate”) since the general mandate previously granted to the Directors at the annual general meeting of the Company held on 2 August 2002 will expire at the conclusion of the forthcoming Annual General Meeting. In accordance with the GEM Listing Rules, all proposed repurchases of Shares by the Company must be approved by the shareholders by way of ordinary resolution, either by way of general mandate or by specific approval in relation to specific transactions. Furthermore, the Company is required under the GEM Listing Rules to send to its shareholders (the “Shareholders”) an explanatory statement containing all the information reasonably necessary to enable the Shareholders to make an informed decision on whether to vote for or against the resolution to approve the granting of the Repurchase Mandate. This document sets out such information in relation to the Repurchase Mandate.

EXPLANATORY STATEMENT

An explanatory statement containing all relevant information relating to the Repurchase Mandate and pursuant to the GEM Listing Rules, in particular Rule 13.08, is set out in the Appendix to this letter. The information in the explanatory statement is to provide you with the information reasonably necessary to enable you to make an informed decision on whether to vote for or against the resolutions relating to the Repurchase Mandate.

LETTER FROM THE BOARD OF DIRECTORS

AGM NOTICE

The AGM Notice is set out in the Annual Report 2002/03.

A form of proxy is enclosed with the Annual Report 2002/03 for use at the Annual General Meeting. Whether or not you intend to be present at the Annual General Meeting, you are requested to complete and return the form of proxy to the principal place of business in Hong Kong of the Company at 10/F Luk Kwok Centre, 72 Gloucester Road, Wanchai, Hong Kong in accordance with the instructions printed thereon not less than 48 hours before the time appointed for the holding of the Annual General Meeting. Completion of a form of proxy will not preclude you from attending and voting in person at the Annual General Meeting if you so wish.

RECOMMENDATION

Your Directors are of the opinion that the general mandate to issue Shares and the Repurchase Mandate are in the best interests of the Company and the Shareholders and recommend that you vote in favour of the ordinary resolutions to be proposed at the Annual General Meeting.

Yours faithfully
On behalf of the Board
Tsui Tai Hoi Raymond
Managing Director

This is an explanatory statement given to all Shareholders relating to a resolution to be proposed at the forthcoming Annual General Meeting authorising the Repurchase Mandate.

This explanatory statement contains all the information required pursuant to Rule 13.08 and other relevant provisions of the GEM Listing Rules which are set out as follows:

1. EXERCISE OF THE REPURCHASE MANDATE

Exercise in full of the Repurchase Mandate, on the basis of 871,666,667 Shares in issue as at 25 June 2003, the latest practicable date prior to the printing of this circular (the "Latest Practicable Date") could result in up to 87,166,666 Shares being repurchased by the Company during the period from the passing of resolution No. 5 as set out in the notice of the Annual General Meeting up to (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 of the Company or any applicable laws to be held; or (iii) the revocation, variation or renewal of the Repurchase Mandate by ordinary resolution of the Shareholders in a general meeting, whichever occurs first.

2. REASONS FOR REPURCHASES

Repurchases of Shares will only be made when the Directors believe that such a repurchase will benefit the Company and the Shareholders. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value of the Company and/or its earnings per Share.

3. FUNDING OF REPURCHASES

In repurchasing Shares, the Company may only apply funds legally available for such purpose in accordance with its memorandum and articles of association and the applicable laws of the Cayman Islands. The Company may not purchase its own securities on the GEM for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time.

4. GENERAL

There might be a material adverse impact on the working capital or gearing position of the Company (as compared with the position disclosed in the audited financial statements contained in the Annual Report 2002/03 of the Company) 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 Company or on the gearing levels which in the opinion of the Directors are from time to time appropriate for the Company.

5. UNDERTAKING

The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the GEM Listing Rules, the memorandum and articles of association of the Company and the applicable laws of the Cayman Islands.

6. 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 a company increases, such increase will be treated as an acquisition for the purposes of the Hong Kong Code on Takeovers and Mergers (the "Code"). As a result, a shareholder, or a group of shareholders acting in concert (within the meaning under the Code), depending on the level of increase in the shareholder's interests, could obtain or consolidate control of the company and become(s) obliged to make a mandatory offer in accordance with Rule 26 of the Code.

As at the Latest Practicable Date, by virtue of Part XV of The Securities and Futures Ordinance (Disclosure of Interests), Achieve Century Limited and Top Accurate Limited, which are substantial Shareholders of the Company, were interested in 416,769,983 Shares and 119,229,995 Shares, respectively (representing approximately 47.81% and 13.68% of the issued share capital of the Company, respectively). Tipmax Limited, Star Wave Limited Mr Tsui Tai Hoi Raymond and Mr Hoang Tan Van George were deemed to be interested in 416,769,983 Shares owned by Achieve Century Limited by virtue of their direct or indirect equity interests in Achieve Century Limited. Mr Albert Ma was also deemed to be interested in 119,229,995 Shares owned by Top Accurate Limited by virtue of his equity interests in Top Accurate Limited.

In the event that the Directors exercise in full the power to repurchase Shares in accordance with the terms of the ordinary resolution to be proposed at the Annual General Meeting, the above interests/deemed interests would be increased to approximately 53.13% and 15.20% of the issued share capital of the Company, respectively. Accordingly, Achieve Century Limited will be obliged to make a mandatory offer under Rule 26 of the Code.

However, the Directors have no present intention to exercise the Repurchase Mandate to such an extent as would result in takeover obligations.

7. SHARE PURCHASE MADE BY THE COMPANY

During the six months preceding the Latest Practicable Date, no Shares were repurchased by the Company.

8. CONNECTED PERSONS

As at the Latest Practicable Date and to the best of the knowledge of the Directors having made all reasonable enquiries, none of the Directors or their respective associates (as defined in the GEM Listing Rules) has a present intention, in the event that the Repurchase Mandate is approved by the Shareholders, to sell Shares to the Company.

No connected person (as defined in the GEM Listing Rules) has notified the Company that it has a present intention to sell Shares to the Company, or has undertaken not to do so, in the event that the Repurchase Mandate is approved by the Shareholders.

9. SHARE PRICES

The highest and lowest prices at which the Shares were traded on the GEM during each of the previous twelve months before the Latest Practicable Date were as follows:

	Highest <i>HK\$</i>	Lowest <i>HK\$</i>
2002		
June	0.315	0.170
July	0.185	0.065
August	0.120	0.087
September	0.112	0.072
October	0.100	0.066
November	0.129	0.090
December	0.123	0.082
2003		
January	0.088	0.058
February	0.081	0.074
March	0.077	0.075
April	0.074	0.045
May	0.065	0.035

10. PROXY

A form of proxy for use at the Annual General Meeting is enclosed with the Annual Report 2002/03. Whether or not you intend to attend the meeting, Shareholders are requested to complete and return the form of proxy to the principal place of business of the Company at 10/F Luk Kwok Centre, 72 Gloucester Road, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the meeting. Completion and return of the form of proxy will not preclude Shareholders from attending and voting in person at the Annual General Meeting should the Shareholders so desire.