

This announcement appears for information purpose only and does not constitute an invitation or offer to acquire, purchase or subscribe for securities.

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



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

On 6 October 2003, the Company had, pursuant to the Placing and Subscription Agreement, conditionally agreed to place up to 287,000,000 new ordinary Shares to Key Engineering at a price of HK\$0.035 per Share.

The Placing Shares represent approximately 32.93% of the existing issued share capital of the Company of 871,666,667 Shares and approximately 24.77% of the Company's issued share capital as enlarged by the Placing.

The Placing is conditional upon, inter alia, the Stock Exchange granting the approval for the listing of and permission to deal in the Placing Shares. The Company will make an application to the Listing Committee of GEM for the listing of and permission to deal in the Placing Shares. In addition, as the number of Placing Shares to be allotted and issued, pursuant to the Placing and Subscription Agreement, exceeds the general mandate maximum granted to the directors of the Company from time to time, the transaction contemplated by the Placing and Subscription Agreement will require approval of the shareholders of the Company in general meeting.

The value of the Placing Shares exceeds 15% but not more than 50% of the Net Tangible Assets and as such constitutes a discloseable transaction for the Company under the GEM Listing Rules.

A circular containing details of, inter alia, the Placing and Subscription Agreement and a notice convening an extraordinary general meeting for the purpose of approving the transactions contemplated under the Placing and Subscription Agreement will be despatched to shareholders of the Company as soon as possible.

At the request of the Company, trading in the Shares on the Stock Exchange was suspended with effect from 9:30 a.m. on 7 October 2003 pending the issue of this announcement. Application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares with effect from 9:30 a.m. on 8 October 2003.

* for identification purpose only

PLACING AND SUBSCRIPTION AGREEMENT DATED 6 OCTOBER 2003

Placee: The Placing Shares will be placed to Key Engineering, an environmental solutions company listed on the KOSDAQ in the Republic of Korea. Key Engineering is held as to 24.73% by Consolidated Science Corp., Ltd., which owns 8.89% attributable beneficial interest of Genesis Southstar Ltd., which in turns holds an approximate 6.88% equity interest in the existing issued share capital of the Company. Consolidated Science Corp., Ltd. is an investment holding company which invests into and owns companies in various industries including environment and waste management.

Genesis Southstar Ltd. acquired the 6.88% equity interest in the Company from Top Accurate Limited on 15 September 2003, which acquired such interest from Count Wealth Investments Limited on 13 May 2003. For details of the above transactions, please refer to announcements of the Company dated 15 September 2003 and 16 May 2003 respectively. Insofar as the Company is aware or has been notified, Top Accurate Limited is the holder as to approximately 6.80% equity interest in the Company and Count Wealth Investments Limited no longer holds any Shares. Apart from holding an approximate 6.80% equity interest in the Company, Top Accurate Limited is unrelated to the Company and its connected persons. Both Key Engineering and Genesis Southstar Ltd. were introduced to the Group by Top Accurate Limited.

Number of Placing Shares: 287,000,000 new Shares are to be placed, representing approximately 32.93% of the existing issued share capital of the Company of 871,666,667 Shares and approximately 24.77% of the issued capital of the Company as enlarged by the Placing of 287,000,000 Shares.

Placing Price: The Placing Price is HK\$0.035 per Placing Share. This price was agreed after arm's length negotiations and based on the Share prices before Genesis Southstar Ltd.'s, acquisition of Shares. The last five trading days' average of the closing price of the Shares ended on the signing of the agreement relating to the said acquisition on 11 September 2003 was HK\$0.034, of which the Placing Price represents an approximate 2.94% premium. The Share price has increased substantially since the said acquisition however and the Placing Price represents an approximate 53.95% discount to the closing price of the Shares on the Stock Exchange on 6 October 2003 of HK\$0.076 and an approximate 42.62% discount to the last twenty trading days' average of the Shares of HK\$0.061.

- Rights:** The Placing Shares will on issue rank equally with the existing Shares.
- Extraordinary General Meeting:** The Placing Shares to be allotted and issued under the Placing is in excess of the general mandate granted to the directors of the Company on 25 July 2003 to allot, issue and deal with Shares and therefore the Placing and Subscription Agreement will require the approval of the shareholders of the Company in general meeting by passing an ordinary resolution in connection therewith.
- Conditions:** The Placing is conditional upon, inter alia, (i) the Listing Committee of GEM granting the approval for the listing of, and permission to deal in, the Placing Shares, (ii) the approval of the Placing and Subscription Agreement by shareholders of the Company in general meeting; (iii) Key Engineering and parties acting in concert with it (as defined in the Code) not being required under Rule 26 of the Code to make a general offer in respect of all the Shares not held by Key Engineering and parties acting in concert with it as a result of completion of the Placing and Subscription Agreement.
- Application will be made by the Company to the Stock Exchange for the grant of the listing of and permission to deal in the Placing Shares.
- Completion:** The Placing is expected to be completed by not later than 10 November 2003. The parties to the Placing and Subscription Agreement do not intend to make an application for ruling to the Securities and Futures Commission in respect of any potential general offer obligations of Key Engineering.

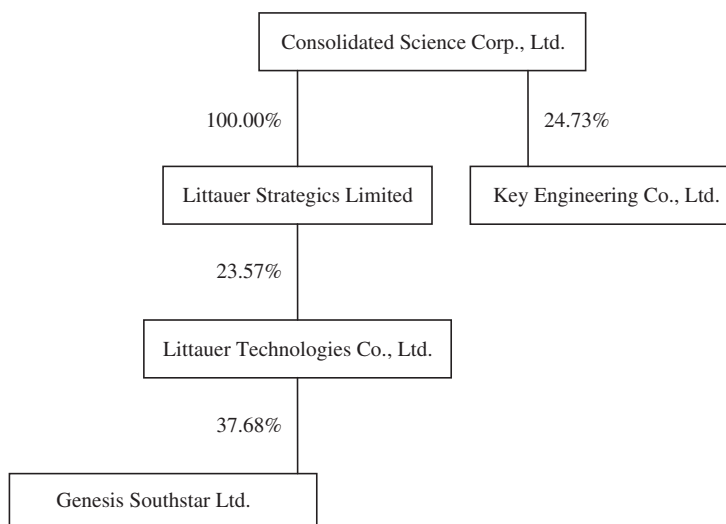
Change in Shareholding Structure:

The change in the shareholding structure of the Company in relation to Achieve Century, the controlling shareholder (as defined in the GEM Listing Rules), Key Engineering and the public, before and immediately after the Placing, will be as follows:

	Shareholding structure before the Placing		Shareholding structure after the Placing	
	No. of Shares	% of existing issued share capital	No. of Shares	% of enlarged issued share capital
Achieve Century	416,769,983	47.81%	416,769,983	35.97%
Key Engineering*	-	-	287,000,000	24.77%
Genesis Southstar Limited*	60,000,000	6.88%	60,000,000	5.18%
Sub-Total	476,769,983	54.69%	763,769,983	65.92%
Public	394,896,684	45.31%	394,896,684	34.08%
Total	<u>871,666,667</u>	<u>100%</u>	<u>1,158,666,667</u>	<u>100%</u>

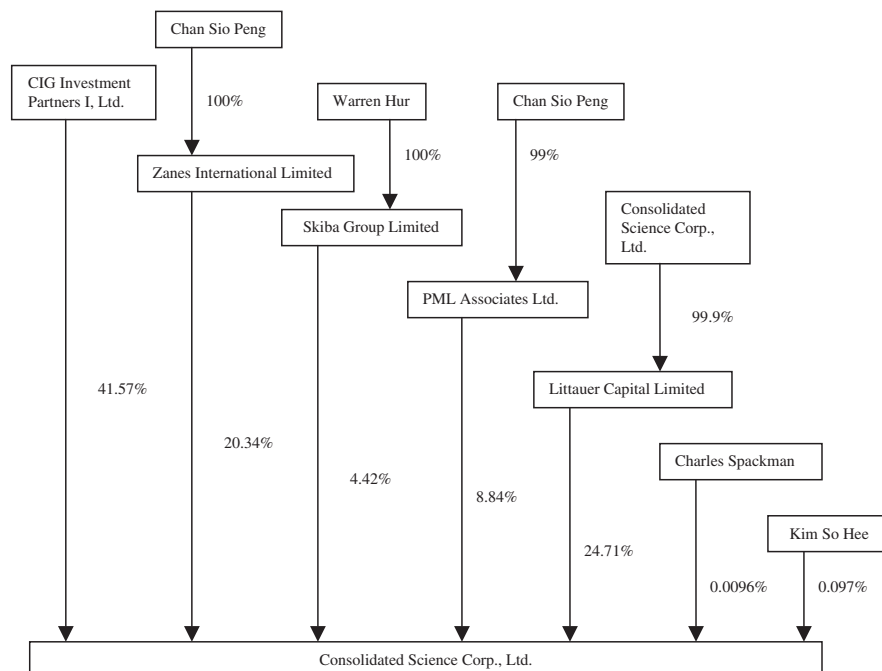
Pursuant to the Code, Key Engineering, Genesis Southstar Ltd. and Achieve Century will be presumed to be acting in concert upon completion of the Placing unless the contrary is shown. Achieve Century does not have any intention of decreasing its shareholdings in the Company after the Placing and Key Engineering and Genesis Southstar Ltd. do not have any intention of increasing their shareholding in the Company after the Placing. Achieve Century will remain as the controlling shareholder of the Company after completion of the Placing.

* *Key Engineering and Genesis Southstar Ltd. would have an aggregate of 347,000,000 Shares, representing approximately 29.95% of the enlarged issued share capital immediately after the Placing. Genesis Southstar Ltd. is incorporated in Bermuda and engaged in private equity investments and it acquired its shareholdings in the Company of 60,000,000 Shares from Top Accurate Limited with details as set out in an announcement of the Company dated 15 September 2003. Key Engineering is held as to 24.73% by Consolidated Science Corp., Ltd. which also owns 8.89% attributable beneficial interest of Genesis Southstar Ltd. Below is a chart setting out the shareholding relationship amongst Consolidated Science Corp., Ltd., Genesis Southstar Ltd. and Key Engineering:*



Consolidated Science Corp., Ltd. is an investment holdings company which was incorporated in Bermuda on 2 February 2001. Littauer Strategics Limited is an investment holdings company which was incorporated in British Virgin Islands on 25 October 1999. Littauer Technologies Co., Ltd. is an investment holdings company which was incorporated in Korea on 22 June 1988. Insofar as the Company is aware or has been notified, the shareholders (including those shareholders not expressly set out in the above chart) of Genesis Southstar Ltd. and Key Engineering are unrelated to the Group or its connected persons.

The shareholders of Consolidated Science Corp., Ltd's are as follows:-



Note: CIG Investment Partners I, Ltd. is a private investment fund managed by an unrelated party. Prior to the Placing, insofar as the Company is aware, the beneficial owners of CIG Investment Partners I, Ltd. are unrelated to the Group and its connected persons. Prior to the Placing, Mr Chan Sio Peng is unrelated to the Group and its connected persons, but he has a 42.07% attributable interest in Genesis which owns 60,000,000 shares in the Company, representing approximately 6.88% of the existing issued share capital of the Company.

Prior to the Placing, Consolidated Science Corp., Ltd., Mr Warren Hur, Mr Charles Spackman and Ms Kim So Hee are unrelated to the Group and its connected persons.

Use of Proceeds and Reasons for the Placing:

The gross proceed of the Placing will be HK\$10,045,000 and upon deduction of all expenses and fees, the net proceeds of the Placing is expected to be approximately HK\$9,900,000. Approximately 20% of the net proceeds from the Placing, approximately HK\$1,980,000, will be used by the Group for general working capital purposes. The balance of the net proceeds of approximately HK\$7,920,000 will be held by the Group for potential acquisitions of and investments in businesses which may enhance the operational and financial performance of the Group's business activities in the waste management sector. Currently, the Company has no intention on any specific use of the balance of the proceeds raised nor has it identified any targets for such potential investment. The Placing will bring a reputable international strategic investor to the Group and will enhance the cash position and the financing flexibility of

the Company, which the directors of the Company consider to be beneficial to the Company. Currently, the Company has no intention to change its business plans, business objectives and use of proceeds as set out in its prospectus dated 29 April 2002 nor does the Company intend to change the same after the Placing.

Board representation:

As soon as practicable after completion of the Placing and Subscription Agreement, three nominees of Key Engineering will be appointed as executive directors of the Company whereas three existing executive directors, being Messrs Leung Chi Kin, Hoang Tan Van George and To Hang Ming, will resign from the board of the Company. The nominees of Key Engineering to be appointed as executive directors of the Company have not yet been identified. There will not be a change in control of the board of the Company as a result of the completion of the Placing.

Nominated by	Board composition before the Placing		Board composition after the Placing	
	Executive	Non-executive	Executive	Non- executive
Achieve Century	6	2	3	2
Key Engineering	0	0	3	0
Genesis Southstar Ltd.	0	0	0	0
Total:	<u>6</u>	<u>2</u>	<u>6</u>	<u>2</u>

Note: Subsequent to the Placing, Key Engineering may at any time nominate a non-executive director to the board of the Company upon which one of the three executive directors nominated by it will resign and a non-executive director nominated by Achieve Century will resign reducing the total number of directors of the Company to 7.

GENERAL

The directors of the Company consider that the terms of the Placing and Subscription Agreement to be fair and reasonable and in the interests of the Company and the shareholders of the Company as a whole.

The Group is principally engaged in the production, sourcing, sale and marketing of environmental protection products and services for combating a range of environmental problem. Currently, the Company does not have any intention to change the general character or nature of the Group’s business as stated in its prospectus dated 29 April 2002 nor does the Company intend to change the same after the Placing.

The Stock Exchange has the discretion to require the Company to issue a circular to its shareholders, irrespective of the size of any proposed transaction, particularly when such proposed transaction represents a departure from the Company's principal business. The Stock Exchange also has the power to aggregate a series of transactions and any such transactions, when aggregated, may result in the Company being treated by the Stock Exchange as if it were a new listing applicant.

The value of the Placing Shares exceeds 15% but not more than 50% of the Net Tangible Assets and as such constitutes a discloseable transaction for the Company under the GEM Listing Rules.

A circular containing details of, inter alia, the Placing and Subscription Agreement and a notice convening an extraordinary general meeting for the purpose of approving the transactions contemplated under the Placing and Subscription Agreement will be despatched to shareholders of the Company as soon as possible. All existing shareholders of the Company shall be entitled to vote in the abovementioned extraordinary general meeting for the purpose of approving the transactions contemplated under the Placing and Subscription Agreement as this is not a connected transaction for the purposes of the GEM Listing Rules.

At the request of the Company, trading in the Shares on the Stock Exchange was suspended with effect from 9:30 a.m. on 7 October 2003 pending the issue of this announcement. Application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares with effect from 9:30 a.m. on 8 October 2003.

Definitions

The following defined terms are used in this announcement:

“Achieve Century”	Achieve Century Limited, a company incorporated in the British Virgin Islands and the controlling shareholder and management shareholder of the Company both before and immediately after the Placing, which is indirectly owned as to 53.87% by Mr Tsui Tai Hoi Raymond (Managing Director of the Company), 6.23% by each of Messrs Yeung Kam Yan (the Project Director of the Company) and Leung Chi Kin (the Engineering Director of the Company), 18.70% by Mr Hoang Tan Van George (the Production Director of the Company), 4.99% by each of Messrs Chan Hon Chiu (the Marketing Director of the Company), To Hang Ming (the Business Development Director of the Company) and Mio Kwok Man (the General Manager of the China Division of the Group).
“Code”	the Hong Kong Code on Takeovers and Mergers
“Company”	Grandy Applied Environmental Technology Corporation
“GEM”	Growth Enterprise Market of the Stock Exchange

“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
”Key Engineering”	Key Engineering Co., Ltd, a company engaged in the provision of environmental protection solutions, whose shares are listed on the KOSDAQ
”Net Tangible Assets”	the consolidated net tangible assets of the Company as at 31 March 2003
“Placing”	placing of the Placing Shares pursuant to the Placing and Subscription Agreement
”Placing and Subscription Agreement”	agreement dated 6 October 2003 entered into between the Company and Key Engineering for the subscription of the Placing Shares
“Placing Shares”	287,000,000 new ordinary Shares
”Shares”	shares of HK\$0.01 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

By Order of the Board
Tsui Tai Hoi Raymond
Managing Director

Hong Kong, 7 October 2003

This announcement, for which the Directors of the Company collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this announcement 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 announcement misleading; and (3) 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 “Latest Company Announcements” page of the GEM website for at least 7 days from its date of publication and on the website of the Company at www.grandy.com.hk.