
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

This circular is for information purposes only and does not constitute an invitation or offer to acquire or subscribe for securities.

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

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

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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

**in respect of
a placing of new shares**

A notice convening an extraordinary general meeting of the Company to be held at 10/F., Luk Kwok Centre, 72 Gloucester Road, Wanchai, Hong Kong on Friday, 7 November 2003 at 9:30 a.m. is set out on pages 16 and 17 of this circular.

Whether or not you are able to attend the extraordinary general meeting, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same 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 extraordinary general meeting. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting or any adjourned meeting should you so wish.

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 the Company at www.grandy.com.hk.

21 October 2003

* for identification purpose only

CHARACTERISTICS OF GEM OF 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.

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DEFINITIONS

In this circular, the following expressions have the following meanings unless the context requires otherwise:

“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 approximately 53.87% by Mr Tsui Tai Hoi Raymond (Managing Director of the Company), approximately 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), approximately 18.70% by Mr Hoang Tan Van George (the Production Director of the Company), approximately 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).
“Board”	the Board of Directors
“Codes”	the Codes on Takeovers and Mergers and Share Repurchases
“Company”	Grandy Applied Environmental Technology Corporation
“Connected Persons”	has the meaning ascribed thereto in GEM Listing Rules
“Controlling Shareholder”	has the meaning ascribed thereto in GEM Listing Rules
“Director(s)”	the director(s) of the Company
“Enlarged Issued Share Capital”	1,158,666,667 Shares in issue upon completion of the Placing assuming that there is no further issue of the Shares from the date of the Placing and Subscription Agreement up to the completion of the Placing other than the Placing Shares
“Existing Issued Share Capital”	871,666,667 Shares in issue as at the Latest Practicable Date
“Extraordinary General Meeting”	the extraordinary general meeting of the Company to be held at 10/F., Luk Kwok Centre, 72 Gloucester Road, Wanchai, Hong Kong on Friday, 7 November 2003 at 9:30 a.m. and any adjournment thereof, a notice of which is set out on pages 16 and 17 of this circular
“GEM”	Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM

DEFINITIONS

“Genesis Southstar”	Genesis Southstar Ltd., an investment holding company incorporated in Bermuda, which directly owns 60,000,000 Shares, representing approximately 6.88% of the Existing Issued Share Capital
“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 in Korea
“Latest Practicable Date”	18 October 2003, being the latest practicable date for the purpose of ascertaining certain information in this circular
“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
“Pre-IPO Share Option Scheme”	the Pre-IPO share option scheme adopted by the Company on 20 April 2002 (as summarised in Appendix IV of the Company’s prospectus dated 29 April 2002)
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the laws of Hong Kong
“Shareholder(s)”	shareholder(s) of the Company
“Shares”	shares of HK\$0.01 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited



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

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

21 October 2003

To the Shareholders

Dear Sir or Madam,

DISCLOSEABLE TRANSACTION

**in respect of
a placing of new shares**

A. INTRODUCTION

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 and approximately 24.77% of the Company's Enlarged Issued Share Capital.

* for identification purpose only

LETTER FROM THE BOARD

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 has made 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 from time to time, the transaction contemplated by the Placing and Subscription Agreement will require approval of the Shareholders 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.

The purpose of this circular is to provide the Shareholders with further information in relation to the Placing and the transactions contemplated under the Placing and Subscription Agreement, and to seek your approval at the Extraordinary General Meeting of the ordinary resolution in relation to the Placing and the issue of the Placing Shares. This circular also contains information in compliance with the GEM Listing Rules.

B. PLACING AND SUBSCRIPTION AGREEMENT DATED 6 OCTOBER 2003

Placee

The Placing Shares will be placed to Key Engineering. Information on Key Engineering is set out on pages 7 and 8 of this circular.

Number of Placing Shares

287,000,000 new Shares are to be placed, representing approximately 32.93% of the Existing Issued Share Capital and approximately 24.77% of the Enlarged Issued Share Capital.

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'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, when fully paid, will on issue rank equally with the existing Shares.

LETTER FROM THE BOARD

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 in general meeting; (iii) Key Engineering and parties acting in concert with it (as defined in the Codes) not being required under Rule 26 of the Codes 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.

Completion

The Placing is expected to be completed by not later than 10 November 2003.

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 whereas three existing executive Directors, being Messrs Leung Chi Kin, Hoang Tan Van George and To Hang Ming, will resign from the Board. The nominees of Key Engineering to be appointed as executive Directors have not yet been identified. There will not be a change in control of the Board 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	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 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 to 7.

LETTER FROM THE BOARD

C. CHANGE IN SHAREHOLDING STRUCTURE

The change in the shareholding structure of the Company in relation to Achieve Century, the Controlling Shareholder, 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	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>

Key Engineering and Genesis Southstar would have an aggregate of 347,000,000 Shares, representing approximately 29.95% of the Enlarged Issued Share Capital immediately after the Placing. Achieve Century does not currently have any intention of decreasing its shareholdings in the Company after the Placing and Key Engineering and Genesis Southstar do not currently 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.

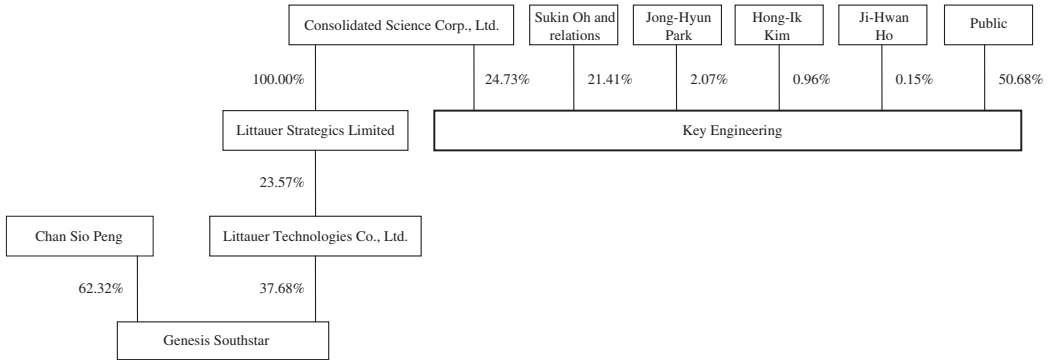
Pursuant to the Codes, Key Engineering, Genesis Southstar and Achieve Century will be presumed to be acting in concert upon completion of the Placing unless the contrary is shown. Key Engineering does not intend to make an application for ruling to the Securities and Futures Commission in respect of any potential general offer obligations of it.

LETTER FROM THE BOARD

D. INFORMATION ON KEY ENGINEERING

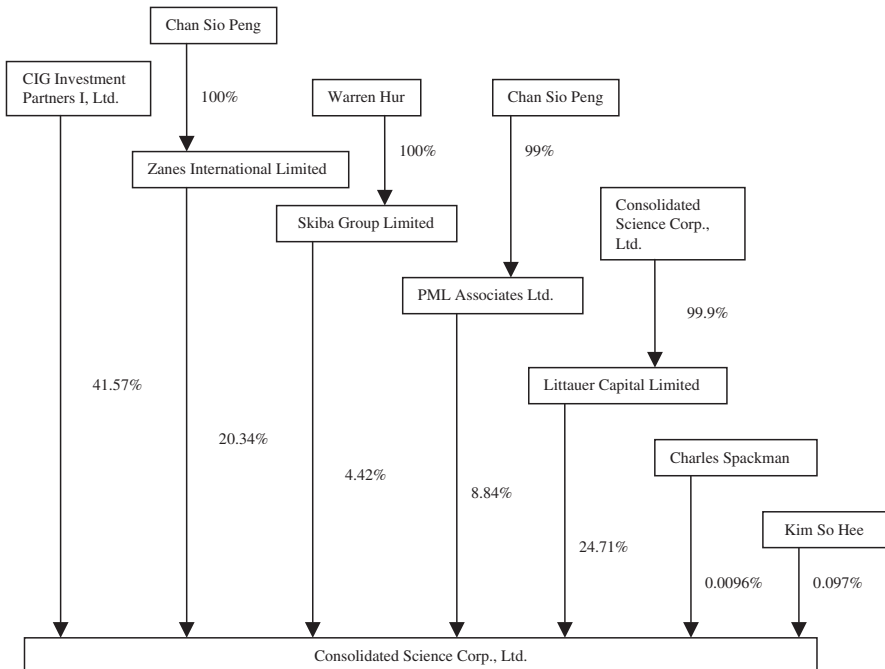
Key Engineering is a company incorporated in the Republic of Korea and its shares are listed on the KOSDAQ in Korea. It is principally engaged in the provision of environmental protection solutions with particular focus on waste management.

Below is a chart setting out the shareholdings of Key Engineering and its relationship with Genesis Southstar:



Insofar as the Company is aware, Mr Sukin Oh and his relations, Messrs Jong-Hyun Park, Hong-Ik Kim and Ji-Hwan Ho are not related to the Group and its Connected Persons.

Consolidated Science Corp., Ltd. is an investment holding company which was incorporated in Bermuda on 2 February 2001. The shareholders of Consolidated Science Corp., Ltd's are as follows:-



LETTER FROM THE BOARD

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 except that he has an approximate 64.43% attributable interest in Genesis Southstar which owns 60,000,000 Shares.

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.

Littauer Strategies Limited is an investment holding company which was incorporated in British Virgin Islands on 25 October 1999.

Littauer Technologies Co., Ltd. is an investment holding company which was incorporated in Korea on 22 June 1988. Insofar as the Company is aware or has been notified, the shareholders of Genesis Southstar and Key Engineering are unrelated to the Group or its Connected Persons.

Genesis Southstar acquired 60,000,000 Shares, representing approximately 6.88% of the Existing Issued Share Capital, 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 were introduced to the Group by Top Accurate Limited.

E. 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 Group is principally engaged in the production, sourcing, sale and marketing of environmental protection products and services for combating a range of environmental problems. Currently, the Company does not have any intention to change the general character, nature of the Group's business, business plans, business objectives or use of proceeds as stated in its prospectus dated 29 April 2002 nor does the Company intend to change the same after the Placing. 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 consider to be beneficial to the Company.

LETTER FROM THE BOARD

F. 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 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 in general meeting. All existing Shareholders shall be entitled to vote in the Extraordinary General Meeting for the purpose of approving the transactions contemplated under the Placing and Subscription Agreement.

Set out at the end of this circular is a notice convening the Extraordinary General Meeting to be held at 10/F., Luk Kwok Centre, 72 Gloucester Road, Wanchai, Hong Kong on Friday, 7 November 2003 at 9:30 a.m. for the purpose of considering and, if thought fit, passing the resolution set out therein.

A form of proxy for use at the Extraordinary General Meeting is enclosed. Whether or not you are able to attend the meeting, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon to the Company at 10/F., Luk Kwok Centre, 72 Gloucester Road, Wanchai, Hong Kong as soon as possible but in any event not later than 48 hours before the time appointed for the holding of the Extraordinary General Meeting. Completion and return of the form of proxy will not preclude you from attending and voting in person at the Extraordinary General Meeting should you so wish.

G. GENERAL

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 Company has made an application to the Stock Exchange for the listing of and permission to deal in the Placing Shares.

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

H. RECOMMENDATION

The Directors consider the terms of the Placing and Subscription Agreement to be fair and reasonable and in the interests of the Company and its Shareholders as a whole and so recommend all Shareholders to vote in favour of the resolution to be proposed at the forthcoming Extraordinary General Meeting.

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

A. Directors and Chief Executives

As at the Latest Practicable Date, the interests of the Directors and chief executives of the Company and their respective associates in the share capital of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were 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 have taken or deemed to have under the SFO), or which were required, pursuant to the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rules 5.40 to 5.58 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows :

Shares

Name of Director	Number of Shares (Note)	Capacity/Nature of interest	Approximate percentage of the Existing Issued Share Capital (%)
Tsui Tai Hoi Raymond	416,769,983	Interest of a controlled corporation/Corporate	47.81
Yeung Kam Yan	416,769,983	Interest of a controlled corporation/Corporate	47.81
Leung Chi Kin	416,769,983	Interest of a controlled corporation/Corporate	47.81
Hoang Tan Van George	416,769,983	Interest of a controlled corporation/Corporate	47.81
Chan Hon Chiu	416,769,983	Interest of a controlled corporation/Corporate	47.81
To Hang Ming	416,769,983	Interest of a controlled corporation/Corporate	47.81

Note: These 416,769,983 Shares relate to the same block of shares held by Achieve Century. Approximately 53.87% and approximately 46.13% of the issued share capital of Achieve Century is respectively owned by Tipmax Limited and Star Wave Limited, both incorporated in the British Virgin Islands.

Tipmax Limited is wholly 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 Mio Kwok Man who is not a director of the Company.

Underlying Shares

The Directors and chief executives of the Company were granted options to subscribe for Shares under a Pre-IPO Share Option Scheme, details of which are as follows:

Name of Director	Number of underlying Shares in respect of the options granted (Note)
Tsui Tai Hoi Raymond	8,000,000
Yeung Kam Yan	8,000,000
Leung Chi Kin	8,000,000
Hoang Tan Van George	8,000,000
Chan Hon Chiu	8,000,000
To Hang Ming	8,000,000
Yu Chai Mei	2,400,000

Note: Each of the share options granted under the Pre-IPO Share Option Scheme on 26 April 2002 carries a right to subscribe for one Share at an exercise price of HK\$0.14, representing 50% of the offer price of HK\$0.28 per share in respect of the Company's initial public offering on 10 May 2002. These share options may be exercised in three equal tranches 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. None of these share options have been exercised since the date of grant.

Other than the holdings disclosed above, no interests and short positions were held or deemed or taken to be held under Part XV of the SFO by any Directors and chief executives of the Company or their respective associates (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or pursuant to the Model Code for Securities Transaction by Directors of Listed Companies or which are required pursuant to Section 352 of the SFO to be entered in the register referred therein. Nor any of the Directors (including their spouses and children under the age of 18) had, as at the Latest Practicable Date, any interest in, or had been granted any right to subscribe for the securities and options of the Company's associated corporations within the meaning of the SFO, or had exercised any such rights.

B. Substantial Shareholders

So far as is known to any Director or chief executive of the Company, as at the Latest Practicable Date, the following parties, other than the Directors and chief executives of the Company, had interests in the Shares representing 10% or more of the voting power at any general meeting of the Company as recorded in the register maintained by the Company under Section 336 of the SFO:

Name of Shareholders	Number of Shares	Capacity	Approximate percentage of the Existing Issued Share Capital (%)
Achieve Century	416,769,983	Beneficial owner	47.81
Tipmax Limited (<i>Note</i>)	416,769,983	Interest in a controlled corporation	47.81
Star Wave Limited (<i>Note</i>)	416,769,983	Interest in a controlled corporation	47.81

Note: These companies were deemed to have interests in 416,769,983 Shares by virtue of their equity interests in Achieve Century.

Save as disclosed above, as at the Latest Practicable Date, no persons, other than the Directors and chief executives whose interests are set out in the section 2A above, had interests or short positions in Shares or underlying Shares representing 10% or more of the voting power at any general meeting of the Company as recorded in the register required to be kept under Section 336 of the SFO, or who is interested in 10% or more of the voting power at any general meeting of any other members of the Group .

C. Certain Other Persons

As at the Latest Practicable Date, the following persons who are required to disclose their interests pursuant to the Part XV of the SFO, other than the Directors and chief executives of the Company, had interests in Shares as recorded in the register required to be kept under Section 336 of the SFO:

Name of Shareholders	Number of Shares	Capacity	Approximate percentage of the Existing Issued Share Capital (%)
Top Accurate Limited	59,229,995	Beneficial owner	6.80
Albert Ma (<i>Note a</i>)	59,229,995	Interest in a controlled corporation	6.80
Genesis Southstar	60,000,000	Beneficial owner	6.88
Littauer Technologies Co., Ltd (<i>Note b</i>)	60,000,000	Interest in a controlled corporation	6.88
PML Associates Limited (<i>Note b</i>)	60,000,000	Interest in a controlled corporation	6.88
Chan Sio Peng (<i>Note b</i>)	60,000,000	Interest in a controlled corporation	6.88

Notes:

- (a) Mr Albert Ma was deemed to have interests in 59,229,995 Shares by virtue of his equity interest in Top Accurate Limited.
- (b) These parties were deemed to have interests in 60,000,000 Shares by virtue of their equity interests in Genesis Southstar.

Save as disclosed herein, as at the Latest Practicable Date, no other person who was required to disclose their interests pursuant to Part XV of the SFO, other than the Directors and chief executives of the Company whose interests are set out in Section 2A above, had registered any interests or short position in any Shares or underlying Shares as recorded in the register required to be kept under Section 336 of the SFO.

3. COMPETING INTERESTS

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

4. SPONSOR'S INTERESTS

As updated and notified by the Company'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 the Company or any member of the Group, or any right to subscribe for or to nominate persons to subscribe for the securities of the Company or any member of the Group.

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

5. LITIGATION

No member of the 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 the Group.

6. 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 the Company 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 the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation).

7. GENERAL

- (a) The head office and principal place of business of the Company is at 10/F., Luk Kwok Centre, 72 Gloucester Road, Wanchai, Hong Kong.
- (b) The share registrar and transfer office of the Company is Tengis Limited at G/F., BEA Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong.
- (c) The compliance officer of the Company is Tsui Tai Hoi Raymond. Mr Tsui is also the Managing Director of the Company. He gained a Bachelor's Degree of Business Administration at City University of New York, the USA.

- (d) The qualified accountant of the Company 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 the Company 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) The Company 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 the 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 53, 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 47, 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.

- (g) As at the Latest Practicable Date, the authorised share capital of the Company is HK\$15,000,000 divided into 1,500,000,000 Shares of HK\$0.01 each. As at the Latest Practicable Date, the issued share capital of the Company was HK\$8,716,667 divided into 871,666,667 Shares of HK\$0.01 each.
- (h) Dealings in the 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.
- (i) The English text of this circular shall prevail over the Chinese text.

NOTICE OF EXTRAORDINARY GENERAL MEETING



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)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting of Grandy Applied Environmental Technology Corporation (the "Company") will be held at 10/F., Luk Kwok Centre, 72 Gloucester Road, Wanchai, Hong Kong on Friday, 7 November 2003 at 9:30 a.m. for the purpose of considering and, if thought fit, passing the following resolution as an ordinary resolution of the Company:

"THAT:

- (a) the placing and subscription agreement entered into between Key Engineering Co., Ltd ("Key Engineering") and the Company dated 6 October 2003 (the "Placing and Subscription Agreement"), a copy of which marked "A" has been produced to the Meeting and signed by the Chairman hereof for the purpose of identification whereby Key Engineering has agreed to subscribe for 287,000,000 new ordinary shares (the "Placing Shares") of HK\$0.01 each in the Company at a placing price of HK\$0.035 each, be and is hereby approved, ratified and confirmed in all respects;
- (b) any director of the Company ("Director(s)") be and is hereby authorised for and on behalf of the Company to do all such further acts and things and execute such further documents as he may consider necessary, expedient or desirable to effect and implement the Placing and Subscription Agreement and the transactions contemplated thereby with any changes as such Director may consider necessary, desirable or expedient; and
- (c) the Directors be and hereby authorised to allot and issue the Placing Shares to Key Engineering, subject to payment therefor, pursuant to the terms of the Placing and Subscription Agreement, which the Placing Shares shall not be deemed to be allotted and issued pursuant to the general mandate granted to the Directors at the annual general meeting of the Company held on 25 July 2003, and shall rank *pari passu* in all respects with the existing shares in the capital of the Company."

By order of the Board
Grandy Applied Environmental Technology Corporation
Barbara Lau
Company Secretary

Hong Kong, 21 October 2003

* for identification purpose only

NOTICE OF EXTRAORDINARY GENERAL MEETING

Notes:

1. A member entitled to attend and vote at the meeting convened by the above notice is entitled to appoint one or more proxy to attend and, subject to the provisions of the articles of association of the Company, vote in his stead. A proxy need not be a member of the Company.
2. In order to be valid, the form of proxy must be duly completed, signed and deposited together with a power of attorney or other authority (if any) under which it is signed or a notarially certified copy of that power or authority, at the Company's head office and principal place of business at 10/F., Luk Kwok Centre, 72 Gloucester Road, Wanchai, Hong Kong, not less than 48 hours before the time appointed for holding the meeting.
3. In the case of joint registered holders of any shares of the Company, any one of them may vote at the meeting, either personally or by proxy, in respect of such shares as if he/she was solely entitled thereto; but if more than one of such joint registered holders are present at the meeting, either personally or by proxy, that one of them so present whose name stands first on the register of members in respect of such shares shall be accepted to the exclusion of the votes of the other joint registered holders.