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# **THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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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 (the “Company”), 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.

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this circular, 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 circular.

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## **GRANDY APPLIED ENVIRONMENTAL TECHNOLOGY CORPORATION**

**泓迪應用環保科技有限公司\***

*(Proposed to be renamed “Grandy Corporation (泓迪有限公司\*)”)*

*(incorporated in the Cayman Islands with limited liability)*

## **PROPOSED CANCELLATION OF OPTIONS GRANTED**

**AND**

## **PROPOSED CHANGE OF COMPANY NAME**

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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, 9 January 2004 at 9:30 a.m. is set out on pages 5 and 6 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](http://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](http://www.grandy.com.hk).

16 December 2003

\* for identification purpose only

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## CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE

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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 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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## LETTER FROM THE BOARD

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### **GRANDY APPLIED ENVIRONMENTAL TECHNOLOGY CORPORATION**

### **泓迪應用環保科技有限公司\***

*(Proposed to be renamed "Grandy Corporation (泓迪有限公司\*)")*

*(incorporated in the Cayman Islands with limited liability)*

*Executive Directors:*

Tsui Tai Hoi Raymond (*Managing Director*)

Yeung Kam Yan

Chan Hon Chiu

*Non-Executive Directors:*

Oh Suk In

Ko Ji Hwan

Martin Andrew Mohabeer

*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

16 December 2003

*To the Shareholders and the Optionholders*

Dear Sir or Madam

### **PROPOSED CANCELLATION OF OPTIONS GRANTED**

### **AND**

### **PROPOSED CHANGE OF COMPANY NAME**

#### **INTRODUCTION**

In the announcement dated 4 December 2003, the board (the "Board") of directors (the "Directors") of Grandy Applied Environmental Technology Corporation (the "Company") proposed to cancel the outstanding options to subscribe for the shares of HK\$0.01 each in the capital of the Company (the "Shares") subject to the consent of the relevant holders of the options and to change the English name of the Company from "Grandy Applied Environmental Technology Corporation" to "Grandy Corporation".

\* for identification purpose only

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## LETTER FROM THE BOARD

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The purpose of this circular is to give you further information regarding the said proposal and to give you notice of the extraordinary general meeting of the Company to be held on Friday, 9 January 2004 (the “Extraordinary General Meeting”) at which necessary resolutions will be proposed.

### **CANCELLATION OF OPTIONS GRANTED**

The Directors propose, subject to the consent of the relevant holders of the options (the “Optionholders”) granted under the Pre-IPO Share Option Scheme and Share Option Scheme (collectively, the “Schemes”), both adopted by the Company on 20 April 2002, to surrender the relevant outstanding options to the Company for cancellation, to cancel the outstanding options which entitle the holders thereof to subscribe for up to an aggregate of 84,745,000 Shares until 9 May 2012 previously granted to the Optionholders including Directors, employees and consultants of the Company and its subsidiaries (collectively the “Group”). As at the date of this circular, the Company has not entered into any agreement with the Optionholders in respect of the cancellation of the outstanding options. The exercise price of the outstanding options to subscribe for 77,600,000 Shares and 7,145,000 Shares is HK\$0.14 per Share and HK\$0.18 per Share under the Pre-IPO Share Option Scheme and Share Option Scheme respectively.

The Directors consider that the cancellation of the outstanding options would mitigate the dilution effect of the exercise of options on the interests of the shareholders of the Company (the “Shareholders”) and therefore, such cancellation is in the best interests of the Company and its Shareholders as a whole.

In accordance with Clause 14(A) of Pre-IPO Share Option Scheme and Clause 14.01 of the Share Option Scheme, the cancellation of the outstanding options will require the approval by the Shareholders in general meeting on a poll with the Optionholders and their respective associates (as defined in the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the “GEM Listing Rules”)) abstaining from voting. Those abstaining include Tsui Tai Hoi Raymond, Yeung Kam Yan, Leung Chi Kin, Hoang Tan Van George, Chan Hon Chiu, To Hang Ming, Yu Chai Mei, Mio Kwok Man, Wong Chun Kit, Chris Phillips, Wong Miu Fan, Au Wai Leung, Yeung Lam Lung and Union Bright Investments Ltd. Insofar as the Company is aware or has been notified, they are interested in 417,129,983 Shares in aggregate, representing approximately 36% of the entire issued share capital of the Company. Should the Company re-issue new options to the same Optionholders, the issue of such new options may only be made under a share option scheme with available unissued options (excluding the cancelled options) within the limit approved by Shareholders. Pursuant to the Share Option Scheme, the total number of the Shares in respect of which the options may be granted shall not exceed 10% of the total number of Shares in issue as at the listing date of the Shares (i.e. 10 May 2002) but must not exceed 80,000,000 Shares in aggregate. As at the date of this circular, the Share Option Scheme has available unissued options to subscribe for 72,850,000 Shares taking into account an option to subscribe for 7,150,000 Shares having been granted in July 2002.

### **CHANGE OF COMPANY NAME**

The Directors also propose, subject to the passing of a special resolution by the Shareholders at the Extraordinary General Meeting, to change the English name of the Company from “Grandy Applied Environmental Technology Corporation” to “Grandy Corporation”.

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## LETTER FROM THE BOARD

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The proposed change of the Company name is conditional, and become effective upon the passing of a special resolution by the Shareholders in general meeting in connection therewith. Upon the new company name becoming effective, the Company will obtain the approval of the Registrar of Companies in the Cayman Islands for the change of name.

The Chinese translation of the Company name “泓迪應用環保科技有限公司”, for the purpose of identification only, will be changed to “泓迪有限公司” once the approval of the Registrar of Companies in the Cayman Islands having been obtained.

The Directors consider that a simple company name would enhance “Grandy” as a corporate identity to investors and build an easy-to-remember brand name for its customers. The Company does not have any intention to change its general character, nature of business and business objectives as stated in its prospectus dated 29 April 2002, except that the Company may make necessary adjustments in light of the ever-changing business environment. The change of company name does not have any implication of the change of control of the Company. The Company will comply with the requirements of the GEM Listing Rules when there is any material change in the Group’s sphere of activity.

The change of name of the Company will not affect the rights of the Shareholders. All existing share certificates in issue bearing the former English name of the Company will, on and after the change of name of the Company, continue to be evidence of title to the Shares and shall be valid for trading, settlement and registration purposes. Subject to the approval of the Registrar of Companies in the Cayman Islands, all future share certificates of the Company will be issued under the new English name of the Company.

There will not be any free exchange of share certificates to replace the share certificates bearing the Company’s former English name with the new share certificates bearing the new English name. Should any Shareholders desire to exchange their existing share certificates for share certificates in the new English name of the Company, they may do so on payment of a fee of HK\$2.5 for each new certificate (or such higher amount as may from time to time be allowed by The Stock Exchange of Hong Kong Limited) and lodgment of the existing share certificates with the Company’s share registrar in Hong Kong, Tengis Limited, at G/F, BEA Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong.

### **EXTRAORDINARY GENERAL MEETING**

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, 9 January 2004 at 9:30 a.m. for the purpose of considering and, if thought fit, passing the resolutions 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.

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## LETTER FROM THE BOARD

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### 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.

### RECOMMENDATION

The Directors consider the proposed cancellation of options granted and the proposed change of company name are in the interests of the Company and its Shareholders as a whole and so recommend all Shareholders to vote in favour of the resolutions 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*

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# NOTICE OF EXTRAORDINARY GENERAL MEETING

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## GRANDY APPLIED ENVIRONMENTAL TECHNOLOGY CORPORATION

### 泓迪應用環保科技有限公司\*

*(Proposed to be renamed "Grandy Corporation (泓迪有限公司\*))"*

*(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, 9 January 2004 at 9:30 a.m. for the purpose of considering and, if thought fit, passing with or without amendment, the following resolutions of the Company:

### SPECIAL RESOLUTION

1. **"THAT**, subject to the approval of the Registrar of Companies in the Cayman Islands, the name of the Company be and is hereby changed from "Grandy Applied Environmental Technology Corporation" to "Grandy Corporation"."

### ORDINARY RESOLUTION

2. **"THAT:**
  - (A) conditional on the consent of the relevant optionholders, options ("Options") to subscribe for up to an aggregate of 84,745,000 shares in the capital of the Company ("Shares") granted by the Company but not exercised, split between 77,600,000 Shares and 7,145,000 Shares under its Pre-IPO Share Option Scheme and Share Option Scheme respectively, both adopted by the Company on 20 April 2002, be cancelled with effect from the dates of such optionholders' consent; and
  - (B) the directors of the Company be and are hereby authorised to do all such acts and things as they may, in their absolute discretion, deem necessary, desirable or appropriate to effect and implement the proposed cancellation of the Options as referred to in (A) above."

By order of the Board  
**Grandy Applied Environmental Technology Corporation**  
**Tsui Tai Hoi Raymond**  
*Managing Director*

Hong Kong, 16 December 2003

\* for identification purpose only

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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*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.