

*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.*



## **APPLIED INTERNATIONAL HOLDINGS LIMITED**

**實力國際集團有限公司\***

*(incorporated in Bermuda with limited liability)*

**(Stock Code: 519)**

### **MAJOR TRANSACTIONS**

#### **JOINT VENTURE BY WAY OF DEEMED DISPOSAL OF 50% OF THE SHAREHOLDING IN QUORUM ISLAND (BVI) LIMITED**

The Directors are pleased to announce that on 11 August 2006, Quorum, InterIsle, Applied Enterprises and Applied Toys entered into the Agreement under which (i) Quorum will pay a sum of US\$30 million (equivalent to approximately HK\$234,000,000) to the Group for the redemption of 50% of the equity interest held by Applied Enterprises and Applied Toys in Quorum and repayment of indebtedness owed to the Group and (ii) InterIsle will subscribe 50% equity interest in Quorum for a consideration of US\$21 million (equivalent to approximately HK\$163,800,000). The Group may also receive an additional sum of US\$5.25 million (equivalent to approximately HK\$40,950,000) from InterIsle upon the occurrence of certain event mentioned below when the consideration to be paid by InterIsle will be reduced to US\$10.5 million (equivalent to approximately HK\$81,900,000). In addition, the Agreement set forth the rights and obligations of Applied Enterprises and InterIsle in connection with their investments in Quorum. Upon completion of the Transactions, Quorum will be held as to 50% by Applied Enterprises and 50% by InterIsle.

Quorum and the Development Manager have also entered into the Initial Development and Management Agreement on 11 August 2006 pursuant to which Quorum has appointed the Development Manager as the development manager of the Project.

Each of the deemed disposal of 50% interest in Quorum and the resultant joint venture arrangement constitutes a major transaction for the Company under the Listing Rules and is subject to Shareholders' approval at a special general meeting to be convened. A circular containing details of the Transactions together with a SGM notice will be despatched to the Shareholders as soon as practicable.

#### **SUSPENSION AND RESUMPTION OF TRADING**

At the request of the Company, trading in the Shares on the Stock Exchange has been suspended with effect from 9:30 a.m. on 14 August 2006 pending issue of this announcement. Application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares from 9:30 a.m. on 16 August 2006.

Reference is made to the announcement issued by the Company dated 24 May 2006 regarding the entering into of a memorandum of agreement amongst the Company, Quorum, Interlink and IGY in respect of the proposed investment and development of the Real Property. The Directors are pleased to announce that on 11 August 2006, (i) Quorum, InterIsle, Applied Enterprises and Applied Toys entered into the Agreement and (ii) Quorum and the Development Manager entered into the Initial Development and Management Agreement. Summary of the terms of the agreements are set out below:

## **THE AGREEMENT**

**Date:** 11 August 2006

**Parties:**

1. InterIsle Holdings Ltd.
2. Quorum Island (BVI) Limited
3. Applied Enterprises Limited
4. Applied Toys Limited

### ***The Disposal and the Joint Venture Arrangement***

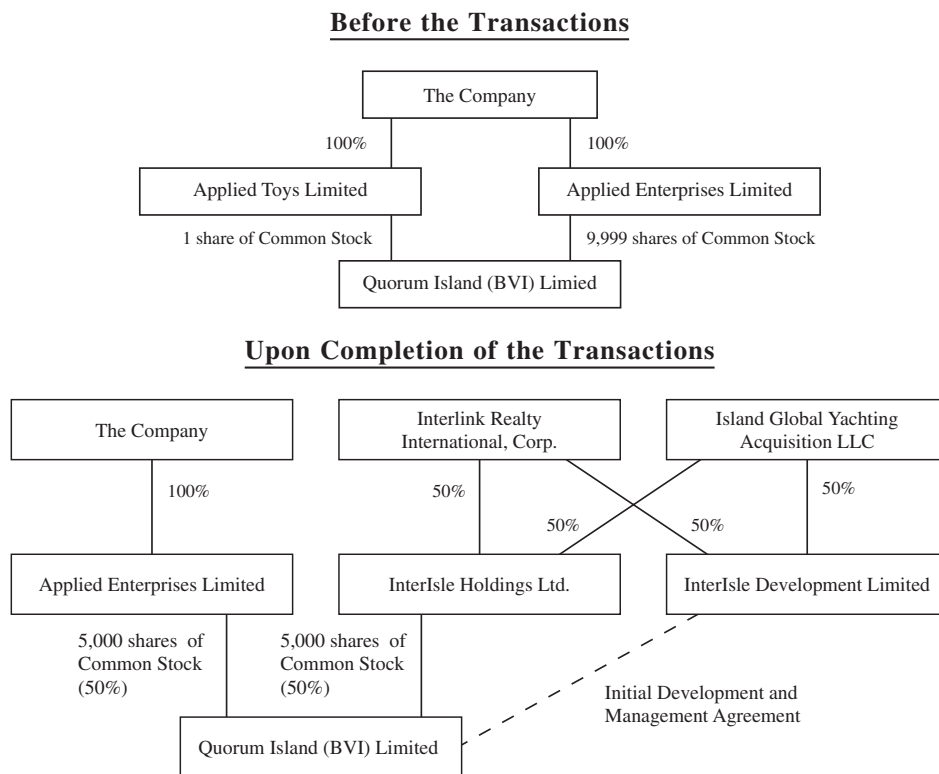
Under the terms of the Agreement:

- (i) Quorum will obtain the Initial Loan to be arranged by InterIsle in the sum of US\$51 million (equivalent to approximately HK\$397,800,000) to be secured by a first mortgage lien on the Real Property;
- (ii) Quorum will make a drawing under the Initial Loan and use US\$30 million (equivalent to approximately HK\$234,000,000) of which to (a) repay all outstanding liabilities of Quorum as at the Closing Date including those owed to the Group and (b) redeem 50% of the equity interest held by Applied Enterprises and Applied Toys in Quorum; and
- (iii) InterIsle will subscribe 50% equity interest in Quorum for a total consideration of US\$21 million (equivalent to approximately HK\$163,800,000) payable as follows:
  - (a) US\$10.5 million (equivalent to approximately HK\$81,900,000) on the Closing Date;
  - (b) US\$10.5 million (equivalent to approximately HK\$81,900,000) to be secured by a promissory note pursuant to which InterIsle will be obligated to provide such amount to Quorum as capital contribution to fund the development of the Project on the date of the closing of the first Development Loan. However, if the lender of the first Development Loan does not require such capital contribution from InterIsle, then InterIsle may in lieu of such capital contribution, pay to Applied Enterprises an amount equal to the product of the then unpaid Deferred Purchase Price and Applied Enterprises' then current equity interest in Quorum (equivalent to US\$5.25 million (equivalent to approximately HK\$40,950,000) as of the Closing Date). Upon payment of such sum to Applied Enterprises, the Deferred Purchase Price shall be deemed to be paid in full and the capital contribution of Applied Enterprises to maintain 50% interest in Quorum will be reduced from US\$21 million (equivalent to approximately HK\$163,800,000) to US\$15.75 million (equivalent to approximately HK\$122,850,000). If InterIsle fails to deliver the Deferred Purchase Price within 10 business days of the date when due, it shall return to Quorum the stock certificates representing 25% equity interest in Quorum issued to it on the Closing Date and such shares will be reissued to Applied Enterprises.

After the disbursement of the term loan and the investments mentioned above, Quorum will have US\$21 million (equivalent to approximately HK\$163,800,000) cash remaining from the term loan, cash of US\$10.5 million (equivalent to approximately HK\$81,900,000) from InterIsle as subscription monies and an obligation to fund US\$10.5 million (equivalent to approximately HK\$81,900,000) from InterIsle (subject to the situation mentioned in (b) above). Promptly following Closing, Quorum will also reimburse the Company for its out-of-pocket on account of payment of obligations incurred by Quorum in the ordinary course of business since 1 July 2006.

The consideration for the Transactions has been determined after arm's length negotiations between the parties by reference to the estimated value of the total assets of Quorum of US\$51 million (equivalent to approximately HK\$397,800,000) as agreed between the parties, the estimated budget for the initial development of the Project and previous offers received by the Group from potential equity partners.

The shareholdings of Quorum before and after the Transactions (assuming the Deferred Purchase Price has been paid in full by InterIsle) are as follows:



### ***Conditions***

The closing of the Transactions will occur on or before 30 November 2006, following satisfaction of, amongst others, the following conditions:

- (i) the Agreement and transactions contemplated thereby being approved by the Shareholders in compliance with the Listing Rules;
- (ii) all documents related to the Initial Loan being agreed and executed by the lender, Quorum, InterIsle and Applied Enterprises;
- (iii) InterIsle having obtained all requisite licenses and approvals to hold 50% interest in Quorum;
- (iv) the directors to be appointed by InterIsle and Applied Enterprises to the board of Quorum having obtained the requisite licenses to act as directors of Quorum;
- (v) the Initial Development Management Agreement being executed by the parties thereto and remain in full force and effect and not amended or modified in any manner that InterIsle deems adverse;
- (vi) InterIsle and Applied Enterprises having agreed upon and approved the Master Plan and the Development Budget;
- (vii) Quorum having received planning approval of the Master Plan from Development Control Authority and all other appropriate governmental authorities of the British Virgin Islands; and
- (viii) Quorum having received all other governmental approvals, permits, licenses, authorizations and clearances required for its performance of the Agreement, the Development Agreement and the Initial Development Management Agreement and the transactions contemplated therein.

In respect of the condition referred to in item (i) above, Mr. Hung has agreed to vote and cause his immediate family to vote in favour of the Transactions at the SGM. As at the date of this announcement, Mr. Hung and his associates are interested in approximately 49.09% shareholding in the Company.

### ***Management***

Following the Closing, the Quorum Board will consist of 4 directors. So long as it owns at least 50% of the aggregate outstanding Common Stock acquired/held (as the case may be) by it on the Closing Date, each of InterIsle and Applied Enterprises is entitled to nominate 2 directors. The number of directors may be altered only by the affirmative vote of the holders of 80% of the Common Stock then held by all of the Stockholders.

Save for certain matters which require unanimous approval of the Quorum Board, all decisions of the Quorum Board will be by majority vote. The Agreement specifies matters which may be decided by the majority of the Quorum Board, by unanimous approval of the Quorum Board and by the approval of the holders of at least 90% of the outstanding Common Stock. Apart from the reserved matters specified in the Agreement, the Development Manager will have the right and authority to act on behalf of Quorum with respect to management, development and operational issues in accordance with the Development Management Agreement.

### ***Additional Capital Requirements***

No Stockholder will be required to guarantee or incur any liability in respect of any portion of the Initial Loan or any Development Loan save that under the terms of the Agreement, the Development Loan may (at the election of the Development Manager) be secured by, among other things, (a) a pledge and security interest on all the Common Stock beneficially owned by the Stockholders (b) a first mortgage on the Real Property and related improvements in favour of the lender and (c) a first priority security interest, mortgage or charge on any other property and assets of Quorum and its subsidiaries. The parties have agreed that the Initial Loan will only be secured by a first mortgage on the Real Property and no guarantee will be provided by the Company.

The Quorum Board may determine and each Stockholder may be required to provide additional capital contributions pro rata according to their then percentage ownership interest in Quorum to the extent necessary to fund the approved development budget if Quorum is unable to obtain a Development Loan. The Stockholder which fails to contribute the additional capital may have its ownership interest diluted proportionately if the deficiency is funded by the other Stockholder.

The estimated size of the Development Loans required for the Project in the next three years is approximately US\$150 million (equivalent to approximately HK\$1,170,000,000) and further Development Loans may be required subject to factors which the Company is unable to ascertain at the moment. In the event that Applied Enterprises is required to make such additional contribution, it will consider the financial position of the Company and the types of fund raising methods available at the time and will fund the additional contributions in a way which is in the best interests of the Company. The Company will comply with the applicable requirements under the Listing Rules as and when appropriate.

### ***Representations, Warranties and Indemnities of Mr. Hung***

Under the terms of the Agreement, Mr. Hung has provided representations and warranties to InterIsle in respect of matters concerning the liabilities and obligations of Quorum and the Project. Mr. Hung also agreed to indemnify InterIsle personally from and against any and all liabilities arising out of, amongst others, the gross negligence, willful misconduct, or willful violation by any of the Applied Entities of any law and the breach of any representation and warranty made by him.

### ***Other Terms***

Pursuant to the Agreement, the parties agree that if Quorum decides to develop retail space in the Trellis Bay area or any other portion of the Project, Smiths Gore (Overseas) Limited will be selected by Quorum to act as lead leasing agent for such commercial space on terms and conditions to be negotiated in good faith by the Development Manager. To the best of the knowledge, information and belief of the Directors (having made all reasonable enquiries), Smiths Gore (Overseas) Limited and its ultimate beneficial owners are independent third parties of the Group and not the connected persons (as defined in the Listing Rules) of the Group.

In addition, Quorum will also appoint InterIsle (or its designated affiliate) as the lead broker for sales of all residential properties at the Project for a sale commission equal to not more than 6% of the gross sale price. Smith Gore (Overseas) Limited will be designated as a preferred co-broker for sales of residential properties at the Project on commercially reasonable terms to be agreed between the two parties.

The Agreement also set forth restrictions on the sale, assignment, transfer, pledge, encumbrance or other disposition of the Common Stock.

### ***Termination***

#### **Prior to the Closing Date**

- (i) The Agreement may be terminated by InterIsle prior to the Closing Date if:
  - (a) the directors nominated by InterIsle determine not later than 45 days after the effective date of the Agreement that the development of the Project is not commercially feasible as a result of financial considerations, soil and sub-soil or any other condition of the Real Property;
  - (b) all material permits required for the commencement of construction of the initial phase of the Project have not been obtained on or prior to 30 November 2006 or the cost of complying with the conditions in such permits is too onerous in the reasonable opinion of InterIsle;
  - (c) the lender will not approve the Initial Loan on terms and conditions reasonably satisfactory to InterIsle; or
  - (d) Applied Enterprises has not obtained within 60 days from the date of execution of the Agreement by Quorum all such approvals of the Stock Exchange as may be necessary to give effect to the terms of the Agreement.
- (ii) The Agreement may be terminated by Applied Entities prior to the Closing Date if InterIsle fails to obtain a Letter of Commitment from a reputable commercial bank for the Initial Loan upon terms reasonably acceptable to Applied Entities and Quorum within 30 days of the date on which the Master Plan and the Development Budget are approved by the Quorum Board.
- (iii) The Agreement may be terminated by either InterIsle or Applied Entities prior to the Closing Date if:
  - (a) construction of the initial phase of the Project cannot be commenced on or prior to 1 December 2006 through no fault of the party seeking to terminate;
  - (b) Quorum ceases to function as a going concern or conduct its operations in the normal course of business;
  - (c) the Stockholders are unable to agree upon the Master Plan or the Development Budget within 60 days following the execution of the Agreement by Quorum; or
  - (d) there is filed, with respect to Quorum, in any court pursuant to any statute of the United Kingdom or the British Virgin Islands a petition in bankruptcy or insolvency, or for a reorganization, or for the appointment of a receiver or trustee of all or a substantial portion of Quorum's property, or if Quorum makes an assignment for the benefit of creditors, or if a petition in bankruptcy is filed against Quorum which is not discharged within 60 days thereafter.

Upon any such termination mentioned above, the respective obligations of the parties will terminate and neither party will be obligated to consummate the transactions contemplated under the Agreement.

#### **Joint Venture Termination Date**

The Stockholders will use commercially reasonable efforts to effect a sale of the Project or their interest therein by the 20th anniversary of the Closing Date. If the Project or the Stockholders' interest is not sold by such date, subject to the tag-along rights specified in the Agreement, the Stockholders may sell its interest free of the other restrictions contained in the Agreement.

## **INITIAL DEVELOPMENT AND MANAGEMENT AGREEMENT**

**Date:** 11 August 2006

**Parties:** 1. Quorum Island (BVI) Limited  
2. InterIsle Development Ltd.

### ***The Term***

The Development Manager is appointed by Quorum as the development and operating manager for the Project. Subject to the rights of Quorum to terminate such appointment in accordance with the terms of the Initial Development and Management Agreement, the appointment will terminate on the Joint Venture Termination Date.

### ***Responsibilities***

Other than the reserved matters specified in the Agreement which remain subject to approval by Quorum, the Development Manager has the responsibility for all aspects of the operations, activities and enterprises of Quorum and the Project. In particular, the Development Manager will be responsible for the acquisition of license and permits necessary for the construction and development of the Project, sales and marketing of the Project, hiring of employees and supervision of all phases of the construction of the Project. The Development Manager will develop the Project in accordance with the Development Agreement and the approved Master Plan with detailed construction drawings approved by relevant authorities. The development will be financed in accordance with the agreement amongst the parties and a budget prepared by the Development Manager and approved by Quorum which, if in excess of the amount agreed by the parties, will be subject to approval by the Quorum Board.

### ***Management Fees***

The Development Manager will be entitled to a management fee equivalent to 5% of the aggregate Development Costs for the Project excluding any increase in costs due to the negligence or mismanagement of or the breach of any terms by the Development Manager. Upon completion of each phase or component of the Project, an asset management fee equal to 1.25% of the gross operating revenues produced by such phase or component will be payable to the Development Manager for the supervision of such component which includes the hotel, the marina, the golf course and the commercial space. If the Development Manager procures any debt or equity financing for the Project (other than those contributed by the Stockholders under the Agreement and the Initial Loan), it will also be entitled to a success and structuring fee equal to 0.5% of the aggregate amount of such financing.

### ***Termination***

Quorum will have the right to terminate the Initial Development and Management Agreement if, amongst others,:

- (i) the Development Manager breaches any material term, covenants, warranties or representations contained in the Initial Development and Management Agreement and where the breaches are not cured within a specified period;
- (ii) the Development Manager assigns any of its rights under the Initial Development and Management Agreement without the prior written consent of Quorum;
- (iii) there is any material departure from the Development Budget which departure was reasonably foreseeable and could reasonably have been avoided by a responsible manager;
- (iv) there is any material departure from the Master Plan which was within the reasonable control of the Development Manager and could reasonably have been avoided by a responsible manager;
- (v) the Development Manager fails to proceed diligently and in a professional manner with its responsibilities as manager;

- (vi) the occurrence of gross negligence or willful misconduct on the part of the Development Manager;
- (vii) InterIsle fails to pay the Deferred Purchase Price and forfeits a portion of the Common Stock under the terms of the Agreement;
- (viii) InterIsle or any of its parent company ceases, directly or indirectly, to own at least 50% of the Common Stock which is held by it on the Closing Date.

## **FINANCIAL INFORMATION ON QUORUM**

Based on the management accounts of Quorum as at 30 June 2006, the total asset value of Quorum is approximately US\$18.1 million (equivalent to approximately HK\$141,180,000) which includes shareholders' loan from the Group of approximately US\$16.8 million (equivalent to approximately HK\$131,040,000) and the net asset value of Quorum is approximately US\$1.3 million (equivalent to approximately HK\$10,140,000). Quorum has yet to develop the Project and has generated neither turnover nor profit for the two financial years ended 30 June 2006.

With Quorum's total asset value of US\$51 million (equivalent to approximately HK\$397,800,000) as agreed between the parties, the Group agreed to receive at least US\$30 million (equivalent to approximately HK\$234,000,000) and an additional sum of US\$5.25 million (equivalent to approximately HK\$40,950,000) from InterIsle upon no requirement of capital contribution from InterIsle. Based on the maximum amount of US\$35.25 million (equivalent to approximately HK\$274,950,000) which may be received by the Group under the Agreement, a maximum gain of approximately US\$26.2 million (equivalent to approximately HK\$204,360,000) will be recognized by the Group, being the difference between the maximum amount and 50% of the total asset value of Quorum as at 30 June 2006 in the amount of US\$9.05 million (equivalent to approximately HK\$70,590,000) and the remaining capital gain of US\$11.95 million (equivalent to approximately HK\$93,210,000) will remain as further capital contribution of Quorum by the Group. Upon completion of the Transactions, Quorum will be held as to 50% by Applied Enterprises and 50% by InterIsle and will cease to be a subsidiary to the Group.

Quorum will not be controlled by the Group upon completion of the Transactions and the Group will recognise its interest in Quorum using proportionate consolidation since Quorum will be qualified as a jointly controlled entity under Hong Kong Accounting Standard 31 "Interests in Joint Venture". The Company's share of each of the assets, liabilities (including the Initial Loan and any Development Loans), income and expenses of Quorum will be included in its financial statements upon the application of proportionate consolidation.

## **REASONS FOR AND BENEFITS OF THE TRANSACTIONS**

The Group is principally engaged in property and investment holding and property development and the design, manufacture, marketing and distribution of consumer electronic products.

Pursuant to the joint venture arrangement, Applied Enterprises and InterIsle intend to develop the Real Property into a mixed-use luxury resort, to include, among others, a luxury hotel that may include a condominium hotel and fractional ownership element, an 18-hole championship golf course, a variety of residential units, a marina and high-end retail commercial area, together with the related infrastructure improvements and installation of utilities. The construction of the various components of the Project will commence at the same time and development of the Project will not be divided into different phases as such.

Given the expertise of Interlink and IGY in the construction and resort development industry, the Company considers that the entering into of the Transactions will enable the Group to form alliance with renowned expertise in the industry while providing it an opportunity to realize its investment and improve the liquidity of the Group. The Company believes that the Project, with its innovative approach to resort development comprising golf course, hotel and properties, will generate a steady income stream for the Company in future years. Given the strong economic fundamentals and a healthy prospect in resorts and property sector, and in particular with the increasing popularity of golf sports worldwide, the Group considers the Project to be a significant investment and will bring considerable profit to the Group. So far as income stream is concerned, presale of the residential units is planned to commence in 2007 and it is estimated that income from the hotel will start to derive after 3 to 4 years when construction of the hotel will be completed.

The Directors are of the view that the terms of the Agreement and the consideration are fair and reasonable and the proposed Transactions are in the interest of the Company and the Shareholders as a whole.

## **USE OF PROCEEDS**

The Company will use the proceeds of approximately US\$30 million (equivalent to approximately HK\$234,000,000) from the repayment of indebtedness owed to the Group by Quorum and the redemption of its 50% interest in Quorum for acquisition of land bank for future resort development in the region of South America, Pacific Islands and Caribbean. The Company has not yet identified any potential acquisition as at the date of this announcement.

## **INFORMATION ON INTERISLE, THE DEVELOPMENT MANAGER, INTERLINK AND IGY**

### *InterIsle and the Development Manager*

InterIsle and the Development Manager are both owned as to 50% by Interlink and 50% by IGY. To the best of the knowledge, information and belief of the Directors (having made all reasonable enquiries), InterIsle is an investment holding company and the Development Manager is a company engaged in property development.

### *Interlink*

Interlink Group has been a leader for 28 years in Puerto Rico and the Caribbean in the development and construction of high-end residential, hospitality and resort projects. Some of Interlink's signature projects include the development and construction of Las Casitas Village, a AAA Five-Diamond Award resort, consisting of a 159-unit condo-hotel located at the El Conquistador Resort & Golden Door Spa; and the restoration of the historic Hotel El Convento in Old San Juan, a 350-year old former convent converted to a 68-room boutique hotel, which is a member of the Small Luxury Hotels of the World. In addition, Interlink has managed the construction of hotel works totaling more than 1,400 rooms and has developed over 2,500 housing units in Puerto Rico and Florida.

Interlink is currently developing Bahia Beach Resort & Golf Club on a 500-acre beachfront property 16 miles east of the San Juan International Airport. This project, master-planned by EDSA, includes a St. Regis Resort and Residences designed by Hill Glazier Architects, a Robert Trent Jones II championship golf course managed by Troon Golf, and multiple luxury residential projects designed by SB Architects. Interlink is also the developer of the 500-room Sheraton Convention Center Hotel in San Juan, designed by RTKL and BBGM, and scheduled to break ground during the summer of 2006.

### *IGY*

IGY is the premier developer and manager of luxury marina facilities. IGY focuses on designing, developing, acquiring, and controlling mega-yacht and other luxury-class marina facilities in key yachting and nautical tourism areas around the world. Headquartered in New York, IGY also has offices in Ft. Lauderdale, Florida, Greenville, South Carolina, St. Thomas, US Virgin Islands, St. Maarten, Netherlands Antilles, and Dubai, UAE. IGY's flagship development is Yacht Haven Grande, a US\$175 million (equivalent to approximately HK\$1,365,000,000) mega-yacht marina and mixed-use facility located in St. Thomas, United States Virgin Islands, and scheduled to open in September 2006.

IGY is a controlled affiliate of Island Capital Group LLC ("ICG"), a real estate merchant bank headquartered in New York. ICG holds a portfolio of interests in real estate investment properties and securities with market capitalization of more than US\$20 billion (equivalent to approximately HK\$156,000,000,000). The current portfolio includes 230 Park Avenue in New York and 260 Park Avenue South in New York. ICG has recently sold interests in more than US\$8 billion (equivalent to approximately HK\$62,400,000,000) of investment properties located throughout the United States. ICG was founded in 2003 by Andrew L. Farkas, who was previously Chairman and Chief Executive Officer of Insignia Financial Group, Inc. (NYSE: IFS), a global real estate services company that was merged with CB Richard Ellis in July 2003 to form the world's largest commercial real estate services company. During the period from its founding with US\$5 million (equivalent to approximately HK\$39,000,000) of equity in 1990 through its merger in 2003, Mr. Farkas grew Insignia into the largest owner and operator of multifamily real estate and among the largest owners and operators of commercial space in the United States, controlling or managing approximately 350,000 residential units and over 200 million square feet of commercial space.

To the best of the knowledge, information and belief of the Directors (having made all reasonable enquiries), Interlink, IGY, InterIsle, the Development Manager and their ultimate beneficial owners are independent third parties of the Group and not the connected persons (as defined in the Listing Rules) of the Group.



## General

As the consideration for each of the deemed disposal of 50% interest in Quorum and the resultant joint venture arrangement represents more than 25% but less than 75% of the applicable percentage ratios, the Transactions constitute major transactions for the Company under the Listing Rules and is subject to Shareholders' approval at a special general meeting to be convened. No Shareholder is required to abstain from voting in respect of the ordinary resolution to approve the Transactions at the SGM.

A circular containing, among other things, (i) details of the Agreement and the transactions contemplated therein and (ii) a notice convening the SGM, will be dispatched to the Shareholders as soon as practicable.

At the request of the Company, trading in the Shares on the Stock Exchange has been suspended with effect from 9:30 a.m. on 14 August 2006 pending issue of this announcement. Application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares from 9:30 a.m. on 16 August 2006.

## DEFINITIONS

In this announcement, unless the context requires otherwise, the following terms have the meanings set out below:

“Agreement”	the stock purchase and joint venture agreement dated 11 August 2006 entered into amongst InterIsle, Applied Enterprises, Applied Toys and Quorum;
“Applied Enterprises”	Applied Enterprises Limited, a company incorporated in Hong Kong and a wholly owned subsidiary of the Company;
“Applied Entities”	Applied Enterprises and Applied Toys;
“Applied Toys”	Applied Toys Limited, a company incorporated in Hong Kong and a wholly owned subsidiary of the Company;
“Board”	the board of Directors;
“Closing”	completion of the transactions contemplated under the Agreement;
“Closing Date”	the date of Closing being on or before 30 November 2006;
“Common Stock”	the common stock of Quorum;
“Company”	Applied International Holdings Limited, a company incorporated in Bermuda and the shares of which are listed on the Stock Exchange;
“Deferred Purchase Price”	US\$10.5 million (equivalent to approximately HK\$81,900,000);
“Development Agreement”	the development agreement dated 2 December 2005 entered into between Quorum and the Government of the British Virgin Islands relating to the proposed development of the Project;
“Development Budget”	the budget prepared by the Development Manager and approved by the Quorum Board;
“Development Costs”	the total development cost of the Project as set forth in the Development Budget, net of (i) land costs, (ii) costs incurred in connection with the financing of the construction of the Project, (iii) sales commissions, (iv) contingency reserves, and (v) taxes and governmental permits and license fees;
“Development Loan”	additional borrowings (other than the Initial Loan) and other non-equity capital to finance the development of the various phases of the Project;
“Development Manager”	InterIsle Development Ltd., a company incorporated in the British Virgin Islands and owned as to 50% by Interlink and 50% by IGY;

“Development Management Agreement”	the Initial Development and Management Agreement or, following the termination of the Initial Development and Management Agreement, such substitute agreement for the management of the development and/or operation of the Project as may be approved by the affirmative vote of the majority in interest of the Stockholders;
“Directors”	the directors of the Company;
“Group”	the Company and its subsidiaries;
“Hong Kong”	The Hong Kong Special Administrative Region of the People’s Republic of China;
“Initial Development and Management Agreement”	the development and management agreement dated 11 August 2006 entered into between Quorum and the Development Manager;
“Initial Loan”	a term loan to be arranged by InterIsle with a reputable commercial bank or financial institution in the aggregate principal sum of US\$51 million (equivalent to approximately HK\$397,800,000);
“InterIsle”	InterIsle Holdings Ltd., a company incorporated in the British Virgin Islands and owned as to 50% by Interlink and 50% by IGY;
“Interlink”	Interlink Realty International, Corp., a company incorporated in Puerto Rico;
“IGY”	Island Global Yachting Acquisitions LLC, a company incorporated in the United States;
“Joint Venture Termination Date”	the 20th anniversary of the Closing Date or such earlier date upon which the Agreement shall terminate;
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange;
“Mr. Hung”	Mr. Hung Kin Sang, Raymond, an executive Director;
“Master Plan”	the master plan of the Project as may be agreed upon by InterIsle and Applied Enterprises prior to the Closing Date and approved by the Government of the British Virgin Islands and the Development Control Authority;
“Project”	the development of the Real Property into a mixed-use luxury resort as described in the Master Plan;
“Quorum”	Quorum Island (BVI) Limited, a company incorporated in the British Virgin Islands and a wholly owned subsidiary of the Company;
“Quorum Board”	the board of directors of Quorum;
“Real Property”	a site of approximately 660 acres (28.75 million sq.ft.) located at Beef Island, Tortola, the British Virgin Islands;
“SGM”	a special general meeting of the Company to be convened to approve, amongst other things, the Agreement and the Transactions;
“Shareholders”	holders of Shares;
“Shares”	shares of HK\$0.01 each in the share capital of the Company;
“Stockholders”	InterIsle and Applied Enterprises, and any other person who becomes an owner of Common Stock in compliance with the terms of the Agreement and agrees to comply with the terms of the Agreement;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;

“Transactions”                    the deemed disposal of 50% interest in Quorum and the resultant joint venture arrangement under the terms of the Agreement; and

“US\$”                                United States dollars, the lawful currency of the United States of America.

*Unless otherwise specified in this announcement, conversions of US\$ into HK\$ are made in this announcement, for illustration only, at the rate of US\$1.00 to HK\$7.80. No representation is made that any amounts in US\$ or HK\$ could have been or could be converted at that rate or at any other rate.*

By order of the board  
**Applied International Holdings Limited**  
**Hung Kin Sang, Raymond**  
*Executive Director*

Hong Kong, 15 August 2006

*As at the date of this announcement, the executive Directors are Mr. Hung Kin Sang, Raymond, Ms. Hung Wong Kar Gee, Mimi, Mr. Fang Chin Ping and Mr. Hung Kai Mau, Marcus and the independent non-executive Directors are Mr. Soo Hung Leung, Lincoln, Mr. Lo Yun Tai, Mr. Lun Tsan Kau and Mr. Lam Ka Wai, Graham.*

*\* For identification only*

“Please also refer to the published version of this announcement in the South China Morning Post and China Daily”