
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

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

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實力國際集團有限公司*
APPLIED INTERNATIONAL HOLDINGS LIMITED
(Incorporated in Bermuda with limited liability)

DISCLOSEABLE TRANSACTION

14 November 2003

* for identification purpose only

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DEFINITIONS

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

“APHY”	Applied Properties (Hui Yang) Limited S.A., a wholly-owned subsidiary of the Company incorporated in the Republic of Panama
“Additional Consideration”	an additional consideration of RMB2.5 million (approximately HK\$2,358,491)
“Company”	Applied International Holdings Limited, a company incorporated in Bermuda with limited liability on 9 September 1975 and the shares of which are listed on the Main Board of the Stock Exchange
“Dan Shui Property”	the development site for the proposed Sun Young City, Dan Shui, Huiyang County, Guangdong Province, the PRC
“Group”	the Company and its subsidiaries
“JV Company”	Sun City Development (Danshui) Ltd. 惠州市惠陽區淡水新陽城建設有限公司, an equity joint venture established in the PRC on 18 July 1992 which was owned as to 60% by APHY and 40% by the JV Partner
“JV Agreement”	the joint venture agreement dated 9 May 1992 entered into between APHY and the JV Partner
“JV Partner”	Huizhou Hui Yang Danshui Real Estate Development Co. 惠州市惠陽區淡水房地產開發總公司
“Latest Practicable Date”	14 November 2003, being the latest practicable date prior to the printing of this circular for ascertaining certain information for inclusion in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

DEFINITIONS

“PRC”	the People’s Republic of China, excluding the Hong Kong Special Administrative Region
“Plot A”	the land owned by the JV Company in an area of 177,862 square metres
“Plot B”	the land owned by the JV Company in an area of 266,023 square metres
“Purchaser”	Zhejiang Se Fu Real Estate Development Co. Ltd. 浙江賜富房地產開發有限公司. Both the Purchaser and its beneficial owner are independent third parties not connected with any of the directors, chief executive or substantial shareholders of the Company or any of its subsidiaries or any of their respective associates (as defined under the Listing Rules)
“S&P Agreement”	the sale and purchase agreement dated 20 October 2003 between, amongst other persons, APHY, the JV Partner and the Purchaser
“SFO”	the Securities and Futures Ordinance (cap. 571 of the laws of Hong Kong)
“Sale”	the sale by APHY of its 59% interest in the JV Company to the Purchaser
“Shares”	ordinary share(s) of HK\$0.20 each in the capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supplemental Agreements”	the two supplemental agreements to the S&P Agreement both dated 20 October 2003

LETTER FROM THE BOARD



實力國際集團有限公司*
APPLIED INTERNATIONAL HOLDINGS LIMITED
(Incorporated in Bermuda with limited liability)

Executive Directors

Mr. Hung Kin Sang, Raymond
(Chairman and Managing Director)
Ms. Hung Wong Kar Gee, Mimi
Mr. Fang Chin Ping

Registered Office:

Canon's Court
22 Victoria Street
Hamilton HM12
Bermuda

Non-executive Directors

Mr. Soo Hung Leung, Lincoln

Independent Non-executive Directors

Mr. Lo Yun Tai
Mr. Lun Tsan Kau

*Principal place of business
in Hong Kong:*

41/F., Far East Finance Centre
16 Harcourt Road
Central
Hong Kong

14 November 2003

To the Shareholders

Dear Sir/Madam,

DISCLOSEABLE TRANSACTION

INTRODUCTION

On 27 October 2003, the Directors announced that pursuant to the S&P Agreement dated 20 October 2003 (as supplemented by the Supplemental Agreements), APHY, a wholly-owned subsidiary of the Company, has agreed to sell its 59% interest in the JV Company, a joint venture company between APHY and the JV Partner which was established for purposes of developing the Dan Shui Property, to the Purchaser for a consideration of approximately RMB62.5 million (approximately HK\$58,962,264). Pursuant to the Supplemental Agreements, APHY is entitled to receive RMB65 million (approximately HK\$61,320,755) instead of RMB62.5 million (approximately HK\$58,962,264) as the JV Partner is prepared to pay to

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LETTER FROM THE BOARD

APHY the difference of RMB2.5 million (approximately HK\$2,358,491), being the Additional Consideration, to complete the Sale. The consideration for the Sale of RMB62.5 million (approximately HK\$58,962,264) was determined on an arms' length basis between the Company and the Purchaser and the payment of the Additional Consideration by the JV Partner to APHY was determined on an arms' length basis between the Company and the JV Partner.

The Sale constitutes a discloseable transaction for the Company under the Listing Rules and accordingly is subject to disclosure by way of a circular containing brief details of the Sale.

THE S&P AGREEMENT

On 20 October 2003, the S&P Agreement was signed between, amongst other persons, APHY, the JV Partner and the Purchaser.

Pursuant to the S&P Agreement, APHY and the JV Partner respectively holds 60% and 40% interest in the JV Company and have agreed to sell 59% and 39% of their respective interests in the JV Company to the Purchaser.

The JV Company owns two plots of land (comprising Plot A and Plot B) totalling 443,885 square metres and is principally engaged in the development of the Dan Shui Property and the construction of buildings thereon for commercial and/or residential uses.

The consideration under the S&P Agreement payable to APHY amounted to approximately RMB62.5 million (approximately HK\$58,962,264) and shall be payable to APHY in accordance with the following terms and conditions:–

- (1) 30% within 15 days from the effective date of the S&P Agreement being 20 October 2003;
- (2) 30% within 15 days from the date on which the Vendors have obtained the requisite approvals from the PRC authorities in connection with the sale and purchase and have delivered vacant possession of Plot A to the Purchaser; and
- (3) the balance within 15 days from the date on which the JV Partner has completed the rewiring of electricity cables on the Dan Shui Property and has delivered vacant possession of Plot B to the Purchaser.

The sale of APHY and the JV Partner's respective interest in the JV Company under the S&P Agreement is, by reference to their respective percentage holdings in the registered capital of the JV Company, at the same price pro rata such registered capital.

LETTER FROM THE BOARD

Given that the conditions in (2) and (3) above may require time to fulfill, it is the commercial intention of the parties to the S&P Agreement to complete within one year.

The S&P Agreement may be terminated on the following conditions:-

- (1) mutual agreement between the parties to the S&P Agreement;
- (2) events of force majeure happening; and
- (3) as required by any PRC laws and regulations.

THE SUPPLEMENTAL AGREEMENTS

According to the Supplemental Agreements:

- (1) APHY and the JV Partner gave an undertaking to the Purchaser that they will not perform any obligations or accept any responsibility in respect of their respective 1% shareholding interest in the JV Company;
- (2) APHY shall receive RMB65 million (approximately HK\$61,320,755) for the Sale and the difference between this amount and the approximate RMB62.5 million (approximately HK\$58,962,264) as stated in the S&P Agreement shall be payable to APHY by the JV Partner;
- (3) APHY shall receive RMB20 million (approximately HK\$18,867,925) instead of receiving the initial 30%;
- (4) APHY shall receive RMB10 million (approximately HK\$9,433,962) instead of receiving the second 30%; and
- (5) APHY shall receive RMB35 million (approximately HK\$33,018,868) instead of receiving the balance.

LETTER FROM THE BOARD

THE COMPANY AND APHY

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

APHY is principally engaged in property holding in the PRC and according to the JV Agreement, the JV Company was formed for purposes of carrying out the proposed development at the Dan Shui Property development site for commercial and/or residential uses.

THE JV COMPANY

The JV Company has a registered capital of HK\$50,000,000 and is principally engaged in the construction and development of the Dan Shui Property for commercial and/or residential uses.

The loss before and after taxation of the JV Company for the financial years ended 30 June 2001 and 30 June 2002 (based on audited financial information) and the six months ended 31 December 2002 (based on unaudited financial information) amounted to HK\$260,282, HK\$170,673 and HK\$38,278 respectively. As at 31 December 2002, the JV Company had total net asset value of HK\$102,991,930.98 (net current liabilities of HK\$25,248,908.19). The JV Company sustained a loss of HK\$2,847,651.80 during the period from the date of its establishment on 18 July 1992 to 31 December 2002 and has not incurred any external indebtedness.

CONNECTED TRANSACTION BETWEEN THE COMPANY AND THE JV PARTNER

As the JV Partner has agreed to pay APHY the Additional Consideration pursuant to the Supplemental Agreements, the payment of the Additional Consideration constitutes, in the view of the Stock Exchange, a connected transaction between the Company and the JV Partner (being a substantial shareholder of the JV Company). As the Additional Consideration is less than HK\$10,000,000, payment by the JV Partner of the Additional Consideration is only subject to disclosure pursuant to Rule 14.25(1) of the Listing Rules and is not subject to approval by the Company's shareholders.

The JV Partner is an independent third party not connected with the Purchaser. The JV Partner has agreed to pay APHY the Additional Consideration for purposes of facilitating the entire transaction between, amongst other persons, APHY, the JV Partner and the Purchaser. The transaction between the Purchaser and the JV Partner, on the one hand, and the Purchaser and APHY, on the other hand, are not inter-conditional and completion need not be simultaneous.

LETTER FROM THE BOARD

The Directors (including the independent non-executive Directors) of the Company are of the view that both the S&P Agreement and the Supplemental Agreements were entered into by the respective parties thereto on normal commercial terms and on an arms' length basis.

CONSIDERATION

The consideration of RMB62.5 million (approximately HK\$58,962,264) and the Additional Consideration of RMB2.5 million (approximately HK\$2,358,491), which amount to a total of RMB65 million (approximately HK\$61,320,755) represents approximately the cost of APHY's investment in the JV Company. The consideration of RMB62.5 million (approximately HK\$58,962,264) was determined on an arms' length basis between the Company and the Purchaser and the Additional Consideration of RMB2.5 million (approximately HK\$2,358,491) was determined on an arms' length basis between the Company and the JV Partner.

REASONS AND BENEFITS

The directors of the Company believe that the Sale price of RMB62.5 million (approximately HK\$58,962,264) and the Additional Consideration of RMB2.5 million (approximately HK\$2,358,491), amounting to a total of RMB65 million (approximately HK\$61,320,755), are fair and reasonable given the current market conditions, and in particular the illiquidity of the Dan Shui property market, and that the Sale is in the best interests of the Company and its shareholders as the cash raised from the Sale will improve the Company's liquidity and increase the funds available for general working capital.

APHY's 59% equity interest in the JV Company is sold at a loss of HK\$474,404 (approximately RMB502,868) and the proceeds from the Sale are intended to be used as working capital for the Company.

LETTER FROM THE BOARD

GENERAL

The Sale constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules.

ADDITIONAL INFORMATION

Your attention is drawn to the General Information as incorporated in the appendix of this circular.

Unless otherwise specified in this circular, translations of RMB into HK\$ are made in this circular, for illustration only, at the rate of RMB1.06 to HK\$1.00. No representation is made that any amounts in HK\$ or RMB 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
Chairman and Managing Director

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts not contained herein the omission of which would make any statement contained in this circular misleading.

2. DISCLOSURE OF INTERESTS

(a) Interests of Directors

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), the Model Code for Securities Transactions by Directors of Listed Companies and which were required to be entered into the register required to be kept under section 352 of the SFO were as follows:—

(i) *Long positions in Shares*

Name	Number of Shares per Capacity			Total number of Shares	Approximate % shareholding
	Beneficial	Founder of a discretionary trust and discretionary object	Corporate		
Hung Kin Sang, Raymond	3,280,000	405,655,584 <i>(Note 1)</i>	48,329,000 <i>(Note 2)</i>	457,264,584	48.59%
Hung Wong Kar Gee, Mimi	8,870,056	405,655,584 <i>(Note 1)</i>	48,329,000 <i>(Note 2)</i>	462,854,640	49.18%
Fang Chin Ping	100,000	–	–	100,000	0.01%
Soo Hung Leung, Lincoln	1,100,000	–	–	1,100,000	0.12%

(ii) Long positions in underlying Shares

Name	Number of underlying Shares per Capacity			Total number of underlying Shares (warrants)	Approximate % shareholding
	Beneficial	Founder of a discretionary trust and discretionary object	Corporate		
Hung Kin Sang, Raymond	560,000	81,131,116 <i>(Note 1)</i>	9,665,800 <i>(Note 2)</i>	91,356,916	9.71%
Hung Wong Kar Gee, Mimi	1,774,011	81,131,116 <i>(Note 1)</i>	9,665,800 <i>(Note 2)</i>	92,570,927	9.84%
Fang Chin Ping	20,000	–	–	20,000	0.002%
Soo Hung Leung, Lincoln	220,000	–	–	220,000	0.02%

Notes:

- (1) These Shares and Underlying Shares are held by the following companies:–

	Number of Shares	Number of underlying Shares (warrants)
Malcolm Trading Inc.	43,992,883	8,798,576
Primore Co. Inc.	2,509,266	501,853
Capita Company Inc.	359,153,435	71,830,687
iQuorum Cybernet Limited	48,329,000	9,665,800
	<u>453,984,584</u>	<u>90,796,916</u>

Malcolm Trading Inc., Primore Co. Inc. and Capita Company Inc. are wholly-owned by the Marami Foundation as trustee for the Raymond Hung/Mimi Hung & Family Trust, a discretionary trust the discretionary objects of which include the family members of Hung Kin Sang, Raymond and Hung Wong Kar Gee, Mimi (husband and wife).

- (2) These Shares and Underlying Shares are held by iQuorum Cybernet Limited which is a wholly-owned subsidiary of Applied (China) Limited. Applied (China) Limited, the shares of which are listed on the Stock Exchange, is a 74.99% owned subsidiary of the Company. As Capita Company Inc. owns more than one-third of the issued Shares and the underlying Shares of the Company and Capita Company Inc. is in turn a wholly-owned subsidiary of the Marami Foundation, the trustee of the Raymond Hung/Mimi Hung & Family Trust the discretionary objects of which include the family members of Hung Kin Sang Raymond and Hung Wong Kar Gee Mimi (husband and wife), both Hung Kin Sang Raymond and Hung Wong Kar Gee Mimi are deemed to be interested in such long positions.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interests and short positions in the Shares, underlying Shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock

Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), the Model Code for Securities Transactions by Directors of Listed Companies and which were required to be entered into the register required to be kept under section 352 of the SFO.

(b) Interests of Shareholders

As at the Latest Practicable Date, so far as is known to the Directors and the chief executive of the Company, the following persons (other than a Director or chief executive of the Company) had an interest or short position in the Shares or underlying Shares which fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO.

Name	Capacity	Number of Shares	Number of underlying Shares (Warrants)	% shareholding
Capita Company Inc.	Beneficial	359,153,435 (Note 3)	71,830,687 (Note 3)	45.8%
Marami Foundation	Corporate	359,153,435 (Note 3)	71,830,687 (Note 3)	45.8%

Note 3: Capita Company Inc. is wholly-owned by Marami Foundation as trustee for the Raymond Hung/ Mimi Hung & Family Trust, a discretionary trust the discretionary objects of which include the family members of Hung Kin Sang, Raymond and Hung Wong Kar Gee, Mimi (husband and wife and who are both executive directors).

(c) Substantial shareholding in other members of the Group

As at the Latest Practicable Date, so far as is known to the Directors and the chief executive of the Company, the following persons (other than a Director or chief executive of the Company) are directly or indirectly interested in 10 per cent. or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any other member of the Group:

Name of Subsidiary	Name of Shareholder	% Shareholding
Sharp Win (Holdings) Limited	Hung Kin Nam, Ricky	48.90%
Sharp Win Industrial Limited	Hung Kin Nam, Ricky	19.96%
Wideland Electronics Limited	Fan Shek Yui	30%
Wideland Electronics Limited	Ma Yi Fat	19%

Save as disclosed above, the Directors and the chief executive of the Company are not aware that there is any person (other than a Director or chief executive of the Company) who, as at the Latest Practicable Date, had an interest or short position in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is, directly or indirectly, interested in 10 per cent. or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any other member of the Group.

3. SERVICE CONTRACTS

None of the Directors has entered into any service agreement with any member of the Group nor are there any other service agreements proposed which will not expire or be determinable by the Group within one year without payment of compensation (other than statutory compensation).

4. LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration proceedings of material importance and there was no litigation or claim of material importance known to the Directors to be pending or threatened against any member of the Group.

5. GENERAL

- (i) The Secretary of the Company is Lam Che Wah, Danny, ACS, ACIS (associate member of The Hong Kong Institute of Company Secretaries and associate member of The Institute of Chartered Secretaries and Administrators).
- (ii) The Share registrar and transfer office of the Company in Hong Kong is located at Computershare Hong Kong Investor Services Limited, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong.