
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 licensed securities dealer, 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 transferee or the bank, licensed securities dealer or other agent through whom the sale was effected for transmission to the purchaser or transferee.

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APPLIED INTERNATIONAL HOLDINGS LIMITED

實力國際集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 519)

**DISCLOSEABLE TRANSACTION
DISPOSAL OF INTEREST IN A SUBSIDIARY**

* For identification only

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DEFINITION

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

“Applied Jiangmen”	Applied Properties (Jiang Men) Ltd. S.A., a company incorporated in Panama in 1992 and an indirect wholly-owned subsidiary of the Company;
“Applied Properties”	Applied China Properties Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company;
“Board”	the board of Directors of the Company;
“Company”	Applied International Holdings Limited, a company incorporated in Bermuda and the shares of which are listed on the Stock Exchange;
“Completion”	completion of the Sale, which is to take place on or before 8 December 2004 or on such other date as the parties may agree;
“Consideration”	RMB15,000,000 (approximately HK\$14,136,940), being the total amount payable by Mr. Lai for the purchase of the Jiangmen Shares and the Loan Assignment pursuant to the Share Transfer Agreement;
“Directors”	the directors of the Company;
“Group”	the Company and its subsidiaries;
“HK\$”	the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;
“Independent Third Party”	a person who, to the best of the Directors’ knowledge, information and belief, having made all reasonable enquiries, is independent of the Company and its subsidiaries, their directors, chief executives and substantial shareholders or their respective associates (as that term is defined in the Listing Rules) and who is not a connected person of the Company (as that term is defined in the Listing Rules);

DEFINITION

“Jiangmen Development”	江門實力發展（地產）有限公司（Applied Properties (Jiangmen) Limited), a company established in the PRC on 2 July 1993 which is 100% beneficially owned by Applied Jiangmen and which holds the Jiangmen Property;
“Jiangmen Property”	a piece of land situated at Song Bai Keng, Lang Wan, Jiangmen City, Guangdong Province, PRC and which is 100% beneficially owned by Jiangmen Development;
“Jiangmen Shares”	2 shares of US\$100 each in Applied Jiangmen held by Applied Properties, representing the entire issued share capital of Applied Jiangmen, which Applied Properties has conditionally agreed to sell to Mr. Lai pursuant to the Share Transfer Agreement;
“Latest Practicable Date”	30 September 2004, 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;
“Loan Assignment”	the assignment by Applied Properties of the Shareholder’s Loan to Mr. Lai pursuant to the terms of the Share Transfer Agreement;
“Mr. Lai”	Lai Kwok Wah, an individual resident in Hong Kong;
“PRC”	the People’s Republic of China which, for the purposes of this circular, excludes Hong Kong, Macau and Taiwan;
“RMB”	Renminbi, the lawful currency of the PRC;
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
“Sale”	the sale by Applied Properties of the Jiangmen Shares to Mr. Lai pursuant to the terms of the Share Transfer Agreement;

DEFINITION

“Share Transfer Agreement”	the share transfer agreement dated 9 September 2004 entered into between Applied Properties, the Company and Mr. Lai pursuant to which, inter alia, Applied Properties agreed to sell and Mr. Lai agreed to purchase the Jiangmen Shares and the Loan Assignment;
“Shareholder’s Loan”	the loans extended by Applied Properties to Applied Jiangmen in an aggregate sum of HK\$24,411,291 outstanding as at 8 September 2004, which is unsecured, non-interest bearing and repayable on demand; and
“Stock Exchange”	The Stock Exchange of Hong Kong Limited.

Unless otherwise specified in this circular, translations of RMB into HK\$ are made in this circular, for illustration only, at the rate of RMB1.06105 to HK\$1.00. No representation is made that any amounts in RMB or HK\$ could have been or could be converted at that rate or at any other rate.

LETTER FROM THE BOARD



APPLIED INTERNATIONAL HOLDINGS LIMITED

實力國際集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 519)

Executive Directors:

Mr. Hung Kin Sang, Raymond (*Chairman*)

Ms. Hung Wong Kar Gee, Mimi

Mr. Fang Chin Ping

Independent Non-executive Directors:

Mr. Soo Hung Leung, Lincoln

Mr. Lo Yun Tai

Mr. Lun Tsan Kau

Registered Office:

Canon's Court

22 Victoria Street

Hamilton HM 12

Bermuda

Principal place of business:

Unit 3402, 34/F.

China Merchants Tower

Shun Tak Centre

168-200 Connaught Road Central

Hong Kong

4 October 2004

To the Shareholders

Dear Sir or Madam,

DISCLOSEABLE TRANSACTION DISPOSAL OF INTEREST IN A SUBSIDIARY

INTRODUCTION

On 9 September 2004, Applied Properties, the Company and Mr. Lai entered into the Share Transfer Agreement pursuant to which, among other things, Applied Properties agreed to sell and Mr. Lai agreed to purchase the Jiangmen Shares. Applied Jiangmen holds the Jiangmen Property through Jiangmen Development. Applied Properties also agreed to assign to Mr. Lai its entire legal and beneficial interest in the Shareholder's Loan on the terms of the Share Transfer Agreement. The Sale and the Loan Assignment, as contemplated under the Share Transfer Agreement, constitute a discloseable transaction of the Company under Rule 14.06(2) of the Listing Rules.

* *For identification only*

LETTER FROM THE BOARD

A. THE SHARE TRANSFER AGREEMENT

Date

9 September 2004

Parties

1. Applied Properties as vendor; and
2. Mr. Lai as purchaser. Mr. Lai is an Independent Third Party.

The Sale

Pursuant to the Share Transfer Agreement, inter alia, Applied Properties agreed to sell, as legal and beneficial owner, and Mr. Lai agreed to purchase the Jiangmen Shares. Applied Properties also agreed to assign to Mr. Lai its entire legal and beneficial interest in the Shareholder's Loan pursuant to the terms of the Share Transfer Agreement.

Consideration

The Consideration payable by Mr. Lai pursuant to the Share Transfer Agreement is RMB15,000,000 (approximately HK\$14,136,940), of which RMB14,998,400 (approximately HK\$14,135,432) is attributable to the assignment of the Shareholder's Loan and RMB1,600 (approximately HK\$1,508) is attributable to the sale of the Jiangmen Shares (by reference to the nominal value of the Jiangmen Shares).

Payment Terms

Mr. Lai paid 10% of the Consideration as deposit upon signing the Share Transfer Agreement and would pay the remaining 90% of the Consideration on Completion. The Consideration is to be paid by Mr. Lai by way of Hong Kong dollars bankers' drafts or solicitor's cheques made payable to Applied Properties or a payee nominated by Applied Properties. Mr. Lai paid HK\$1,413,694 (approximately RMB1,500,000) on 9 September 2004 as deposit, being 10% of the Consideration.

Condition Precedent

The Share Transfer Agreement was conditional upon the PRC authorities granting approval of a change in the legal representative of Jiangmen Development from Mr. Hung Kin Sang, Raymond to Mr. Lai or his nominee and such approval was obtained on 20 September 2004.

Guarantee

The obligations of Applied Properties under the Share Transfer Agreement are backed by a guarantee by the Company.

LETTER FROM THE BOARD

Default

If the Sale is not completed due to default or repudiation on the part of Mr. Lai, the 10% deposit is to be forfeited to Applied Properties as liquidated damages and Applied Properties shall have the right to rescind the Share Transfer Agreement and the rights and obligations of Applied Properties and Mr. Lai shall cease (save for claims arising from any antecedent breach thereof).

If the Sale is not completed due to default or repudiation on the part of Applied Properties, Applied Properties shall return the 10% deposit to Mr. Lai plus an amount equivalent to the 10% deposit as liquidated damages and the rights and obligations of Applied Properties and Mr. Lai shall cease (save for claims arising from any antecedent breach thereof).

Financial Information of Applied Jiangmen

The audited net loss (before and after taxation and extraordinary items) attributable to Applied Jiangmen for the financial year ended 30 June 2003 was HK\$9,202 and the audited net loss (before and after taxation and extraordinary items) for the financial year ended 30 June 2002 was HK\$48,793.

Based on the latest unaudited management accounts of Applied Jiangmen, the net asset value of Applied Jiangmen as at 30 June 2004 is HK\$19,615,208.

Net Proceeds from the Sale

The Shareholder's Loan was used by Applied Jiangmen to purchase the Jiangmen Property and has already been taken into account in the net asset value of Applied Jiangmen as at 30 June 2004. The Consideration was agreed after arm's length negotiations between the Company and Mr. Lai by reference to the net asset value of Applied Jiangmen as at 30 June 2004 of HK\$19,615,208.

The Jiangmen Shares and the Shareholder's Loan were sold at a loss of HK\$5,777,602, being the Consideration less the sum of the net asset value of Applied Jiangmen as at 30 June 2004 and the expenses incurred in connection with the Sale of HK\$299,334. Save for the loss mentioned above, the Sale is not expected to have any material effect on the assets and liabilities of the Company. The proceeds from the Sale and the Loan Assignment will be utilised for general working capital of the Company. Please refer to section B below for the reasons for the Sale.

B. REASONS FOR THE SALE AND BENEFITS TO THE COMPANY

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

LETTER FROM THE BOARD

Applied Properties is principally engaged in investment holding and Jiangmen Development is principally engaged in property holding in the PRC. As Applied Jiangmen has not carried on any business activities other than holding the Jiangmen Property through Jiangmen Development, it has incurred only administrative costs/expenses and has not generated any profits since its incorporation. It was originally intended by the Group that Jiangmen Development would hold the Jiangmen Property for development of an industrial plant. Jiangmen Development obtained the state-owned land use right certificate in respect of the Jiangmen Property on 28 November 1993. However, in view of the downward trend of Jiangmen's economy and the illiquidity of the Jiangmen property market, the Group did not inject funds in the development and the Jiangmen Property has been vacant for the past 11 years. As the Group does not intend to inject further funds in the development of the Jiangmen Property, it decided to sell the property to an Independent Third Party.

The Directors are of the view that the Consideration is fair and reasonable in light of the current market conditions in the PRC and, in particular, the illiquidity of the Jiangmen property market. The Sale and the Loan Assignment are on normal commercial terms and are in the best interests of the Company and its shareholders as a whole as the cash raised from the Sale and the Loan Assignment will improve the Company's liquidity and increase the funds available for general working capital.

C. GENERAL

Applied Jiangmen will no longer be an indirect wholly-owned subsidiary of the Company as a result of the Sale.

The Sale and the Loan Assignment constitute a discloseable transaction of the Company under Rule 14.06(2) of the Listing Rules.

Your attention is drawn to the general information regarding the Group which is required to be included in this circular under the Listing Rules as set out in the appendix of this circular.

By Order of the Board
Applied International Holdings Limited
Fang Chin Ping
Executive Director

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.

DISCLOSURE OF INTERESTS**(a) Interests of Directors**

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executives 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/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 position in shares of associated corporations

Name	Number of shares/capacity		Name of associated corporation	Total number of shares	Approximate % shareholding
	Beneficial	Other			
Fang Chin Ping	199,999	1 (Note 3)	Quorum Bio-Tech Limited (Note 3)	200,000	2%

Notes:

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

	Number of Shares
Malcolm Trading Inc.	43,992,883
Primore Co. Inc.	2,509,266
Capita Company Inc.	359,153,435
iQuorum Cybernet Limited	48,329,000
	453,984,584

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 are held by iQuorum Cybernet Limited which is a wholly-owned subsidiary of the Company. As Capita Company Inc. owns more than one-third of the issued Shares 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.
- (3) Fang Chin Ping is the registered holder of 200,000 shares of Quorum Bio-Tech Limited, a 89.00001% owned subsidiary of iQuorum, of which he holds 1 share on trust for iQuorum.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executives 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 executives 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 and underlying Shares which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

Name	Capacity	Number of Shares	% shareholding
Capita Company Inc.	Beneficial	359,153,435	38.16%
Marami Foundation	Corporate	405,655,584 <i>(Note 3 above)</i>	43.10%
iQuorum Cybernet Limited	Beneficial	48,329,000	5.13%

(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
Wideland Electronics Limited	Fan Shek Yui	30%
Wideland Electronics Limited	Ma Yi Fat	19%

Save as disclosed above, the Directors and the chief executives 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 a general meeting of any other member of the Group.

SERVICE CONTRACTS

As at the Latest Practicable Date, save as disclosed above, 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 Company within one year without payment of compensation (other than statutory compensation).

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.

COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors or any of his/her associates (as such term is defined in the Listing Rules) had an interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group required to be disclosed pursuant to rule 8.10 of the Listing Rules other than those businesses to which the Directors were appointed to represent the interests of the Company and/or the Group.

GENERAL

- (i) The secretary of the Company is Lee Wai Fun, Betty, associate member of The Institute of Chartered Secretaries and Administrators and associate member of The Hong Kong Institute of Company Secretaries.
- (ii) The qualified accountant of the Company is Cheng Kong Lung.
- (ii) The share registrar and transfer office of the Company in Hong Kong is located at Computershare Hong Kong Investor Services Limited of 46th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (iii) The English version of this circular shall prevail over the Chinese text.