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**If you have sold or transferred** all your shares in Applied International Holdings Limited, you should at once hand this circular with the enclosed form of proxy to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or the 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)**

**RENEWAL OF GENERAL MANDATES  
TO ISSUE SHARES AND PURCHASE SHARES**

**ADOPTION OF NEW BYE-LAWS**

**RE-ELECTION OF DIRECTOR**

**AND**

**NOTICE OF ANNUAL GENERAL MEETING**

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A notice convening an annual general meeting of Applied International Holdings Limited to be held at 2:00 p.m. on Friday, 26 November 2004 at The Oregon Room, The American Club, 47th Floor, Two Exchange Square, No. 8 Connaught Place, Central, Hong Kong is set out on pages 13 to 18 of this circular. Whether or not you are able to attend the annual general meeting, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the Company's principal place of business at Unit 3402, 34/F, China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for holding the annual general meeting. Completion and return of the form of proxy will not preclude you from attending and voting in person at the annual general meeting, or any adjournment thereof, should you so wish.

\* For identification only

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## DEFINITIONS

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

“AGM”	the annual general meeting of the Company to be held at 2:00 p.m. on Friday, 26 November 2004 at The Oregon Room, The American Club, 47th Floor, Two Exchange Square, No. 8 Connaught Place, Central, Hong Kong;
“AGM Notice”	the notice convening the AGM set out on pages 13 to 18 of this circular;
“associate”	the same meaning in the Listing Rules;
“Board”	the board of Directors;
“Bye-Laws”	the existing bye-laws of the Company;
“Company”	Applied International Holdings Limited, a company incorporated in Bermuda with limited liability and the shares of which are listed on the Stock Exchange;
“connected person”	the same meaning in the Listing Rules;
“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;
“Issue Mandate”	a general and unconditional mandate proposed to be granted to the Directors to exercise all powers of the Company to allot and issue Shares;
“Latest Practicable Date”	28 October 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;
“New Bye-Laws”	the new bye-laws of the Company proposed to be adopted by the Shareholders at the AGM;

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## DEFINITIONS

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“Purchase Mandate”	a general and unconditional mandate proposed to be granted to the Directors to exercise all powers of the Company to purchase Shares;
“Share(s)”	ordinary shares of HK\$0.01 each in the share capital of the Company;
“Shareholder(s)”	holder(s) of (a) Share(s);
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Takeovers Code”	The Hong Kong Code on Takeovers and Mergers; and
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong.



**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

30 October 2004

*To the Shareholders*

Dear Sir or Madam,

**RENEWAL OF GENERAL MANDATES  
TO ISSUE SHARES AND PURCHASE SHARES  
ADOPTION OF NEW BYE-LAWS  
RE-ELECTION OF DIRECTOR  
AND  
NOTICE OF ANNUAL GENERAL MEETING**

**INTRODUCTION**

The purpose of this circular is to: (i) provide you with details of the proposed Issue Mandate and the proposed Purchase Mandate; (ii) set out an explanatory statement regarding the Purchase Mandate; (iii) provide you with a summary of provisions of the New Bye-Laws that are in addition to or different from the existing Bye-Laws; and (iv) give you notice of the AGM.

\* *For identification only*

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## LETTER FROM THE BOARD

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### GENERAL MANDATES TO ISSUE AND PURCHASE SHARES

Ordinary resolutions will be proposed at the AGM to give to the Directors new general mandates:

- (i) to allot, issue and otherwise deal with new Shares with an aggregate nominal amount not exceeding 20% of the aggregate nominal amount of the issued share capital of the Company as at the date of passing the proposed resolution at the AGM; and
- (ii) to purchase Shares with an aggregate nominal amount not exceeding 10% of the aggregate nominal amount of the issued share capital of the Company as at the date of passing the proposed resolution at the AGM.

In addition, a separate ordinary resolution will also be proposed at the AGM to add to the Issue Mandate those Shares purchased by the Company pursuant to the Purchase Mandate (if granted to the Directors at the AGM).

The Issue Mandate and the Purchase Mandate will expire on whichever is the earliest of:–

- (i) the conclusion of the next annual general meeting of the Company following the passing of the relevant resolutions at the AGM at which time such Issue Mandate and Purchase Mandate shall lapse unless, by ordinary resolutions passed at that meeting, the mandates are renewed, either unconditionally or subject to conditions; or
- (ii) the revocation or variation of the authority given under the relevant resolutions at the AGM by an ordinary resolution of the shareholders of the Company in general meeting.

The Directors have no present intention to exercise the Issue Mandate or the Purchase Mandate (if granted to the Directors at the AGM).

An explanatory statement containing information regarding the Purchase Mandate is set out in the Appendix I to this circular.

### ADOPTION OF NEW BYE-LAWS

As the existing Bye-Laws were adopted in 1990, a number of provisions therein are not in compliance with applicable laws, regulations, the Listing Rules and market practices. As the amendments necessary to bring them up to date would be substantial, it is proposed that a new set of bye-laws, which complies with all current applicable laws and the Stock Exchange requirements, be adopted instead of further amending the existing Bye-Laws on a piecemeal

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## LETTER FROM THE BOARD

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basis, which may lead to confusion and complication. It is therefore proposed that Shareholders' approval be sought by way of a special resolution at the AGM to adopt the New Bye-Laws in substitution for and to the exclusion of the existing Bye-Laws. A summary of provisions of the New Bye-Laws that are in addition to or different from the existing Bye-Laws is set out in Appendix II to this circular.

### RE-ELECTION OF DIRECTOR

At the AGM, an ordinary resolution will be put forward to the Shareholders in relation to the proposed re-election of Mr. Fang Chin Ping as an executive Director.

Mr. Fang Chin Ping ("Mr. Fang"), aged 62, joined the Group in 1983 and was appointed as an executive Director in 1988 and is responsible for the Group's overall operations and business opportunities in the PRC. He also holds directorship in over 20 companies within the Group. Mr. Fang holds a B.Sc. degree in physics from the Peking University and has over 30 years of experience in the electronics industry. He does not hold and has not held any directorship in other listed public companies in the last three years.

Mr. Fang does not have any relationship with any director, member of senior management or substantial or controlling shareholder of the Company. As at the Latest Practicable Date, Mr. Fang beneficially owns 100,000 Shares, representing approximately 0.01% of the issued share capital of the Company and is the registered holder of 200,000 shares of Quorum Bio-Tech Limited, an associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance).

There is no service contract between the Company and Mr. Fang. Mr. Fang is not appointed for a specific term and his length of service as a director of the Company is subject to the relevant provisions in the Bye-Laws. Mr. Fang is currently entitled to receive a director's emoluments of HK\$524,880 per annum which is subject to annual review by the Board by reference to market benchmarks.

### RECOMMENDATION

The Directors consider that the granting of the Issue Mandate and the Purchase Mandate and the adoption of the New Bye-Laws are in the interests of the Company and the Shareholders. Accordingly, the Directors recommend that the Shareholders vote in favour of the relevant resolutions at the AGM.

### ANNUAL GENERAL MEETING

A notice convening the AGM to be held at 2:00 p.m. on Friday, 26 November 2004 at The Oregon Room, The American Club, 47th Floor, Two Exchange Square, No. 8 Connaught Place, Central, Hong Kong is set out on pages 13 to 18 of this circular for the purpose of, inter alia, considering and, if thought fit, passing the resolutions set out therein.

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## LETTER FROM THE BOARD

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You will find enclosed a form of proxy for use at the AGM. Whether or not you are able to attend the AGM, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the Company's principal place of business at Unit 3402, 34/F, China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for holding the AGM. Completion and return of the form of proxy will not preclude you from attending and voting in person at the AGM, or any adjournment thereof, should you so wish.

Pursuant to bye-law 76 of the Bye-Laws, a resolution put to the vote of a meeting shall be decided on a show of hands unless a poll is (before or on the declaration of the result of the show of hands) demanded by: (i) the chairman; or (ii) at least three members present in person or by proxy or by representative for the time being entitled to vote at the meeting; or (iii) a member or members present in person or by proxy or by representative and representing not less than one-tenth of the total voting rights of all members having the right to vote at the meeting; or (iv) by a member or members present in person or by proxy or by representative and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all shares conferring that right.

Your attention is also drawn to the additional information set out in the Appendix I and Appendix II to this circular.

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



This appendix includes an explanatory statement required by the Stock Exchange to be presented to Shareholders concerning the Purchase Mandate proposed to be granted to the Directors.

## **1. STOCK EXCHANGE RULES FOR PURCHASES OF SHARES**

The Listing Rules permit companies with a primary listing on the Stock Exchange to purchase their shares on the Stock Exchange subject to certain restrictions.

The Listing Rules provide that all proposed purchases of shares by a company with a primary listing on the Stock Exchange must be approved by shareholders in advance by an ordinary resolution, either by way of a general mandate or by a specific approval of a particular transaction and that the shares to be purchased must be fully paid up.

## **2. FUNDING OF PURCHASES**

Any purchase will be made out of funds which are legally available for the purpose in accordance with the memorandum of association and bye-laws of the Company and the Companies Act 1981 of Bermuda. As compared with the financial position of the Company as at 30 June 2004 (being the date to which the latest audited financial statements of the Company have been made up), the Directors consider that there would not be a material adverse impact on the working capital and on the gearing position of the Company in the event the proposed purchases were to be carried out in full during the proposed purchase period.

The Directors do not propose to exercise the Purchase Mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital of the Company or the gearing position which in the opinion of the Directors are from time to time appropriate for the Company.

## **3. SHARE CAPITAL**

As at the Latest Practicable Date, the issued share capital of the Company comprised 941,082,826 Shares.

Subject to the passing of the relevant ordinary resolutions to approve the general mandates to issue and purchase Shares and on the basis that no further Shares are issued or purchased between the Latest Practicable Date and the AGM, the Directors would be authorised to exercise the powers of the Company to purchase a maximum of 94,108,282 Shares.

#### 4. REASONS FOR PURCHASES

The Directors believe that it is in the best interests of the Company and the Shareholders to have a general authority from the Shareholders to enable the Directors to purchase Shares on the market. Such purchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value of the Company and/or its earning per Share and will only be made when the Directors believe that such purchases will benefit the Company and the Shareholders.

#### 5. UNDERTAKING OF THE DIRECTORS

The Directors have undertaken to the Stock Exchange to exercise the Purchase Mandate in accordance with the Listing Rules, the applicable laws of Bermuda and in accordance with the memorandum of association and bye-laws of the Company.

#### 6. EFFECT OF THE TAKEOVERS CODE

If as a result of a purchase of Shares, a shareholder's proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition for the purpose of the Takeovers Code. As a result, a shareholder or a group of shareholders acting in concert, depending on the level of increase of the shareholder's interest, could obtain or consolidate control of the Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code.

As at the Latest Practicable Date, to the best of the knowledge and belief of the Directors, the substantial shareholders having interests in 10% or more of the issued share capital of the Company were:

Name of Shareholder	Number of Shares held	Approximate % shareholding	
		As at the Latest Practicable Date	If Purchase Mandate is exercised in full
Capita Company Inc. (Note 1)	359,153,435	38.16%	42.40%
Marami Foundation (Note 1)	453,984,584	48.24%	53.60%
Hung Kin Sang, Raymond (Note 1)	457,264,584	48.59%	53.99%
Hung Wong Kar Gee, Mimi (Note 1)	462,854,640	49.18%	54.65%

*Notes:*

1. These Shares are held by the following companies:

	<b>Number of Shares</b>
Malcolm Trading Inc.	43,992,883
Primore Co. Inc.	2,509,266
Capita Company Inc.	359,153,435
iQuorum Cybernet Limited ( <i>Note 2</i> )	48,329,000
	<u>453,984,584</u>

Malcolm Trading Inc., Primore Co. Inc. and Capita Company Inc. are 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). Among the 457,264,584 Shares which are deemed to be held by Hung Kin Sang, Raymond, 3,280,000 Shares are held under his personal interest. Among the 462,854,640 Shares which are deemed to be held by Hung Wong Kar Gee, Mimi, 8,870,056 Shares are held under her personal interest.

2. These Shares are held by iQuorum Cybernet Limited, a wholly-owned subsidiary of the Company. Capita Company Inc. owns more than one-third of the issued Shares and is a wholly-owned subsidiary of 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).

In the event the Directors exercise in full the power to purchase Shares which is proposed to be granted pursuant to the resolution, the interests of each of the above Shareholders in the Company would be increased to approximately the percentages as set out opposite their respective names in the table above. Such increase will give rise to an obligation to make a mandatory offer under Rule 26 of the Takeovers Code. The Directors do not intend to exercise the power to purchase Shares to an extent which would render the aforesaid Shareholders or any Shareholder or group of Shareholders obliged to make a mandatory offer under Rule 26 of the Takeovers Code. The Board will endeavour to ensure that the exercise of the Purchase Mandate will not result in less than 25% of the Shares being held by the public.

## **7. DIRECTORS, THEIR ASSOCIATES AND CONNECTED PERSONS**

None of the Directors nor, to the best of the knowledge and belief of the Directors, having made all reasonable enquiries, any of their respective associates has any present intention, in the event that the proposed Purchase Mandate is granted, to sell Shares to the Company. No connected person of the Company has notified the Company that he/she/it has a present intention to sell Shares to the Company nor has he/she/it undertaken not to sell any of the Shares held by him/her/it to the Company in the event that the Company is authorised to make purchases of Shares.

**8. SHARE PURCHASE MADE BY THE COMPANY**

No purchase of Shares has been made by the Company (whether on the Stock Exchange or otherwise) in the six months ended on the Latest Practicable Date.

**9. SHARE PRICE**

The highest and lowest prices at which the Shares were traded on the Stock Exchange in each of the twelve months immediately prior to the Latest Practicable Date were as follows:

	<b>Shares</b>	
	<b>Highest</b>	<b>Lowest</b>
	<i>HK\$</i>	<i>HK\$</i>
<b>2003</b>		
October	0.135	0.110
November	0.148	0.111
December	0.130	0.100
<b>2004</b>		
January	0.145	0.097
February	0.150	0.110
March	0.140	0.100
April	0.125	0.090
May	0.110	0.082
June	0.090	0.070
July	0.082	0.063
August	0.098	0.060
September	0.080	0.063
October 2004 till the Latest Practicable Date	0.150	0.062

The following is a brief summary of the provisions of the New Bye-laws which are in addition to or different from the existing Bye-Laws:

1. *New definition of “Associate” and “Clearing House”*

“Associate” shall have the meaning attributed to it in the Listing Rules from time to time.

“Clearing House” shall mean a clearing house recognised by the laws of the jurisdiction in which the Shares are listed or quoted on a stock exchange.

2. *New provision in relation to votes of Shareholders*

New Bye-Law 76(2) provides that where any Shareholder is required under the Listing Rules to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

3. *New Provision in relation to the removal of directors by ordinary resolution*

The existing Bye-Law 118 provides that a director may be removed by a special resolution.

New Bye-Law 86(4) provides that a director may be removed by an ordinary resolution.

4. *New Provisions in relation to votes of Directors*

Pursuant to the existing Bye-Law 103(A)(ii), subject to certain exceptions set out in the existing Bye-Law 103(A)(iii), a director is precluded from voting or from being counted in the quorum at board meetings in relation to any contract or arrangement in which he has a material interest.

New Bye-Law 103 provides that, among other things, subject to the exceptions set out in New Bye-Law 103(1)(i) to (iv), a Director shall not vote on any board resolution nor shall he be counted in the quorum at any board meeting in relation to any contract or arrangement or any other proposal in which he or any of his associate(s) (as defined in the Listing Rules) is/are materially interested.

5. *New provisions in relation to notice to be given when person proposed for election*

The existing Bye-law 116 provides that notice in writing of the intention to propose a person for election as a director and notice in writing by that person of his willingness to be elected have to be given to the Company at least seven days before the date of the general meeting.

Pursuant to New Bye-Law 88, the period for lodgment of the above notices shall commence on (and include) the day after the despatch of the notice of the general meeting appointed for such election and end on (and exclude) the day that is seven days before the date of such general meeting.

6. *New provisions in relation to electronic means*

The existing Bye-Laws do not provide for service of notices by electronic means.

New Bye-Law 162 provides that, among other things, any notice or document (including any corporate communication (as this term is defined in the Listing Rules)) shall be in writing or by cable, telex or facsimile transmission message or other form of electronic transmission or communication and New Bye-Law 163(b) provides that, among other things, any notice, if sent by electronic communication, shall be deemed to be given on the day on which it is transmitted from the server of the Company or its agent.

7. *Summary financial reports and despatch thereof by electronic means*

The existing Bye-Laws do not allow Shareholders to elect to receive a summary financial report of the Group in place of the complete annual report and accounts of the Group.

New Bye-Law 154 provides that, subject to compliance with all applicable laws, rules and regulations, including the Listing Rules, the Company may send to a Shareholder a summary financial statement derived from the Company's annual accounts and the directors' report provided that such Shareholder may, if he so requires by notice in writing served on the Company, demand that the Company sends him, in addition to a summary financial statement, a complete printed copy of the Company's annual financial statement and the directors' report thereon.

New Bye-Law 155 provides for, among other things, despatch of summary financial statements by publication thereof on the Company's website or in any other permitted manner (including by sending any form of electronic communication).



**APPLIED INTERNATIONAL HOLDINGS LIMITED**

**實力國際集團有限公司\***

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 519)**

**NOTICE IS HEREBY GIVEN** that an annual general meeting of Applied International Holdings Limited (the “Company”) will be held at 2:00 p.m. on Friday, 26 November 2004 at The Oregon Room, The American Club, 47th Floor, Two Exchange Square, No. 8 Connaught Place, Central, Hong Kong for the following purposes:–

1. To receive and consider the audited financial statements and reports of the directors and auditors of the Company for the year ended 30 June 2004.
2. To re-elect a retiring director.
3. To determine the directors’ remuneration for their services.
4. To appoint auditors and authorise the board of directors to fix their remuneration.

As special business, to consider and, if thought fit, pass, with or without amendments, the following resolutions, which will be proposed as ordinary resolutions of the Company:–

**ORDINARY RESOLUTIONS**

5. **“THAT:**

- (A) subject to paragraph (C) of this resolution, the exercise by the directors of the Company (the “Directors”) during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue and deal with additional shares in the capital of the Company and to make or grant offers, agreements and options (including warrants, bonds and debentures convertible into shares of the Company) which might require the exercise of such powers be and is hereby generally and unconditionally approved;
- (B) the Directors be and are hereby authorised during the Relevant Period to make or grant offers, agreements and options (including warrants, bonds and debentures convertible into shares of the Company) which might require the exercise of such powers during or after the end of the Relevant Period;

\* *For identification only*

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## NOTICE OF ANNUAL GENERAL MEETING

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- (C) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the Directors pursuant to the approval in paragraphs (A) and (B) of this resolution, otherwise than pursuant to a Rights Issue (as hereinafter defined) or pursuant to the exercise of any options granted under the share option scheme adopted by the Company or an issue of shares upon the exercise of subscription rights attached to the warrants which might be issued by the Company or an issue of shares in lieu of the whole or part of a dividend on shares or any scrip dividend scheme or similar arrangement in accordance with the Bye-Laws of the Company, shall not exceed 20% of the aggregate nominal amount of the share capital of the Company in issue at close of business on the day of passing this resolution; and
- (D) for the purposes of this resolution:

“Relevant Period” means the period from the time of the passing of this resolution until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of the Company following the passing of this resolution at which time it shall lapse unless, by ordinary resolution passed at that meeting, the mandate is renewed, either unconditionally or subject to conditions; or
- (ii) the revocation or variation of the authority given under this resolution by an ordinary resolution of the shareholders of the Company in general meeting.

“Rights Issue” means an offer of shares open for a period fixed by the Directors to holders of shares on the register of members on a fixed record date in proportion to their then holdings of such shares (subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of any relevant jurisdiction, or the requirements of any recognised regulatory body or any stock exchange).”

6. **“THAT:**

- (A) subject to paragraph (C) of this resolution, the exercise by the directors of the Company (the “Directors”) during the Relevant Period (as hereinafter defined) of all powers of the Company to purchase issued shares in the capital of the Company on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) or any other stock exchange on which the shares of the Company may be listed and recognised by the Securities and Futures



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## NOTICE OF ANNUAL GENERAL MEETING

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Commission of Hong Kong and the Stock Exchange for this purpose, and that the exercise by the Directors of all powers of the Company to purchase such shares are subject to and in accordance with all applicable laws and the requirements of the Rules Governing the Listing of Securities on the Stock Exchange, be and is hereby, generally and unconditionally approved;

- (B) the approval in paragraph (A) of this resolution shall be in addition to any other authorisation given to the Directors and shall authorise the Directors on behalf of the Company during the Relevant Period to procure the Company to purchase its shares at a price determined by the Directors;
- (C) the aggregate nominal amount of share capital of the Company purchased or agreed conditionally or unconditionally to be purchased by the Company pursuant to the approval in paragraph (A) of this resolution during the Relevant Period shall not exceed 10% of the aggregate nominal amount of the issued share capital of the Company as at the time of passing this resolution; and
- (D) for the purposes of this resolution:

“Relevant Period” means the period from the time of the passing of this resolution until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of the Company following the passing of this resolution at which time it shall lapse unless, by ordinary resolution passed at that meeting, the mandate is renewed, either unconditionally or subject to conditions; or
- (ii) the revocation or variation of the authority given under this resolution by an ordinary resolution of the shareholders of the Company in general meeting.”

7. “**THAT** conditional upon the passing of ordinary resolutions numbered 5 and 6 in the notice of annual general meeting of the Company dated 26 November 2004, the aggregate nominal amount of the share capital of the Company which are purchased by the Company pursuant to and in accordance with ordinary resolution numbered 6 shall be added to the aggregate nominal amount of the share capital of the Company that may be allotted or agreed conditionally or unconditionally to be allotted by the directors of the Company pursuant to and in accordance with ordinary resolution numbered 5.”

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## NOTICE OF ANNUAL GENERAL MEETING

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As special business to consider and, if thought fit, pass the following resolution which will be proposed as a special resolution of the Company.

### SPECIAL RESOLUTION

8. “**THAT** the new bye-laws of the Company marked “A” produced to this meeting and signed by the Chairman, for identification purpose only, be and are hereby approved and adopted as the new bye-laws of the Company, in substitution for and to the exclusion of the existing bye-laws of the Company and that the directors of the Company be and are hereby authorised to do all things and acts and sign all documents which they consider necessary, desirable or expedient in connection with the foregoing.”

By Order of the Board  
**Applied International Holdings Limited**  
**Lee Wai Fun, Betty**  
*Company Secretary*

Hong Kong, 30 October 2004

#### *Executive Directors*

Mr. Hung Kin Sang, Raymond  
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

#### *Notes:*

1. Any member of the Company entitled to attend and vote at a meeting of the Company shall be entitled to appoint another person as his proxy to attend and vote instead of him. On a poll, votes may be given either personally or by proxy. A proxy need not be a member of the Company. A member may appoint more than one proxy to attend on the same occasion.
2. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney authorised in writing, or if the appointor is a corporation, either under seal or under the hand of an officer or attorney duly authorised.
3. A form of proxy for use at the meeting is enclosed.
4. The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy thereof shall be deposited at the principal place of business of the Company at Unit 3402, 34/F, China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong not less than 48 hours before the time for holding the meeting or adjourned meeting or poll (as the case may be) at which the person named in such instrument proposes to vote and in default the instrument of proxy shall not be treated as valid.

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## NOTICE OF ANNUAL GENERAL MEETING

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5. No instrument appointing a proxy shall be valid after expiration of twelve months from the date of its execution, except at an adjourned meeting or on a poll demanded at a meeting or an adjourned meeting in cases where the meeting was originally held within twelve months from such date.
6. Delivery of an instrument appointing a proxy shall not preclude a member from attending and voting in person at the meeting or poll concerned.
7. Below is a brief summary of the provisions of the new bye-laws of the Company proposed to be adopted by the Company pursuant to resolution numbered 8 above and which are in addition to or different from the existing Bye-Laws:

*a. New definition of “Associate” and “Clearing House”*

“Associate” shall have the meaning attributed to it in the Listing Rules from time to time.

“Clearing House” shall mean a clearing house recognised by the laws of the jurisdiction in which the Shares are listed or quoted on a stock exchange.

*b. New provision in relation to votes of Shareholders*

New Bye-Law 76(2) provides that where any Shareholder is required under the Listing Rules to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

*c. New Provision in relation to the removal of directors by ordinary resolution*

The existing Bye-Law 118 provides that a director may be removed by a special resolution.

New Bye-Law 86(4) provides that a director may be removed by an ordinary resolution.

*d. New Provisions in relation to votes of Directors*

Pursuant to the existing Bye-Law 103(A)(ii), subject to certain exceptions set out in the existing Bye-Law 103(A)(iii), a director is precluded from voting or from being counted in the quorum at board meetings in relation to any contract or arrangement in which he has a material interest.

New Bye-Law 103 provides that, among other things, subject to the exceptions set out in New Bye-Law 103(1)(i) to (iv), a Director shall not vote on any board resolution nor shall he be counted in the quorum at any board meeting in relation to any contract or arrangement or any other proposal in which he or any of his associate(s) (as defined in the Listing Rules) is/are materially interested.

*e. New provisions in relation to notice to be given when person proposed for election*

The existing Bye-law 116 provides that notice in writing of the intention to propose a person for election as a director and notice in writing by that person of his willingness to be elected have to be given to the Company at least seven days before the date of the general meeting.

Pursuant to New Bye-Law 88, the period for lodgment of the above notices shall commence on (and include) the day after the despatch of the notice of the general meeting appointed for such election and end on (and exclude) the day that is seven days before the date of such general meeting.

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## NOTICE OF ANNUAL GENERAL MEETING

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f. *New provisions in relation to electronic means*

The existing Bye-Laws do not provide for service of notices by electronic means.

New Bye-Law 162 provides that, among other things, any notice or document (including any corporate communication (as this term is defined in the Listing Rules)) shall be in writing or by cable, telex or facsimile transmission message or other form of electronic transmission or communication and New Bye-Law 163(b) provides that, among other things, any notice, if sent by electronic communication, shall be deemed to be given on the day on which it is transmitted from the server of the Company or its agent.

g. *Summary financial reports and despatch thereof by electronic means*

The existing Bye-Laws do not allow Shareholders to elect to receive a summary financial report of the Group in place of the complete annual report and accounts of the Group.

New Bye-Law 154 provides that, subject to compliance with all applicable laws, rules and regulations, including the Listing Rules, the Company may send to a Shareholder a summary financial statement derived from the Company's annual accounts and the directors' report provided that such Shareholder may, if he so requires by notice in writing served on the Company, demand that the Company sends him, in addition to a summary financial statement, a complete printed copy of the Company's annual financial statement and the directors' report thereon.

New Bye-Law 155 provides for, among other things, despatch of summary financial statements by publication thereof on the Company's website or in any other permitted manner (including by sending any form of electronic communication).