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

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

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this circular, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.

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**APPLIED INTERNATIONAL HOLDINGS LIMITED****實力國際集團有限公司\****(incorporated in Bermuda with limited liability)***(Stock Code: 519)****MAJOR TRANSACTION****DISPOSAL OF PROPERTY**

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A notice convening the SGM (as defined herein) of Applied International Holdings Limited to be held on 7 June 2006 (Wednesday) at 10:00 a.m. at Chater Room III, Function Room Level, The Ritz-Carlton, 3 Connaught Road, Central, Hong Kong is set out on pages 18 to 19 of this circular. Whether or not you are able to attend the SGM, 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 SGM. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof should you so wish.

\* *For identification only*

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## DEFINITIONS

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

|                                |   |
|--------------------------------|---|
| “Acquisition”                  | the acquisition of the Property by RJP Electronics Limited in February 1999;  |
| “Announcement”                 | the announcement dated 10 April 2006 issued by the Company in relation to a proposed Disposal of the Property;  |
| “Agreement”                    | the provisional agreement dated 7 April 2006 between iQuorum and Birdsville for the sale and purchase of the Property;  |
| “Birdsville”                   | Birdsville Enterprises Limited, a company incorporated in the British Virgin Islands and the beneficial owners of which are all Independent Third Parties;  |
| “Board”                        | the board of Directors;   |
| “Company”                      | Applied International Holdings Limited, a company incorporated in Bermuda with limited liability and the shares of which are listed on the Stock Exchange;  |
| “Directors”                    | the directors of the Company;   |
| “Disposal”                     | the proposed disposal of the Property by iQuorum to Birdsville pursuant to the Agreement;   |
| “Group”                        | the Company and its subsidiaries;   |
| “HK\$”                         | Hong Kong dollars;  |
| “Independent Third Party(ies)” | (an) independent third party(ies) not connected with the Directors, chief executive or substantial shareholders of the Company or any of its subsidiaries or their respective associates as defined in the Listing Rules; |
| “iQuorum”                      | iQuorum Cybernet Limited, a company incorporated in Hong Kong, which is a wholly-owned subsidiary of the Company;   |

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## DEFINITIONS

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|---------------------------|---|
| “Latest Practicable Date” | 12 May 2006, being the latest practicable date prior to the printing of this circular for ascertaining information contained herein;  |
| “Listing Rules”           | The Rules Governing the Listing of Securities on the Stock Exchange;  |
| “Property”                | a property located in the commercial business district in Central, Hong Kong being the whole of 41st Floor, Far East Finance Centre, No. 16 Harcourt Road, Hong Kong with a floor area of approximately 10,800 square feet; |
| “SFO”                     | the Securities and Futures Ordinance (Cap. 571 of the laws of Hong Kong);   |
| “SGM”                     | the special general meeting of the Company to be convened to approve the Agreement and the transactions contemplated thereunder;  |
| “Share(s)”                | ordinary share(s) of HK\$0.01 each in the share capital of the Company;   |
| “Shareholder(s)”          | holder(s) of the Share(s); and  |
| “Stock Exchange”          | The Stock Exchange of Hong Kong Limited.  |

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## LETTER FROM THE BOARD

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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)

*Executive Directors*

Mr. Hung Kin Sang, Raymond  
Ms. Hung Wong Kar Gee, Mimi  
Mr. Fang Chin Ping  
Mr. Hung Kai Mau, Marcus

*Registered Office*

Canon's Court  
22 Victoria Street  
Hamilton HM 12  
Bermuda

*Independent Non-executive Directors*

Mr. Soo Hung Leung, Lincoln  
Mr. Lo Yun Tai  
Mr. Lun Tsan Kau  
Mr. Lam Ka Wai, Graham

*Head Office and Principal*

*Place of Business:*  
Unit 3402, 34/F  
China Merchants Tower  
Shun Tak Centre  
168-200 Connaught Road Central  
Hong Kong

15 May 2006

*To the Shareholders*

Dear Sir/Madam,

### MAJOR TRANSACTION DISPOSAL OF PROPERTY

#### INTRODUCTION

On 7 April 2006, iQuorum entered into the Agreement with Birdsville for the sale and purchase of the Property. The consideration for the Disposal of the Property by iQuorum is HK\$118,800,000.

#### THE DISPOSAL

iQuorum, a wholly-owned subsidiary of the Company and Birdsville entered into the Agreement on 7 April 2006 for the disposal of the Property located in the commercial business district in Central, Hong Kong. The parties are required to enter into a formal agreement for the sale and purchase of the Property on or before 28 April 2006.

\* For identification only

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## LETTER FROM THE BOARD

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The transactions contemplated under the Agreement constitute a major transaction of the Company under Chapter 14 of the Listing Rules and is subject to Shareholders' approval at SGM to be convened.

To the best knowledge, information and belief of the Directors having made all reasonable enquiries, Birdsville and the ultimate beneficial owners of Birdsville are Independent Third Parties.

### THE PROPERTY

Date of the Agreement: 7 April 2006

Vendor: iQuorum

Purchaser: Birdsville, an Independent Third Party

Summary: The Agreement was entered into between iQuorum and Birdsville pursuant to which iQuorum has agreed to sell and Birdsville has agreed to purchase the Property. The consideration for the Disposal of the Property by iQuorum is HK\$118,800,000. The parties are required to enter into a formal agreement for the sale and purchase of the Property on or before 28 April 2006. The Agreement is legally binding on iQuorum and Birdsville.

The initial deposit being HK\$3,000,000 has been paid to iQuorum's solicitors as stakeholder (the "Stakeholder") upon signing of the Agreement. Further deposit in the sum of HK\$8,880,000 is payable to the Stakeholder upon signing of the formal agreement (which is expected to be on 28 April 2006) and the remaining consideration for the purchase of the Property being HK\$106,920,000 is payable on completion. The Disposal is expected to be completed on or before 25 July 2006.

### REASONS FOR AND BENEFITS OF THE DISPOSAL OF THE PROPERTY

The Property is located in the prime commercial district in Central, Hong Kong and was acquired by the Group in February 1999. The Property has been leased to third parties since it was acquired by the Group except half of which was used by the Group as their offices of business until mid 2004.

In light of the increase in the value of real estate in the Hong Kong property market and the substantial gain expected to be generated from the proposed Disposal, the Directors consider that it is an opportunity for the Group to realise its investment in the property market. The Group purchased the Property in October 1998 at a cost of HK\$60,480,000, details of which are set out in the announcement issued by RJP Electronics Limited, the former name of

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## LETTER FROM THE BOARD

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iQuorum, dated 19 October 1998. The expected aggregate gain accrued to the Group upon completion of the Disposal is approximately HK\$57,500,000 after taking into account the original cost of acquisition of the Property being HK\$60,480,000 and other selling expenses payable by the Group in relation to the Disposal of approximately HK\$820,000.

The Directors confirm that the consideration for the Property has been determined after arm's length negotiations between the parties by reference to the market value of similar properties in the same location. Based on information obtained from real-estate agent, the average price per square feet of Far East Finance Centre as at February 2006 is HK\$9,700 and the market value of the Property with square feet of 10,800 is therefore approximately HK\$104,760,000. The consideration of the Disposal is at 13.4% premium compared to such market value. The Directors considered that the Disposal at such premium is a good opportunity for the Company to realise its investment.

The valuation of the Property as at 31 March 2006 is HK\$107,000,000, details of which are set out in Appendix I of this circular. The book value of the Property as at 31 December 2005 is HK\$118,000,000, and the consideration to be received by the Group from the Disposal exceeds such value by HK\$800,000.

### **EFFECT OF THE DISPOSAL ON THE EARNINGS, ASSETS AND LIABILITIES OF THE COMPANY**

The net profits before and after taxation and extraordinary items attributable to the Property are approximately HK\$42,348,000 and HK\$20,514,000 for the two financial years ended 30 June 2005 respectively. As the book value of the Property as at 31 December 2005 is approximately HK\$118,000,000, the Disposal, after taking into account the selling expenses and commission fee payable to the real estate agent, will not result in a material impact on the total earnings of the Company.

The Group intends to use the sale proceeds from the Disposal of approximately HK\$47 million for repayment of bank loans, approximately HK\$50 million for acquisition of land bank for future resort development in the region of South East Asia, Pacific Islands and Caribbean and the balance for general working capital of the Group.

### **FINANCIAL AND TRADING PROSPECTS OF THE GROUP**

The British Virgin Islands Project ("BVI Project") is the current core business development of the Group, in which the Group partners with world-class companies including Nicklaus Design, EDSA, Applied Technology & Management Inc., Hill Glazier and Wilson & Associates in developing a possible joint venture with leading resort developers and investment funds in the United States of America. The construction and infrastructure works of the BVI Project consists of a 18 holes Jack Nicklaus Signature golf course, a club house and golf residences, a marina bay residential & marina village with a state-of-the-art mega-yacht facility, a 5-star luxury resort, a Mount Alma residential site, an ocean-view residential site and an airport commercial site. In addition to the development of the BVI Project, the Group will continue to explore more investment and project development opportunities in resort and property markets to optimize earnings as the OEM business of the Group continuously generate stable revenue to the Group.

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## LETTER FROM THE BOARD

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### INFORMATION OF THE GROUP AND BIRDSVILLE

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

Birdsville is a company incorporated in the British Virgin Islands for the purpose of investments holding.

To the best knowledge, information and belief of the Directors having made all reasonable enquiries, Birdsville and the ultimate beneficial owners of Birdsville are Independent Third Parties.

### SPECIAL GENERAL MEETING

As the consideration for the Disposal represents more than 25% but less than 75% of the applicable percentage ratios, the Disposal constitutes a major transaction for the Company under the Listing Rules. Accordingly, the Agreement and the transactions contemplated thereunder are subject to approval by the Shareholders at the SGM.

A notice convening the SGM to be held on 7 June 2006 (Wednesday) at 10:00 a.m. at Chater Room III, Function Room Level, The Ritz-Carlton, 3 Connaught Road, Central, Hong Kong is set out on pages 18 to 19 of this circular for the purpose of considering and, if thought fit, passing with or without amendments the ordinary resolution set out therein.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no Shareholder has a material interest in the Disposal. Accordingly, no Shareholder is required to abstain from voting on the resolution to approve the Agreement at the SGM and the transactions contemplated thereunder.

A form of proxy for use at the SGM is enclosed. Whether or not you are able to attend the SGM, 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 SGM. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof should you so wish.



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## LETTER FROM THE BOARD

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### RECOMMENDATION

The Directors (including all the independent non-executive Directors) are of the view that the proposed Disposal is in the interest of the Company and the terms of the Agreement and the consideration are fair and reasonable and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors (including all the independent non-executive Directors) recommend the Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM to approve the Agreement and the transactions contemplated thereunder.

### ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendices to this circular.

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

**Vigers Appraisal & Consulting Limited**  
International Asset Appraisal Consultants  
10th Floor, The Grande Building  
398 Kwun Tong Road  
Kowloon  
Hong Kong



21 April 2006

The Directors  
iQuorum Cybernet Limited  
Unit 3402, 34th Floor  
China Merchants Tower  
Shun Tak Centre  
168-200 Connaught Road Central  
Hong Kong

Dear Sirs,

**41st Floor**  
**Far East Finance Centre**  
**No. 16 Harcourt Road**  
**Hong Kong**

In accordance with your instructions for us to value the above property located in Hong Kong, we confirm that we have carried out inspection, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of such property for sale and purchase purpose as at 31 March 2006 (“the date of valuation”).

Our valuation of the property is our opinion of the market value which we would define as intended to mean – “the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion”.

In valuing the property, we have valued the property on the basis of capitalization of net rental income derived from the existing tenancy and made allowance for reversionary income potential of the properties and by reference to comparable market transactions.

Our valuations have been made on the assumption that the owners sell the relevant properties on the open market without the benefit of deferred terms contracts, leasebacks, joint ventures, management agreements or any similar arrangements which would serve to increase the values of such interests. In addition, no forced sale situation in any manner is assumed in our valuations.

We have inspected the exterior and, where possible, the interior of the property. However, we have not carried out a structural survey. We are therefore unable to report whether any such parts of the property interests are free from decay, damage by insects or any other structural defects. However, in the course of our inspection, we have not discovered any serious defects.

We have relied to a very considerable extent on the information provided by you and have accepted advice given to us on such matters as tenure, particulars of occupancy, lettings and floor areas and all other relevant matters. Dimensions, measurements and areas included in the valuation certificate are based on information contained in copies of documents provided to us and are therefore only approximations.

We have been provided with copies of title documents relating to such property interest. For property located in Hong Kong, we have caused searches to be made at the relevant Land Registry and in some instances, we have been provided with copies of title documents relating to those properties. We have not, however, searched the original documents to verify ownership or existence of any amendment which does not appear on the copies handed to us. All documents and leases have been used for reference only.

We have had no reason to doubt the truth and accuracy of the information provided to us by you. We were also advised by you that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to reach an informed view, and have no reason to suspect that any material information has been withheld.

No allowance has been made in our valuations for any charges, mortgages or amounts owing on the properties nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature which could affect their values.

In valuing the property, we have complied with the requirements set out in the HKIS Valuation Standards on Properties (First Edition 2005) published by The Hong Kong Institute of Surveyors.

Unless otherwise stated, all money amounts stated are in Hong Kong Dollars.

We enclose herewith a valuation certificate.

Yours faithfully,  
For and on behalf of  
**VIGERS APPRAISAL & CONSULTING LIMITED**  
**Raymond Ho Kai Kwong**  
*Registered Professional Surveyor*  
MRICS, MHKIS, MSc(e-com)  
*Executive Director*

## VALUATION CERTIFICATE

| Property  | Description and Tenure   | Particulars of occupancy  | Market value as at<br>31 March 2006 |
|---|--|---|-------------------------------------|
| 41st Floor,<br>Far East<br>Finance Centre,<br>No.16 Harcourt<br>Road,<br>Hong Kong<br><br>251/13200th<br>shares of and<br>in Inland Lot<br>No. 8466 | <p>The property comprises the whole of 41st floor of a 48-storey commercial building completed in or about 1982.</p> <p>The property has a gross floor area of approximately 10,801 sq.ft. (1,003.44 sq.m.).</p> <p>The property is held under a Conditions of Sale No. 11418 for a term of 75 years commencing from 23 July 1980 with a right of renewal for a further term of 75 years at an annual rent of HK\$1,000 for the lot.</p> | <p>Portion of the property (Unit 4101) is subject to a tenancy for a term expiring on 19 December 2006 at a monthly rent of HK\$103,636 (exclusive of air-conditioning, rates, government rent, management fee and all outgoings).</p> <p>Another portion of the property (Unit 4102) is subject to another tenancy for a term expiring on 31 May 2007 at a monthly rent of HK\$36,218 (exclusive of air-conditioning, rates, management fee and all outgoings).</p> <p>The remaining portion of the property is at present vacant.</p> | HK\$107,000,000                     |

*Notes:*

1. The registered owner of the property is iQuorum Cybernet Limited.
2. The property is subject to a legal charge/mortgage in favour of The Bank of East Asia, Limited vide Memorial No. 05082500560097 dated 27 July 2005.
3. The property is subject to an earnings assignment and charge over account in favour of The Bank of East Asia, Limited vide Memorial No. 05082500560102 dated 27 July 2005.

## 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 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                    | Beneficial | Founder of a discretionary trust and discretionary object | Corporate              | Total number of Shares | Approximate % shareholding |
|-------------------------|------------|---|------------------------|------------------------|----------------------------|
| Hung Kin Sang, Raymond  | 3,280,000  | 405,655,584<br>(Note 1)                                   | 34,329,000<br>(Note 2) | 443,264,584            | 48.41%                     |
| Hung Wong Kar Gee, Mimi | 9,070,056  | 405,655,584<br>(Note 1)                                   | 34,329,000<br>(Note 2) | 449,054,640            | 49.04%                     |
| Fang Chin Ping          | 100,000    | –   | –                      | 100,000                | 0.01%                      |
| Hung Kai Mau, Marcus    | 2,100,000  | –   | –                      | 2,100,000              | 0.23%                      |
| Soo Hung Leung, Lincoln | 1,100,000  | –   | –                      | 1,100,000              | 0.12%                      |

## (ii) Long positions in shares of associated corporations

| Name           | Beneficial | Other         | Name of associated corporation   | Total number of Shares | Approximate % shareholding |
|----------------|------------|---------------|----------------------------------|------------------------|----------------------------|
| Fang Chin Ping | 199,999    | 1<br>(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        |
|                      | <u>405,655,584</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 Mr. Hung Kin Sang, Raymond and Ms. Hung Wong Kar Gee, Mimi.

- (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 Capital 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 Mr. Hung Kin Sang, Raymond and Ms. Hung Wong Kar Gee, Mimi, both Mr. Hung Kin Sang, Raymond and Ms. Hung Wong Kar Gee, Mimi are deemed to be interested in such long positions.
- (3) Mr. Fang Chin Ping is the registered holder of 200,000 shares of Quorum Bio-Tech Limited, a 89% 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.

As at the Latest Practicable Date, none of the Directors had any interest, either direct or indirect, in any assets which have been, since 30 June 2005, being the date to which the latest published audited accounts of the Group were made up, acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group; and

As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement entered into by any member of the Group which is subsisting as at the date of this circular and is significant in relation to the business of the Group.

**(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.

| <b>Name</b>             | <b>Capacity</b> | <b>Number of Shares</b>              | <b>% shareholding</b> |
|-------------------------|-----------------|--------------------------------------|-----------------------|
| Capita Company Inc.     | Beneficial      | 359,153,435                          | 39.22%                |
| Marami Foundation       | Corporate       | 405,655,584<br><i>(Note 1 above)</i> | 44.30%                |
| iQorum Cybernet Limited | Beneficial      | 34,329,000                           | 3.75%                 |

**(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 5 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:

| <b>Name of Subsidiary</b>    | <b>Name of Shareholder</b> | <b>% Shareholding</b> |
|------------------------------|----------------------------|-----------------------|
| Wideland Electronics Limited | Ma Yi Fat                  | 40%                   |
| Wideland Electronics Limited | Ma Siu Lun Frank           | 9%                    |

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 5 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.



**3. 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).

**4. WORKING CAPITAL**

The Directors of the Company are of the opinion that, after taking into account the internal resources available to the Group, net proceed from the Disposal and present available banking facilities and in the absence of any unforeseen circumstances, the Group has sufficient working capital for the next twelve months from the date of this circular.

**5. INDEBTEDNESS**

At the close of business on 31 March 2006 (being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular), the Group had outstanding bank borrowings of approximately HK\$81.4 million, which was secured by certain of the Group's bank deposits, investment properties and property, plant and equipment. In addition, the Group had outstanding at that date unsecured other loan of approximately HK\$19.7 million and obligations under finance leases of approximately HK\$5.5 million.

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities, the Group did not have outstanding at the close of business on 31 March 2006 any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptable credits, debentures, mortgages, charges, hire purchase commitments, guarantees or other material contingent liabilities.

For the purpose of the above indebtedness statement, foreign currency amounts have been translated into Hong Kong dollars at the approximate exchange rates prevailing at the close of business on 31 March 2006.

The Directors have confirmed that there has no material change in the indebtedness or contingent liabilities of the Group since 31 March 2006.

**6. 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.

**7. 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.

**8. EXPERT AND CONSENT**

The following is the qualification of the expert who has been named in this circular or has given opinions, letter or advices contained in this circular:

| <b>Name</b>   | <b>Qualification</b>                      |
|---|---|
| Vigers Appraisal & Consulting Limited<br>("Vigers") | International Asset Appraisal Consultants |

Vigers has given and has not withdrawn its written consent to the issue of this circular with the inclusion therein of its letter and / or references to its name, in the form and context in which it appears.

Vigers is not interested in the assets which have been acquired or disposal of by or leased to any member of the Group, since 30 June 2005, the date to which the latest audited consolidated financial statements of the Group were made up.

**9. MATERIAL CONTRACTS**

No contract (not being contract entered into in the ordinary course of business) has been entered into by the Company or its subsidiaries within the two years preceding the date of this circular up to the Latest Practicable Date and which is or may be material.

**10. PROCEDURES FOR DEMANDING A POLL**

Pursuant to bye-law 66 of the bye-laws of the Company, 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 of such meeting; 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.

**11. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents are available for inspection at 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 during normal business on any weekday (except public holidays) from the date of this circular up to and including 30 May 2006:

- (a) the memorandum and articles of association of the Company;
- (b) the annual reports of the Company of the two financial years immediately preceding the issue of this circular;
- (c) the valuation report dated 31 March 2006;
- (d) the material contract referred to in this appendix; and
- (e) the following circular was issued by the Company pursuant to the requirements set out under Chapter 14 of the Listing Rules since 30 June 2005, being the date to which the latest published audited consolidated financial statements of the Group were made up:
  - a supplemental circular dated 4 July 2005 following the issued of a circular dated 4 October 2004 regarding, amongst others, a disposal of interest in Applied Properties (Jiang Men) Ltd. S.A., an indirect wholly owned subsidiary of the Company by Applied China Properties Limited, a wholly owned subsidiary of the Company to Mr. Lai Kwok Wah for a consideration of RMB15,000,000, which was subsequently reduced to RMB14,400,000.

**12. GENERAL**

- (i) The secretary of the Company is Ms. Lee Wai Fun, Betty, associate member of The Institute of Chartered Secretaries and Administrators and associate member of The Hong Kong Institute of Chartered Secretaries.
- (ii) The qualified accountant of the Company is Ms. Ng Kit Ling, Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants and Member of the Association of Chartered Certified Accountants in United Kingdom.
- (iii) 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.
- (iv) The English version of this circular shall prevail over the Chinese text.

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## NOTICE OF SPECIAL GENERAL MEETING

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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)**

NOTICE IS HEREBY GIVEN that a special general meeting (the “SGM”) of Applied International Holdings Limited (the “Company”) will be held on 7 June 2006 (Wednesday) at 10:00 a.m. at Chater Room III, Function Room Level, The Ritz-Carlton, 3 Connaught Road, Central, Hong Kong for the purpose of considering and, if thought fit, passing with or without amendment the following resolution which will be proposed as an ordinary resolution:

#### ORDINARY RESOLUTION

**“THAT:**

- (i) the agreement (the “Agreement”) dated 7 April 2006 entered into between iQuorum Cybernet Limited, as vendor, and Birdsville Enterprises Limited as purchaser, for the sale and purchase of the property located in the commercial business district at 41st Floor, Far East Finance Centre, No. 16 Harcourt Road, Hong Kong with a floor area of approximately 10,800 square feet for the sum of HK\$118,800,000 (a copy of which has been produced at the SGM and marked as “A” and signed by the chairman of the SGM for the purpose of identification) and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified; and
- (ii) the board of directors of the Company (the “Board”) be and is hereby authorised to do all other acts and things and take such action as may in the opinion of the Board be necessary desirable or expedient to implement and give effect to the transactions contemplated under the Agreement.”

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

Dated 15 May 2006

*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.

\* *For identification only*

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## NOTICE OF SPECIAL GENERAL MEETING

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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.
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.