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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)**

**(1) MAJOR TRANSACTION –  
JOINT VENTURE BY WAY OF DEEMED DISPOSAL OF 50% OF  
THE SHAREHOLDING IN QUORUM ISLAND (BVI) LIMITED  
AND  
(2) CHANGE OF COMPANY NAME**

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A notice convening the SGM (as defined herein) of Applied International Holdings Limited to be held on 28 September 2006 at 10:30 a.m. at Salon 4, Grand Hyatt Hong Kong, 1 Harbour Road, Hong Kong is set out on pages 34 to 35 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 purpose 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:*

“Agreement”	the stock purchase and joint venture agreement dated 11 August 2006 entered into amongst InterIsle, Applied Enterprises, Applied Toys and Quorum;
“Applied Enterprises”	Applied Enterprises Limited, a company incorporated in Hong Kong and a wholly owned subsidiary of the Company;
“Applied Entities”	Applied Enterprises and Applied Toys;
“Applied Toys”	Applied Toys Limited, a company incorporated in Hong Kong and a wholly owned subsidiary of the Company;
“Board”	the board of Directors;
“Closing”	completion of the transactions contemplated under the Agreement;
“Closing Date”	the date of Closing being on or before 30 November 2006;
“Common Stock”	the common stock of Quorum;
“Company”	Applied International Holdings Limited, an exempted company incorporated in Bermuda and the shares of which are listed on the Stock Exchange;
“Deferred Purchase Price”	US\$10.5 million (equivalent to approximately HK\$81,900,000);
“Development Agreement”	the development agreement dated 2 December 2005 entered into between Quorum and the Government of the British Virgin Islands relating to the proposed development of the Project;
“Development Budget”	the budget prepared by the Development Manager and approved by the Quorum Board;

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## DEFINITIONS

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“Development Costs”	the total development cost of the Project as set forth in the Development Budget, net of (i) land costs, (ii) costs incurred in connection with the financing of the construction of the Project, (iii) sales commissions, (iv) contingency reserves, and (v) taxes and governmental permits and license fees;
“Development Loan”	additional borrowings (other than the Initial Loan) and other non-equity capital to finance the development of the various phases of the Project;
“Development Manager”	InterIsle Development Ltd., a company incorporated in the British Virgin Islands and owned as to 50% by Interlink and 50% by IGY;
“Development Management Agreement”	the Initial Development and Management Agreement or, following the termination of the Initial Development and Management Agreement, such substitute agreement for the management of the development and/or operation of the Project as may be approved by the affirmative vote of the majority in interest of the Stockholders;
“Directors”	the directors of the Company;
“Group”	the Company and its subsidiaries;
“Hong Kong”	The Hong Kong Special Administrative Region of the People’s Republic of China;
“IGY”	Island Global Yachting Acquisitions LLC, a company incorporated in the United States;
“Initial Development and Management Agreement”	the development and management agreement dated 11 August 2006 entered into between Quorum and the Development Manager;
“Initial Loan”	a term loan to be arranged by InterIsle with a reputable commercial bank or financial institution in the aggregate principal sum of US\$51 million (equivalent to approximately HK\$397,800,000);
“InterIsle”	InterIsle Holdings Ltd., a company incorporated in the British Virgin Islands and owned as to 50% by Interlink and 50% by IGY;

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## DEFINITIONS

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“Interlink”	Interlink Realty International, Corp., a company incorporated in Puerto Rico;
“Joint Venture Termination Date”	the 20th anniversary of the Closing Date or such earlier date upon which the Agreement shall terminate;
“Latest Practicable Date”	29 August 2006, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular;
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange;
“Mr. Hung”	Mr. Hung Kin Sang, Raymond, an executive Director;
“Master Plan”	the master plan of the Project as may be agreed upon by InterIsle and Applied Enterprises prior to the Closing Date and approved by the Government of the British Virgin Islands and the Development Control Authority;
“Project”	the development of the Real Property into a mixed-use luxury resort as described in the Master Plan;
“Quorum”	Quorum Island (BVI) Limited, a company incorporated in the British Virgin Islands and a wholly owned subsidiary of the Company;
“Quorum Board”	the board of directors of Quorum;
“Real Property”	a site of approximately 663 acres (28.88 million sq.ft.) located at Beef Island, Tortola, the British Virgin Islands;
“SGM”	a special general meeting of the Company to be convened to approve, amongst other things, the Agreement and the proposed change of name of the Company;
“Shareholders”	holders of Shares;
“Shares”	shares of HK\$0.01 each in the share capital of the Company;
“Stockholders”	InterIsle and Applied Enterprises, and any other person who becomes an owner of Common Stock in compliance with the terms of the Agreement and agrees to comply with the terms of the Agreement;

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## DEFINITIONS

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“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Transactions”	the deemed disposal of 50% interest in Quorum and the resultant joint venture arrangement under the terms of the Agreement; and
“US\$”	United States dollars, the lawful currency of the United States of America.

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

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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

31 August 2006

*To the Shareholders*

Dear Sir/Madam,

**(1) MAJOR TRANSACTION –  
JOINT VENTURE BY WAY OF DEEMED DISPOSAL OF 50% OF  
THE SHAREHOLDING IN QUORUM ISLAND (BVI) LIMITED**

**AND**

**(2) CHANGE OF COMPANY NAME**

**INTRODUCTION**

On 15 August 2006, the Company announced that Quorum, InterIsle, Applied Enterprises and Applied Toys entered into the Agreement on 11 August 2006 under which (i) Quorum will pay a sum of US\$30 million (equivalent to approximately HK\$234,000,000) to the Group for the redemption of 50% of the equity interest held by Applied Enterprises and Applied Toys in Quorum and repayment of indebtedness owed to the Group and (ii) InterIsle will subscribe 50% equity interest in Quorum for a consideration of US\$21 million (equivalent to approximately

\* *for identification purpose only*

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## LETTER FROM THE BOARD

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HK\$163,800,000). The Group may also receive an additional sum of US\$5.25 million (equivalent to approximately HK\$40,950,000) from InterIsle upon the occurrence of certain event mentioned below when the consideration to be paid by InterIsle will be reduced to US\$10.5 million (equivalent to approximately HK\$81,900,000). Upon completion of the Transactions, Quorum will be held as to 50% by Applied Enterprises and 50% by InterIsle.

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

Each of the deemed disposal of 50% interest in Quorum and the resultant joint venture arrangement constitutes a major transaction for the Company under the Listing Rules and is subject to Shareholders' approval at the SGM.

The Board also proposed to change the English name of the Company from "Applied International Holdings Limited" to "Applied Development Holdings Limited" and to adopt the Chinese name "實力建業集團有限公司" in lieu of "實力國際集團有限公司" for identification purpose only.

This circular contains details of the Transactions as required by the Listing Rules.

### THE AGREEMENT

Date: 11 August 2006

Parties:

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

### The Disposal and the Joint Venture Arrangement

Under the terms of the Agreement:

- (i) Quorum will obtain the Initial Loan to be arranged by InterIsle in the sum of US\$51 million (equivalent to approximately HK\$397,800,000) to be secured by a first mortgage lien on the Real Property;
- (ii) Quorum will make a drawing under the Initial Loan and use US\$30 million (equivalent to approximately HK\$234,000,000) of which to (a) repay all outstanding liabilities of Quorum as at the Closing Date including those owed to the Group and (b) redeem 50% of the equity interest held by Applied Enterprises and Applied Toys in Quorum; and



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## LETTER FROM THE BOARD

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

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

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

Upon completion of the Transactions, Quorum will be held as to 50% by Applied Enterprises and 50% by InterIsle and will cease to be a subsidiary of the Group. The Company has no intention to dispose of its 50% interest in Quorum at the moment.

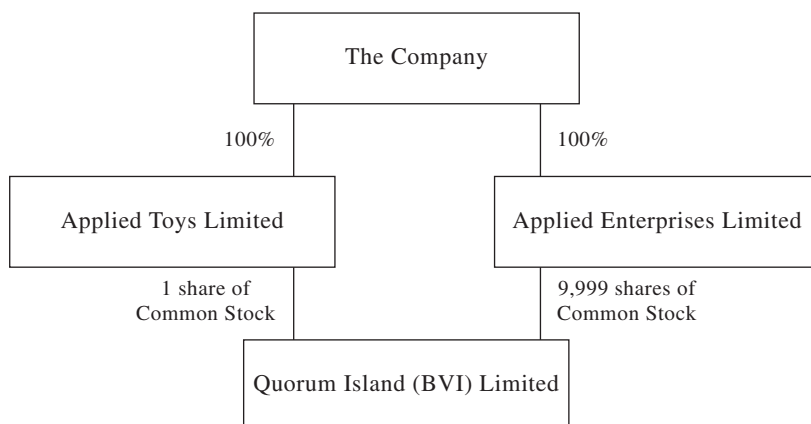
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## LETTER FROM THE BOARD

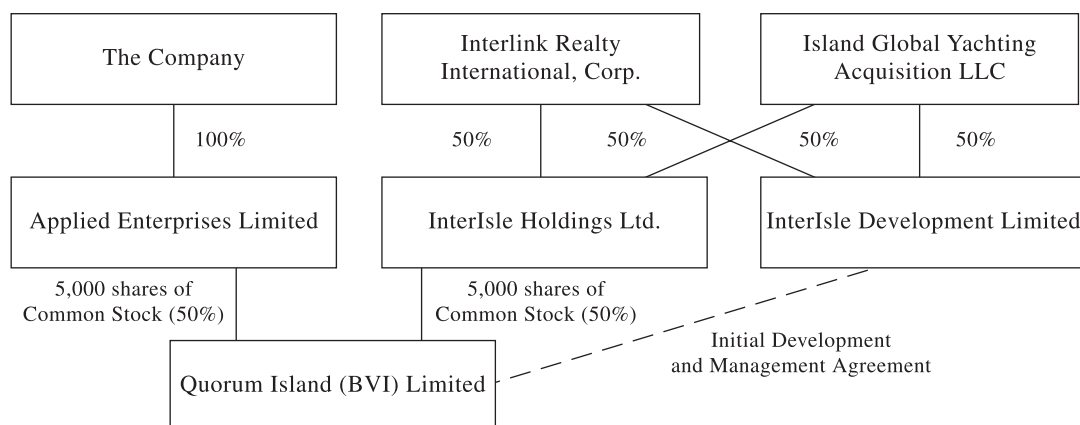
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The shareholdings of Quorum before and after the Transactions (assuming the Deferred Purchase Price has been paid in full by InterIsle) are as follows:

### Before the Transactions



### Upon Completion of the Transactions



### Conditions

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

- (i) the Agreement and transactions contemplated thereby being approved by the Shareholders in compliance with the Listing Rules;
- (ii) all documents related to the Initial Loan being agreed and executed by the lender, Quorum, InterIsle and Applied Enterprises;
- (iii) InterIsle having obtained all requisite licenses and approvals to hold 50% interest in Quorum;
- (iv) the directors to be appointed by InterIsle and Applied Enterprises to the board of Quorum having obtained the requisite licenses to act as directors of Quorum;

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## LETTER FROM THE BOARD

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- (v) the Initial Development Management Agreement being executed by the parties thereto and remain in full force and effect and not amended or modified in any manner that InterIsle deems adverse;
- (vi) InterIsle and Applied Enterprises having agreed upon and approved the Master Plan and the Development Budget;
- (vii) Quorum having received planning approval of the Master Plan from Development Control Authority and all other appropriate governmental authorities of the British Virgin Islands; and
- (viii) Quorum having received all other governmental approvals, permits, licenses, authorizations and clearances required for its performance of the Agreement, the Development Agreement and the Initial Development Management Agreement and the transactions contemplated therein.

In respect of the condition referred to in item (i) above, Mr. Hung has agreed to vote and cause his immediate family to vote in favour of the Transactions at the SGM. As at the Latest Practicable Date, Mr. Hung and his associates are interested in approximately 49.19% shareholding in the Company.

### **Management**

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

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

### **Additional Capital Requirements**

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

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## LETTER FROM THE BOARD

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

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

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

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

### **Other Terms**

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

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

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

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## LETTER FROM THE BOARD

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### Termination

#### Prior to the Closing Date

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

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## LETTER FROM THE BOARD

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

### Joint Venture Termination Date

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

### **INITIAL DEVELOPMENT AND MANAGEMENT AGREEMENT**

Date: 11 August 2006

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

#### **The Term**

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

#### **Responsibilities**

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

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## LETTER FROM THE BOARD

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### **Management Fees**

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

### **Termination**

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

- (i) the Development Manager breaches any material term, covenants, warranties or representations contained in the Initial Development and Management Agreement and where the breaches are not cured within a specified period;
- (ii) the Development Manager assigns any of its rights under the Initial Development and Management Agreement without the prior written consent of Quorum;
- (iii) there is any material departure from the Development Budget which departure was reasonably foreseeable and could reasonably have been avoided by a responsible manager;
- (iv) there is any material departure from the Master Plan which was within the reasonable control of the Development Manager and could reasonably have been avoided by a responsible manager;
- (v) the Development Manager fails to proceed diligently and in a professional manner with its responsibilities as manager;
- (vi) the occurrence of gross negligence or willful misconduct on the part of the Development Manager;
- (vii) InterIsle fails to pay the Deferred Purchase Price and forfeits a portion of the Common Stock under the terms of the Agreement;
- (viii) InterIsle or any of its parent company ceases, directly or indirectly, to own at least 50% of the Common Stock which is held by it on the Closing Date.

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## LETTER FROM THE BOARD

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### FINANCIAL INFORMATION ON QUORUM

Based on the management accounts of Quorum as at 30 June 2006, the total asset value of Quorum is approximately US\$18.1 million (equivalent to approximately HK\$141,180,000) which includes shareholders' loan from the Group of approximately US\$16.8 million (equivalent to approximately HK\$131,040,000) and the net asset value of Quorum is approximately US\$1.3 million (equivalent to approximately HK\$10,140,000). Quorum has yet to develop the Project and has generated neither turnover nor profit for the two financial years ended 30 June 2006. Based on the valuation report set out in appendix I of this circular, the market value of the Real Property excluding pre-development expenses of approximately US\$6 million (equivalent to approximately HK\$46,800,000) is approximately US\$45 million (equivalent to approximately HK\$351,000,000) as at 23 August 2006.

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

With Quorum's total asset value of US\$51 million (equivalent to approximately HK\$397,800,000) as agreed between the parties, the Group agreed to receive at least US\$30 million (equivalent to approximately HK\$234,000,000) and an additional sum of US\$5.25 million (equivalent to approximately HK\$40,950,000) from InterIsle upon no requirement of further capital contribution from InterIsle. A gain of approximately US\$26.2 million (equivalent to approximately HK\$204,360,000) or approximately US\$20.95 million (equivalent to approximately HK\$163,410,000) will be recognized by the Group if it receives US\$35.25 million (equivalent to approximately HK\$274,950,000) or US\$30 million (equivalent to approximately HK\$234,000,000) respectively under the Agreement. Such gain is calculated based on the difference between the amount received by the Group and 50% of the total asset value of Quorum as at 30 June 2006 in the amount of US\$9.05 million (equivalent to approximately HK\$70,590,000). The remaining capital gain of US\$6.7 million (equivalent to approximately HK\$52,260,000) or US\$11.95 million (equivalent to approximately HK\$93,210,000), as the case may be, will remain as further capital contribution of Quorum by the Group.

Quorum will not be a subsidiary of the Group upon completion of the Transactions and the Group will recognise its interest in Quorum using proportionate consolidation since Quorum will be qualified as a jointly controlled entity under Hong Kong Accounting Standard 31 "Interests in Joint Venture". The Company's share of each of the assets, liabilities (including the Initial Loan and any Development Loans), income and expenses of Quorum will be included in its financial statements upon the application of proportionate consolidation. The Company expects that the Project will start to generate earnings for the Group when it launches the presale of the residential units in 2007 and the construction works of the hotel complete in 2009.



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## LETTER FROM THE BOARD

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### REASONS FOR AND BENEFITS OF THE TRANSACTIONS

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

Pursuant to the joint venture arrangement, Applied Enterprises and InterIsle intend to develop the Real Property into a mixed-use 5-star luxury resort, to include, among others, a luxury hotel that may include a condominium hotel and fractional ownership element, 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 Mount Alma residential site, an ocean-view residential site and an airport commercial site, together with the related infrastructure improvements and installation of utilities. The construction of the various components of the Project will commence at the same time and development of the Project will not be divided into different phases as such.

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

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

### USE OF PROCEEDS

The Company will use the proceeds of approximately US\$30 million (equivalent to approximately HK\$234,000,000) or US\$35.25 million (equivalent to approximately HK\$274,950,000), as the case may be, from the repayment of indebtedness owed to the Group by Quorum and the redemption of its 50% interest in Quorum for acquisition of land bank for future resort development in the region of South America, Pacific Islands and Caribbean. The Company has not yet identified any potential acquisition as at the date of this circular.

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## LETTER FROM THE BOARD

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### FINANCIAL AND TRADING PROSPECTS OF THE GROUP

The Project is the current core business development of the Group, in which the Group partners with leading resort developers and world-class companies including Nicklaus Design, EDSA, Applied Technology & Management Inc., Hill Glazier and Wilson & Associates. In addition to the development of the Project, the Group is proactively looking for possible investment and project development opportunities in resort and property markets to expand its portfolio and provide future earnings and development opportunities for the Group. In particular, with the proceeds from the Transactions, the Company will be in a position to acquire land bank for future resort development as and when opportunity arises. As for the OEM business of the Group, Wideland Electronics Limited, the Company's subsidiary, has moved to a larger factory in Shenzhen, PRC in April 2006 which enables the Group to increase its production capacity by 25%. By improving its productivity, the Company has further increased its competitiveness in the OEM market. The Directors believe that the Group's OEM business will continuously generate stable revenue to the Group.

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

#### InterIsle and the Development Manager

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

#### Interlink

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

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

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## LETTER FROM THE BOARD

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### IGY

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

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

To the best of the knowledge, information and belief of the Directors (having made all reasonable enquiries), Interlink, IGY, InterIsle, the Development Manager and their ultimate beneficial owners are independent third parties of the Group and the connected persons (as defined in the Listing Rules) of the Group.

### CHANGE OF NAME OF THE COMPANY

The Board proposes to put forward a special resolution at the SGM for the Shareholders to consider and, if thought fit, approve the proposed change of the Company's English name from "Applied International Holdings Limited" to "Applied Development Holdings Limited" and the adoption of the Chinese name "實力建業集團有限公司" in lieu of "實力國際集團有限公司" for identification purpose only.

The partnership with Interlink and IGY to develop the Project is a significant milestone of the Group in its strategy to transform into a resort developer. With confidence in the prospects of the resort industry, the Group will explore more investment and project development opportunities in resort and property markets to further consolidate the Group as a resort developer in the market. The Board believes that the new company name will more appropriately reflect the core objectives of the Company and the focus and directions of its future business development.

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## LETTER FROM THE BOARD

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The proposed change of name of the Company will be subject to the approval of the Shareholders and the Registrar of Companies in Bermuda granting approval for such change. The Company will carry out the necessary filing procedures with the Registrar of Companies in Bermuda and with the Registrar of Companies in Hong Kong once such change of name has been passed by the Shareholders at the SGM. The effective date of the proposed change of name will be the date on which the new name is entered by the Registrar of Companies in Bermuda on the register of companies in place of the existing name.

Upon the proposed change of name of the Company becoming effective, all existing share certificates of the Company in issue bearing the existing name of the Company will continue to be evidence of title to the Shares and will continue to be valid for trading, settlement and delivery for the same number of Shares in the new name of the Company and the rights of any Shareholders will not be affected as a result of the proposed change of name. Once the proposed change of name has become effective, any issues of share certificates of the Company thereafter will be in the new name of the Company and the securities of the Company will be traded on the Stock Exchange in the new name. However, there will be no special arrangement for free exchange of the existing share certificates of the Company for new share certificates printed in the Company's new name.

An announcement will be made by the Company once the proposed change of name of the Company has become effective and upon the adoption of the new stock short name.

### GENERAL

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

### SGM

A notice convening the SGM to be held on 28 September 2006 at Salon 4, Grand Hyatt Hong Kong, 1 Harbour Road, Hong Kong at 10:30 a.m. is set out on pages 34 to 35 of this circular. Resolutions will be proposed at the SGM for the Shareholders to approve the Transactions and the change of company name.

A form of proxy for use at the SGM is enclosed. Whether or not Shareholders are able to attend the SGM in person, they are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon as soon as possible but in any event not later than 48 hours before the time appointed for the holding of the SGM. Completion and return of the form of proxy will not preclude Shareholders from attending and voting at the SGM or any adjournment thereof in person, if they so wish.

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## LETTER FROM THE BOARD

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### 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.

### RECOMMENDATION

The Board believes that the Transactions and the change of company name are in the best interest of the Company and the Shareholders as a whole. Accordingly, the Directors recommend that the Shareholders vote in favour of the resolutions to be proposed at the SGM to approve the Transactions and the change of company name.

### ADDITIONAL INFORMATION

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

By Order of the Board  
**Applied International Holdings Limited**  
**Hung Kin Sang, Raymond**  
*Executive Director*

Smiths Gore Overseas Ltd • E Britannic Hall • PO Box 135 • Road Town • Tortola • British Virgin Islands  
t (284) 494 2446 • f (284) 494 2141 • info@smithsgore.com • www.smithsgore.com



23 August 2006

The Directors  
Quorum Island (BVI) Limited  
c/o Applied International Holdings Limited  
Unit 3402, 34th Floor  
China Merchants Tower  
Shun Tak Centre  
168-200 Connaught Road Central  
Hong Kong

Dear Sirs,

**Quorum Island (BVI) Limited**  
**Valuation of Land at Beef Island, British Virgin Islands**

In accordance with your instructions to value the land at Beef Island, we have inspected the property and provide you with our opinion of market value as at 23 August 2006, the date of inspection. We provide below a summarized report in accordance with our instructions.

**TERMS OF ENGAGEMENT**

<b>Client</b>	Quorum Island (BVI) Limited. We cannot accept responsibility to any third party for the whole or any part of its contents.
<b>Purpose of Valuation</b>	The purpose of this report is to estimate the Market Value of the subject property. The report is intended for use in connection with establishing value for Hong Kong Stock Exchange compliance. It is not intended for any other use.
<b>Subject of Valuation</b>	The subject property comprises land and improvements located at Beef Island, British Virgin Islands. The land comprising the subject property is known as “Trellis Bay Estate”.
<b>Interest to be Valued</b>	We have been instructed to value the freehold interest in the subject property subject to any leasehold interests.

**Basis of Valuation**

We have been instructed to provide an opinion of Market Value for the subject property, defined as follows:

*'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.'*  
(RICS Appraisal and Valuation Standards PS3.2).

**Date of Valuation**

The date of valuation is the date of inspection being 23 August 2006.

**Status of Valuers and Prior Involvement**

The valuation has been undertaken by Edward Childs MRICS who has 16 years experience in valuing resort and commercial property in the Caribbean. Smiths Gore Overseas Limited act as estate manager to Quorum Island (BVI) Limited and provide professional advice pertaining to on-going development work.

**Currency Adopted**

The valuation figure is quoted in US Dollars, the official currency of the BVI.

**LOCATION AND DESCRIPTION OF PROPERTY****Situation**

The subject property is located in the British Virgin Islands (BVI's), an archipelago of approximately fifty islands situated north of the Leeward Islands and approximately 60 miles east of Puerto Rico.

**Location**

Beef Island is centrally located within the BVI and is connected by bridge to the main island of Tortola where the seat of Government is located. Beef Island is home to the main international airport which borders the subject property.

**Description**

The subject property comprises some 663 acres of mainly undeveloped land on the east and southern peninsula of Beef Island. With the exception of two out parcels, the land to the south and east of the airport comprises the subject property. The land is surrounded by the Caribbean sea and has an extensive water frontage comprising rocky frontage and beaches. The subject property is dominated by Mount Alma, the highest point on Beef Island, which rises to approximately 700 feet above sea level. About half the site comprises relatively flat or gently undulating land, the remainder the lower and upper slopes of Mount Alma. The property fronts Trellis Bay on the northern flank and Bluff Bay on the southern flank.

**Improvements**

The subject property is to all intents undeveloped. There are three small commercial buildings fronting Trellis Bay plus a plant nursery located in Bluff Bay. A road constructed in the 1960's passes through the centre of the estate to access the plant nursery. The buildings all date from the 1960's with extensive renovations undertaken during the later 1990's and early 2000's.

**Services**

The property has both mains water and electricity.

**Building Tax**

US\$1,230 per annum

**Land Tax**

US\$33,650 per annum

**TENURE****Legal Title**

The subject property is held on the following freehold title:

<b>Block</b>	<b>Parcel</b>	<b>Acreage</b>	<b>Title</b>
3840A	4	1	Freehold
	8	70	Freehold
3838A	1	4	Freehold
	9	584	Freehold
3640A	18	0.66	Freehold
	19	3.14	Freehold
<b>Total</b>		<b>662.8</b>	



There are no encumbrances registered against the title except rights of way. Parcel 3840A.4 has a lease registered against the title.

### Tenancies

The following tenancies are in place:

Tenant	Unit	Term	Rent
Minines Plants	Nursery at Bluff Bay	6 months notice	US\$2,000/mth
A Dick Read	Commercial Building	6 months notice	US\$2,750/mth
Boardsailing BVI	Commercial Building	6 months notice	US\$2,750/mth
The Last Resort	Ice House	6 months notice	US\$3,000/mth
The Last Resort	Bellamy Cay/ Quaker	6 months notice	US\$3,458/mth

## PLANNING, CONSENTS AND AGREEMENTS

### Outline Planning

Outline planning consent was granted to Quorum Island (BVI) Limited on 6 January 1995 for the development of:

- Five star resort
- 18 hole golf course
- inland and external marina
- commercial area
- residential development

### Current Planning

On 4 August 2006 full planning consent was applied for a mixed use resort development based on the concepts contained in the 1995 outline planning consent. This detailed planning consent is currently under consideration by the BVI Government authorities and approval is expected to be granted within two months.

**Development Agreement**

On 4 December 2005, Quorum Island (BVI) Limited entered into a Development Agreement for the development of the subject property with the BVI Government. This Development Agreement is based on a Master Plan similar to that submitted for full planning consent in August 2006 and outlines the terms and conditions that the development of the property will abide by. The material conditions which affect the development of the property are as follows:

- the development shall consist of:
  - (i) an 18 hole championship golf course including a club house, conference facility, infrastructure and related facilities, the construction of which shall commence within six months from final approvals and completed within 3 years from such final approvals
  - (ii) up to a 200 slip inner marina and mega yacht facility including marina commercial units, to be constructed within 4 years from final approvals of the detailed development plans for such marina and facility
  - (iii) an approximate 200 unit luxury (five star) hotel resort with up to 100 condominium units (included within the 200 units), to be erected within a period of 6 years of final approvals of the detailed development plans for the hotel
  - (iv) approximately 80 fractional or other residential units or 80 luxury hotel/luxury condominium units
  - (v) a commercial shopping zone
- the overall density of the property will average one residential unit (houses, and villas) per acre over the entire property, comprising 663 acres, excluding the hotel rooms, condominium units and fractional units

Although time limits were specified in the Development Agreement for the construction of items (i) – (iii) above, there is a general provision in the Development Agreement which states that the decision as to whether to embark and when upon the development shall be made by Quorum Island (BVI) Limited taking into account relevant factors and prevailing conditions and projected market conditions relative to these types of investments and businesses in the Caribbean and in the Virgin Islands in particular.

**Joint Venture Agreement**

Quorum Island (BVI) Limited entered into a joint venture agreement for the development of the subject property with InterIsle, a developer with Caribbean experience, on 11 August 2006.

**CLASSIFICATION OF THE PROPERTY****Classification**

The property is held for development by the owner.

**VALUATION****Valuation Assumptions**

1. The valuation is made on the assumption that full planning consent will be granted for the development of the property in accordance with the planning application submitted on 4 August 2006.
2. That if a Non-Belonger's Landholding Licence were required to accomplish a sale of the property that it would be granted by the Government of the British Virgin Islands without undue delay or restriction.

**Limiting Conditions**

1. Neither the whole nor any part of the report nor any reference thereto may be included in any published document, or referred to in any way without our prior written approval of the form and context in which it may appear.
2. The valuation report will be prepared for the use only of the person to whom it is addressed and we cannot accept responsibility to any third party for the whole or any part of its contents.

3. The valuation will be made in accordance with the RICS Appraisal and Valuation Standards (5th edition, effective 1 May 2003), published by the Royal Institution of Chartered Surveyors.
4. We have relied upon information provided to us by The BVI Land Registry Department for title information relating to the subject property. The valuers accept no responsibility or liability for the true interpretation of the legal position of the client or other parties.
5. No allowance has been made for any expenses of realisation, or for taxation which might arise in the event of a disposal.
6. For purposes of this valuation, we assume that there are no onerous or unusual conditions or restrictions affecting the property and that it is free and clear of any mortgages or charges.

<b>Valuer</b>	Edward Childs
<b>Employer</b>	Smiths Gore, P.O. Box 135, Road Town, Tortola, British Virgin Islands
<b>Qualification</b>	Member of the Royal Institution of Chartered Surveyors
<b>Effective Date of Value</b>	23 August 2006
<b>Valuation</b>	The valuation certificate is attached.

Yours faithfully,  
For and on behalf of  
**Smiths Gore Overseas Limited**  
**Edward Childs**  
MRICS

## VALUATION CERTIFICATE

Property	Description and Tenure	Tenancies	Market Value as at 23 August 2006
Trellis Bay Estate BIG 3840A.4 & 8 BIG 3838A.1 & 9 BIG 3640A.18 & 19	<p>The property comprises mainly undeveloped land with minimum improvements which include a plant nursery and three commercial buildings. The total land area is approximately 663 acres. Title is freehold.</p> <p>Outline planning consent was obtained in 1995 for a mixed use resort development. Full planning consent for a mixed use resort development was applied for on 4 August 2006.</p>	<p>The freehold title is subject to four six month tenancies:</p> <ol style="list-style-type: none"> <li>1. Minines' Plants</li> <li>2. A Dick Read</li> <li>3. Boardsailing BVI</li> <li>4. The Last Resort</li> </ol> <p>The tenancies are all subject to six month's notice.</p> <p>The tenancies relate the plant nursery and three commercial buildings. The remainder of the land is held with vacant possession.</p>	US\$45,000,000

*Notes:*

1. The registered owner of the subject property is Quorum Island (BVI) Limited.
2. There are no charges registered against the title.
3. The market value is based on the assumption that full planning consent will be granted in accordance with the planning application submitted on 4 August 2006.
4. The market valuation figure excludes pre-development expenses which we have been informed are in the region of US\$6.0m.

## 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 (Note 1)	34,329,000 (Note 2)	443,264,584	49.19%
Hung Wong Kar Gee, Mimi	9,070,056	405,655,584 (Note 1)	34,329,000 (Note 2)	449,054,640	49.84%
Fang Chin Ping	100,000	–	–	100,000	0.01%
Hung Kai Mau, Marcus	2,340,000	–	–	2,340,000	0.26%
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 (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 Hung Kin Sang, Raymond and 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 Hung Kin Sang, Raymond and Hung Wong Kar Gee, Mimi), 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% 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	39.86%
Marami Foundation	Corporate	405,655,584 <i>(Note 1 above)</i>	45.02%
iQuorum Cybernet Limited	Beneficial	34,329,000	3.81%

**(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:

<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 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.



### **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 are of the opinion that, after taking into account the present internal resources available to the Group, net proceed from the Transactions 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 30 June 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\$41.0 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 obligations under finance leases of approximately HK\$7.2 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 30 June 2006 any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptance 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 30 June 2006.

The Directors have confirmed that there is no material change in the indebtedness or contingent liabilities of the Group since 30 June 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>
Smiths Gore Overseas Limited	Property Valuer

Smiths Gore Overseas Limited 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.

Smiths Gore Overseas Limited 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**

The following contracts (not being contract entered into in the ordinary course of business) have 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:–

- (i) an agreement dated 7 April 2006 between iQuorum Cybernet Limited and Birdsville Enterprises Limited for the sale and purchase of the whole of 41st Floor, Far East Finance Centre, No.16 Harcourt Road, Hong Kong at a consideration of HK\$118,800,000;
- (ii) the Agreement; and
- (iii) the Initial Development and Management Agreement.

**10. 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 15 September 2006:

- (a) the memorandum and bye-laws 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 23 August 2006 as set out in appendix I in this circular;
- (d) the material contracts referred to in this appendix; and
- (e) the following circulars which were 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:
  - (i) a supplemental circular dated 4 July 2005 following the issue 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; and
  - (ii) a circular dated 15 May 2006 in respect of the disposal of the whole of 41st Floor, Far East Finance Centre, No.16 Harcourt Road, Hong Kong by a wholly-owned subsidiary of the Company.

**11. GENERAL**

- (i) The secretary of the Company is Lee Wai Fun, Betty, associate member of The Institute of Chartered Secretaries and Administrators in the United Kingdom and The Hong Kong Institute of Chartered Secretaries.
- (ii) The qualified accountant of the Company is 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 THE 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 28 September 2006 at 10:30 a.m. at Salon 4, Grand Hyatt Hong Kong, 1 Harbour Road, Hong Kong for the purpose of considering and, if thought fit, passing (with or without amendment in the case of the ordinary resolution) the following resolutions:–

#### ORDINARY RESOLUTION

1. **“THAT:**

- (i) the agreement (“Agreement”) dated 11 August 2006 entered into amongst Quorum Island (BVI) Limited (“Quorum”), InterIsle Holdings Ltd. (“InterIsle”), Applied Enterprises Limited (“Applied Enterprises”) and Applied Toys Limited (“Applied Toys”) and pursuant to which (i) Quorum will redeem 50% of the equity interest held by Applied Enterprises and Applied Toys in Quorum and repay the indebtedness owed to the Group at a consideration of US\$30 million and (ii) InterIsle will subscribe 50% equity interest in Quorum for a consideration of US\$21 million (a copy of which has been produced at the meeting and marked as “A” and signed by the Chairman 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 (“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.”

#### SPECIAL RESOLUTION

2. **“THAT** subject to the approval of the Registrar of Companies in Bermuda being obtained, the name of the Company be changed from “Applied International Holdings Limited” to “Applied Development Holdings Limited” and the new Chinese name of “實力建業集團有限公司” be adopted to replace the existing Chinese name of “實力國際集團有限公司” for identification purpose only with effect from the date of entry of the new name on the register of companies maintained by the Registrar of

\* *for identification purpose only*

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## NOTICE OF THE SPECIAL GENERAL MEETING

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Companies in Bermuda and the directors of the Company be and are hereby authorised generally to do such acts and things and execute all documents or make such arrangements as may be necessary or they may consider expedient to effect the change of name.

By Order of the Board  
**Applied International Holdings Limited**  
**Hung Kin Sang, Raymond**  
*Executive Director*

Dated 31 August 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 or show of hands, votes may be given either personally or by proxy. A proxy need not be a member of the Company. A member who is the holder of two or more shares in the Company 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.
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.