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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**

### **ACQUISITION OF PROPERTY**

**AND**

### **RESUMPTION OF TRADING**

#### **PROPOSED ACQUISITION**

On 16 June 2006, the Vendors entered into the Agreement with the Purchaser for the sale and purchase of the Property in United States Virgin Islands. The consideration for the Acquisition by the Purchaser is US\$21,000,000 (equivalent to HK\$163,800,000).

The transaction contemplated under the Agreement constitutes a major transaction of the Company under Chapter 14 of the Listing Rules and is subject to Shareholders' approval at a special general meeting to be convened.

A circular containing details of the Acquisition together with a SGM notice will be despatched to the Shareholders as soon as practicable.

#### **SUSPENSION AND RESUMPTION OF TRADING**

At the request of the Company, trading in the Shares on the Stock Exchange has been suspended with effect from 10:01 a.m. on 19 June 2006 pending issue of this announcement. Application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares from 10:00 a.m. on 22 June 2006.

#### **The Agreement**

Date of the Agreement: 16 June 2006

Vendors: Sixteen Plus and Peter's Farm

Purchaser: Batimate or its assigns

**Summary:** The Agreement was entered into between the Vendors and the Purchaser pursuant to which the Vendors have agreed to sell and the Purchaser has agreed to purchase the Property. The consideration for the Acquisition by the Purchaser is US\$21,000,000 (equivalent to HK\$163,800,000) and is allocated as to US\$19,500,000 (equivalent to HK\$152,100,000) to Diamond Keturah Property and US\$1,500,000 (equivalent to HK\$11,700,000) to Long Point Property respectively.

The initial deposit being US\$500,000 (equivalent to HK\$3,900,000) has been paid to Hamilton as the escrow agent upon signing of the Agreement. Further deposit in the sum of US\$300,000 (equivalent to HK\$2,340,000) is payable to Hamilton within sixty (60) days after the termination of the Due Diligence Period or the Federal Government Liens being released, whichever is later. The remaining balance in the sum of US\$20,200,000 (equivalent to HK\$157,560,000) is payable upon Closing.

### ***Basis of determination of consideration***

The Directors confirm that the consideration for the Property has been determined after arm's length negotiations between the parties by reference to (i) the acquisition prices offered by other potential buyers of the Property in the previous years and in particular, the proposed acquisition price of the Property agreed to be paid by a potential purchaser in November 2005, which was valued at US\$21,000,000 (equivalent to HK\$163,800,000), such proposed acquisition did not proceed due to financial problems of the potential purchaser and (ii) the development potential of the Property having taken into account the investments of other developers in St. Croix. The Company intends to fund the consideration as to 50% by bank financing and 50% from internal resources of the Group.

The Company will appoint an independent valuer to prepare a valuation report of the Property which will be included in the circular to be despatched to the Shareholders.

### ***Conditions Precedent***

The obligations of the Purchaser to complete the Acquisition under the Agreement are subject to satisfaction of the following conditions at or prior to Closing:

- (1) all representations and warranties made by the Vendors remain true and correct as of the date of Closing;
- (2) the compliance by the Vendors with all their obligations under the Agreement;
- (3) no adverse change in zoning laws which are applicable to the Property after execution of the Agreement; and
- (4) the release of the Federal Government Liens in full under the terms of a court order or an agreement between the Vendors and the Federal Government which allows the Vendors to use the sales proceeds to comply with their obligations under the Agreement including paying in full all promissory notes secured by the mortgages of record and releasing the existing mortgages and any other liens.

### ***Due Diligence***

During the Due Diligence Period, the Purchaser will (i) perform a title search and survey of the Property and (ii) obtain an owner's title insurance commitment evidencing the agreement of the title insurance company to issue to the Purchaser a fee simple owner's title insurance policy in the amount of US\$21,000,000 (equivalent to HK\$163,800,000) on agreed form. Upon receipt of the title commitment, the Purchaser will notify the Vendors prior to the end of the Due Diligence Period of any defect noted or exception to coverage noted. The Purchaser may further examine title to the Property until Closing and obtain an updated owner's title insurance commitment.

### ***Termination of the Agreement***

The Purchaser may by written notice to the Vendors elect to terminate the Agreement upon occurrence of the following events and whereupon which, the Deposits will be returned to the Purchaser and neither party will have any further liability under, arising out of or resulting from the Agreement:

- (1) there is an adverse change in zoning laws which is applicable to the Property;
- (2) the Vendors fail or is unable to cure any valid defects properly raised by the Purchaser prior to Closing regarding, amongst others, the title of the Property;
- (3) if any action or proceeding is filed (or notice of such action or proceeding given) under which any of the Property may be taken by condemnation or other right of eminent domain; and
- (4) if the Vendors fail to obtain the release, court order or agreement to give the release of the Federal Government Liens within 2,000 days after the date of the Agreement.

During the Due Diligence Period, if the Purchaser, for any reason, in its sole discretion, judgment and opinion, disapproves and be dissatisfied with any aspect of the Property or any item that it has a right to examine, or for any other reason whatsoever, the Purchaser may terminate the Agreement upon the expiry of or before the Due Diligence Period expires. If the Agreement is terminated within the first 60 days of the Due Diligence Period then US\$100,000 (equivalent to HK\$780,000) of the Deposits will be paid to the Vendors and the remaining US\$400,000 (equivalent to HK\$3,120,000) will be paid to the Purchaser. If the Agreement is terminated after the first 60 days of the Due Diligence Period, then US\$300,000 (equivalent to HK\$2,340,000) of the Deposits will be paid to the Vendors and the remaining US\$200,000 (equivalent to HK\$1,560,000) will be paid to the Purchaser.

Either party also has the right to terminate the Agreement by giving the other party a written notice if after the expiration of the Due Diligence Period without the Purchaser terminating the Agreement and if the Federal Government Liens have been released but Closing fails to occur due to the default of the other party. The Vendors will receive the Deposits as full liquidated damages in full satisfaction of its claims against the Purchaser if it is the defaulting party, and the Deposits will be refunded to the Purchaser if the Vendors are the defaulting party.

### ***Zoning Laws Implications***

Zoning laws are found in virtually every municipality in the United States, affecting land use, lot size, building heights, density, setbacks, and other aspects of property use. The relevant zoning laws that may be applicable to the Property include:

- (i) the restrictions on the uses that can be made of the Property;
- (ii) the dimensional requirements for buildings on the Property;
- (iii) the density of the development; and
- (iv) the extraction of natural resources from land within the Property.

### ***Others***

At Closing, the Vendors and the Purchaser will prorate the real estate *ad valorem* property taxes due for the year in which the Closing occurs based upon the number of days the Purchaser will be the owner of the Property and the amount of the 2004 taxable (or the most recent tax bill issued by the Government of the Virgin Islands as of Closing) or the Purchase Price multiplied by tax rate, whichever is greater. In addition, at Closing, the Purchaser will pay to Hamilton the commission fee as agreed between the Purchaser and Hamilton.

Closing of the transaction contemplated under the Agreement shall occur on or before the date which is 365 days after the date of written notice from the Vendors confirming the release of the Federal Government Liens (subject to an extension period to up to an extra 180 days if requested by the Purchaser with payment of US\$100,000 (equivalent to HK\$780,000) per month).

### **Reasons for and benefits of the Acquisition of the Property**

The Property is located in St. Croix, the largest island of the United States Virgin Islands which is situated between Caribbean Sea and the North Atlantic Ocean next to the British Virgin Islands. St. Croix is the only island amongst the United States Virgin Islands which may grant licence for gaming operations. The total area of the Property is 413.0253 US acres and the area of each of Diamond Keturah Property and Long Point Property is 324.8253 US acres and 88.2 US acres respectively. The Diamond Keturah Property and the Long Point Property are adjacent to each other. In view of the increasing demand on leisure travels and the potential tourist industry to be developed in the United States Virgin Islands, the Group plans to continue its strategy of developing resort businesses. The Company is exploring the feasibility of different methods to develop the Property, which will in turn determine the costs of development and the amount of funds required to be contributed by the Company. It is uncertain as to when the project will be completed at the moment.

The Company intends to develop the Property into:

- a 5 star casino hotel designed by Hill & Glazier;
- a 18-holes golf course designed by Jack Nicklaus or Greg Norman;
- residential units including villas, residences, beach-front villas; and
- fractional ownership units.

It is also intended that the master plan of the development will be designed by EDSA. The proposed operation of the gaming activities at the Property will be subject to the obtaining of all relevant governmental permissions and licenses by the Group. In the event that such plan is materialized, the Company will comply with all applicable Listing Rules and in particular, the guidelines issued by the Stock Exchange in relation to “Gambling Activities Undertaken by Listing Applicants and/or Listed Issuer” dated 11 March 2003.

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

### **Information of the Group and the Vendors**

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

The Vendors are companies incorporated in United States Virgin Islands for the purpose of investments holding and are owned by the same individual.

To the best knowledge, information and belief of the Directors having made all reasonable enquires, the Vendors and their ultimate beneficial owner are Independent Third Parties.

## General

As the consideration for the Acquisition represents more than 25% but less than 100% of the applicable percentage ratios, the Acquisition constitutes a major transaction for the Company under the Listing Rules. Accordingly, the Agreement and the transactions contemplated therein are subject to approval by the Shareholders at the SGM. No Shareholder is required to abstain from voting in respect of the ordinary resolution to approve the Acquisition at the SGM.

A circular containing, among other things, (i) details of the Agreement and the transactions contemplated therein; (ii) the valuation report of the Property and (iii) a notice convening the SGM, will be dispatched to the Shareholders as soon as practicable.

At the request of the Company, trading in the Shares on the Stock Exchange has been suspended with effect from 10:01a.m. on 19 June 2006 pending issue of this announcement. Application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares from 10:00 a.m. on 22 June 2006.

## Definitions

In this announcement, the following terms have the following meanings:

“Acquisition”	the acquisition of the Property by the Purchaser;
“Agreement”	the agreement dated 16 June 2006 entered into amongst the Vendors, the Purchaser and Hamilton for the sale and purchase of the Property;
“Closing”	the closing of the transactions contemplated in the Agreement;
“Company”	Applied International Holdings Limited, a company incorporated in Bermuda with limited liability and the shares of which are listed on the Stock Exchange;
“Deposits”	the initial deposit of US\$500,000 (equivalent to HK\$3,900,000) and the further deposit of US\$300,000 (equivalent to HK\$2,340,000) paid and any interest accrued thereon;
“Diamond Keturah Property”	<p>the real property located on the Island of St. Croix, United States Virgin Islands and consist of the following:</p> <ul style="list-style-type: none"><li>(i) Parcel 8, Parcel 9, Parcel 10, Rem 46A, Remainder Matr.32B, Road Plot 11 and Road Plot 12, all of Estate Cane Garden Company and Queen Quarter, St. Croix, USVI, as shown on OLG Drawing No. 4335 dated 22 September 1986, revised on 28 December 1990;</li><li>(ii) remainder Matr.32A, Parcel 40 and Road Plot 41 all of Estate Granard, Company Quarter, St. Croix, USVI as shown on OLG Drawing No. 4335 dated 22 September 1986, revised on 28 December 1990;</li><li>(iii) remainder Matr.31, Parcel No. 1, Parcel No. 2, Parcel No. 3, Parcel No. 4 and Road Plot 6 all of Estate Diamond, Company Quarter, St. Croix, USVI as shown on OLG Drawing No. 4335 dated 22 September 1986, revised on 28 December 1990; and</li><li>(iv) Parcel 11 of Estate Retreat, Matrix No. 37b, Company Quarter and Estate Peter’s Minde, Matrix Nos. 37a and BA Company Quarter and Matrix No. 54 Queen Quarter, St. Croix, USVI as shown on OLG Drawings No. 4335 dated 22 September 1986, revised on 28 December 1990 together with all tenements, hereditaments and appurtenances belongings and all improvements located thereon;</li></ul>

“Directors”	the directors of the Company;
“Due Diligence Period”	the period from 16 June 2006 through 365 calendar days thereafter;
“Federal Government Liens”	any and all claims by the Federal Government that it is entitled to all or any portion of the sales proceeds under or arising out of an existing criminal proceeding filed against Fathi Yusuf (USA vs Fathi Yusuf et al Dist. Ct (St.T-STJ) 2003/146 (criminal charges); recorded at PC 877, page 446) and any other liens(s) filed by the Federal Government encumbering all or any portion of the Property;
“Group”	the Company and its subsidiaries;
“Hamilton”	Hamilton Real Estate, being the escrow agent;
“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;
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange;
“Long Point Property”	the real property located on the Island of St. Croix, United States Virgin Islands and consist of the remainder of Parcel No.2 Estate Long Point and Cotton Garden, East End Quarter “B”, St. Croix, USVI as shown on OLG 1177 dated 5 March 1962 together with all tenements, hereditaments and appurtenances belongings and all improvements located thereon;
“Peter’s Farm”	Peter’s Farm Investment Corp, a company incorporated in a United States Virgin Island and the owner of the Long Point Property;
“Property”	the Diamond Keturah Property and the Long Point Property;
“Purchaser”	Batimate Limited, a company incorporated in the British Virgin Islands which is a wholly-owned subsidiary of the Company or its assigns;
“Shareholder(s)”	holder(s) of the existing ordinary share(s) of HK\$0.01 each in the share capital of the Company;
“SGM”	the special general meeting of the Company to be convened to approve the Agreement and the transactions contemplated thereunder;
“Sixteen Plus”	Sixteen Plus Corporation, a company incorporated in a United States Virgin Island and the owner of the Diamond Keturah Property;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“US\$”	United States dollars, the lawful currency of the U.S.; and
“Vendors”	Sixteen Plus and Peter’s Farm.

*Unless other specified herein, sums in this announcement expressed in US\$ have been translated into HK\$ at the rate US\$1.00 = HK\$7.80.*

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

Dated: 21 June 2006

*As at the date of this announcement, the Executive Directors of the Company are Mr. Hung Kin Sang, Raymond, Ms. Hung Wong Kar Gee, Mimi, Mr. Fang Chin Ping and Mr. Hung Kai Mau, Marcus and the Independent Non-executive Directors of the Company are Mr. Soo Hung Leung, Lincoln, Mr. Lo Yun Tai, Mr. Lun Tsan Kau and Mr. Lam Ka Wai, Graham.*

\* *For identification only*

“Please also refer to the published version of this announcement in China Daily and South China Morning Post”