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**APPLIED INTERNATIONAL ANNOUNCES
MEMORANDUM OF AGREEMENT SIGNED WITH INTERLINK AND IGY ON BVI PROJECT**

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ATTRACTIVE TERMS HINTING AT PROMISING INVESTMENT RETURNS

(Hong Kong, 24 May 2006) ----- **Applied International Holdings Ltd. ("AIHL", "The Group", SEHK: 519)** is pleased to announce that the Group has entered into the Memorandum of Agreement ("MOA") with Interlink Group ("Interlink") and Island Global Yachting ("IGY") on 20 May 2006 in respect of the proposed investment and development of the Beef Island in the British Virgin Islands ("The BVI Project") which is owned by the Group's wholly-owned subsidiary Quorum Island (BVI) Ltd ("Quorum"). Under the terms of the MOA, Quorum will redeem 50% of the equity held by Applied for aggregate consideration of US\$30 million in cash and each of Interlink and IGY will subscribe for 25% interest in Quorum for a total consideration \$10.5 million. At the same time, a US\$51 million Term Loan, obtained by Quorum and arranged by Interlink and IGY, will be secured by a first priority mortgage lien on the BVI Project, by 25 June 2006.

After the disbursement of the term loan, Quorum will remain \$21 million of cash together with a total cash consideration of \$11 million cash proceeds from Interlink and IGY and an obligation of \$10 million additional capital fund equally from Interlink and IGY.

In addition to the signing of the MOA, Quorum has received a proposal from a leading international bank for term loan self-financing in the sum of approximately US\$350 million to fund the project solely secured by the BVI Project. Regarding to the estimated US\$150 million fund required for the BVI Project. The offer speaks to itself the confidence on potential growth of Project. The Proposal is now under consideration.

Mr. Raymond Hung, Managing Director of AIHL said, "In view of the great development potential and expected enormous investment return of the BVI Project, prominent property, resort and hotel developers have relentlessly persuading the Group to giving out opportunity to them to participate with attractive and tempting offer over the past months. After deep consideration, we are pleased to have Interlink and IGY to be our shareholders and partners for our Project with reference to their strong track record of resort development in Caribbean Sea. The participation of Interlink and IGY will bring about their extensive property and resort management experience into the Project"

"We agree that the offer is very attractive in monetary terms which on the one hand the offer provides with the Company premium immediate cash return for half of the stake in the Project; on the other hand, the Group does not require to contribute immediate capital commitment to the Project but receive undrawn capital commitment from or arranged by Interlink and IGY up to US\$42 million to fund the Project. What is more, the terms will ease the fund raising pressure for the Project." **Mr. Hung** continued.

Upon the consummation of the initial investment in Quorum by Applied, Interlink and IGY, the board of directors of Quorum will consist of 4 directors, 2 to be appointed by Applied and 1 by each of Interlink and IGY. The Site will be developed and managed by a new entity to be formed by Interlink and IGY and the hotel will be managed by a premier hotel management firm to be approved by the board of directors of the new entity.

"In view of the attractive terms that we receive, we believe that the future development of the BVI Project will be more appealing, with returns go beyond our imagination." **Mr. Hung** concluded.

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About Applied International Holdings Limited (SEHK: 519)

Applied International Holdings Limited is listed on the Hong Kong Stock Exchange and is engaged in OEM, Investment Properties and Resort Development business.

About Interlink Group ("Interlink")

Interlink Group is an international leading residential and commercial developer worldwide. With more than 25 years of experience, the Company has developed over 2,000 homes from Farmers Home and FHA to high-end suburban single-family and beachfront condominiums. More than 25 years later, the firm has evolved into one of the most respected and financially sound development companies in the Caribbean.

Signature projects such as Paseos, the first master-planned residential community in Puerto Rico; Las Casitas Village at El Conquistador Resort & Country Club, the only A.A.A. Five Diamond hotel in the Caribbean; Centro Europa, the award winning urban renewal, mixed-use complex in Santurce; the renovation works at Hotel El Convento in Old San Juan and El San Juan Hotel & Casino in Isla Verde; the turn-key development and leasing of City View Plaza in Guaynabo; and residential projects like Carrión Court Playa, Palmas Plantation, Paseo del Parque, Paseo Las Brisas and Dorado Reef have been recognized as standards of excellence in the industry and landmarks in their communities.

About Island Global Yachting (“IGY”)

Island Global Yachting Ltd. (“IGY”) is the premier developer and manager of luxury marina facilities. The Company 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 \$175 million 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 \$20 billion. The current portfolio includes 230 Park Avenue in New York, 260 Park Avenue South in New York and (under purchase contract) 450 Lexington Avenue in New York. ICG has recently sold interests in more than \$8 billion 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 \$5 million 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.