

INTERIM REPORT

The Board of Directors (the "Directors") of Applied International Holdings Limited (the "Company") are pleased to announce the unaudited condensed consolidated interim financial statements (Note 1) of the Company and its subsidiaries (the "Group") for the six months ended 31st December 2000 as follows:–

CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE SIX MONTHS ENDED 31ST DECEMBER, 2000

	NOTES	Six months ended	
		31/12/00 (unaudited) HK\$'000	31/12/99 (unaudited) HK\$'000
Turnover	2	129,284	100,287
Cost of sales		<u>(108,906)</u>	<u>(86,844)</u>
Gross profit		20,378	13,443
Other revenue		269	10,492
Distribution cost		(2,915)	(2,252)
Administrative expenses		(33,449)	(37,221)
Investment income		9,083	4,909
Interest income		4,536	7,377
Provision for diminution listed in investments		-	10,000
(Loss) / Gain on disposal of investment properties		<u>(514)</u>	<u>18,236</u>
(Loss) / Profit from operations		(2,612)	24,984
Finance costs		(7,258)	(2,576)
Gain on disposal of subsidiaries		15	-
Gain on repurchases of convertible bonds		276	1,290
Share of results of associates		-	1
(Loss) / Profit before minority interests		<u>(9,579)</u>	<u>23,699</u>
Minority interests		<u>293</u>	<u>4,204</u>
(Loss) / Profit for the period	3	<u>(9,872)</u>	<u>19,495</u>
(Loss) / Earning per share	4		
– Basic		<u>(1.05 cents)</u>	<u>2.06 cents</u>

CONDENSED CONSOLIDATED BALANCE SHEET AT 31ST DECEMBER, 2000

		31/12/00 (unaudited)	30/06/00 (Audited)
	<i>NOTES</i>	HK\$'000	<i>HK\$'000</i> <i>(as restated)</i>
Non-current Assets			
Investment properties	5	238,297	242,178
Property, plant and equipment		352,486	354,663
Other securities		12,127	34,861
Other investments		63,488	55,549
		666,398	687,251
Current Assets			
Inventories		14,516	21,497
Trade and other receivables	6	75,487	73,054
Short-term loans receivable		3,096	7,665
Trading securities		–	1,375
Tax recoverable		43	43
Pledged bank deposits		21,433	25,576
Other bank deposits		1,902	107,922
Bank balances and cash		5,547	20,733
		122,024	257,865
Current Liabilities			
Trade and other payables	7	69,730	86,306
Tax liabilities		6,168	6,168
Bank borrowings – due within one year		40,554	24,218
Other borrowings – secured		21	2,959
Obligations under finance leases – due within one year		2,351	1,153
Convertible bonds		–	120,827
		118,824	241,631
Net current assets		3,200	16,234
		669,598	703,485

CONDENSED CONSOLIDATED BALANCE SHEET AT 31ST DECEMBER, 2000 (con't)

		31/12/00 (unaudited)	30/06/00 (Audited)
	<i>NOTES</i>	HK\$'000	<i>HK\$'000</i> <i>(as restated)</i>
Capital and Reserves			
Share capital	8	188,216	188,216
Treasury shares		(12,546)	(12,546)
Reserves		227,506	248,478
		403,176	424,148
Minority interests		246,188	245,745
Non-current Liabilities			
Amount due to a minority shareholder		1,890	1,890
Bank borrowings - due after one year		16,256	31,036
Deferred taxation		478	478
Obligations under finance leases - due after one year		1,610	188
		20,234	33,592
		669,598	703,485

**CONDENSED CONSOLIDATED STATEMENT OF
RECOGNISED GAINS AND LOSSES FOR THE SIX
MONTHS ENDED 31ST DECEMBER, 2000**

	31/12/00 (unaudited) HK\$'000	30/06/00 <i>(audited)</i> <i>HK\$'000</i>
Surplus on revaluation of investment properties	136	24,053
Unrealised holding loss on revaluation of other securities	(11,184)	(14,563)
Exchange differences arising on translation of financial statements of overseas subsidiaries	-	730
	<hr/>	<hr/>
Net (loss) gains not recognised in the income statement	(11,048)	10,220
Net (loss) profit for the period	(9,872)	20,547
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Total recognised (losses) gains	(20,920)	30,767
Elimination against reserves of goodwill arising on acquisition of subsidiaries	(38)	6,829
	<hr/>	<hr/>
	(20,958)	37,596
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**CONDENSED CONSOLIDATED CASH FLOW
STATEMENT FOR THE SIX MONTHS ENDED 31ST
DECEMBER, 2000**

	Six months ended 31/12/00 (unaudited) HK\$'000
	NOTES
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	(17,215)
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	
Interest paid on borrowings	(4,390)
Finance charges paid in respect of obligations under finance leases	(269)
Bond interest paid	(2,394)
Interest received	5,436
Dividend received from listed investments	12
NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	(1,605)
INVESTING ACTIVITIES	
Purchases of investment properties	(11)
Purchases of property, plant and equipment	(5,255)
Acquisition of additional interest in a subsidiary	(22)
Purchases of other investments	(7,939)
Proceeds from disposal of investment properties	3,514
Proceeds from disposal of trading securities	1,545
Proceeds from disposal of other securities	21,086
Decrease in pledged bank deposits	4,143
NET CASH INFLOW FROM INVESTING ACTIVITIES	17,061
NET CASH OUTFLOW BEFORE FINANCING	(1,759)

**CONDENSED CONSOLIDATED CASH FLOW
STATEMENT FOR THE SIX MONTHS ENDED 31ST
DECEMBER, 2000 (con't)**

	Six months ended 31/12/00 (unaudited) HK\$'000
	NOTES
FINANCING	
Repurchases of convertible bonds	(12,376)
Repayment of convertible bonds	(108,381)
Repayment of obligation under finance leases	(696)
Repayment of bank loans	(26,602)
Repayment of other borrowings	(2,938)
New bank loans raised	30,305
New obligations under finance leases	3,317
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NET CASH OUTFLOW FROM FINANCING	(117,371)
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DECREASE IN CASH AND CASH EQUIVALENTS	(119,130)
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CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	107,108
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CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	(12,022)
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RESULTS

The Directors of the Company announces that the audited consolidated loss attributable to shareholders of the Group for the six months ended 31st December, 2000 amounted to approximately HK\$9,872,000, comparing to last year's profit of approximately HK\$19,495,000. Turnover for the six months ended 31st December, 2000 was approximately HK\$129,284,000 compared to the turnover of approximately HK\$100,287,000 in last year, representing an increase of 28%.

INTERIM DIVIDEND

The Directors do not recommend the payment of a dividend for the six months ended 31st December, 2000 (1999: Nil).

REVIEW OF OPERATION AND PROSPECT

OEM Business

The computer OEM manufacturing continues to perform well for this period. The production capacity has been fully occupied and the products manufactured by the Group include IBM compatible main boards, VGA cards, modem cards and sound cards. It is expected that the prospect for the OEM products manufacturing of the Group would be favourable in the future.

iQuorum Cybernet Limited

The Group held approximately 55.21% of the issued share capital of iQuorum Cybernet Limited ("iQuorum") (formerly known as RJP Electronics Ltd.) which is also publicly listed on The Stock Exchange of Hong Kong Ltd. (the "SEHK"). The principal activities of iQuorum are manufacturing and marketing of consumer electronic products on OEM basis. iQuorum also diversity its activities into properties and e-commerce business.

PROPERTIES INTEREST

1. The People's Republic of China

(a) *Dan Shui*

On 28th October, 2000, the multinational petrochemical giant Royal Dutch Shell Group had signed a US\$4 billion joint venture (the "Joint Venture") contract with China National Offshore Oil Corp to build a

petrochemicals complex to produce high quality petrochemicals products in Huizhou, Guangdong. This is one of the largest sino-foreign Joint Venture in China that is expected to bring in lots of opportunities to the surrounding areas including the large piece of land (the "Dan Shui Land") owned by our group in the Centre of Dan Shui. This huge project would attract large numbers of local and overseas investors to come to set up various down stream industries. According to the data provided by China Government, the ratio of main industry to the down streams industries is 1:20 and an further investments of HK\$300 billion or more is expected. This large amount of investment is expected to result in the fast development of construction, business, finance, hotel, recreation and service industries and increase the working population for an addition of 1.2 million people. Consequently, there is large room for the expansion development in land, properties and the economy in the area.

Our Group has a land bank of approximately 730,000 sq.m. in Central Dan Shui and 1.5 acres in the old town district situated approximately 15 minutes by car away from the site of the Joint Venture which has been recently zoned by the state government for residential and commercial usages to support the growth in population in the area as a result of the Joint Venture. The Dan Shui Land valued by Jones Lang for more than HK\$1 billion in 1993. After the signing of the relevant joint venture agreement in Dan Shui, the value of the properties in the area has increased by 10% and the value of the land in the area has increased by 50% to more than HK\$1,000 per sq m. The directors of the Company (the "Directors") believe the demand for land in the area is also increasing.

Our Group have appointed Guangdong Urban & Rural Planning and Design Institute to conduct market feasibility studies on land usage and zoning in the Dan Shui area in view of the establishment of the Joint Venture and the projected growth of the areas resultant from the Joint Venture for the next 30 years.

Our Group have also appointed a financial adviser to make the following financial plans for the development of the Dan Shui Land:-

1. detail studies to cope with schedule of the Joint Venture;
2. property development with local and overseas blue chip property developers; and

3. fund raising through sale of land and corporation through joint venture.

From the result of these financial projections, the Directors expect that the future prospect for the development of the Dan Shui Land will be very good.

(b) *Jiangmen*

Many overseas Chinese have invested in Jiangmen and created a good economic base for further development in the area. The 1 million sq.ft. of land owned by the Group in Jiangmen is located near a train station and a highway. A plan to build on the land has been submitted to the relevant authority for consideration and approval.

2. Overseas

Beef Island

An Health and Spa Resort Project (the "Spa") is expected to be established in the Beef Island. The Spa involves unique and novel concepts in healthcare combining the best in medical, surgical and well being therapy and which is located in a vacation location which will create a new paradigm in health care. The Spa has specialty medical facility providing elective surgery, diagnostic services and testing, traditional and complementary medicine, the finest and latest in longevity and wellness care. As well as the above, the Spa is also a five star resort.

A memorandum of sales of land for this project with the Health and Spa Resort Co. have been signed recently for the area of 20 acres at US\$140,000 per acre and the cost of the land is US\$15,000 per acre. The project is expected to generate a profit of US\$2,500,000 per annum.

The airport on Beef Island is expected to be expanded to enable direct flights from New York, Florida and other major cities in the United States and is expected to be completed on or before December 2002. Recently lots of enquiries on sale of the Group's land in the area, formation of a Joint Venture, building of a golf course, a hotel, marina city have been received. The Group expect that the value of the land will be increased substantially in view of the likely expansion on the area in the near future.

**NOTES TO THE CONDENSED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 31ST DECEMBER, 2000**

1. ACCOUNTING POLICIES

The condensed financial statements have been prepared under the historical cost convention, as modified for the revaluation of investment properties and investment in securities and in accordance with accounting principles generally accepted in Hong Kong.

The condensed financial statements have been prepared in accordance with Statement of Standard Accounting Practice 25 (SSAP 25) Interim Reporting except that, in this first year of implementation of the Standard, as permitted by the Hong Kong Stock Exchange Listing Rules, no comparative figures have been presented for either the condensed statement of recognised gains and losses or for the condensed cash flow statement. The presentation in 1999 comparison figures were restated comply with the requirements of new SSAP25 Interim Financial Reporting standard.

The accounting policies adopted are consistent with those followed in the Group's annual financial statements for the year ended 30th June 2000.

2. SEGMENT INFORMATION

The Group's turnover and profit from operations for the six months ended 31st December 2000 analysed by product category, are as follows:

	Turnover		Profit from operations	
	For the six months		For the six months	
	ended 31st December		ended 31st December	
	2000	1999	2000	1999
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	<i>(Unaudited)</i>	(Unaudited)	<i>(Unaudited)</i>
By principal activity:				
Trading and manufacture of:				
Electronic products	122,049	100,101	4,464	23,227
Security products	-	186	-	3,502
Rental income	7,235	-	6,692	0
	129,284	100,287	11,156	26,729
Interest income			4,536	7,377
Other income			9,352	15,429
Other expenses			(27,656)	(24,551)
(Loss) / profit from operations			(2,612)	24,984

2. SEGMENTAL INFORMATION (cont'd)

	Turnover	
	For the six months	
	Ended 31st December	
	2000	1999
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
By geographical area:		
Hong Kong	89,010	74,152
Mainland China	5,235	3,411
Other Asian countries	6,449	13,823
Europe	23,506	5,076
United States of America	5,084	3,825
	<u>129,284</u>	<u>100,287</u>

3. LOSS FOR THE PERIOD

Of the Group's loss for the period, a loss of HK\$9,872,000 (1999: profit of HK\$19,495,000) has been dealt with in the financial statements of the Company.

4. LOSS PER SHARE

The calculation of the basic loss per share is based on the loss attributable to shareholders of HK\$9,872,000 (1999: profit HK\$19,495,000) and on the weighted average of 941,080,745 (1999: 946,343,641) shares in issue during the period.

No diluted loss per share amount has been presented for both period as the exercise price of the share options and warrants (1999: share options) were higher than the market price of the Company's shares during both period.

5. INVESTMENT PROPERTIES

	2000
	(Unaudited)
	HK\$'000
VALUATION	
At 1st July, 2000	242,178
Additions	11
Disposal	<u>(3,892)</u>
At 31st December, 2000	<u>238,297</u>
NET BOOK VALUES	
At 31st December, 2000	<u>238,297</u>
At 30th June, 2000	<u>242,178</u>

5. INVESTMENT PROPERTIES (cont'd)

The investment properties of the Group and of the Company were revalued at 30th June, 2000 by RHL International Property Consultants, Francis Lau & Co. (Surveyors) Ltd., an independent professional valuer, on an open market value basis.

The value of investment properties held by the Group comprises the following:

	2000 (Unaudited) HK\$'000
Held in Hong Kong:	
Long-term leases	158,611
Medium-term leases	4,170
Held outside Hong Kong:	
Medium-term leases	54,000
Freehold	21,516
	<hr/> 238,297 <hr/>

The investment properties held by the Company are under long leases in Hong Kong.

6. TRADE AND OTHER RECEIVABLES

The following is an aged analysis of accounts receivables at the reporting date:

	31/12/00 (Unaudited) HK\$'000	30/06/00 (Audited) HK\$'000
Within due date	14,734	9,096
Overdue under 30 days	13,347	13,199
Overdue 31-60 days	11,638	5,601
Overdue over 60 days	35,768	45,158
	<hr/> 75,487 <hr/>	<hr/> 73,054 <hr/>

7. TRADE AND OTHER PAYABLES

The following is an aged analysis of accounts payables at the reporting date:

	31/12/00 (Unaudited) HK\$'000	30/06/00 (Audited) HK\$'000
Within due date	3,446	4,981
Overdue under 30 days	7,776	9,872
Overdue 31-60 days	5,829	8,716
Overdue over 60 days	52,679	62,737
	<u>69,730</u>	<u>86,306</u>

8. SHARE CAPITAL

	Number of Ordinary shares	Amount HK\$'000
Ordinary shares of HK\$0.20 each		
<i>Authorised:</i>		
At 31st December, 2000	<u>2,000,000,000</u>	<u>400,000</u>
<i>Issued and fully paid:</i>		
At 31st December, 2000	<u>941,080,745</u>	<u>188,216</u>

9. WARRANTS

No 2004 Warrants were exercised during the period. Exercise in full of such warrants would result in the issue of approximately 189,334,000 additional ordinary shares of HK\$0.48 each.

10. PLEDGED OF ASSETS

At the balance sheet date, the Group pledged its time deposits amounting to approximately HK\$21,433,000 (30th June 2000 : HK\$25,576,000) to secure general banking facilities granted to the Group.

11. POST BALANCE SHEET EVENTS

On 22nd February, 2001, our subsidiary, iQuorum Cybernet Ltd. announced that the Company intended to put before the Shareholders reorganization proposals involving a change of domicile of the Company by way of a scheme of arrangement under Section 166 of the Companies Ordinance and a related warrant proposal, which will be put to the Warrantholders separately.

Upon the Scheme becoming effective, the Company will become a wholly-owned subsidiary of Holdings, a new holding company incorporated in Bermuda which will become the holding company of the Group. The Holdings Shares and the Holdings Warrants will be listed on the Stock Exchange by way of introduction and the listing of the Shares and the Company Warrants on the Stock Exchange will be withdrawn.

DIRECTORS' INTERESTS IN SECURITIES

At 31st December, 2000, the interests of the Directors and their associates in the securities of and in any rights to subscribe for securities of the Company and any associated corporation as recorded in the register maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance") or as notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies were as follows :

(1) Shares & Warrants

(A) The Company

Name of Directors	Number of ordinary shares held		Number of warrants held	
	Personal interests	Corporate interests (Note 1)	Personal interests	Corporate interests (Note 1)
Hung Kin Sang Raymond	3,130,000	453,984,584	560,000	90,796,916
Hung Wong Kar Gee Mimi	8,870,056	453,984,584	1,774,011	90,796,916
Fang Chin Ping David	100,000	-	20,000	-
Soo Hung Leung Lincoln	1,100,000	-	220,000	-

(B) Subsidiary Company – iQuorum Cybernet Limited

Name of Directors	Number of ordinary shares held		Number of warrants held	
	Corporate interests (Note 2)	Corporate interests (Note 2)	Corporate interests (Note 2)	Corporate interests (Note 2)
Hung Kin Sang Raymond		1,269,128,075		236,810,015
Hung Wong Kar Gee Mimi		1,269,128,075		236,810,015

Note:

- These shares were held by the following companies:-

	Number of ordinary shares	Number of warrants
Malcom Trading Inc.	43,992,883	8,798,576
Primore Co. Inc.	2,509,266	501,853
Capita Company Inc.	359,153,435	71,830,687
iQuorum Cybernet Limited	48,329,000	9,665,800

DIRECTORS' INTERESTS IN SECURITIES (cont'd)

Malcom Trading Inc., Primore Co. Inc. and Capita Company Inc. are wholly owned by Marami Foundation as the trustee of Raymond Hung / Mimi Hung & Family Trust. All units in Raymond Hung / Mimi Hung & Family Trust are beneficially owned by a discretionary trust, the beneficiaries of which include the family members of Hung Kin Sang Raymond and Hung Wong Kar Gee Mimi.

- 1,242,214,337 shares and 234,810,068 warrants were held by Batimate Limited, and 2,238 shares and 447 warrants were held by Applied Electronics Limited respectively, both of which are wholly-owned subsidiaries of Applied International Holdings Limited ("Applied Holdings"), a company listed on the Hong Kong Stock Exchange. The remaining 26,911,500 shares and 1,999,500 warrants were held by Applied Holdings and Applied Holdings is controlled by Capita Company Inc., a company wholly-owned by Marami Foundation as the trustee of Raymond Hung / Mimi Hung & Family Trust. All units in Raymond Hung / Mimi Hung & Family Trust are beneficially owned by a discretionary trust, the beneficiaries of which include the family members of Raymond Hung / Mimi Hung.

Save as disclosed and other than certain nominee shares in the subsidiaries held in trust for the Group by certain directors at 31st December 1999, none of the directors or their associates had any personal interests, family interests, corporate interests or other interests in the securities or its associated corporations as defined in the SDI Ordinance.

(2) Share Options

(A) The Company

Name of Directors	Unexercised Options at 31st December, 2000	Exercise price per share HK\$
Hung Kin Sang Raymond	8,400,000 (note)	0.36
Hung Wong Kar Gee Mimi	7,000,000 (note)	0.36

Note:

As a result of the rights issue of the Company which took place 24th September, 1997, the exercise price of the option of HK\$0.51 per share was adjusted to HK\$0.36 per share. The number of options were adjusted accordingly.

The outstanding share options can be exercised at any time on or before 2nd July, 2002.

DIRECTORS' INTERESTS IN SECURITIES (cont'd)

Save as disclosed above, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate. None of the directors or their spouses or children under the age of 18 had any right to subscribe for securities of the Company or had exercised any such right during the year.

(B) Subsidiary Company – iQuorum Cybernet Limited

Name of Directors	Unexercised Options at 31st December, 2000	Exercise price per share HK\$
Hung Kin Sang Raymond	9,280,000	0.25
Hung Wong Kar Gee Mimi	6,960,000	0.25
Fang Chin Ping David	1,160,000	0.25

The share options were granted on 3rd July, 1997 under the share option scheme of iQuorum adopted on 6th September, 1991 and entitle the holders thereof to subscribe for shares of iQuorum at an adjusted subscription price of HK\$ 0.25 per share.

The outstanding share options granted under the iQuorum Scheme can be exercised at any time on or before 2nd July 2000.

No share options were exercised during the period.

Save as disclosed herein and other than certain nominee shares in the subsidiaries held in trust for the Company, none of the directors, chief executives or their associates had any interests in the share capital of the Company or any of its associated corporations, as defined in the SDI Ordinance

SUBSTANTIAL SHAREHOLDERS

Other than the interests disclosed under the heading "DIRECTORS INTERESTS IN SECURITIES" above in respect of certain Directors, the register of substantial shareholders kept by the Company under Section 16 (1) of the SDI Ordinance discloses no person as having an interest in 10% or more of the issued share capital of the Company as at 31st December, 2000.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months period ended 31st December, 2000, the Company has repurchased a total nominal value of US\$1,625,000 of the Company's 5.25% convertible bonds due 2000. These bonds have then been cancelled by the Company. The details of the purchases are as follows:–

Month of repurchases	Nominal value of convertible bonds repurchased <i>US\$ '000</i>	Price expressed as a percentage of the principal amount of bonds price	Aggregate <i>US\$ '000</i>
July 2000	1,415	98.75	1,426
August 2000	<u>210</u>	98.00	<u>214</u>
	<u>1,625</u>		<u>1,640</u>

Save as disclosed herein, the Company and its subsidiaries have not purchased, sold or redeemed any of the Company's listed securities during the period under review. The gain on convertible bonds repurchase has been reflected as exceptional items in the profit and loss accounts.

AUDIT COMMITTEE

The Company has set up an audit committee with written term of reference since December 1999 which comprises two independent non-executive directors of the Company. The audit committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters, including the review of the unaudited condensed interim financial statements.

CODE OF BEST PRACTICE

No Director is aware of information which would reasonably indicate that the Company was not in compliance with the Code of Best Practice, as set out in Appendix 14 to the Listing Rules at any time during the six months ended 31st December, 2000.

On behalf of the Board
Hung Kin Sang Raymond
Chairman

Hong Kong, 27th March, 2001