



APPLIED INTERNATIONAL HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

INTERIM RESULTS For the six months ended 31st December, 2001

INTERIM REPORT

The Board of Directors (the "Directors") of Applied International Holdings Limited (the "Company") announce the unaudited condensed consolidated interim financial statements of the Company and its subsidiaries (the "Group") for the six months ended 31st December 2001 as follows:-

	NOTES	Six months ended	
		31/12/01 (unaudited) HK\$'000	31/12/00 (unaudited) HK\$'000
Turnover	2	111,032	129,284
Cost of sales		(94,401)	(108,906)
Gross profit		16,631	20,378
Other revenue		-	269
Distribution cost		(2,138)	(2,915)
Administrative expenses		(24,318)	(33,449)
Investment income		-	9,083
Interest income		74	4,536
Loss on disposal of investment properties		(410)	(514)
Loss from operations		(10,161)	(2,612)
Finance costs		(2,995)	(7,258)
(Loss) / Gain on disposal of subsidiaries		(49)	15
Gain on repurchases of convertible bonds		-	276
Goodwill arising on acquisition of subsidiary		54	-
Loss before minority interests		(13,151)	(9,579)
Minority interests		(2,691)	293
Loss for the period	3	(10,460)	(9,872)
Loss per share	4		
- Basic		(1.11 cents)	(1.05 cents)

Notes:

1. ACCOUNTING POLICIES

This interim condensed financial reports has been prepared in accordance with the principal accounting policies set out in the Company's audited financial statements as at and for the year ended 30th June, 2001 and comply with Statement of Standard Accounting Practice ("SSAP") Number 25 issued by the Hong Kong Society of Accountants ("HKSA") and the disclosure requirements set out in Appendix 16 of the Listing Rules of The Stock Exchange of Hong Kong Limited.

2. SEGMENT INFORMATION

The Group's turnover and profit from operations for the six months ended 31st December 2001 analysed by product category, are as follows:

	Turnover For the six months ended 31st December		Profit from operations For the six months ended 31st December	
	2001 HK\$'000 (Unaudited)	2000 HK\$'000 (Unaudited)	2001 HK\$'000 (Unaudited)	2000 HK\$'000 (Unaudited)
By principal activity:				
Trading and manufacture of:				
Electronic products	105,437	122,049	2,978	4,464
Rental income	5,595	7,235	2,434	6,692
	<u>111,032</u>	<u>129,284</u>	5,412	11,156
Interest income			74	4,536
Other income			-	9,352
Other expenses			(15,647)	(27,656)
Loss from operations			<u>(10,161)</u>	<u>(2,612)</u>
By geographical area:				
Hong Kong	87,456	89,010		
Mainland China	4,359	5,235		
Other Asian countries	1,636	6,449		
Europe	6,286	23,506		
United States of America	11,295	5,084		
	<u>111,032</u>	<u>129,284</u>		

3. LOSS FOR THE PERIOD

Of the Group's loss for the period, a loss of HK\$10,460,000 (2000: loss of HK\$9,872,000) 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\$10,460,000 (2000: loss of HK\$9,872,000) and on the weighted average of 941,080,745 (2000: 941,080,745) 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 (2000: share options) were higher than the market price of the Company's shares during both period.

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, 2001 amounted to approximately HK\$10,460,000, comparing to last year's loss of approximately HK\$9,872,000. Turnover for the six months ended 31st December, 2001 was approximately HK\$111,032,000 compared to the turnover of approximately HK\$129,284,000 in last year, representing a decrease of 14%.

INTERIM DIVIDEND

The Directors do not recommend the payment of a dividend for the six months ended 31st December, 2001 (2000: Nil).

REVIEW OF OPERATION AND PROSPECTS

OEM Business

With the introduction of various measures to operate the factory more efficiently and cost effectively, our OEM manufacturer that produces computer boards, VGA cards, modem cards and sound cards have improved its profitability.

Applied (China) Limited

The Group held approximately 55.55% of the issued share capital of Applied (China) Limited (the "ACL"). ACL shares are also listed on The Stock Exchange of Hong Kong Ltd. (the "SEHK"). The principal activities of ACL are manufacturing and marketing of consumer electronic products on OEM basis.

ACL will diversify its business into the processing and distribution of Chinese herbal medicine such as Lingzhi, cordyceps, polygonum multiflorum thumb, nutritional health herbs and Bio-science healthcare products.

The factory which is located in Shenzhen, equipped with GMP setup, will be built to produce Chinese herbal medicine in about 9 to 12 months time.

R&D laboratory for testing the Bio-science products and minerals mixing of Bio-science compounds will be setup. We will sub-contract the bedding, linen and fibre etc manufacturing with Bio-science compounds added to produce full series of healthy sleeping system such as mattress pads and foam pillows.

The above products will be sold to a subsidiary of the holding company, Quorum Global Limited ("Quorum"), which carries out its business activities by means of multi-level marketing (MLM) worldwide except China. Quorum has over 8 years of experience in MLM industry.

ACL will conduct sales of Chinese herb and Bio-science healthcare products in the form of Franchising distribution in China.

Traditional Chinese medicine (TCM) are widely recognised by many countries. Statistics shows there are 30-35% growth annually in the TCM industries in the past few years, the directors believe that this venture will further improve Group's results in the near future.

Multi-level Marketing (MLM)

Our Group will re-start the MLM business through our subsidiary Quorum Global Limited. Sales office only will be setup in USA and Australia to conduct and promote multilevel marketing business. Back-up office for order entry, customer services, technical support, MIS, Accounting, warehousing, International despatch and logistic centres will be located in Shenzhen, China to reduce our costs of operations.

Product lines for MLM include Traditional Chinese medicine (TCM) and Bio-science products, healthcare electronics, skincare products and air purifier series. TCM and Bio-science products will be bought from Applied (China) Limited at competitive prices and other products will be sourced from outside suppliers. Top management for Quorum have already been recruited and distributors are ready to roll-in.

We have made a lot of mistakes and learn during our previous 8 years of MLM experience, our Group will take prudent step to expand our worldwide sales network.

PROPERTIES INTEREST

The People's Republic of China

(a) Dan Shui

One of the largest sino-foreign joint venture ("Joint Venture") with a value of US\$4 billion in China between the multinational petrochemical giant Royal Dutch Shell Group and China National Offshore Oil Corp on 28th October, 2000 to build a petrochemicals complex for the production of high quality petrochemicals products in Huizhou, Guangdong is expected to bring in a lot 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. A large number of local and overseas investors with investment of over HK\$300

billion will set up entered into various down streams industries in the area. This major investment is expected to enhance the development of construction, business, finance, hotel, recreation and service industries in Dan Shui and increase its working population by 1 million people.

Our Group has a land bank of approximately 730,000 sq.m. in Central Dan Shui approximately 15 minutes away by car 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. After the signing of the relevant joint venture agreement in Dan Shui, the value of the properties in the area has increased. The directors of the Company (the "Directors") believe the demand for land in the area will continue to increase in the future.

(b) Jiangmen

The Group has submitted a plan to develop the 1 million sq. ft. of land owned by the Group, which is located near a train station and highway, to the relevant authority for approval. The Group understands that the plan is still under consideration by the relevant authority. The Group will commence to sell land lots after approval is obtained. We do not intend to develop the land ourself.

Overseas

Beef Island

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 such expansion is tentatively to be completed on or before December 2002. Recently, the Group has received enquiries regarding possible sale of the Group's land in the area, formation of joint ventures, building of a golf course, a hotel and marina city. The Group expect that the value of the land will be increased substantially in view of the potential developments in the area in the near future.

EMPLOYEE INFORMATION

As at 31st December, 2001, the Group employed a total of 1,100 full-time employees. The Group's emolument policies are formulated on the performance of individual employees and are reviewed annually. The Group also provides medical insurance coverage, and provident fund scheme (as the case may be) to its employees depending on the location of such employees.

LIQUIDITY AND FINANCIAL INFORMATION

At as 31st December, 2001, the Group's total borrowings amounted to approximately HK\$125,363,000 with approximately HK\$76,020,000 repayable within one year. Cash, bank balances and deposits at 31st December, 2001 amounted to approximately HK\$15,945,000. The Group's current ratio was 0.71 and the gearing ratio which is expressed as a ratio of total bank liabilities to total assets was 0.16. The property owned by ACL located at 46/F., Far East Finance Centre, 16 Harcourt Road, Central, Hong Kong was disposed on 28th January, 2002 for a cash of HK\$65,000,000. As a result, the bank liabilities will be reduced and the liquidity of the Company will be improved.

The Group had no significant exposure to foreign exchange fluctuation.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 31st December, 2001.

AUDIT COMMITTEE

The Company has setup 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, 2001.

On behalf of the Board
Hung Kin Sang Raymond
Chairman

Hong Kong, 25th March, 2002