
THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of the Offers, you should consult a stockbroker or other registered dealer in securities, a bank manager, solicitor, professional accountant or other professional adviser.

If you have sold all your shares in China Apollo Holdings Limited, you should at once hand this document and the accompanying form to the purchaser or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser.

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太阳神

CHINA APOLLO HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

UNCONDITIONAL CASH OFFERS

by



道亨證券有限公司

DaoHengSecurities Ltd.

on behalf of

VISION OCEAN INVESTMENTS LIMITED

(Incorporated in the British Virgin Islands)

**for all the issued shares of HK\$0.10 each and outstanding options
to subscribe shares in China Apollo Holdings Limited
(other than those already owned by Vision Ocean Investments Limited
or parties acting in concert with it)**

Joint financial advisers to Vision Ocean Investments Limited



Baron Capital Limited



道亨證券有限公司

DaoHengSecurities Ltd.

Independent financial advisers to the Independent Board Committee



Hantec Capital Limited

KIM ENG
CAPITAL

Kim Eng Capital (Hong Kong) Limited

A letter from the board of directors of China Apollo Holdings Limited is set out on pages 5 to 9 of this document.

A letter from Dao Heng Securities Limited containing, among other things, the terms of the Offers, is set out on pages 10 to 18 of this document.

A letter of advice from Hantec Capital Limited and Kim Eng Capital (Hong Kong) Limited containing their opinion and advice to the Independent Board Committee is set out on pages 21 to 35 of this document. A letter from the Independent Board Committee to the Independent Shareholders is set out on pages 19 to 20 of this document.

The procedures for acceptance and settlement of the Offers are set out on pages 36 to 40 in appendix I to this document and in the accompanying forms of acceptance and transfer and acceptance and renunciation. Acceptances of the Offers should be received by Central Registration Hong Kong Limited in respect of the Share Offer and at the principal office of China Apollo Holdings Limited in respect of the Option Offer by no later than 4:00 p.m. on 18th March, 2002 or such later date as Vision Ocean may determine and announce.

25th February, 2002

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EXPECTED TIMETABLE

Offers open Monday, 25th February, 2002

Latest time and date for acceptance

of the Offers (*Note 1*) 4:00 p.m. on Monday, 18th March, 2002

Closing Date 9:30 a.m. on Tuesday, 19th March, 2002

Announcement of the results of the Offers

to be published in newspaper Tuesday, 19th March, 2002

Latest date for despatch of remittances for the amount due

in respect of valid acceptances received on or before

4:00 p.m. on 18th March, 2002 (*Note 2*)..... Thursday, 28th March, 2002

Notes:

1. The Offers will remain open for acceptance until 4:00 p.m. on 18th March, 2002. They will not be revised or extended.
2. Remittances in respect of valid acceptances will be despatched to the relevant Shareholders and Optionholders within 10 days after receipt.

All references to time contained in this document are to Hong Kong time.

DEFINITIONS

In this document, unless the context otherwise requires, the following expressions have the following meanings:

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| “Announcement” | the announcement dated 11th January, 2002, issued by Vision Ocean and the Company in relation to the Offers; |
| “associate” | the meaning ascribed to it in the Listing Rules; |
| “Baron Capital” | Baron Capital Limited, an investment adviser registered under the Securities Ordinance and one of the two joint financial advisers to Vision Ocean in relation to the Offers; |
| “Board” | the board of Directors; |
| “CCASS” | the Central Clearing and Settlement System established and operated by the Hong Kong Securities Clearing Company Limited; |
| “Closing Date” | 9:30 a.m. on 19th March, 2002 being the closing time of the Offers; |
| “Company” or “China Apollo” | China Apollo Holdings Limited, a company incorporated in Bermuda with limited liability and the shares of which are listed on the main board of the Stock Exchange; |
| “Companies Act” | the Companies Act of 1981 of Bermuda; |
| “Companies Ordinance” | the Companies Ordinance (Chapter 32 of the Laws of Hong Kong); |
| “Dao Heng Securities” | Dao Heng Securities Limited, an investment adviser and dealer registered under the Securities Ordinance and one of the two joint financial advisers to Vision Ocean in relation to the Offers; |
| “Director(s)” | director(s) of the Company; |
| “Executive” | the Executive Director of the Corporate Finance Division of the SFC or its delegate; |
| “Group” | China Apollo and its subsidiaries from time to time; |
| “HK\$” | Hong Kong dollar, the lawful currency of Hong Kong; |

DEFINITIONS

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| “Hong Kong” | the Hong Kong Special Administrative Region of the PRC; |
| “Independent Board Committee” | the independent committee of the Board, comprising Mr. Goh Gen Cheung and Mr. Wu King Cheong, both of whom are independent non-executive Directors, formed for the purposes of advising the Independent Shareholders on the terms of the Offers; |
| “Independent Shareholders” | shareholders of the Company other than Vision Ocean, the Vendor, Mr. Lok, their respective associates and parties acting in concert with any of them; |
| “Latest Practicable Date” | 22nd February, 2002, being the latest practicable date before the printing of this document for ascertaining certain information herein; |
| “Listing Rules” | Rules Governing the Listing of Securities on the Stock Exchange; |
| “Mr. Lok” | Lok Fai, the Chairman and a director of China Apollo; |
| “Ms. Lo” | Lo Yuk Yee; |
| “Offers” | the Share Offer and the Option Offer; |
| “Offer Price” | HK\$0.072; |
| “Option Offer” | the mandatory unconditional cash offer made herein by Dao Heng Securities on behalf of Vision Ocean for all outstanding Options not already owned by Vision Ocean and parties acting in concert with it at HK\$0.01 per 100,000 Options; |
| “Optionholder(s)” | holder(s) of the Share Option(s); |
| “PRC” | the People’s Republic of China; |
| “Registrar” | Central Registration Hong Kong Limited, the Hong Kong branch registrar and transfer office of the Company at 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong; |

DEFINITIONS

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|-------------------------------|---|
| “Retained Shares” | the 185,000,000 Shares, representing approximately 22.70% of the issued share capital of the Company as at the Latest Practicable Date, in which either the Vendor or Mr. Lok is interested; |
| “Sale and Purchase Agreement” | the conditional sale and purchase agreement entered into between Vision Ocean, the Vendor and Mr. Lok dated 11th January, 2002; |
| “SDI Ordinance” | Securities (Disclosure of Interests) Ordinance (Chapter 396 of the Laws of Hong Kong); |
| “Securities Ordinance” | Securities Ordinance (Chapter 333 of the Laws of Hong Kong); |
| “SFC” | the Securities and Futures Commission; |
| “Shareholders” | holders of Shares; |
| “Share(s)” | ordinary share(s) of \$0.10 each in the share capital of China Apollo; |
| “Share Offer” | the mandatory unconditional cash offer made herein by Dao Heng Securities on behalf of Vision Ocean for all the issued shares in China Apollo other than those already owned by the Vision Ocean Group at a price of HK\$0.072 each on and subject to the terms set out herein and in the accompanying form of acceptance and transfer; |
| “Share Option(s)” | outstanding option(s) granted under the share option scheme adopted by the Company on 2nd December, 1995; |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited; |
| “Takeovers Code” | the Hong Kong Code on Takeovers and Mergers; |
| “Vendor” | Sunny Fortune Limited, a limited liability company incorporated in the British Virgin Islands and wholly-owned by Mr. Lok; |
| “Vision Ocean” or “Offeror” | Vision Ocean Investments Limited, a limited liability company incorporated in the British Virgin Islands and wholly-owned by Ms. Lo; and |
| “Vision Ocean Group” | Vision Ocean and parties acting in concert with it. |

LETTER FROM THE BOARD



太阳神

CHINA APOLLO HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

Executive Directors:

Lok Fai
Tseung Wai Lok
Zhang Tie Cheng
Lau Chan Wing, Raymond
Pan Hao

Registered Office:

Clarendon House
Church Street
Hamilton HM 11
Bermuda

Independent Non-executive Directors:

Goh Gen Cheung
Wu King Cheong

Principal Office:

10th Floor
Cammer Commercial
Building
30-32 Cameron Road
Tsimshatsui, Kowloon
Hong Kong

25th February, 2002

To the Shareholders and the Optionholders

Dear Sir or Madam,

UNCONDITIONAL CASH OFFERS

1. INTRODUCTION

Pursuant to the Sale and Purchase Agreement, Vision Ocean acquired 415,000,000 Shares at a cash consideration of HK\$30,000,000 (equivalent to HK\$0.072 per Share) from the Vendors. Completion of the Sale and Purchase Agreement took place on 25th January, 2002 and Vision Ocean and parties acting in concert with it are now interested in 415,000,000 Shares, representing approximately 50.91% of the total issued share capital of the Company. Accordingly, Vision Ocean is required under Rule 26 of the Takeovers Code to make a mandatory unconditional cash offers for all the issued Shares and a comparable offer for all outstanding Share Options not already owned or agreed to be acquired by it or parties acting in concert with it.

LETTER FROM THE BOARD

Mr. Lok Fai, the Chairman and an executive director of the Company, is the beneficial owner of the Vendor. Other executive directors are salaried employees of the Company. Accordingly, all the executive Directors are not considered to be independent in relation to the Offers. An Independent Board Committee comprising Messrs. Goh Gen Cheung and Wu King Cheong, the independent non-executive Directors, has been appointed by the Board to consider the terms of the Offers and to give advice and recommendations to the Independent Shareholders regarding the Offers. Hantec Capital Limited and Kim Eng Capital (Hong Kong) Limited have been appointed the joint independent financial advisers to advise the Independent Board Committee in relation to the Offers.

The purpose of this document is to provide you with, amongst other things, information relating to the Group and the Offers. The principal terms of the Offers are set out in the letter from Dao Heng Securities on pages 10 to 18 of this document and further terms of the Offers and other information required by the Code are set out in the Appendices to this Document and in the accompanying forms of acceptance and transfer and acceptance and renunciation. The letter from the Independent Board Committee containing its advice to the Independent Shareholders and the Optionholders on the Offers is set out on pages 19 to 20 of this document. The letter from Hantec Capital Limited and Kim Eng Capital (Hong Kong) Limited containing their advice to the Independent Board Committee in relation to the Offers is set out on pages 21 to 35 of this document.

Under the definition of “acting in concert” in the Takeovers Code, Vision Ocean is presumed to act in concert with Strong Future Assets Limited, which financed its acquisition of the Sale Shares, Truthful (Nominees) Limited, a nominee of Strong Future Assets Limited, and their respective shareholders (the “Lender Group”). In Vision Ocean’s opinion, it is not acting in concert with the Lender Group but the Executive has determined that this presumption has not been rebutted. Accordingly, information in this document relating to Vision Ocean and persons “acting in concert” with it includes information provided by or on behalf of the Lender Group to Vision Ocean concerning dealings in Shares by the Lender Group. The Lender Group have informed Vision Ocean that there were no such dealings in the six months preceding the date of the Announcement.

2. THE OFFERS

Under Rule 26 of the Takeovers Code, Dao Heng Securities, on behalf of Vision Ocean, is making the Share Offer, on the terms set out in this document and the accompanying form of acceptance, for all the issued Shares not already owned or agreed to be acquired by Vision Ocean or parties acting in concert with it on the following basis:

For each share in China Apollo..... HK\$0.072 payable in cash

Seller’s ad valorem stamp duty arising in connection with the acceptance of the Share Offer amounting to HK\$1.00 for every HK\$1,000 or part thereof of the consideration payable in respect of the relevant acceptance will be payable by Shareholders who accept the Share Offer and will be deducted from the consideration payable on acceptance of the Share Offer.

LETTER FROM THE BOARD

In addition, Dao Heng Securities, on behalf of Vision Ocean, is making the Option Offer to the Optionholders in respect of all the outstanding Share Options. The Optionholders will receive HK\$0.01 in cash for every 100,000 Share Options surrendered for cancellation. The Option Offer price as stated above is at nominal value and takes into account the fact that such Share Options are out of money as at the Latest Practicable Date.

Further terms and conditions of the Offers, including the procedures for acceptance, are set out in the letter from Dao Heng Securities on pages 10 to 18 of this document and in the accompanying forms of acceptance and transfer and acceptance and renunciation.

3. INFORMATION ON THE GROUP

The Company is an investment holding company. The Group is principally engaged in the business of development, manufacture and sale of tonic and health drink products, pharmaceutical products and pyruvat calcium series products in the PRC, and the research and development of embryonic technology and related technical know-how in the PRC and in Northern America.

As stated in the 2000 annual report of China Apollo, the turnover of the Group for that year amounted to approximately HK\$158 million, representing an increase of approximately 1% over that of the preceding year of approximately HK\$156 million. The net loss attributable to Shareholders for the year ended 31st December 2000 amounted to about HK\$117 million compared to that of the preceding year of approximately HK\$24 million. The increase in net loss was mainly due to (i) additional promotion expenses incurred for launching new products in the sum of HK\$35,000,000; (ii) provision for bad and doubtful debts in the sum of HK\$6,700,000; (iii) obsolete inventory written off amounting to HK\$6,000,000; (iv) provision on investments held for disposal in the sum of HK\$6,459,000; and (v) provision for unrecoverable prepayments for fixed assets in the sum of HK\$13,955,000.

In May 2000, the Group acquired 2,900,000 shares in Jian Bei Group Company Limited, a PRC company engaging in property development business in the PRC, at a consideration of approximately HK\$9,281,000.

In May 2000, the Group made another investment by acquiring a 45% equity interest in Data Logistics Limited, an investment holding company with an investment interest in a company engaged in global internet communication and global logistics settlement networks, at a consideration of approximately HK\$7,792,000.

As stated in the interim report for the six months ended 30th June, 2001, the Group's turnover for that period was approximately HK\$81 million, representing a decrease of 9% as compared with the corresponding period in the previous year. The Group reported a consolidated loss attributable to Shareholders of approximately HK\$56 million as compared with a consolidated loss of approximately HK\$65 million for the same period last year. The continuing loss position for the six months ended 30th June, 2001 was mainly due to the poor performance

LETTER FROM THE BOARD

of two new health products, namely “STORM fat loss capsule” and “Duo Bu Gai”, which were launched in late 1999 and the turnover of which failed to meet the expected target, resulting in a decrease in sales of these two products by 41% as compared with the corresponding period in the previous year. Another reason was a provision for impairment loss on unused properties of approximately HK\$33,514,000 which was due to the adoption of SSAP 31 “Impairment of assets” as a result of change in accounting policies as disclosed in the Company’s interim report for the six months ended 30th June, 2001.

The Company had a market capitalisation of approximately HK\$186.7 million based on its closing price of HK\$0.229 per Share quoted on the Stock Exchange on the Latest Practicable Date and a total of 815,100,000 Shares in issue.

Your attention is drawn to appendix II of this document which contains further financial information on the Group, and to the additional information set out in other appendices of this document.

4. FUTURE OF THE GROUP

Please refer to the section headed “Reasons for Acquisition and intention of Vision Ocean” in the letter from Dao Heng Securities for information about Vision Ocean’s plans for China Apollo.

5. MAINTAINING THE LISTING OF CHINA APOLLO

Vision Ocean intends that China Apollo should retain its listing on the Stock Exchange and Vision Ocean and any new directors to be appointed to the board of China Apollo will undertake to the Stock Exchange to take appropriate steps within one month following the closing of the Offers to ensure that such number of Shares as may be required by the Stock Exchange are held by the public.

The Stock Exchange has stated that in the event that less than 25% of the Shares are in public hands following the closing of the Offers, it will closely monitor trading in the Shares. If the Stock Exchange believes that a false market exists or may exist in the Shares and that there are insufficient Shares in public hands to maintain an orderly market, that it will give consideration to exercising its discretion to suspend dealings in the Shares.

The Stock Exchange has also stated that, if China Apollo remains as a listed company, any future injections into or disposals of China Apollo will be subject to the provisions of the Listing Rules. Pursuant to the Listing Rules, the Stock Exchange has a discretion to require China Apollo to issue a circular to its shareholders where any acquisition or disposal by China Apollo is proposed, irrespective of the size of such acquisition or disposal and in particular where such acquisition or disposal represents a departure from the principal activities of China Apollo. The Stock Exchange also has the power pursuant to the Listing Rules, to aggregate a series of acquisitions or disposals by China Apollo and any such acquisitions or disposals may, in any event, result in China Apollo being treated as a new applicant for listing and subject to the requirements for new applicants as set out in the Listing Rules.

LETTER FROM THE BOARD

6. PROCEDURES FOR ACCEPTANCE OF THE OFFERS

Your attention is drawn to appendix I of this document and to the enclosed forms of acceptance and transfer and of acceptance and renunciation which set out the procedure for acceptance of the relevant Offer. If you are a Shareholder and intend to accept the Share Offer, you should complete the form of acceptance and transfer in accordance with the instructions printed thereon, and forward it to the Registrar at 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible, but in any event to be received by the Registrar not later than 4:00 p.m. on 18th March, 2002 or such later time as Vision Ocean may determine and announce.

If you are an Optionholder and intend to accept the Option Offer, you should complete the form of acceptance and renunciation obtainable from the principal office of the Company at 10th Floor, Cammer Commercial Building, 30-32 Cameron Road, Tsim Sha Tsui, Kowloon, Hong Kong in accordance with the instructions printed thereon, which instructions form part of the terms and conditions of the Option Offer, and forward it together with the relevant option certificate(s) (and/or any indemnity or indemnities required in respect thereof) for not less than the number of the Share Options in respect of which you intend to accept the Option Offer, by post or by hand to the principal office of the Company at 10th Floor Cammer Commercial Building, 30-32 Cameron Road, Tsim Sha Tsui, Kowloon, Hong Kong, marked "China Apollo Option Offer" on the envelope, as soon as practicable, but in any event to be received by the Company at its principal office by not later than 4:00 p.m. on 18th March, 2002 or such later date as Vision Ocean may determine and announce.

7. FURTHER INFORMATION IN RELATION TO THE OFFERS

Your attention is drawn to the letter from Dao Heng Securities set out in this document, which contains details of the Offers, information on Vision Ocean and the intentions of Vision Ocean regarding the future businesses of the Group.

Your attention is drawn to the letter from the Independent Board Committee set out in this document which contains its recommendation to the Independent Shareholders and the Optionholders in relation to the Offers.

Your attention is also drawn to the letter of advice from Hantec Capital Limited and Kim Eng Capital (Hong Kong) Limited set out in this document, which contains their advice and recommendation to the Independent Board Committee in relation to the Offers, and to the additional information as set out in the appendices to this document.

Yours faithfully,
For and on behalf of
China Apollo Holdings Limited
Lau Chan Wing, Raymond
Director

LETTER FROM DAO HENG SECURITIES



道亨證券有限公司
DaoHengSecurities Ltd.

Dao Heng Securities Limited
12th Floor, The Center
99 Queen's Road Central
Hong Kong

25th February, 2002

*To the Independent Shareholders and
the Optionholders*

Dear Sir or Madam,

UNCONDITIONAL CASH OFFERS

INTRODUCTION

Pursuant to the Sale and Purchase Agreement, Vision Ocean acquired 415,000,000 Shares at a consideration of approximately HK\$0.072 per Share from the Vendor. Vision Ocean and parties acting in concert with it were not interested in any Shares before the acquisition of the Sale Shares.

Completion of the Sale and Purchase Agreement took place on 25th January, 2002 and Vision Ocean and parties acting in concert with it are now interested in 415,000,000 Shares, representing about 50.91% of the total issued share capital of the Company. The aggregate consideration of HK\$30,000,000.00 was satisfied in cash.

Vision Ocean is required under Rule 26 of the Takeovers Code to make a mandatory unconditional cash offer for all the issued Shares and a comparable offer for all outstanding Share Options not already owned or agreed to be acquired by it or parties acting in concert with it.

As at the Latest Practicable Date, there were 815,100,000 Shares in issue, 3,500,000 outstanding options held by three persons under the employee share option scheme of China Apollo to subscribe for Shares at a price of HK\$1.44 per Share and no outstanding warrants or any other securities convertible into Shares.

This letter sets out the Offers and information on Vision Ocean, the Offeror. The terms of the Offers are set out in the sections headed "The Offers" and "Acceptance and settlement" below, in appendix I to this document and in the accompanying form of acceptance and transfer and of acceptance and renunciation.

LETTER FROM DAO HENG SECURITIES

THE SALE AND PURCHASE AGREEMENT

Under the Sale and Purchase Agreement, Vision Ocean acquired 415,000,000 Shares from the Vendor at an aggregate consideration of HK\$30,000,000.00 (HK\$0.072 per Share) on 25th January, 2002. The consideration for the Sale Shares was satisfied in cash.

The Vendor and Mr. Lok, now own in aggregate 185,000,000 Shares (comprising the Retained Shares), representing approximately 22.70% of the total issued shares of China Apollo and have given an irrevocable undertaking to Vision Ocean not to accept the Share Offer, and to procure that the Share Offer is not accepted in respect of any of the Retained Shares.

Vision Ocean and parties acting in concert with it were not interested in any Shares before the entry into of the Sale and Purchase Agreement. Immediately after the completion of the Sale and Purchase Agreement, Vision Ocean and parties acting in concert with it are now interested in 415,000,000 Shares, representing about 50.91% of the total issued share capital of the Company.

THE OFFERS

(1) The Share Offer

Vision Ocean and parties acting in concert with it were interested in approximately 50.91% of the total issued share capital of the Company as at the Latest Practicable Date. In compliance with the requirements under Rule 26 of the Takeovers Code, Vision Ocean is now making a mandatory unconditional cash offer for all the issued Shares not already owned or agreed to be acquired by it or parties acting in concert with it. Currently, there are 815,100,000 Shares in issue. Accordingly, apart from the 415,000,000 Shares already owned or acquired under the Sale and Purchase Agreement, the remaining 400,100,000 Shares will be subject to the Share Offer. However, as mentioned above, the Vendor and Mr. Lok have given the irrevocable undertaking to Vision Ocean not to accept the Share Offer, and to procure that the Share Offer is not accepted in respect of any of the Retained Shares.

Dao Heng Securities on behalf of Vision Ocean in compliance with Rule 26 of the Takeovers Code hereby offers to purchase on and subject to the terms set out in this document and the accompanying form of acceptance and transfer all the issued Shares (other than those already owned by Vision Ocean) on the following basis:

For each share in China Apollo HK\$0.072 payable in cash

The latest time for acceptance is 4:00 p.m. on Monday, 18th March, 2002. Your attention is drawn to the paragraph headed “Acceptance and Settlement” in this letter and to the paragraph headed “Further Procedure for Acceptance” set out in Appendix I of this document.

(2) The Offer Price

The Offer Price of HK\$0.072 per Share represents a discount of approximately 64.88 per cent to the closing price of HK\$0.205 per Share as quoted on the Stock Exchange on 7th January, 2002, being the last trading day prior to the date of the Announcement and a discount of approximately 60.44 per cent to the average closing price of approximately HK\$0.182 per Share for the 10 trading days up to and including 7th January, 2002. The Offer Price represents a discount of approximately 68.56 per cent to the closing price of HK\$0.229 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

Based on the remaining 400,100,000 Shares in issue (other than those already owned by Vision Ocean) as at the Latest Practicable Date and the Offer Price, the value of the Share Offer is approximately HK\$28,800,000. However, the Vendor and Mr. Lok have given an irrevocable undertaking to Vision Ocean not to accept the Share Offer, and to procure that the Share Offer is not accepted in respect of any of the Retained Shares. In the event of full acceptance of the Share Offer (except for the Retained Shares), the consideration payable by Vision Ocean will be approximately HK\$15,500,000.

(3) The Option Offer

As at the Latest Practicable Date, there were 3,500,000 Share Options outstanding, granted to three persons. Each Share Option entitles the Optionholders to subscribe for one new Share at an exercise price of HK\$1.44 (subject to adjustment) per Share during the period from 4th March, 1996 to 3rd March, 2006.

Dao Heng Securities, on behalf of Vision Ocean, hereby offers to the Optionholders to pay HK\$0.01 in cash for every 100,000 Share Options they surrender for cancellation. The Option Offer price as stated above is at nominal value and takes into account the fact that such Share Options were out of the money as at the Latest Practicable Date.

Save for the Share Options, the Company had no other outstanding convertible securities, warrants, options or derivatives in issue as at the Latest Practicable Date.

The latest time for acceptance is 4:00 p.m. on Monday, 18th March, 2002. Your attention is drawn to the paragraph headed "Acceptance and settlement" in this letter and to the paragraph headed "Further Procedure for Acceptance" set out in Appendix I of this document.

LETTER FROM DAO HENG SECURITIES

(4) Financial resources for the Offers

The consideration of approximately HK\$15,500,000 payable by Vision Ocean (in the event of full acceptance of the Offers, except in respect of the Retained Shares) will be financed by a shareholders loan from the sole shareholder of Vision Ocean.

Baron Capital and Dao Heng Securities are satisfied that there are sufficient financial resources available to Vision Ocean to satisfy full acceptance of the Offers (save for the Retained Shares). The Executive has accepted this confirmation by Baron Capital and Dao Heng Securities for the purpose of Rule 3.5 of the Takeovers Code.

(5) Effect of accepting the Share Offer

By accepting the Share Offer, Shareholders will sell their Shares and all rights attached thereto at the Offer Price, including the rights to receive all dividends and distributions declared, made or paid on or after 11th January, 2002.

Acceptances of the Share Offer will be irrevocable and not capable of being withdrawn, except as permitted under the Takeovers Code, if at all.

(6) Effect of accepting the Option Offer

By accepting the Option Offer, the Optionholders will agree to the cancellation of, and will receive HK\$0.01 in cash for, every 100,000 Share Options surrendered for cancellation and the Optionholders will renounce all their rights under those Share Options which rights shall thereupon lapse and be fully discharged and of no further effect.

Acceptances of the Option Offer will be irrevocable and not capable of being withdrawn, except as permitted under the Takeovers Code, if at all.

(7) Stamp Duty

Seller's ad valorem stamp duty arising in connection with the acceptance of the Share Offer amounting to HK\$1.00 for every HK\$1,000 or part thereof of the consideration payable in respect of the relevant acceptance will be payable by Shareholders who accept the Share Offer and will be deducted from the consideration payable on acceptance of the Share Offer.

(8) Dealings and holdings in the Shares

Save for the acquisition of the 415,000,000 Shares pursuant to the Sale and Purchase Agreement, none of Vision Ocean and any party acting in concert with Vision Ocean has dealt in any Shares during the period commencing on the date falling six months prior to the date of acquisition of those Shares and ending on the Latest Practicable Date.

Save for the acquisition of the 415,000,000 Shares pursuant to the Sale and Purchase Agreement, none of Vision Ocean and any party acting in concert with Vision Ocean owned or controlled (directly or indirectly) any class of securities of the Company as at the Latest Practicable Date.

LETTER FROM DAO HENG SECURITIES

INFORMATION ON VISION OCEAN

Vision Ocean is a company which was incorporated in the British Virgin Islands on 9th August, 2001 and is wholly-owned by Ms. Lo. It has carried on no business since incorporation until the entry into of the Sale and Purchase Agreement. The issued share capital of Vision Ocean is 1 share of US\$1.00 fully paid, which is registered in the name of Ms. Lo.

The registered office of Vision Ocean is at P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands.

Ms. Lo, aged 41, has been actively engaged in promoting commercialisation of biotechnology in the PRC and Hong Kong. Ms. Lo has been investing in cutting-edge technology and ventures in the past six years. In addition, Ms. Lo has been investing in early stage biotechnology projects in the United States of America and the PRC since 1999. Her major investments include investments in the development of western therapeutics. Ms. Lo has extensive experience in finance, entrepreneurship and venture capital investments. She is the sole director of Vision Ocean.

REASONS FOR ACQUISITION AND INTENTION OF VISION OCEAN

Vision Ocean's reason for acquiring a majority interest in the Company by the acquisition of the Sale Shares under the Sale and Purchase Agreement is that it is optimistic about the prospects for certain businesses of the Company, particularly pharmaceutical products and the research and development of embryonic technology and the related technical know-how in the PRC and in Northern America.

There is no intention of Vision Ocean to change the principal activities of China Apollo nor to dispose of any assets of China Apollo. In addition, there is no intention by Vision Ocean to inject any asset or business into China Apollo.

DIRECTORS AND MANAGEMENT

Upon the posting of this document, Vision Ocean will nominate new executive Directors to the Board who together with Mr. Lok will represent all executive Directors of the Board following the resignation of certain existing Directors as referred to below. Ms. Lo will be appointed the Chairman of the Board.

The following are the details of the executive Directors to be appointed to the Board:

- Professor Zhang Jing-Wu, aged 45, is a professor at Baylor College of Medicine, Houston, the United States of America and the director of Health Sciences Centre, Shanghai Institutes of Biological Sciences, Chinese Academy of Sciences.
- Dr. James Liu, aged 53, is the chairman and chief executive officer of Base Technology Group Inc. and a member of the listing committee of the Stock Exchange for the Growth Enterprise Market.

LETTER FROM DAO HENG SECURITIES

- Mr. Wan Chuen Hing, Alexander, aged 43, holds a bachelor's degree in arts majoring in economics from the University of California, Berkeley, United States of America. Mr. Wan has extensive experience in private banking, investment banking, asset management and investment. Mr. Wan is an executive director of China Investment Fund Company Limited, an investment company listed on the Stock Exchange.

Messrs. Tseung Wai Lok, Zhang Tie Cheng, Pan Hao Hao and Lau Chan Wing, Raymond will resign from the Board on the Closing Date or such earlier date as the Executive may permit and subject to the requirements of the Takeovers Code. The independent non-executive Directors of China Apollo will resign from the Board on the Closing Date or such earlier date as the Executive under the Takeovers Code may permit and new independent non-executive Directors will be appointed to the Board.

There is no intention by Vision Ocean to change the management of China Apollo, save for the appointment of the new Directors and resignation of the existing Directors disclosed above.

MAINTAINING THE LISTING STATUS OF THE COMPANY

Vision Ocean intends that China Apollo should retain its listing on the Stock Exchange and Vision Ocean and any new Directors to be appointed to the Board will undertake to the Stock Exchange to take appropriate steps within one month following the closing of the Offers to ensure that such number of Shares as may be required by the Stock Exchange are held by the public.

The Stock Exchange has stated that in the event that less than 25% of the Shares are in public hands following the closing of the Offers, it will closely monitor trading in the Shares. If the Stock Exchange believes that a false market exists or may exist in the Shares and that there are insufficient Shares in public hands to maintain an orderly market, that it will give consideration to exercising its discretion to suspend dealings in the Shares.

The Stock Exchange has also stated that, if China Apollo remains as a listed company, any future injections into or disposals of China Apollo will be subject to the provisions of the Listing Rules. Pursuant to the Listing Rules, the Stock Exchange has a discretion to require China Apollo to issue a circular to its shareholders where any acquisition or disposal by China Apollo is proposed, irrespective of the size of such acquisition or disposal and in particular where such acquisition or disposal represents a departure from the principal activities of China Apollo. The Stock Exchange also has the power pursuant to the Listing Rules, to aggregate a series of acquisitions or disposals by China Apollo and any such acquisitions or disposals may, in any event, result in China Apollo being treated as a new applicant for listing and subject to the requirements for new applicants as set out in the Listing Rules.

LETTER FROM DAO HENG SECURITIES

ACCEPTANCE AND SETTLEMENT

(a) Procedure for acceptance of the Offers

To accept the Share Offer, Shareholders should complete the accompanying form of acceptance and transfer in accordance with the instruments printed thereon, which instructions form part of the terms and conditions of the Share Offer.

The completed form(s) of acceptance and transfer should then be forwarded, together with the relevant share certificate(s) and/or transfer receipt(s) and/ or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) for not less than the number of Shares in respect of which you intend to accept the Share Offer, by post or by hand to the Registrar, Central Registration Hong Kong Limited, at 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong in an envelope marked "China Apollo Share Offer" as soon as practicable but in any event so as to reach the Registrar by not later than 4:00 p.m. on Monday, 18th March, 2002 or such later date as Vision Ocean may determine and announce.

To accept the Option Offer, Optionholders should complete the form of acceptance and renunciation obtainable from the principal office of the Company at 10th Floor, Cammer Commercial Building, 30-32 Cameron Road, Tsim Sha Tsui, Kowloon, Hong Kong in accordance with the instructions printed thereon, which instructions form part of the terms and conditions of the Option Offer.

The completed form(s) of acceptance and renunciation in respect of the Option Offer should then be forwarded, together with the relevant option certificate(s) (and/or any satisfactory indemnity or indemnities required in respect thereof) for not less than the number of the Share Options in respect of which you intend to accept the Option Offer, by post or by hand to the principal office of the Company at 10th Floor Cammer Commercial Building, 30-32 Cameron Road, Tsim Sha Tsui, Kowloon, Hong Kong, marked "China Apollo Option Offer" on the envelope, as soon as practicable but in any event so as to reach the principal office of the Company by not later than 4:00 p.m. on Monday, 18th March, 2002 or such later date as Vision Ocean shall determine and announce.

No acknowledgement of receipt of any form(s) of acceptance and transfer, share certificate(s), option certificate transfer receipt(s) or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) will be given. Your attention is drawn to the further terms regarding the procedure for acceptance set out in appendix I to this document and the forms of acceptance and transfer of acceptance and renunciation.

LETTER FROM DAO HENG SECURITIES

(b) Settlement of the Offers

Provided that the relevant form(s) of acceptance and transfer or acceptance and renunciation and share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title and/or option certificate(s) (and/or any indemnity or indemnities required in respect thereof) are in complete and good order and have been received by the Registrar in respect of the Share Offer and by the Company at its principal office in respect of the Option Offer by not later than 4:00 p.m. on Monday, 18th March, 2002, a cheque for the amount due to each of the Shareholders (less stamp duty) in respect of the Shares tendered by them under the Share Offer and/or to each of the Optionholders who has accepted the Option Offer will be despatched within 10 days from the date on which all documents necessary to render such acceptance complete and valid are received by the Registrar in respect of the Share Offer and/or by the Company in respect of the Option Offer.

GENERAL

To ensure equality of treatment of all Shareholders, those registered Shareholders who hold Shares as nominee for more than one beneficial owner should, as far as practicable, treat the holding of each beneficial owner separately. In order for the beneficial owners of the Shares whose investments are registered in nominee names to accept the Share Offer, it is essential that they provide instructions to their nominees of their intentions with regard to the Share Offer.

The attention of Shareholders and Optionholders not resident in Hong Kong is drawn to paragraph (vi) of the section headed “General” in appendix I to this document.

Shareholders and/or Optionholders are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of their accepting the Offers. It is emphasised that none of Vision Ocean, Dao Heng Securities, or any of their respective directors or any persons involved in the Offers accepts responsibility for any tax effects on, or liabilities of, any person or persons as a result of their acceptance of the Offers.

All documents and remittances sent to Shareholders and Optionholders through the post will be sent to them at their own risk. Such documents and remittances will be sent to Shareholders or Optionholder (as the case may be) at their respective addresses as they appear in the register of members of the Company or, in the case of joint Shareholders, to the Shareholder whose name stands first in the register of members of the Company and in the records of the Company (in the case of Optionholders), as applicable. None of Vision Ocean, Dao Heng Securities, or any of their respective directors or any other person involved in the Offers will be responsible for any loss or delay in transmission or any other liabilities that may arise as a result thereof.

Independent Shareholders are strongly advised to read the recommendation of the Independent Board Committee and the recommendation of Hantec Capital Limited and Kim Eng Capital (Hong Kong) Limited, its independent financial advisers, before deciding whether or not to accept the Offers.

LETTER FROM DAO HENG SECURITIES

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices, which form part of this document.

Yours faithfully,

For and on behalf of

Dao Heng Securities Limited

Stella Fung

Executive Director and

General Manager

Venus Choi

Director



CHINA APOLLO HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

25th February, 2002

*To the Independent Shareholders and
the Optionholders*

Dear Sir or Madam,

UNCONDITIONAL CASH OFFERS

INTRODUCTION

We refer to the document dated 25th February, 2002 issued jointly by Vision Ocean and China Apollo (the “Document”), of which this letter forms part. Terms defined in the Document shall bear the same meanings when used herein unless otherwise defined.

We have been appointed as the Independent Board Committee to consider the terms of the Offers. Hantec Capital Limited and Kim Eng Capital (Hong Kong) Limited have been appointed as the joint independent financial advisers to advise the Independent Board Committee in respect of the terms of the Offers. Details of its recommendations and the principal factors taken into consideration in arriving at the recommendations are set out in the letter from the Independent Financial Advisers on pages 21 to 35 of the Document.

Your attention is drawn to: (i) the letter from the Board as set out on pages 5 to 9 of the Document; (ii) the letter from Hantec Capital Limited and Kim Eng Capital (Hong Kong) Limited as set out on pages 21 to 35 of the Document; (iii) the letter from Dao Heng Securities set out on pages 10 to 18 the Document containing, among other things, the terms of the Offers; and (iv) the additional information set out in the appendices to the Document.

RECOMMENDATION

(1) Share Offer

Taking into account the terms of the Share Offer and the advice from Hantec Capital Limited and Kim Eng Capital (Hong Kong) Limited, we consider that the terms of the Share Offer are not fair and not reasonable so far as the Independent Shareholders are concerned and recommend the Independent Shareholders NOT to accept the Share Offer.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Those Independent Shareholders intending to dispose of their Shares should sell in the open market and should not accept the Share Offer if the market price of the Shares during the offer period is higher than the Offer Price and the net proceeds from a sale of Shares in the open market would be greater than the net proceeds receivable pursuant to the Share Offer. However, Independent Shareholders should be aware that the trading volume of the Shares in the open market may or may not be sufficient to enable them to dispose of their Shares. Independent Shareholders intending to retain part of or all their Shares should consider the information regarding Vision Ocean, the intention of Vision Ocean regarding the future business of the Group and evaluate the prospects of the Group under the new shareholding structure.

(2) **Option Offer**

Taking into account the term of the Option Offer and the advice from Hantec Capital Limited and Kim Eng Capital (Hong Kong) Limited, we consider that the terms of the Option Offer are not fair and not reasonable as far as the Optionholders are concerned and recommend the Optionholders NOT to accept the Option Offer.

Yours faithfully,
for and on behalf of
the Independent Board Committee of
China Apollo Holdings Limited
Goh Gen Cheung Wu King Cheong
Independent Non-executive Directors

LETTER FROM THE INDEPENDENT FINANCIAL ADVISERS

The following is the full text of the letter from Hantec Capital Limited and Kim Eng Capital (Hong Kong) Limited setting out their advice to the Independent Board Committee.



Hantec Capital Limited
45th Floor, COSCO Tower
183 Queen's Road Central
Hong Kong

KIM ENG
CAPITAL

Kim Eng Capital (Hong Kong) Limited
8th Floor, Alexandra House
16-20 Chater Road
Central
Hong Kong

25th February, 2002

*To the Independent Board Committee
of China Apollo Holdings Limited*
10th Floor, Cammer Commercial Building
30-32 Cameron Road
Tsimshatsui, Kowloon
Hong Kong

Dear Sirs,

UNCONDITIONAL CASH OFFERS

INTRODUCTION

We refer to our engagement as joint independent financial advisers to the Independent Board Committee in respect of the Offers and to give an opinion as to whether the terms of the Offers are fair and reasonable so far as the Independent Shareholders and Optionholders are concerned. Details of the Offers are contained in the Letter from the Board as set out on pages 5 to 9 of the circular dated 25th February, 2002 to the Shareholders and the Optionholders (the "Circular") of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

The Company and Vision Ocean jointly announced on 11th January, 2002 that the Sale and Purchase Agreement had been entered into, pursuant to which, amongst other things, the Offeror has acquired 415,000,000 Shares at HK\$0.072 per Share from the Vendor. The 415,000,000 Shares constitute approximately 50.91% of the entire issued share capital of the Company and the aggregate consideration for the same was approximately HK\$30 million. Under Rule 26.1 of the Takeovers Code, Dao Heng Securities, on behalf of Vision Ocean, is making the Offers for all the issued Shares and Share Options not already owned or agreed to be acquired by Vision Ocean or parties acting in concert with it.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISERS

Since Mr. Lok is a Director and the Vendor and other executive Directors are salaried employees of the Company, they are not considered to be independent in respect of the Offers. An Independent Board Committee comprising Messrs. Goh Gen Cheung and Wu King Cheong, being the independent non-executive Directors, has been appointed to give advice to the Independent Shareholders and the Optionholders as to whether the terms of the Offers are fair and reasonable so far as the Independent Shareholders and the Optionholders are concerned.

In formulating our recommendations, we have relied on the accuracy of the information and representations contained in the Circular, which have been provided by the Directors and by Vision Ocean, as the case may be, and we have assumed all information and representations made or referred to in the Circular were true at the time they were made and continue to be true at the date of the Circular. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors and have been advised by the Directors that no material facts have been omitted from the information provided by them and referred to in the Circular. We consider that we have received sufficient information to reach an informed view and to justify reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our recommendation. We have not, however, conducted any independent investigation into the business and affairs or the future prospects of the Company.

We have not considered the tax consequences on the Independent Shareholders and the Optionholders in respect of their acceptance or non-acceptance of the Offers since they vary depending on respective individual circumstances. The Independent Shareholders and the Optionholders who are overseas residents or subject to overseas taxes or Hong Kong taxation on securities dealings should consider their own tax positions and, if in any doubt, should consult their own professional advisers.

SHARE OFFER

Principal factors considered

In formulating our recommendations, we have taken into consideration the following principal factors and reasons:

1. Price performance and trading volume of the Shares

Price performance

The Offer Price of HK\$0.072 per Share is equivalent to the price paid per Share by Vision Ocean to the Vendor under the Sale and Purchase Agreement.

The Offer Price represents:

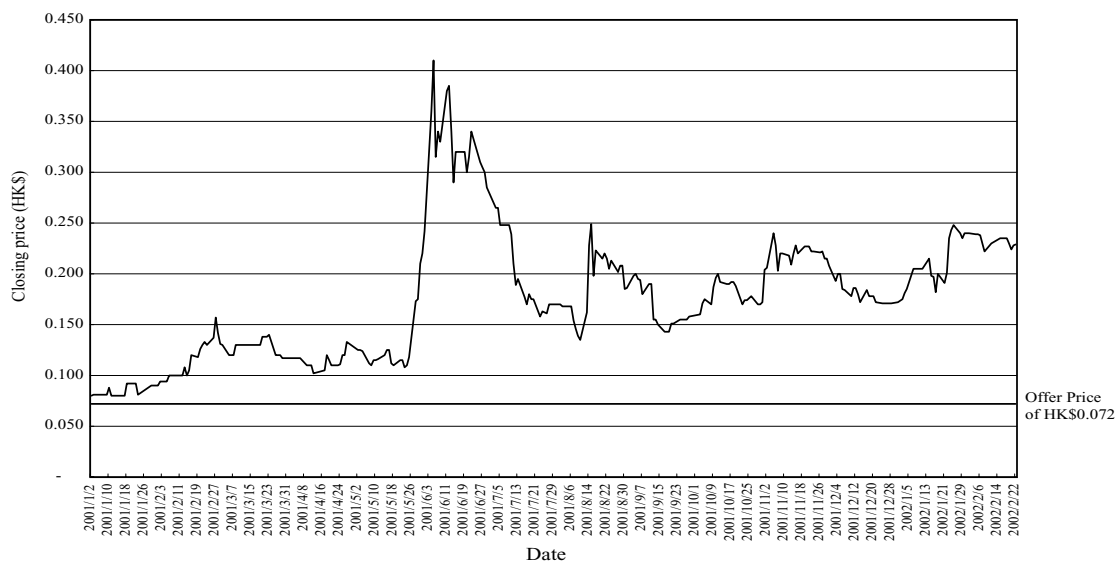
- (i) a discount of approximately 64.88% to the closing price of HK\$0.205 per Share as quoted on the Stock Exchange as at 7th January, 2002, being the last trading day prior to the date of the Announcement;

LETTER FROM THE INDEPENDENT FINANCIAL ADVISERS

- (ii) a discount of approximately 68.56% to the closing price of HK\$0.229 per Share as quoted on the Stock Exchange as at 22nd February, 2002, being the Latest Practicable Date;
- (iii) a discount of approximately 60.44% to the average closing price of HK\$0.182 per Share as quoted on the Stock Exchange for the ten trading days up to and including 7th January, 2002;
- (iv) a discount of approximately 59.78% to the average closing price of approximately HK\$0.179 per Share as quoted on the Stock Exchange for the one month period up to and including 7th January, 2002; and
- (v) a discount of approximately 68.00% to the average closing price of approximately HK\$0.225 per Share as quoted on the Stock Exchange during the period from 14th January, 2002 to the Latest Practicable Date.

Based on the above figures, we consider that the Offer Price represents a substantial discount to the average closing price/closing price for different periods described above ranged from approximately 59.78% to 68.56%.

The following chart sets out the daily closing price of the Shares on the Stock Exchange during the period from 2nd January, 2001 (being the first trading day of the twelve-month period immediately preceding the month in which the Announcement was made) to the Latest Practicable Date (the “Period”):



LETTER FROM THE INDEPENDENT FINANCIAL ADVISERS

The following table sets out the highest, lowest and the average daily closing prices of the Shares as recorded on the Stock Exchange for the Period:

| Month/period | Highest daily closing price (HK\$) | Lowest daily closing price (HK\$) | Average daily closing price (HK\$) |
|--|---|--|---|
| 2001 | | | |
| January | 0.092 | 0.080 | 0.084 |
| February | 0.157 | 0.090 | 0.114 |
| March | 0.140 | 0.117 | 0.128 |
| April | 0.133 | 0.102 | 0.114 |
| May | 0.220 | 0.108 | 0.131 |
| June | 0.385 | 0.242 | 0.325 |
| July | 0.265 | 0.158 | 0.196 |
| August | 0.249 | 0.135 | 0.190 |
| September | 0.200 | 0.143 | 0.166 |
| October | 0.200 | 0.160 | 0.181 |
| November | 0.240 | 0.204 | 0.219 |
| December | 0.200 | 0.171 | 0.181 |
| 2002 | | | |
| 2nd to 7th January | 0.205 | 0.175 | 0.187 |
| 14th January to and including the Latest Practicable Date | 0.248 | 0.182 | 0.225 |

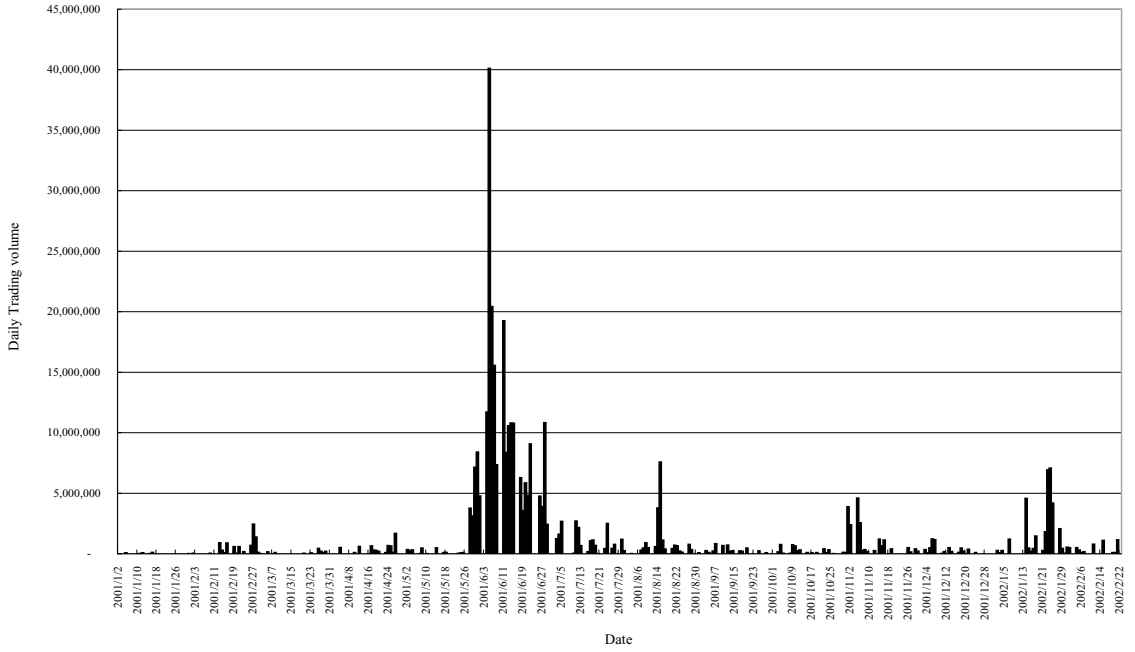
Source of data: Bloomberg

As shown in the above table, the closing prices of the Shares during the Period ranged from HK\$0.080 to HK\$0.385. The Offer Price represents an approximately 10.0% and an approximately 81.3% discount to the lowest closing price and the highest closing price of the Shares respectively during the Period. In our opinion, on the basis that the closing prices of the Shares during the Period were consistently higher than the Offer Price, the Share Offer is not attractive to the Independent Shareholders.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISERS

Trading volume

The following chart sets out the daily trading volume of the Shares for the Period:



LETTER FROM THE INDEPENDENT FINANCIAL ADVISERS

The following table sets out the trading volume of the Shares as recorded on the Stock Exchange for the Period:

| Month/period | Trading volume for the month/period (million Shares) | Shares traded as percentage of total number of Shares in issue (%) | Percentage of total trading volume to the public float of the Company (%) |
|--|---|---|--|
| 2001 | | | |
| January | 0.328 | 0.04 | 0.15 |
| February | 8.170 | 1.00 | 3.80 |
| March | 1.476 | 0.18 | 0.69 |
| April | 5.866 | 0.72 | 2.73 |
| May | 24.774 | 3.04 | 11.52 |
| June | 211.304 | 25.92 | 98.28 |
| July | 19.826 | 2.43 | 9.22 |
| August | 19.030 | 2.33 | 8.85 |
| September | 4.586 | 0.56 | 2.13 |
| October | 4.318 | 0.53 | 2.01 |
| November | 19.166 | 2.35 | 8.91 |
| December | 5.452 | 0.67 | 2.54 |
| 2002 | | | |
| 2nd to 7th January | 1.834 | 0.23 | 0.85 |
| 14th January to and including the Latest Practicable Date | 35.380 | 4.34 | 16.45 |

Source of data: Bloomberg

The trading volume of the Shares on the Stock Exchange during the Period was thin. The highest monthly trading volume of approximately 25.92% of the entire issued Shares was recorded in June 2001. The average monthly trading volume during the Period (excluding the trading volume of the Shares for June 2001) was merely about 1.42% of the entire issued Shares.

2. Principal activities and financial position of the Group

China Apollo is an investment holding company. The Group is principally engaged in the business of development, manufacture and sale of tonic and health drink products, pharmaceutical products and pyruvat calcium series products in the PRC, and research and development of embryonic technology and related technical know-how in the PRC and in Northern America.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISERS

The results of the Group for the last five years ended 31st December, 2000 and the six months ended 30th June, 2001 are contained in Appendix II of the Circular and a summary of the financial information of the Group is set out below:

| | (Unaudited) | | (Audited) | | | |
|--|--------------------|----------------|---------------------------|----------------|----------------|----------------|
| | Six months ended | | Year ended 31st December, | | | |
| | 30th June, 2001 | 2000 | 1999 | 1998 | 1997 | 1996 |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| Health products | | | | | | |
| Tonic drinks | | | | | | |
| Chrysanthemum tonic drink | 12,605 | 26,348 | 31,019 | 49,287 | 46,683 | 109,804 |
| Houtou mushroom tonic drink | 27,062 | 55,973 | 57,360 | 76,102 | 56,688 | 163,375 |
| Fendai beautify tonic drink | 1,020 | 3,065 | — | — | — | — |
| Others | 12 | 950 | 599 | 1,253 | 1,637 | 2,830 |
| Subtotal | 40,699 | 86,336 | 88,978 | 126,642 | 105,008 | 276,009 |
| Storm Fat Loss Capsule | 14,573 | 33,173 | 27,654 | — | — | — |
| Brilliance Fat loss Capsule | 6,329 | — | — | — | — | — |
| Changing Capsule | 5,341 | — | — | — | — | — |
| Duo Bu Gai | 4,201 | 13,205 | 2,077 | — | — | — |
| Chicken Essence | 89 | 599 | 2,295 | 1,058 | 4,678 | 1,118 |
| Total for health products | 71,232 | 133,313 | 121,004 | 127,700 | 109,686 | 277,127 |
| Health drinks | | | | | | |
| Tonic milk drink | 5,546 | 16,442 | 24,592 | 42,918 | 69,216 | 83,407 |
| Mineral water | 35 | 273 | 1,398 | 5,259 | 25,859 | 22,967 |
| Distill water | 43 | 611 | 3,458 | 11,713 | 11,875 | 9,769 |
| Total for health drinks | 5,624 | 17,326 | 29,448 | 59,890 | 106,950 | 116,143 |
| Pharmaceutical products | 3,920 | 6,840 | 5,541 | 4,336 | 4,047 | 780 |
| Others | 288 | 396 | 195 | — | 6,914 | 9,934 |
| Total turnover | 81,064 | 157,875 | 156,188 | 191,926 | 227,597 | 403,984 |
| Gross profit | 53,250 | 95,092 | 88,120 | 97,668 | 93,714 | 214,952 |
| Gross profit margin | 66% | 60% | 56% | 51% | 41% | 53% |
| Selling expenses | 44,477 | 110,129 | 72,333 | 85,254 | 125,013 | 137,182 |
| Administrative expenses | 31,233 | 76,543 | 39,962 | 50,807 | 85,891 | 83,540 |
| Exceptional items/other operating expenses | 39,494 | 36,197 | 8,974 | 14,619 | 39,388 | — |
| Net loss attributable to Shareholders | (55,738) | (117,224) | (24,207) | (36,032) | (156,495) | (10,730) |

LETTER FROM THE INDEPENDENT FINANCIAL ADVISERS

Financial performance from 1996 to 2000

Turnover

The turnover of the Group decreased from approximately HK\$404 million for the year ended 31st December, 1996 to approximately HK\$158 million for the year ended 31st December, 2000. The decrease in turnover is mainly attributable to the reduction in sales of the Group's tonic drinks and health drink products and partially offset by the sales of new health products launched in 1999. The turnover attributable from tonic drinks decreased from approximately HK\$276 million in 1996 to approximately HK\$86 million in 2000 while the turnover attributable from health drink products decreased from approximately HK\$116 million in 1996 to approximately HK\$17 million in 2000. The decrease in turnover attributable from tonic drinks and health drink products was mainly attributable to keen competition in the PRC market and the decline stage in the product cycle of the Group's two flagship products, namely Chrysanthemum tonic drink and the Hontou mushroom tonic drink, which were introduced to market in 1988 and 1992 respectively.

Gross profit margin

Although the turnover of the Group decreased from 1996 to 2000, the gross profit margin of the Group increased from approximately 53% for the year ended 31st December, 1996 to approximately 60% for the year ended 31st December, 2000. The reason for the increase of gross profit margin was mainly attributable to the change in products mix from health drinks products to health products as the health products of the Group generally have a higher profit margin than health drinks products. Accordingly, the relative decrease in the contribution of health drinks products to the Group's turnover had led to an increase in the Group's gross profit margin.

Net loss attributable to Shareholders

The net loss attributable to Shareholders increased from approximately HK\$11 million for the year ended 31st December, 1996 to approximately HK\$117 million for the year ended 31st December, 2000 mainly attributable to the continuously reduction in the turnover of the Group as stated above.

The substantially high net loss in 1997 was mainly attributable to additional factors included (i) the Group's health drinks were still in the early investment stage and did not generate profit; (ii) the overall economic situation and consumer market in the PRC remained weak which affected consumers' buying interests in the Group's products; (iii) provision for bad and doubtful debt of approximately HK\$9.9 million; and (iv) the Group made a total provision of approximately HK\$29 million against their short term investments due to the financial turmoil in the South East Asia region.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISERS

The significant increase in the net loss attributable to Shareholders for the year ended 31st December, 2000 of approximately HK\$117.2 million was mainly attributable to (i) additional promotional expenses incurred for launching new products including “Storm Fat Loss Capsule” and “Duo Bu Gai” amounted to approximately HK\$35 million; (ii) provision for bad and doubtful debts of accounts receivable in the sum of approximately HK\$6.7 million; (iii) write-off of obsolete inventory amounted to approximately HK\$6 million; (iv) provision of investments held for disposal in the sum of approximately HK\$6.46 million; (v) provision for unrecoverable prepayments for fixed assets in the sum of approximately HK\$13.96 million; and (vi) increase in loss on disposal of fixed asset amounted to approximately HK\$8.55 million. Save for (ii) stated above, the Directors considered that the abovementioned expenses amounted to approximately HK\$69.97 million were non-recurring expenses (“Non Recurring Expenses”). For the purpose of our analysis, the net loss attributable to the Shareholders for the year ended 31st December, 2000 was adjusted to take into account of the Non Recurring Expenses which results in an adjusted loss of approximately HK\$47.25 million (“Adjusted Loss”). The increase in the Adjusted Loss of approximately HK\$23.04 million over that of the previous year was mainly attributable to increase in administrative expenses from approximately HK\$40 million in 1999 to approximately HK\$76.5 million in 2000.

Financial performance for the six months ended 30th June, 2001

Turnover

For the six months ended 30th June, 2001, the Group’s turnover was approximately HK\$81.1 million, representing a decrease of approximately 9% as compared with the corresponding period in previous year. During the period, the sales of tonic drink products (including Houtou mushroom tonic drink and Chrysanthemum tonic drink) recorded a slight decrease of approximately 8% as compared with the corresponding period in the last year.

Gross profit margin

For the six months ended 30th June, 2001, the Group’s gross profit margin was approximately 66% as compared with 60% for the year ended 31st December, 2000. The increase in the gross profit margin was mainly attributable to the further shifting of product mix from low margin products to high margin products. The sales in health drinks, which has a relatively low margin has decreased from approximately 10% of the total turnover of the Group for the year ended 31st December, 2000 to approximately 6.9% of the total turnover of the Group for the six months ended 30th June, 2001. In addition, launch of higher margin products including “Brilliance” fat loss capsule and “Changing” capsule has contributed to approximately 14% of the Group’s sales for the six months ended 30th June, 2001.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISERS

From April 2001 onward, the relevant PRC health authorities imposed certain new regulatory restrictions on the advertising of health products in the PRC, in particular on the functions and effectiveness of health products. The Directors considered that in the short term, this restriction has created some negative impact on the health products market, especially by hampering confidence of consumers in health products.

Net loss attributable to Shareholders

The Group recorded a net loss attributable to Shareholders of approximately HK\$55.7 million as compared with a net loss of HK\$64.7 million for the corresponding period in the last year. The reduction in loss was mainly attributable to a reduction in administration expenses as a result of stringent cost control, by approximately HK\$12.1 million for the six months ended 30th June, 2001 comparing with the same period in the last corresponding year.

In order to improve the Group's performance in the future, the Group has continued to develop new products. During the period under review, two new health products namely "Changing" Capsule and "Brilliance" Fat Loss Capsule were launched in January 2001 and April 2001 respectively.

Conclusion on financial performance of the Group

The Group had incurred consistent loss for the five years ended 31st December, 2000 and the six months ended 30th June, 2001 and Vision Ocean has no intention to change the principal activities of China Apollo or to dispose of any assets of China Apollo or to inject any asset or business into China Apollo. We note that the Group has continued to develop new products, including "Brilliance" fat loss capsule and "Changing" capsule during the six months ended 30th June, 2001 to supplement the existing product mix. However, as confirmed by the Directors, the sales performance of these new products has yet to meet the forecasted level. As a result, the Group has yet to achieve the required economy of scale for these new products. Moreover, we understand that additional time and costs will have to be incurred continuously for the marketing and promotion of these new products during the introductory and growth stage of their product life cycle. In view of (i) the decreasing turnover of the Group's two major tonic drink products (Chrysanthemum tonic drink and Houtou mushroom tonic drink) which have reached the decline stage of their product life cycle; (ii) the sales performance of the Group's new products including "Brilliance" fat loss capsule and "Changing" capsule has yet to meet the forecasted level; and (iii) the additional time and costs to be incurred by the Group to market and promote these new products, we are of the view that the outlook for the Group is not positive.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISERS

Price/earnings multiples

Given that the Group has recorded sustained losses for the five years ended 31st December, 2000, we are not able to obtain information on the price/earnings multiples of the Group as a reference to assess the reasonableness of the Offer Price. On the basis that the price/earnings multiples of the Company are not available, we consider that we should focus on other factors which we have considered in this letter including the net asset value method in the determination of the fairness of the Offer Price.

Net assets value

Based on the audited consolidated net assets value of the Group of approximately HK\$344.3 million as at 31st December, 2000 and 815.1 million Shares in issue, the audited net assets value per Share was approximately HK\$0.422. Based on the unaudited consolidated net assets of the Group of approximately HK\$288.5 million as at 30th June, 2001 and 815.1 million Shares in issue as at the Latest Practicable Date, the unaudited net assets value per Share was approximately HK\$0.354.

Based on the information as stated in Appendix III of the Circular, the capital value of the property interests attributable to the Group as at 31st December, 2001 in the PRC and Macau was approximately HK\$175 million (assuming HK\$1.00 equivalent to RMB1.06 and MOP1.00 respectively). The net book value of the abovementioned property interests as at 30th June, 2001 was approximately HK\$196 million. The Directors confirmed that the Group had not acquired any new property for the six months ended 31st December, 2001. By adjusting the deficit of approximately HK\$21 million arisen from the property revaluation, the pro forma adjusted unaudited consolidated net assets of the Group as at 30th June, 2001 would be approximately HK\$267.5 million. Based on 815.1 million Shares in issue as at the Latest Practicable Date, the pro forma adjusted unaudited net assets value per Share as at 30th June, 2001 would be approximately HK\$0.328.

In addition, based on the unaudited consolidated financial statement of the Group as at 30th June, 2001, the cash and bank balances and short term bank loans of the Group was approximately HK\$74.8 million and HK\$44 million respectively. Accordingly, the Group has a net cash position of approximately HK\$30.8 million, or HK\$0.038 per Share, based on 815.1 million Shares in issue, represents approximately 52.8% of the Offer Price.

The Offer Price of HK\$0.072 per Share represents a discount of approximately 82.9% and approximately 79.7% to the respective net tangible assets value per Share of the Group as at 31st December, 2000 and 30th June, 2001 respectively.

We have reviewed the offer prices and the net tangible assets values of five companies (“Comparable Companies”) whose shares are listed on the Stock Exchange in which unconditional cash offers pursuant to the Takeovers Code has been made to the shares of the Comparable Companies recently.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISERS

By comparing the offer prices of the Comparable Companies (the “Comparable Prices”) pursuant to the relevant unconditional cash offers made to the shares of those Comparable Companies and the net tangible assets value per share as at the date of the latest audited/unaudited published financial statements of the Comparable Companies, we have the following summary:

| Name of Comparable Companies | Comparable Prices (HK\$) | Net tangible asset values per share extracted from most recent published financial statements (HK\$) | Date of financial statements | Premium/ (discount) of the Comparable Prices to net tangible assets value (%) |
|---|-----------------------------|---|------------------------------|---|
| Quality Food International Limited | 0.049 | 0.087 | 31st October, 2001 | (43.68) |
| Kowloon Development Company Limited | 3.580 | 7.080 | 30th June, 2001 | (49.44) |
| Hikari Tsushin International Limited | 0.045 | 0.150 | 31st July, 2001 | (70.00) |
| i-Onyx Limited | 0.980 | 1.060 | 30th June, 2001 | (7.50) |
| Melco International Development Limited | 1.150 | 3.220 | 30th June, 2001 | (64.30) |

As illustrated in the table as stated above, the Comparable Prices represented a range from a discount of approximately 70.00% to 7.50% to their respective latest published audited/unaudited net tangible assets value per share.

The Offer Price of HK\$0.072 per Share represent a discount of 79.7% to the net tangible assets value per Share of the Group as at 30th June, 2001, which is higher than those of the Comparable Companies. As such, we consider that the Offer Price to be not fair and unreasonable.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISERS

Liquidity and gearing position

The table as shown below illustrated the current assets, current liabilities and current ratio of the Group as at 31st December, 1996, 1997, 1998, 1999, 2000 and as at 30th June, 2001 respectively:

| | As at 30th June, 2001 | 2000 | As at 31st December, | | | 1996 |
|--|--------------------------------------|-------------|-----------------------------|-------------|-------------|-------------|
| | | | 1999 | 1998 | 1997 | |
| Current assets (HK\$' million) | 235.3 | 245.0 | 331.6 | 336.7 | 415.1 | 585.8 |
| Current liabilities (HK\$' million) | 175.1 | 179.0 | 178.9 | 172.7 | 232.5 | 261.2 |
| Current ratio | 1.34 | 1.37 | 1.85 | 1.95 | 1.79 | 2.24 |

Due to the consistent loss of the Group for the five years ended 31st December, 2000 and the six months ended 30th June, 2001, the current ratio of the Group decreased from approximately 2.24 as at 31st December, 1996 to approximately 1.34 as at 30th June, 2001. On the other hand, based on the unaudited consolidated balance sheet of the Group as at 30th June, 2001, the cash and bank balances and short term bank loans of the Group was approximately HK\$74.8 million and HK\$44 million respectively. The net cash position of the Group was approximately HK\$30.8 million as at 30th June, 2001. Based on (a) the current ratio as at 30th June, 2001 was approximately 1.34; (b) the Group has a net cash position of approximately HK\$30.8 million as at 30th June, 2001; (c) the indebtedness position as stated in Appendix II of the Circular, and (d) the Directors confirmed that additional costs for promoting new products as stated in the paragraph headed "Conclusion on financial performance of the Group" above will be funded by revenues generated from sales of those products as from time to time and no advertisement contract has been committed by the Group up to the Latest Practicable Date, we do not consider that there will be any material changes in the cash flow position of the Group.

Recommendation

Having considered the above factors and reasons, and in particular that:

- the Offer Price is lower than the closing prices of the Shares during the Period;
- the Offer Price represents a discount of approximately 68.56% to the closing price of HK\$0.229 per Share as quoted on the Stock Exchange on the Latest Practicable Date and the Independent Shareholders who wish to exit their investments in China Apollo would be more likely to realise a greater return by disposing their Shares in the open market;

LETTER FROM THE INDEPENDENT FINANCIAL ADVISERS

- the net cash per Share was approximately HK\$0.038 as at 30th June, 2001 which represents approximately 52.8% of the Offer Price;
- the Offer Price represents a discount of approximately 82.9% and 79.7% to the net asset value per Share of the Group as at 31st December, 2000 and 30th June, 2001 respectively; and
- although the outlook for the Group is not positive based on the decreasing turnover from the major tonic drink products and additional time and costs to be incurred by the Group to the marketing and promotion of the new products, there will not be any material changes in the cash flow position of the Group.

we are of the opinion that the terms of the Share Offer are not fair and un-reasonable so far as the Independent Shareholders are concerned, and advise the Independent Board Committee to recommend the Independent Shareholders not to accept the Offer.

Independent Shareholders who wish to realise their investment in the Shares should closely monitor the Share price performance during the Offers period. If the Shares are traded at a price level above the Offer Price during the Offer period, the Independent Shareholders who wish to accept the Share Offer should consider realising their investments in the stock market. On the other hand, the Independent Shareholders who are attracted by the new management team of the Company should consider retaining some or all of their shareholding in the Company. In addition, the Independent Shareholders should note that upon the closing of the Offers, if less than 25% of the securities of the Company are held by the general public, steps will have to be taken to restore sufficient number of securities of the Company to public hands. Independent Shareholders should note that any consequential placing down or issue of securities of the Company for the fulfilment of the public float requirement could have dampening effect on the market price of the Shares.

OPTION OFFER

Dao Heng Securities, on behalf of Vision Ocean, is making the Option Offer to the Optionholders in respect of all the outstanding Share Options. The Optionholders will receive HK\$0.01 in cash for every 100,000 Share Options surrendered for cancellation.

The exercise price of the Share Options of HK\$1.44 per Share represents a premium of approximately 1,900% and approximately 529% over the Offer Price and the closing price of HK\$0.229 per Share as at the Latest Practicable Date respectively. We consider that the Share Options are substantially out-of-the-money and it appears to be not attractive to the Optionholders to exercise the Share Options at the moment.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISERS

In arriving at our opinion in respect of the Option Offer, we have considered the following factors:

- If the Share Offer becomes unconditional, any Share Options not exercised will lapse upon six months after the Share Offer becomes unconditional.
- The offer price for the Share Options is HK\$0.01 for every 100,000 Share Options which is nominal and the aggregate amount receivable by the Optionholders will only be HK\$0.35.

Although the Share Options are currently substantially out-of-the-money and the Option Offer is an opportunity for the Optionholders to realise the Share Options, we recommend the Independent Board Committee to advise the Optionholders not to accept the Option Offer as the offer price for the Share Options is nominal and the financial benefit to the Optionholders to be derived from surrendering their Share Options under the Option Offer is negligible.

Your faithfully,
For and on behalf of
Hantec Capital Limited
Andrew Tang **Thomas Lai**
Director *Director*

Your faithfully,
For and on behalf of
Kim Eng Capital (Hong Kong) Limited
Michael Chum
Director

1. FURTHER PROCEDURES FOR ACCEPTANCE**Share Offer**

- (i) If the certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities in respect thereof) in respect of your Shares is/are in the name of a nominee company or some name other than your own, and you wish to accept the Share Offer whether in full or in respect of part your holding(s) of your Shares, you must either:
- (a) lodge your share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) with the nominee company, or other nominee, with instructions authorising it to accept the Share Offer on your behalf and requesting it to deliver the relevant form(s) of acceptance and transfer duly completed together with the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity required in respect thereof), to the Registrar; or
 - (b) arrange for the Shares to be registered in your name by the Company through the Registrar and send the relevant form(s) of acceptance and transfer duly completed together with the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof), to the Registrar; or
 - (c) if your Shares have been lodged with your broker/custodian bank through CCASS, instruct your broker/custodian bank to authorise HKSCC Nominees Limited to accept the Share Offer on your behalf on or before the deadline set out by HKSCC Nominees Limited, in this case, on 15th March, 2002 which is one business day before the latest date on which acceptances of the Share Offer must be received by the Registrar. In order to meet the deadline set by HKSCC Nominees Limited, you should check with your broker/ custodian bank for the timing on processing of your instruction, and submit your instruction to your broker/custodian bank as required by them; or
 - (d) if your Shares have been lodged with your Investor Participant Account with CCASS, authorise your instruction via the CCASS Phone System not later than one business day (in this case, 15th March, 2002) before the latest date on which acceptances of the Share Offer must be received by the Registrar.
- (ii) If the share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are not readily available and/or is/are lost and you wish to accept the Share Offer in respect of your Shares, the relevant form(s) of acceptance and transfer should nevertheless be completed and delivered to the Registrar, together with a letter stating that you have lost one or more of your share certificate(s) and/or

transfer receipts and/or other document(s) of title (and/ or any satisfactory indemnity or indemnities required in respect thereof) or that it/they is/are not readily available. If you find such document(s) or if it/they become(s) available, the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) should be forwarded to the Registrar as soon as possible thereafter. If you have lost your share certificate(s), you should also write to the Registrar for a letter of indemnity which, when completed in accordance with the instructions given, should be returned to the Registrar.

- (iii) If you have lodged (a) transfer(s) of any of your Shares for registration in your name(s) and have not yet received your share certificate(s), and you wish to accept the Share Offer in respect of your Shares, you should nevertheless complete the relevant form(s) of acceptance and transfer and deliver it/them to the Registrar, together with the transfer receipt(s) duly signed by yourself(ves). Such action will be deemed to be an irrevocable authority to Dao Heng Securities, and/or Vision Ocean or their respective agent(s) to collect from the Company or the Registrar on your behalf the relevant share certificate(s) when issued and to deliver such certificate(s) to the Registrar and to authorise and instruct the Registrar to hold such certificate(s), subject to the terms and conditions of the Share Offer, as if it was/they were delivered to the Registrar with the relevant form(s) of acceptance and transfer.

Option Offer

If the option certificate(s) in respect of your Share Option(s) is/are not readily available and you wish to accept the Option Offer, the relevant form of acceptance and renunciation should nevertheless be completed and delivered to the principal office of the Company together with a letter stating that you have lost one or more of your Share Option certificate(s). If you find such certificate(s) subsequently, the relevant Share Option certificate(s) should be forwarded to the principal office of the Company as soon as possible thereafter.

Both Offers

- (i) Acceptance(s) of the Share Offer and/or the Option Offer may, at the discretion of Vision Ocean, be treated as valid even if not accompanied by the relevant share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) and/or share option certificate(s), but, in such cases, the cheque(s) for the consideration due (net of the relevant seller's ad valorem stamp duty in the case of the Share Offer) will not be despatched until the relevant share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or a satisfactory indemnity or indemnities in respect of thereof) has/have been received by the Registrar in respect of the Share Offer and/or Share Option certificate(s) has/have been received by the Company at its principal office in respect of the Option Offer.

- (ii) No acknowledgement of receipt of any form(s) of acceptance and transfer or acceptance and renunciation, share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/ or any satisfactory indemnity or indemnities required in respect thereof) and/or any letter(s) of acceptance and renunciation and/or Share Option certificate(s) will be given.
- (iii) The address of the Registrar is 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

2. ACCEPTANCE PERIOD, REVISIONS AND EXTENSIONS

Vision Ocean will not extend or revise the Offers.

3. RIGHT OF WITHDRAWAL

Acceptances of the Offers will be irrevocable and cannot be withdrawn, except in the circumstances set out in Rule 19.2 of the Takeovers Code (which is to the effect that if Vision Ocean is unable to comply with any of the requirements of making announcements under Rule 19 of the Takeovers Code relating to the Offers, the Executive may require that acceptors be granted a right of withdrawal, on terms acceptable to the Executive).

4. ANNOUNCEMENTS

- (i) By 6:00 p.m. on 18th March, 2002 which is the day before the Share Offer is due to close, Vision Ocean must inform the Executive and the Stock Exchange of its intentions in relation to revision, extension or expiry of the Offers. Vision Ocean shall publish an appropriate announcement in accordance with paragraph (iii) below by 9:30 a.m. on the Closing Date which is 19th March, 2002 stating whether the Offers have expired, been extended or revised (as the case may be). The announcement shall also specify the total number of Shares and Share Options, as nearly as practicable, which Vision Ocean and any person acting in concert with it, directly and indirectly, owns or controls as at the date of that announcement, the number of Shares for which valid acceptances have been received, and the number of Shares otherwise acquired by Vision Ocean or any person acting in concert with it during the Offers period. The announcement shall also specify the percentages of the issued share capital of the Company and voting rights of the Company represented by these numbers of Shares.
- (ii) In computing the number of Shares represented by acceptances, there must be included for announcement purposes acceptances, which are not in all respects in order or that are subject to verification.

- (iii) As required under the Takeovers Code and the Listing Rules, any announcement in relation to the Offers, in respect of which the Executive and the Stock Exchange have confirmed that they have no further comments thereon, must be published as a paid announcement in at least one leading English language newspaper and one leading Chinese language newspaper, being in each case a newspaper which is published daily and circulated generally in Hong Kong and specified in the list of newspaper issued and published in the Gazette for the purpose of section 71A of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong).

5. GENERAL

- (i) Acceptance of the Share Offer by any person or persons holding Shares will be deemed to constitute a warranty by such person or person to Vision Ocean that the Share(s) acquired under the Share Offer is/are sold by any such person or person free from all liens, charges, encumbrances, equities and third party rights and together with all rights attaching thereto, including the right to receive all dividends and distributions declared, made or paid on or after 11th January, 2002.
- (ii) Pursuant to the terms of the share option scheme adopted by the Company on 2nd December, 1995, all of the outstanding Share Options are personal to the persons who hold them and can neither be transferred nor assigned. By accepting the Option Offer, the Optionholders will irrevocably renounce and agree to the cancellation absolutely all their respective rights and interests under the relevant outstanding Share Options without compensation except the nominal payment of HK\$0.01 in cash for every 100,000 Share Options, which will be cancelled by the Company.
- (iii) All communications, notices, forms of acceptance and transfer or acceptance and renunciation, and/or letter of acceptance and renunciation and/or, share certificates, transfer receipts, and/or other documents of title (and/or any satisfactory indemnity or indemnities required in respect thereof) and/or share option certificates and remittances to be delivered by or sent to or from the accepting Shareholders and Optionholders will be delivered by or sent to or from them, or their designated agents, through post at their own risk, and none of Vision Ocean, Dao Heng Securities and any of their respective agents accepts any liability for any loss in postage or any other liabilities that may arise as a result thereof.
- (iv) The provisions set out in the accompanying form of acceptance and transfer (in the case of the Share Offer) and in the form of acceptance and renunciation (in the case of the Option Offer) form part of the terms of the Offers.
- (v) The accidental omission to despatch this document and/or the form of acceptance and transfer or acceptance and renunciation or any of them to any person to whom the relevant Offer is made will not invalidate the Offers in any way.

- (vi) The making of the Offers to certain persons resident in jurisdictions outside Hong Kong may be affected by the laws of the relevant jurisdictions. Shareholders who are citizens or residents or nationals of jurisdictions outside Hong Kong should obtain appropriate legal advice on, inform themselves about and observe any applicable legal requirements. It is the responsibility of any such person who wishes to accept the Offers to satisfy himself/herself as to the full observance of the laws of the relevant jurisdiction in connection therewith, including the obtaining of any governmental or other consent which may be required or the compliance with any other necessary formalities and the payment of any transfer or other taxes due in respect of such jurisdiction.
- (vii) The Offers are and all acceptances will be governed by and construed in accordance with the laws of Hong Kong.
- (viii) Due execution of a form of acceptance and transfer (in the case of the Share Option) and/or a form of acceptance and renunciation (in the case of the Option Offer) will constitute an authorisation to Vision Ocean, any directors of Vision Ocean, Dao Heng Securities or persons as Vision Ocean may direct, to complete and execute any document on behalf of the person or persons accepting the Offers and to do any other act that may be necessary or expedient for the purposes of vesting in Vision Ocean, or such person or persons as it may direct, the Shares in respect of which such persons or persons has/have accepted the Share Offer and/or enabling the cancellation of the Option(s) of which such person(s) has/have accepted the Option Offer.
- (ix) References to the Offers in this document and in the accompanying form(s) of acceptance and transfer (in the case of the Share Offer) and form(s) of acceptance and renunciation (in the case of the Option Offer) obtainable from the principal office of the Company shall include any extension and/or revision thereof.
- (x) The Offers are made in accordance with the Takeovers Code.
- (xi) The English text of the document and the forms of acceptance and transfer and acceptance and renunciation shall prevail over the Chinese text for the purpose of interpretation.
- (xii) Seller's ad valorem stamp duty arising in connection with acceptance of the Share Offer at the rate of HK\$1.00 for every HK\$1,000 or part thereof of the consideration payable in respect of the relevant acceptance of the Share Offer will be payable by the accepting Shareholders and will be deducted from the cash amount due to such Shareholders pursuant to the Share Offer.

(A) The following is a summary of the audited consolidated income statement of China Apollo Holdings Limited (the “Company”) and its subsidiaries (together the “Group”) for the last five financial years (together with the unaudited interim results for six months ended 30 June, 2001) after incorporating the effect of the change in accounting policy as disclosed in Note 16 to the financial statements:

CONSOLIDATED INCOME STATEMENT

| | (Unaudited) | | (Audited) | | | |
|-----------------------------------|-----------------|------------------|-----------------------------------|-----------------|------------------|-----------------|
| | For six months | | For the year ended 31st December, | | | |
| | ended | | | | | |
| | 30th June, 2001 | 2000 | 1999 | 1998 | 1997 | 1996 |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| Turnover | <u>81,064</u> | <u>157,875</u> | <u>156,188</u> | <u>191,926</u> | <u>227,597</u> | <u>403,984</u> |
| (Loss) profit before tax | (58,112) | (123,007) | (24,340) | (36,034) | (159,856) | 396 |
| Taxation | — | — | — | — | — | (8,141) |
| Loss before minority interests | (58,112) | (123,007) | (24,340) | (36,034) | (159,856) | (7,745) |
| Minority interests | <u>2,374</u> | <u>5,783</u> | <u>133</u> | <u>2</u> | <u>3,361</u> | <u>(2,985)</u> |
| Loss attributable to shareholders | <u>(55,738)</u> | <u>(117,224)</u> | <u>(24,207)</u> | <u>(36,032)</u> | <u>(156,495)</u> | <u>(10,730)</u> |
| Dividends | — | — | — | — | — | <u>12,782</u> |
| Loss per share-basic (in Cents) | <u>(6.84)</u> | <u>(14.4)</u> | <u>(3.0)</u> | <u>(4.7)</u> | <u>(19.5)</u> | <u>(1.3)</u> |

(B) Summary of financial results for the financial year ended 31st December, 2000.

The audited consolidated balance sheets, consolidated cash flow statement and notes to the financial statement of the Group are extracted from the audited financial statements of the Company for the year ended 31st December, 2000.

CONSOLIDATED INCOME STATEMENT

For the year ended 31st December, 2000

(Amounts expressed in thousands of Hong Kong dollars, except for loss per share data)

| | <u>Note</u> | <u>2000</u> | <u>1999</u> <i>(Note 34)</i> |
|-----------------------------------|-------------|---------------------|---------------------------------|
| Turnover | 3 | 157,875 | 156,188 |
| Cost of sales | | <u>(62,783)</u> | <u>(68,068)</u> |
| Gross profit | | 95,092 | 88,120 |
| Other revenue | | 4,804 | 5,971 |
| Distribution costs | | (110,129) | (72,333) |
| Administrative expenses | | (76,543) | (39,962) |
| Other operating expenses | 4 | <u>(36,197)</u> | <u>(8,974)</u> |
| Loss from operations | | (122,973) | (27,178) |
| Finance (costs) income, net | | (34) | 3,777 |
| Share of loss of associate | | <u>—</u> | <u>(939)</u> |
| Loss before tax | | (123,007) | (24,340) |
| Taxation | 7 | <u>—</u> | <u>—</u> |
| Loss before minority interests | 5 | (123,007) | (24,340) |
| Minority interests | | <u>5,783</u> | <u>133</u> |
| Loss attributable to shareholders | 8 | <u>(117,224)</u> | <u>(24,207)</u> |
| Dividends | 9 | <u>—</u> | <u>—</u> |
| Loss per share | | | |
| — basic | 10 | <u>(14.4 cents)</u> | <u>(3.0 cents)</u> |
| — diluted | 10 | <u>N/A</u> | <u>N/A</u> |

CONSOLIDATED STATEMENT OF RECOGNISED GAINS AND LOSSES*For the year ended 31st December, 2000**(Amounts expressed in thousands of Hong Kong dollars)*

| | <u>Note</u> | <u>2000</u> | <u>1999</u> |
|---|-------------|-------------------------|------------------------|
| Translation difference | | 1,089 | 714 |
| Loss attributable to shareholders | | <u>(117,224)</u> | <u>(24,207)</u> |
| Total recognised losses | | <u><u>(116,135)</u></u> | <u><u>(23,493)</u></u> |
| Cumulative effect of change in accounting policy | 16 | <u><u>—</u></u> | <u><u>(7,600)</u></u> |

BALANCE SHEETS*As at 31st December, 2000**(Amounts expressed in thousands of Hong Kong dollars)*

| | <i>Note</i> | Consolidated | | Company | |
|-------------------------------|-------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | | 2000 | 1999 | 2000 | 1999 |
| ASSETS | | | | | |
| Non-current assets | | | | | |
| Fixed assets | 11 | 271,997 | 305,196 | — | — |
| Construction-in-progress | 12 | 6,568 | 3,774 | — | — |
| Prepayments for fixed assets | 13 | 6,476 | 18,298 | — | — |
| Investments in subsidiaries | 14 | 1,375 | — | 335,383 | 452,597 |
| Investments in associates | 15 | 9,678 | 3,756 | — | — |
| Other non-current assets | 16 | 2,251 | 2,373 | — | — |
| | | <u>298,345</u> | <u>333,397</u> | <u>335,383</u> | <u>452,597</u> |
| Current assets | | | | | |
| Inventories | 17 | 16,384 | 21,603 | — | — |
| Accounts receivable, net | 18 | 46,789 | 46,562 | — | — |
| Receivable from subcontractor | 19 | 1,516 | 2,381 | — | — |
| Investments in securities | 20 | 20,611 | 11,330 | 11,330 | 11,330 |
| Investments held for disposal | 21 | 41,374 | 94,225 | — | — |
| Other current assets | 22 | 72,999 | 25,559 | 148 | 140 |
| Cash and bank balances | 28 | 45,326 | 129,931 | 3 | 26 |
| | | <u>244,999</u> | <u>331,591</u> | <u>11,481</u> | <u>11,496</u> |
| TOTAL ASSETS | | <u><u>543,344</u></u> | <u><u>664,988</u></u> | <u><u>346,864</u></u> | <u><u>464,093</u></u> |

| | <i>Note</i> | Consolidated | | Company | |
|---------------------------------------|-------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | | 2000 | 1999 | 2000 | 1999 |
| EQUITY AND LIABILITIES | | | | | |
| Capital and reserves | | | | | |
| Share capital | 23 | 81,510 | 81,510 | 81,510 | 81,510 |
| Reserves | 25 | 536,492 | 535,403 | 617,937 | 617,937 |
| Accumulated losses | 25 | (273,735) | (156,511) | (353,206) | (235,978) |
| | | <u>344,267</u> | <u>460,402</u> | <u>346,241</u> | <u>463,469</u> |
| Minority interests | | <u>20,097</u> | <u>25,881</u> | <u>—</u> | <u>—</u> |
| Current liabilities | | | | | |
| Provision for staff welfare and bonus | | 60,190 | 60,481 | — | — |
| Deposits from customers | | — | 29,978 | — | — |
| Accounts payable and accruals | 26 | 56,956 | 31,838 | 623 | 624 |
| Provision for warranty | 27 | 7,902 | 15,379 | — | — |
| Short-term bank loans | 28 | 53,932 | 41,029 | — | — |
| | | <u>178,980</u> | <u>178,705</u> | <u>623</u> | <u>624</u> |
| TOTAL EQUITY AND LIABILITIES | | <u>543,344</u> | <u>664,988</u> | <u>346,864</u> | <u>464,093</u> |

CONSOLIDATED CASH FLOW STATEMENT*For the year ended 31st December, 2000**(Amounts expressed in thousands of Hong Kong dollars)*

| | <u>Note</u> | <u>2000</u> | <u>1999</u> |
|---|-------------|----------------------|----------------------|
| Net cash (outflow) inflow from operating activities | 31(a) | (70,536) | 2,300 |
| Returns on investments and servicing of finance | | | |
| Interests received | | 3,487 | 6,752 |
| Interests paid | | (3,186) | (2,988) |
| Dividends received | | 158 | 191 |
| | | <u>459</u> | <u>3,955</u> |
| Investing activities | | | |
| Purchase of fixed assets and other assets | | (5,575) | (4,868) |
| Proceeds from disposal of fixed assets | | 3,320 | — |
| Increase in construction-in-progress | | (4,521) | (721) |
| Increase in prepayments for fixed assets | | (2,133) | (7,433) |
| Increase in investments in securities | | (9,281) | (2,788) |
| Sale of securities | | — | 118 |
| Increase in investments in associates and subsidiaries | | (10,330) | — |
| Increase in pledged bank deposits | | (12,500) | — |
| | | <u>(41,020)</u> | <u>(15,692)</u> |
| Net cash outflow before financing activities | | <u>(111,097)</u> | <u>(9,437)</u> |
| Financing activities | | | |
| New short-term bank loans | | 43,372 | — |
| | | <u>43,372</u> | <u>—</u> |
| Decrease in cash and cash equivalents | | (67,725) | (9,437) |
| Cash and cash equivalents, beginning of year | | 88,902 | 97,625 |
| Effect of foreign exchange differences | | 1,089 | 714 |
| | | <u>1,089</u> | <u>714</u> |
| Cash and cash equivalents, end of year | 31(b) | <u><u>22,266</u></u> | <u><u>88,902</u></u> |

NOTES TO THE FINANCIAL STATEMENTS

31st December, 2000

(Amounts expressed in Hong Kong dollars unless otherwise stated)

1. ORGANISATION AND OPERATIONS

China Apollo Holdings Limited (“the Company”) was incorporated in Bermuda on 18th October, 1995 as an exempted company under the Companies Act 1981 of Bermuda (as amended) with its shares listed on The Stock Exchange of Hong Kong Limited since 19th December, 1995.

The Company and its subsidiaries (hereinafter collectively referred to as the “Group”) are principally engaged in the development, manufacture and sale of tonic and health products in the People’s Republic of China (the “PRC”).

The directors of the Company consider Sunny Fortune Limited, a company incorporated in the British Virgin Islands, to be the ultimate holding company.

2. PRINCIPAL ACCOUNTING POLICIES**(a) Basis of presentation**

The consolidated financial statements include the financial statements of the Company and its subsidiaries. Significant intra-group transactions and balances have been eliminated on consolidation.

The financial statements are prepared under the historical cost convention, and in accordance with Statements of Standard Accounting Practice issued by the Hong Kong Society of Accountants and the accounting principles generally accepted in Hong Kong (HK “GAAP”), the disclosure requirements of the Hong Kong Companies Ordinance, and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. This basis of accounting differs from that used in the financial statements of group companies not incorporated in Hong Kong, which are prepared in accordance with the accounting standards of their respective countries. Adjustments have been made to these financial statements for compliance with HK GAAP.

(b) Turnover

Turnover represents gross invoiced sales, net of discounts and returns.

(c) Revenue recognition

Provided it is probable that the economic benefits associated with a transaction will flow to the Group and the revenue and costs, if applicable, can be measured reliably, turnover and other revenue are recognised on the following bases:

(i) Sale of goods

Revenue from sale of goods is recognised when the significant risks and rewards of ownership of goods has been transferred to customers.

(ii) Interest income

Interest income from bank deposits is recognised on a time proportion basis on the principal outstanding and at the rate applicable. Interest income from investment in securities is accounted for to the extent of interest received or receivable.

(iii) *Dividend income*

Dividend income is recognised when the right to receive payment is established.

(iv) *Rental income*

Rental income under operating leases is recognised on a straight-line basis over the period of the relevant leases.

(d) Warranty

The Group provides free replacement for expired products. Provision for warranty is accrued when the related sales are recognised. The provision is based on the life span of the Group's products and the estimated consumption rate of the ultimate users as estimated by the directors based on historical experience and industry information. The assumptions used to estimate warranty accruals are re-evaluated periodically in light of actual experience.

(e) Retirement benefits

Contributions to retirement benefit schemes are charged to the consolidated income statement as incurred.

(f) Operating leases

Leases where substantially all the rewards and risks of ownership remain with the leasing company are accounted for as operating leases. Rental income and payments under operating leases are recognised in the consolidated income statement on a straight-line basis over the period of the relevant leases.

(g) Taxation

Companies within the Group provide for taxation on the basis of their profits for financial reporting purpose, adjusted for income and expense items which are not assessable or deductible for income tax purposes.

Deferred taxation is provided under the liability method, at the current tax rate, in respect of significant timing differences between profit as computed for taxation purposes and profit as stated in the financial statements, except when it is considered that no liability will arise in the foreseeable future. A deferred tax asset is not recognised unless the related benefits are expected to crystallise in the foreseeable future.

(h) Fixed assets and depreciation

Fixed assets are stated at cost less accumulated depreciation. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after the fixed assets have been put into operation, such as repairs and maintenance and overhaul costs, is normally charged to the consolidated income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the fixed assets, the expenditure is capitalised as an additional cost of the fixed asset.

Depreciation is calculated on the straight-line basis at annual rates estimated to write off the cost, after deducting the estimated residual value, of each asset over its expected useful life. The annual rates are as follows:

| | |
|-------------------------------|--------|
| Land use rights and buildings | 4.5-5% |
| Plant and machinery | 9-10% |
| Equipment | 18-20% |
| Motor vehicles | 18-20% |
| Others | 18-20% |

When assets are sold or retired, their cost and accumulated depreciation and amortisation are eliminated from the accounts and any gain or loss resulting from their disposals is included in the consolidated income statement.

(i) Construction-in-progress

Construction-in-progress represents factory buildings, staff quarters and other fixed assets under construction and is stated at cost. This includes costs of construction as well as interest charges arising from borrowings used to finance the fixed assets during the construction, installation and testing periods. When the assets concerned are brought into use, the costs are transferred to fixed assets and depreciated in accordance with the policy as stated above.

(j) Subsidiaries

A company is a subsidiary company if more than 50% of the issued voting capital is held long-term, directly or indirectly. In the Company's balance sheet, investment in subsidiaries is carried at cost less provision for impairment in value where considered necessary by the directors. The results of the subsidiaries are included in the Company's income statement to the extent of dividends declared by the subsidiaries.

(k) Associates

An associate is an enterprise in which the Group has significant influence, but not control or joint control, and thereby has the ability to participate in its financial and operating policy decisions.

In the consolidated financial statements, investment in associate is accounted for under the equity method of accounting, whereby the investment is initially recorded at cost and the carrying amount is adjusted to recognise the Group's share of the post-acquisition profits or losses of the associate, distributions received from the associate and other necessary alterations in the Group's proportionate interest in the associate arising from changes in the equity of the associate that have not been included in the consolidated income statement.

(l) Pre-operating expenditures

Prior to 1999, expenditures incurred prior to commencement of business operations of individual group companies were deferred and amortised on a straight-line basis over a period of five years starting from the commencement of the respective business operations.

Starting from 1999, the Group charges all the pre-operating expenditures to the consolidated income statement as incurred. Please refer to Note 16 for the effect of the change in accounting policy.

(m) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that takes a substantial period of time to prepare for its intended use or sale are capitalised as part of the cost of that asset. All other borrowing costs are recognised as an expense in the period in which they are incurred.

(n) Research and development costs

Research costs are written off as incurred. Development costs incurred on specific projects are carried forward when recoverability can be foreseen with reasonable assurance, and are amortised based on the expected sales amount from such projects. All other development costs are written off as incurred.

(o) Inventories

Inventories are carried at the lower of cost and net realisable value.

Cost is based on the weighted average cost formula and comprises all cost of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(p) Investments in securities

Securities that are held for the purpose of generating a profit from short-term fluctuations in price or dealer's margin are classified as trading securities and are included in the balance sheet at their fair values. Any changes in the fair values of trading securities are recognised in the consolidated income statement when they arise.

Upon disposal of the trading securities, any profit and loss is accounted for in the consolidated income statement.

(q) Investments held for disposal

Investments held for disposal are stated at cost less provision for impairment in value. Upon disposal, any profit and loss is accounted for in the consolidated income statement.

(r) Foreign currency translation

Individual companies within the Group maintain their books and records in the primary currencies of their respective operations ("functional currencies"). In the accounts of the individual companies, transactions in other currencies during the year are translated into the respective functional currencies at the applicable rates of exchange prevailing at the time of the transactions. Monetary assets and liabilities denominated in other currencies are translated into the respective functional currencies at the applicable rates of exchange in effect at the balance sheet date; non-monetary assets and liabilities denominated in other currencies are translated at historical rates. The exchange differences arising from changes in

exchange rates for monetary assets and liabilities denominated in other currencies subsequent to the transaction dates are dealt with in the income statement of the individual companies.

The Group prepares its consolidated financial statements in Hong Kong dollars. For the purpose of consolidation, the financial statements of those subsidiaries with functional currencies other than Hong Kong dollars are translated into Hong Kong dollars using the closing rate method, whereby the balance sheet items and the income statement items are translated at the applicable exchange rates in effect at the balance sheet date. Exchange differences arising from such translation are dealt with as movements of reserve.

3. TURNOVER

Turnover by product categories is as follows:

| | 2000 | 1999 |
|------------------------|-----------------|-----------------|
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Health products | 133,313 | 121,004 |
| Health drinks | 17,326 | 29,448 |
| Pharmaceutical product | 6,840 | 5,541 |
| Others | 396 | 195 |
| | <u>157,875</u> | <u>156,188</u> |

All turnover was derived in the PRC.

4. OTHER OPERATING EXPENSES

| | 2000 | 1999 |
|--|-----------------|-----------------|
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Provision for investments held for disposal | 6,459 | 4,694 |
| Provision for unrecoverable prepayments | 13,955 | — |
| Provision for impairment in value of investment in an unconsolidated subsidiary | 3,033 | — |
| Loss on disposal of fixed assets | 12,750 | 4,199 |
| Others | — | 81 |
| | <u>36,197</u> | <u>8,974</u> |

5. LOSS BEFORE MINORITY INTERESTS

Loss before minority interests is determined after crediting and charging the following:

| | 2000 | 1999 |
|--|-----------------|-----------------|
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Crediting: | | |
| Rental income | 7,512 | 8,376 |
| Dividend income on investments in securities | 158 | 191 |
| Interest income | | |
| — bank deposits | 3,487 | 6,752 |
| — others | 1,400 | — |
| Gain on disposal of investments | 2,263 | — |
| Exchange gain | — | 13 |
| Write back of provision for warranty | 6,690 | 4,782 |
| | <u>6,690</u> | <u>4,782</u> |
| Charging: | | |
| Interest expense | 3,186 | 2,988 |
| Exchange loss | 335 | — |
| Written off of obsolete inventories | 6,006 | — |
| Depreciation on owned assets | 25,645 | 21,124 |
| Research and development costs included under | | |
| Administrative expenses | 3,391 | — |
| Amortisation of other non-current assets | 191 | 68 |
| Provision for doubtful receivables | 9,129 | — |
| Operating lease rentals in respect of land and buildings | 3,612 | 3,974 |
| Provision for staff welfare and bonus | 2,399 | 1,888 |
| Auditors' remuneration | 1,200 | 1,200 |
| | <u>1,200</u> | <u>1,200</u> |

6. DIRECTORS' AND SENIOR EXECUTIVES' EMOLUMENTS

a. Details of directors' emoluments are as follows:

| | 2000 | 1999 |
|--|-----------------|-----------------|
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Fees for executive directors | — | — |
| Fees for non-executive directors | 400 | 400 |
| Other emoluments for executive directors | | |
| — Basic salaries and allowances | 4,508 | 4,308 |
| — Bonus | 282 | 322 |
| — Others | — | — |
| Other emoluments for non-executive directors | — | — |
| | <u>5,190</u> | <u>5,030</u> |

None of the directors waived any emoluments during the year.

- b. Analysis of directors' emoluments by number of directors and emolument ranges is as follows:

| | <u>2000</u> | <u>1999</u> |
|----------------------------------|-------------|-------------|
| Executive directors | | |
| — Nil to HK\$1,000,000 | 2 | 2 |
| — HK\$1,000,001 to HK\$1,500,000 | 1 | 1 |
| — HK\$1,500,001 to HK\$2,000,000 | — | — |
| — HK\$2,000,001 to HK\$2,500,000 | 1 | — |
| — HK\$2,500,001 to HK\$3,000,000 | — | 1 |
| | <u>4</u> | <u>4</u> |
| Non-executive directors | | |
| — Nil to HK\$1,000,000 | <u>2</u> | <u>2</u> |

- c. Details of emoluments paid to the five highest paid individuals (including directors and employees) are as follows:

| | <u>2000</u> | <u>1999</u> |
|-------------------------------|-----------------|-----------------|
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Basic salaries and allowances | 4,981 | 4,787 |
| Bonus | 292 | 335 |
| | <u>5,273</u> | <u>5,122</u> |
| Number of directors | 3 | 3 |
| Number of employees | 2 | 2 |
| | <u>5</u> | <u>5</u> |

During the year, no emolument was paid to the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office.

- d. Analysis of emoluments paid to the five highest paid individuals (including directors and employees) by number of individuals and emolument ranges is as follows:

| | <u>2000</u> | <u>1999</u> |
|--------------------------------|-------------|-------------|
| Nil to HK\$1,000,000 | 3 | 3 |
| HK\$1,000,001 to HK\$1,500,000 | 1 | 1 |
| HK\$1,500,001 to HK\$2,000,000 | — | — |
| HK\$2,000,001 to HK\$2,500,000 | 1 | — |
| HK\$2,500,001 to HK\$3,000,000 | — | 1 |
| | <u>5</u> | <u>5</u> |

7. TAXATION

The Company is exempted from taxation in Bermuda until 28th March, 2016.

Hong Kong profits tax is provided at the rate of 16% (1999: 16%) on the estimated assessable profit arising in or derived from Hong Kong. There is no Hong Kong profits tax liabilities for the year ended 31st December, 2000 (1999: Nil) as the Group did not earn any income subject to Hong Kong profits tax.

The two principal subsidiaries of the Company are Guangdong Apollo (Group) Co., Ltd. (“Guangdong Apollo”) and Guangdong Apollo Group Li Cheng Pharmaceutical Factory (“Li Cheng”). Guangdong Apollo is a Sino-foreign equity joint venture enterprise and is subject to PRC enterprise income tax at a reduced rate of 15%. Li Cheng is a collective enterprise established in the PRC and is subject to PRC enterprise income tax at a rate of 33%.

As Guangdong Apollo and Li Cheng did not earn any income subject to PRC enterprise income tax for the year ended 31st December, 2000, no PRC enterprise income tax has been provided (1999: Nil).

8. LOSS ATTRIBUTABLE TO SHAREHOLDERS

The consolidated loss attributable to shareholders for the year ended 31st December, 2000 included a loss of approximately HK\$117,228,000 (1999: loss of approximately HK\$31,943,000) dealt with in the financial statements of the Company.

9. DIVIDENDS

The directors do not recommend the payment of a dividend for the year ended 31st December, 2000 (1999: nil).

10. LOSS PER SHARE

The calculation of basic loss per share for the year ended 31st December, 2000 is based on the consolidated loss attributable to shareholders of approximately HK\$117,224,000 (1999: loss of approximately HK\$24,207,000) and the 815,100,000 shares (1999: 815,100,000 shares) in issue during the year.

Diluted loss per share is not presented as there is no dilution effect on the potential ordinary shares arising from the exercise of the outstanding share options because the exercise prices of the share options are greater than average market prices.

11. FIXED ASSETS

| | Consolidated | | | | | | |
|---|-------------------------------------|---------------------------|-----------------|-------------------|-----------------|-----------------|----------------|
| | 2000 | | | | | 1999 | |
| | Land use rights and buildings | Plant and machinery | Equipment | Motor vehicles | Others | Total | |
| <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | |
| Cost | | | | | | | |
| Beginning of year | 325,181 | 50,278 | 18,298 | 28,645 | 7,121 | 429,523 | 429,103 |
| Translation difference | 1,368 | 212 | 75 | 111 | 31 | 1,797 | 1,072 |
| Additions | 9,884 | 1,905 | 674 | 2,348 | 123 | 14,934 | 4,868 |
| Transfer from | | | | | | | |
| Construction-in-Progress (see Note 12) | 1,727 | — | — | — | — | 1,727 | — |
| Disposals | (21,173) | (3,161) | (1,871) | (9,863) | (371) | (36,439) | (7,401) |
| End of year | 316,987 | 49,234 | 17,176 | 21,241 | 6,904 | 411,542 | 429,523 |
| Accumulated depreciation | | | | | | | |
| Beginning of year | 60,937 | 19,747 | 13,281 | 24,359 | 6,003 | 124,327 | 106,142 |
| Translation difference | 257 | 83 | 53 | 95 | 26 | 514 | 263 |
| Charge for the year | 17,295 | 4,515 | 1,341 | 2,045 | 449 | 25,645 | 21,124 |
| Disposals | (434) | (41) | (1,533) | (8,574) | (359) | (10,941) | (3,202) |
| End of year | 78,055 | 24,304 | 13,142 | 17,925 | 6,119 | 139,545 | 124,327 |
| Net book value | | | | | | | |
| End of year | <u>238,932</u> | <u>24,930</u> | <u>4,034</u> | <u>3,316</u> | <u>785</u> | <u>271,997</u> | <u>305,196</u> |
| Beginning of year | <u>264,244</u> | <u>30,531</u> | <u>5,017</u> | <u>4,286</u> | <u>1,118</u> | <u>305,196</u> | <u>322,961</u> |

The carrying amount of land use rights and buildings is analysed as follows:

| | Consolidated | |
|---|-----------------|-----------------|
| | 2000 | 1999 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Held in Hong Kong | — | — |
| Held outside Hong Kong on long-term lease (over 50 years) | <u>238,932</u> | <u>264,244</u> |
| | <u>238,932</u> | <u>264,244</u> |

Buildings with carrying amount of approximately HK\$49,236,000 (1999: HK\$59,616,000) are pledged as collateral for banking facilities (see Note 28).

The fair value of land use rights and buildings, at directors' valuation, as at 31st December, 2000 amounted to approximately HK\$380,000,000 (1999: HK\$400,000,000).

12. CONSTRUCTION-IN-PROGRESS

| | Consolidated | |
|---|-----------------|-----------------|
| | 2000 | 1999 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Beginning of year | 3,774 | 4,934 |
| Additions | 4,521 | 721 |
| Transfer to fixed assets (<i>see Note 11</i>) | (1,727) | (1,881) |
| End of year | <u>6,568</u> | <u>3,774</u> |

13. PREPAYMENTS FOR FIXED ASSETS

| | Consolidated | |
|---|-----------------|-----------------|
| | 2000 | 1999 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Machinery | 7,543 | 7,433 |
| Land use rights | 12,888 | 10,865 |
| Buildings | 1,087 | 1,087 |
| Less: Provision for unrecoverable prepayments | (15,042) | (1,087) |
| | <u>6,476</u> | <u>18,298</u> |

All the land use rights and buildings are located in the PRC. The Group is in the process of obtaining the title deeds of the land use rights.

14. INVESTMENTS IN SUBSIDIARIES

| | Consolidated | | Company | |
|---|-----------------|-----------------|-----------------|-----------------|
| | 2000 | 1999 | 2000 | 1999 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Investments in unlisted Shares, at cost | 5,335 | — | 404,630 | 404,630 |
| Less: Provision for impairment in value | (3,960) | — | (314,400) | (199,000) |
| | 1,375 | — | 90,230 | 205,630 |
| Due from subsidiaries | — | — | 245,153 | 246,967 |
| | <u>1,375</u> | <u>—</u> | <u>335,383</u> | <u>452,597</u> |

Balances with subsidiaries are unsecured, interest free and have no fixed terms of payment.

14. INVESTMENTS IN SUBSIDIARIES (Cont'd)

The following is a list of the principal subsidiaries:

| <u>Name</u> | <u>Place of incorporation and principal country of operation</u> | <u>Percentage of equity interest held</u> | <u>Particulars of issued share capital</u> | <u>Principal activities</u> |
|--|--|---|--|--|
| <i>Consolidated Subsidiaries:</i> | | | | |
| <i>Directly held:</i> | | | | |
| China Apollo (BVI) Limited | British Virgin Islands | 100% | US\$10 | Investment holding |
| <i>Indirectly held:</i> | | | | |
| China Apollo Enterprises (Hong Kong) Limited | Hong Kong | 100% | HK\$30,000 (i) | Investment holding |
| Rainbow Profits Limited | British Virgin Islands | 100% | US\$10 | Investment holding |
| China Apollo Advertising Limited | Hong Kong | 100% | HK\$2 | Dormant |
| China Apollo International Trading Limited | Hong Kong | 100% | HK\$2 | Dormant |
| Guangdong Apollo (Group) Co., Ltd. | PRC | 95% | HK\$187,314,000 | Manufacture and sale of health products in the PRC |
| Guangdong Apollo Group Li Cheng Pharmaceutical Factory | PRC | 100% | RMB15,300,000 | Manufacture and sale of pharmaceutical products in the PRC |
| China Apollo Enterprises (Macau) Limited | Macau | 100% | PTC\$10,000 | Dormant |
| China Apollo Enterprises (Singapore) Private Limited | Singapore | 100% | S\$2 | Dormant |
| <i>Unconsolidated Subsidiary:</i> | | | | |
| <i>Indirectly held:</i> | | | | |
| Shanghai Apollo-Fudan High-Tech. Industry Co. Ltd. ("Apollo Fudan") (ii) | PRC | 70% | RMB3,000,000 | Manufacture and sale of pyruvat calcium series products and other chemical intermediates |

i. Including 1,000 non-voting deferred shares of HK\$10 each. These shares have no voting rights and are not entitled to dividends or any distribution upon winding up unless a sum of HK\$500,000,000,000 has first been distributed to the holders of ordinary shares.

ii. Pursuant to an equity transfer agreement entered in January 2000, Guangdong Apollo's equity interest in Apollo Fudan was increased from 50% to 70%. In the opinion of the directors, the operating results and financial position of Apollo Fudan are not significant to the Group as a whole, therefore Apollo Fudan is excluded from consolidation. The consolidated income statement of the Group accounted for the results of Apollo Fudan to the extent of dividend received and receivable. Investment in Apollo Fudan is carried at cost less provision for impairment in value.

15. INVESTMENTS IN ASSOCIATES

| | Consolidated | |
|---|---------------------|-----------------|
| | 2000 | 1999 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Investments in unlisted shares, at cost | 9,678 | 4,683 |
| Less: Provision for impairment in value | — | (927) |
| | <u>9,678</u> | <u>3,756</u> |

Details of the associates are as follows:

| <u>Name</u> | <u>Place of incorporation</u> | <u>Percentage of equity interest held indirectly</u> | <u>Issued capital</u> | <u>Principal activities</u> |
|---|-------------------------------|--|-----------------------|--|
| Data Logistics Limited | British Virgin Islands | 45% | US\$100 | Investment holding |
| Beijing Metrolink Embryo Biotech Company Limited | PRC | 40% | RMB10,000,000 | Biotech research and development of related technical know-how |

16. OTHER NON-CURRENT ASSETS

| | Consolidated | |
|---|---------------------|-----------------|
| | 2000 | 1999 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Cost | | |
| Beginning of year, as previously reported | 3,846 | 16,817 |
| Effect of change in accounting policy | — | (12,971) |
| Beginning of year, as restated | 3,846 | 3,846 |
| Additions | 69 | — |
| End of year | <u>3,915</u> | <u>3,846</u> |
| Accumulated amortisation | | |
| Beginning of year, as previously reported | (1,473) | (6,776) |
| Effect of change in accounting policy | — | 5,371 |
| Beginning of year, as restated | (1,473) | (1,405) |
| Amortisation | (191) | (68) |
| End of year | <u>(1,664)</u> | <u>(1,473)</u> |
| Net book value | | |
| Beginning of year, as previously reported | <u>—</u> | <u>10,041</u> |
| Beginning of year, as restated | <u>2,373</u> | <u>2,441</u> |
| End of year | <u>2,251</u> | <u>2,373</u> |

From 1st January, 1999, the Group has changed its accounting policy on the treatment of pre-operating expenditures and charges all the pre-operating expenditures to the consolidated income statement as incurred.

This change in accounting policy has been accounted for retrospectively, and the beginning accumulated losses as at 1st January, 1999 have been increased by approximately HK\$7,600,000.

17. INVENTORIES

| | Consolidated | |
|--|---------------------|-----------------|
| | 2000 | 1999 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Raw materials | 11,562 | 15,912 |
| Work-in-progress | 682 | 185 |
| Finished goods | 6,299 | 7,665 |
| Less: Provision for inventory obsolescence | (2,159) | (2,159) |
| | <u>16,384</u> | <u>21,603</u> |

18. ACCOUNTS RECEIVABLE, NET

| | Consolidated | |
|--|---------------------|-----------------|
| | 2000 | 1999 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Accounts receivable | 105,098 | 98,170 |
| Less: Provision for doubtful receivables | (58,309) | (51,608) |
| | <u>46,789</u> | <u>46,562</u> |

The credit terms of the Group granted to the customers are normally 90 days. The aging analysis of accounts receivable was as follows:

| | Consolidated | |
|-----------------------------------|---------------------|-----------------|
| | 2000 | 1999 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Within 90 days | 20,743 | 27,521 |
| Over 90 days but within 180 days | 14,555 | 10,235 |
| Over 180 days but within 360 days | 14,391 | 12,679 |
| Over 360 days | 55,409 | 47,735 |
| | <u>105,098</u> | <u>98,170</u> |

19. RECEIVABLE FROM SUBCONTRACTOR

| | Consolidated | |
|---|---------------------|-----------------|
| | 2000 | 1999 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Receivable from subcontractor | 6,067 | 6,900 |
| Less: Provision for doubtful receivable | (4,551) | (4,519) |
| | <u>1,516</u> | <u>2,381</u> |

20. INVESTMENTS IN SECURITIES

| | Consolidated | | Company | |
|---|---------------|---------------|---------------|---------------|
| | 2000 | 1999 | 2000 | 1999 |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| Debt securities | | | | |
| Unlisted, at carrying value | 3,004 | 3,004 | 3,004 | 3,004 |
| | 3,004 | 3,004 | 3,004 | 3,004 |
| Equity securities | | | | |
| Listed in Hong Kong, at carrying value | 8,326 | 8,326 | 8,326 | 8,326 |
| Unlisted, at carrying value | 9,281 | — | — | — |
| | 17,607 | 8,326 | 8,326 | 8,326 |
| Total | <u>20,611</u> | <u>11,330</u> | <u>11,330</u> | <u>11,330</u> |
| Quoted market value of listed investments | <u>8,323</u> | <u>8,326</u> | <u>8,323</u> | <u>8,326</u> |

21. INVESTMENTS HELD FOR DISPOSAL

| | Consolidated | |
|---|---------------|---------------|
| | 2000 | 1999 |
| | HK\$'000 | HK\$'000 |
| Land use rights for land located in the PRC | 18,725 | 18,725 |
| Self-constructed buildings located in the PRC | 60,978 | 107,370 |
| Less: Provision for impairment in value | (38,329) | (31,870) |
| | <u>41,374</u> | <u>94,225</u> |

22. OTHER CURRENT ASSETS

| | Consolidated | | Company | |
|--|---------------|---------------|------------|------------|
| | 2000 | 1999 | 2000 | 1999 |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| Advances to employees | 7,341 | 6,471 | — | — |
| Amounts due from related parties | 1,234 | 2,089 | — | — |
| Other receivables | 71,383 | 21,562 | 148 | 140 |
| Less: Provision for doubtful receivables | (4,563) | (4,563) | — | — |
| | <u>72,999</u> | <u>25,559</u> | <u>148</u> | <u>140</u> |

Advances to employees mainly represent loans to employees by Guangdong Apollo and are granted for their purchase of apartments. These advances bear interest at rates of 3% to 4% per annum, are due in one year and could be extended upon expiry. The advances are secured by the property title deeds of the related apartments.

Amounts due from related parties are unsecured, interest free and due within one year.

Included in other receivables is an amount of HK\$40,000,000 (1999: nil) receivable from a third party company, which bears interest at a rate of 0.7% per month, is unsecured and due within one year. HK\$35,000,000 of this amount was repaid on 6th April, 2001.

23. SHARE CAPITAL

| | Number of shares | | Nominal value | |
|--|------------------|------------------|----------------|----------------|
| | 2000 | 1999 | 2000 | 1999 |
| | '000 | '000 | HK\$'000 | HK\$'000 |
| <i>Authorised</i> | | | | |
| (shares of HK\$0.10 each) | <u>1,600,000</u> | <u>1,600,000</u> | <u>160,000</u> | <u>160,000</u> |
| <i>Issued and fully paid or credited as fully paid</i> | | | | |
| (shares of HK\$0.10 each) | <u>815,100</u> | <u>815,100</u> | <u>81,510</u> | <u>81,510</u> |

24. SHARE OPTIONS

The Company has a share option scheme under which it may grant options to executive directors and employees of the Group to subscribe for shares in the Company, subject to a maximum of 10% of the nominal value of the issued share capital of the Company from time to time excluding shares issued on exercise of options. The subscription price is determined by the Company's directors, and will not be less than the higher of the nominal value of the shares and 80% of the average of the closing prices of the shares quoted on The Stock Exchange of Hong Kong Limited on the five trading days immediately preceding the date of grant of the options.

Movements in share options during the year are as follows:

| Date of grant | Subscription price per share | Number of share options | | | End of year |
|-----------------|------------------------------|-------------------------|-------------------------|------------------------|------------------|
| | | Beginning of year | Granted during the year | Lapsed during the year | |
| 4th March, 1996 | HK\$1.44 | <u>3,500,000</u> | <u>—</u> | <u>—</u> | <u>3,500,000</u> |

The share options are exercisable over a period of ten years commencing 4th March, 1996.

25. RESERVES AND ACCUMULATED LOSSES

| | 2000 | | | | | 1999 | |
|--|----------------|--------------------|---------------------|------------------------------------|--------------------|----------------|----------------|
| | Share premium | Statutory reserves | Contributed surplus | Cumulative translation adjustments | Accumulated losses | Total | Total |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| Group | | | | | | | |
| Beginning of year, as previously reported | 208,417 | 148,158 | 249,906 | (71,078) | (156,511) | 378,892 | 409,985 |
| Effect of change in Accounting policy with respect to the capitalisation of pre-operating expenditures (Note 16) | — | — | — | — | — | — | (7,600) |
| Beginning of year, as restated | 208,417 | 148,158 | 249,906 | (71,078) | (156,511) | 378,892 | 402,385 |
| Translation difference | — | — | — | 1,089 | — | 1,089 | 714 |
| Loss for the year | — | — | — | — | (117,224) | (117,224) | (24,207) |
| End of year | <u>208,417</u> | <u>148,158</u> | <u>249,906</u> | <u>(69,989)</u> | <u>(273,735)</u> | <u>262,757</u> | <u>378,892</u> |
| Company | | | | | | | |
| Beginning of year | 208,417 | — | 409,520 | — | (235,978) | 381,959 | 413,902 |
| Loss for the year | — | — | — | — | (117,228) | (117,228) | (31,943) |
| End of year | <u>208,417</u> | <u>—</u> | <u>409,520</u> | <u>—</u> | <u>(353,206)</u> | <u>264,731</u> | <u>381,959</u> |

The contributed surplus of the Group arose from the contribution of 95% equity interests in Guangdong Apollo to China Apollo Enterprises (Hong Kong) Limited by a shareholder of the Company. The contribution is not a loan, gift or subsidy of any kind and the shareholder is not entitled to receive any shares. The contributed surplus of the Company represents the difference between the nominal amount of the Company's shares issued and the book value of the underlying net assets of a subsidiary acquired as a result of group reorganisation. Under the Companies Act 1981 of Bermuda (as amended), save in certain circumstances, contributed surplus is distributable to shareholders.

As stipulated in the relevant laws and regulations for Sino-foreign equity joint venture enterprises, Guangdong Apollo and Li Cheng, the principal subsidiaries, are required to maintain certain statutory reserves which include the general reserve fund and staff welfare and bonus fund. Appropriations to the general reserve fund and the staff welfare and bonus fund are made out of net profit as reported in the statutory accounts and charged to profit before taxation respectively. The amounts of appropriations are determined by the respective board of directors. All statutory reserves are for specific purposes and are not distributable in the form of cash dividends. Provision for staff welfare and bonus is included in current liabilities in the consolidated balance sheet.

As at 31st December, 2000, approximately HK\$56,314,000 (1999: HK\$173,542,000) of the Company's reserves, net of accumulated losses, are available for distribution to the Company's shareholders.

26. ACCOUNTS PAYABLE AND ACCRUALS

| | Consolidated | | Company | |
|------------------|-----------------|-----------------|-----------------|-----------------|
| | 2000 | 1999 | 2000 | 1999 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Accounts payable | 16,735 | 4,914 | — | — |
| Accruals | 40,221 | 26,924 | 623 | 624 |
| | <u>56,956</u> | <u>31,838</u> | <u>623</u> | <u>624</u> |

All accounts payable were aged less than one year.

27. PROVISION FOR WARRANTY

| | Consolidated | |
|-------------------------|-----------------|-----------------|
| | 2000 | 1999 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Beginning of year | 15,379 | 22,833 |
| Write back for the year | (6,690) | (4,782) |
| Utilisation | (787) | (2,672) |
| End of year | <u>7,902</u> | <u>15,379</u> |

28. SHORT-TERM BANK LOANS

Short-term bank loans are denominated in Renminbi and granted by banks in the PRC, and bear interest at rates of 6.435% to 7.722% per annum. As at 31st December, 2000, all the banking facilities were drawn down (1999: HK\$41,029,000).

Loans of approximately HK\$40,260,000 (1999: HK\$39,151,000) are secured by buildings of the Group with an aggregate carrying amount of approximately HK\$49,236,000 (1999: HK\$59,616,000).

Loans of approximately RMB12,500,000 (1999: nil) are secured by the Group's time deposits of HK\$12,500,000 (1999: nil).

29. DEFERRED TAXATION

There is no significant unprovided deferred taxation.

30. COMMITMENTS

(a) Capital

| | Consolidated | |
|-----------------------------------|---------------------|-----------------|
| | 2000 | 1999 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Authorised and contracted for | 45,810 | 74,567 |
| Authorised but not contracted for | — | 10,729 |
| | 45,810 | 85,296 |

The capital commitments were related to the purchase of fixed assets.

(b) Operating lease

Operating lease commitments as at 31st December, 2000 amount to approximately HK\$300,000 (1999: HK\$3,457,000), all of which (1999: HK\$3,097,000) is payable in the next twelve months. The amount payable in the next twelve months, analysed according to the period in which the leases expire, is as follows:

| | Consolidated | |
|---|---------------------|-----------------|
| | 2000 | 1999 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Land and buildings | | |
| Expiring in the first year | 300 | 2,737 |
| Expiring in the second to fifth years inclusive | — | 360 |
| | 300 | 3,097 |

31. NOTES TO CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of loss before taxation to net cash (outflow) inflow from operating activities:

| | Consolidated | |
|--|---------------------|-----------------|
| | 2000 | 1999 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Loss before taxation | (123,007) | (24,340) |
| Depreciation | 25,645 | 21,124 |
| Loss on disposal of fixed assets | 12,750 | 4,199 |
| Interest income | (4,887) | (6,752) |
| Interest expense | 3,186 | 2,988 |
| Dividend income | (158) | (191) |
| Written off of obsolete inventories | 6,006 | — |
| Provision for doubtful receivables | 9,129 | — |
| Provision for unrecoverable prepayments | 13,955 | — |
| Amortisation of other non-current assets | 191 | 68 |
| Provision for impairment in value of investment in an unconsolidated subsidiary | 3,033 | — |
| Provision for investments held for disposal | 6,459 | 4,694 |
| Write back of provision for warranty | (6,690) | (4,782) |
| | <u>(54,388)</u> | <u>(2,992)</u> |
| Increase in accounts receivable | (6,928) | (4,410) |
| (Increase) decrease in inventories | (787) | 8,058 |
| Decrease in receivable from subcontractor | 833 | 771 |
| Decrease in investments held for disposals | 46,392 | 6,380 |
| Increase in other current assets | (49,564) | (19,009) |
| Increase in accounts payable and accruals | 24,175 | 6,517 |
| (Decrease) increase in deposits from customers | (29,978) | 7,288 |
| Decrease in provision for staff welfare and bonus | (291) | (303) |
| | <u>(70,536)</u> | <u>2,300</u> |
| Net cash (outflow) inflow from operating activities | <u>(70,536)</u> | <u>2,300</u> |

(b) Analysis of cash and cash equivalents:

| | Consolidated | |
|------------------------|---------------------|-----------------|
| | 2000 | 1999 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Cash and bank balances | 32,826 | 129,931 |
| Short-term bank loans | (10,560) | (41,029) |
| | <u>22,266</u> | <u>88,902</u> |

32. RETIREMENT SCHEME

The Group has a defined contribution retirement scheme for all qualified employees in Hong Kong. The assets of the scheme are held separately under a provident fund managed by an independent trustee. Pursuant to the rules of the scheme, both the employer and the employees are required to make contributions to the scheme calculated at 5% of the employees' basic salaries on a monthly basis. The employees are entitled to 100% of the employer's contributions and the accrued interest after 10 complete years of service, or at an increasing scale of between 30% to 90% after completion of 3 to 9 years' service.

Where there are employees who leave the scheme prior to vesting fully in the contributions, in accordance with the rules of the scheme, the forfeited employer's contributions will be refunded to the employer.

The employees of the PRC subsidiaries in the PRC are covered by a Central Pension Scheme operated by the local government. The subsidiaries are required to contribute 18% of the average monthly salary to the local government to fund the benefits, which is the only obligation for the Group with respect to this pension scheme.

The amounts of contribution to the retirement scheme and Central Pension Scheme are as follows:

| | Consolidated | |
|-------------------------|---------------------|-----------------|
| | 2000 | 1999 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Employer's contribution | <u>1,503</u> | <u>956</u> |

33. CONTINGENT LIABILITIES

The Group has no significant contingent liabilities as at 31st December, 2000.

34. COMPARATIVE FIGURES

Certain of the 1999 comparative figures have been reclassified to conform to the current year's presentation. The directors consider that certain expenses previously classified as administrative expenses in 1999 were more appropriate to be classified as other operating expenses, and the current year presentation of turnover by product categories reflects more clearly the current product mix of the Group.

(C) INDEBTEDNESS**Borrowings**

As the close of business on 31st December, 2001, the Group had outstanding borrowings of approximately HK\$51.5 million with maturity within one year, and are secured by mortgages over the Group's certain land use rights and buildings which had an aggregate carrying value as at 31st December, 2001 of approximately HK\$79.6 million.

As at 31st December 2001, the Group had notes payable of approximately HK\$2.8 million, and are secured by cash deposits of approximately HK\$1.4 million and mortgages over the Group's certain land use rights and buildings which are included in the aforesaid aggregate carrying value.

Contingent liabilities

As at 31st December, 2001, the Group had issued guarantee to a bank to secure certain bank loans of approximately HK\$7.3 million which was borrowed by a subcontractor. The aforesaid bank loans will be matured on April 2002.

Capital commitments

As at 31st December, 2001, the Group had commitments in respect of investment in subsidiaries amounting to approximately HK\$235,400.

Operating lease commitments

As at 31st December, 2001, the Group had commitments in respect of leased office buildings under various non-cancelable operating lease agreements extending to 2003 amounting to approximately HK\$660,000. Total future minimum lease payments under non-cancelable operating leases were as follows:

| | <i>HK\$</i> |
|---|----------------|
| Office buildings | |
| — not later than one year | 360,000 |
| — later than one year and not later than five years | 300,000 |
| | <hr/> |
| Total | <u>660,000</u> |

Disclaimer

Except as otherwise disclosed therein and apart from intra-group liabilities and normal trade payables, as at the close of business on 31st December, 2001, the Group did not have any outstanding mortgages, charges, debentures, loan capital, bank loans and overdrafts, debt securities or other similar indebtedness, finance leases or hire purchase commitments, liabilities under acceptances or acceptance credits or any guarantees or other material contingent liabilities.

Save as disclosed above, there has been no material change in the indebtedness and contingent liabilities of the Group since 31st December, 2001.

(D) MATERIAL CHANGE

Save as disclosed above, the Directors are not aware of any material adverse change in the financial or trading position or prospects of the Group since 31st December, 2000, being the date to which the latest published audited consolidated financial statements of the Group were made up.

GREATER CHINA APPRAISAL LIMITED

漢華評值有限公司

Room 2407
Shui On Centre
6-8 Harbour Road
Wanchai
Hong Kong

25th February, 2002

The Directors
China Apollo Holdings Limited
10/F., Cammer Commercial Building
30-32 Cameron Road
Tsim Sha Tsui
Kowloon
Hong Kong

Dear Sirs,

In accordance with your instructions to value certain property interests of China Apollo Holdings Limited (referred to as the “Company”) and its subsidiaries (collectively referred to as the “Group”) in the People’s Republic of China (the “PRC”) including the Macau Special Administrative Region, we confirm that we have carried out inspections, made relevant enquires and obtained such further information as we consider necessary for the purpose of providing the capital values of such property interests as at 31st December, 2001 (referred to as the “valuation date”).

This letter, which forms part of our valuation report, explains the basis and methodology of valuation, and clarifies our assumptions made, titleship of properties and the limiting conditions.

BASIS OF VALUATION

Unless stated as otherwise, the valuation of such property interests is our opinion of the open market value which we would define as intended to mean “the best price at which the sale of an interest in property would have been completed unconditionally for cash consideration on the date of valuation assuming:

- (i) a willing seller;
- (ii) that, prior to the date of valuation, there had been a reasonable period (having regard to the nature of the property and the state of the market) for the proper marketing of the interest, for the agreement of price and terms and for the completion of the sale;

- (iii) that the state of the market, level of values and other circumstances were, on any earlier assumed date of exchange of contracts, the same as on the date of valuation;
- (iv) that no account is taken of any additional bid by a purchaser with a special interest; and
- (v) that both parties to the transaction had acted knowledgeably, prudently and without compulsion.”

Due to the nature of the buildings and structures of property numbered 29 and 30, we have valued them by reference to their designed uses with the understanding that the property will be used as such (hereinafter referred as “continued use”).

VALUATION METHODOLOGY

Unless stated as otherwise, all property interests are valued by the comparison method where comparison based on prices realized or market prices of comparable properties is made. Comparable properties of similar size, character and location are analysed and carefully weighed against all the respective advantages and disadvantages of each property in order to arrive at a fair comparison of capital values.

Where properties are let to the parties outside the Group, the amount of rent payable on the valuation date was capitalized for the residue period of the lease. Full market rent was applied for capitalization after the current lease expired. The comparison method is also adopted to obtain the full market rental value.

For property numbered 29 and 30, due to the nature of buildings and structures constructed, there is no readily identifiable market comparable for them. Therefore, we have applied the cost method of valuation in assessing the property interests. It is a method of using current replacement costs to arrive at the value to the business in occupation of the property as existing use as at the valuation date.

This method of valuation requires an estimate of the market value of land in its existing use and an estimate of the new replacement cost of the buildings and other site works, from which deduction are then made to allow for age, condition, functional obsolescence, etc. The depreciated replacement cost approach generally furnishes the most reliable indication of value for property in the absence of a known market based on comparable. For those properties which have been valued by this method, our opinion of values is subject to the fact that prospective earnings would provide a reasonable return on the appraised properties plus the value of any assets not included in the appraisal, and adequate networking capital.

ASSUMPTIONS

Our valuation has been made on the assumption that the owner sells the property interests on the open market in their existing states without the benefit of any deferred terms contracts, leaseback, joint ventures, management agreements or any similar arrangement which would serve to increase the value of the property interests.

As the properties are held under long term Government Leases/Land Use Rights, we have assumed that the owners of the property interests have free and uninterrupted rights to use or transfer the property interests for the whole of the unexpired term of the respective Government Leases/Land Use Rights. In our valuation, we have assumed that the property interests can be freely disposed of and transferred to third parties on the open market without any additional payment to the relevant government authorities. Unless stated as otherwise, vacant possession is assumed for the properties concerned.

For those properties of which the land use rights is granted by the government with land premium being paid by instalments, we have valued them on the basis that the purchasers will honour their contracts and settle the outstanding sums in accordance with the agreed payment terms so as to secure valid interests in the properties.

For the properties assessed by reference to the depreciated replacement cost approach, our opinion of value are subject to the fact that prospective earnings would provide a reasonable return on the appraised property, plus the value of any assets not included in the appraisal, and adequate net working capital.

Continued use assumes the property will be used for the purposes for which the property is designed and built, or to which it is currently adapted. The valuation on the property in continued use does not represent the amount that might be realized from piecemeal disposition of the property on the open market.

We believe that the assumptions so made by us are reasonable in the circumstances. We have also assumed that all consents, approvals and licences from relevant government authorities for the properties have been granted without any onerous conditions or undue time delay which might affect the value.

It is assumed that all applicable zoning and use regulations and restrictions have been complied with unless nonconformity has been stated, defined, and considered in the appraisal report. Moreover, it is assumed that the utilization of the land and improvements is within the boundaries of the site held by the owner or permitted to be occupied by the owner. In addition, we assumed that no encroachment or trespass exists, unless noted in the report.

No environment impact study has been ordered or made. Full compliance with applicable national, provincial and local environmental regulations and laws is assumed unless otherwise stated, defined, and considered in the report. It is also assumed that all required licences, consents, or other legislative or administrative authority from any local, provincial, or national government or private entity or organization either have been or can be obtained or renewed for any use which the report covers.

Other special assumptions of each property, if any, have been stated out in the footnotes of the valuation certificate for the respective properties.

TITLESHIP INVESTIGATION

We have been provided with copies of legal documents regarding the properties under valuation. However, due to the current registration system of the PRC, no investigations have been made for the legal title or any liabilities attached to the properties in the PRC.

In the course of valuation, we have relied upon the legal opinions as stated in the property title report dated 1st February, 2002 given by Guang Dong Fair Strategy Law Firm (referred to as the “PRC Lawyer”) in relation to the legal title to and the nature of the land interests in the properties concerned.

Where, as disclosed in the relevant PRC legal opinion and set out in the respective footnotes in the valuation certificate, in respect of some of the property interests of which Title Realty Certificate remains outstanding, the valuation is based on the assumption that there is no major difficulty for the Group to obtain such Title Realty Certificate free from additional premium or further change.

All legal documents disclosed in this report, if any, are for reference only and no responsibility is assumed for any legal matters concerning the legal title to the property interests set out in this report.

LIMITING CONDITIONS

No allowances have been made in our valuation for any charges, mortgages or amounts owing on any of the property interests valued nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that all the interests are free of encumbrances, restrictions and outgoings of an onerous nature which could affect their values.

We have not carried out detailed site measurements to verify the correctness of the land or building areas in respect of the relevant properties but have assumed that the areas shown on the legal documents provided to us are correct. Based on our experience of valuation of similar properties in the PRC, we consider the assumptions so made to be reasonable. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations.

We have inspected the exterior and, where possible, the interior of all the properties included in the attached valuation certificate. However, no structural survey has been made and we are therefore unable to report as to whether the properties is free from rot, infestation or any other structural defects. No tests were carried out on any of the services.

No site investigations have been carried out to determine the suitability of the ground conditions or the services for any property development. Our valuation is made on the basis that these aspects are satisfactory and that no extraordinary expenses or delays will be incurred during the construction period.

The valuation contained within this report specifically excludes the impact of structural damage or environmental contamination resulting from earthquakes or other causes. It is recommended that the reader of this report consult a qualified structural engineer and/or environmental auditor for the evaluation of possible structural/environmental defects, the existence of which could have a material impact on the value.

No soil analysis or geological studies were ordered or made in conjunction with this report, nor were any water, oil, gas or other subsurface mineral use rights or conditions investigated.

Substance such as asbestos, urea-formaldehyde foam insulation, other chemicals, toxic waste or other potentially hazardous materials could, if present, adversely affect the value of the property. Unless otherwise stated in this report, its existence on the property was not considered by the appraiser in the development of the conclusion of market value. The stated value estimate is predicated on the assumption that there is no material on or in the property that would cause such a loss in value. No responsibility is assumed for any such conditions, and the client has been advised that the appraiser is not qualified to detect such substances, quantify their impact on values, or develop the remedial cost.

We did not investigate any industrial safety environmental and health related regulations in association any particular manufacturing process of the Company. It is assumed that all necessary licenses, procedures, and measures were implemented in accordance with Government legislation and guidance.

Having examined all relevant documentation, we have relied to a very considerable extent on the information provided by the Company and have accepted advice given to us by the said four parties on such matters as planning approvals, statutory notices, easements, tenure, occupation, lettings, construction costs, rentals, site and floor areas and in the identification of those properties in which the Company has valid interests. We have had no reason to doubt the truth and accuracy of the information provided to us by them. We were also advised by the Company that no material factors have been omitted from the information to reach an informed view, and have no reason to suspect that any material information has been withheld.

OPINION OF VALUE

The summary of valuation and the respective valuation certificates enclosed show the capital values of each individual property interests.

REMARKS

Property interests in the PRC are valued in Renminbi (RMB) and property interests in Macau SAR are valued in Macau Dollars (MOP). Where applicable, an exchange rate of HK\$1 to RMB1.06 was adopted.

We enclose herewith the summary of valuation and the valuation certificates.

This valuation report is issued subject to our general service conditions.

Yours faithfully,
For and on behalf of
GREATER CHINA APPRAISAL LIMITED

K. K. Ip
BLE, MRICS, AHKIS, RPS(GP)
Managing Director

Note: Mr. K. K. Ip, who is a Chartered Valuation Surveyor and a Registered Professional Surveyor, has substantial experience in valuation of properties in the PRC and Macau since 1992.

SUMMARY OF VALUATION

Property Interests held by the Group in the PRC

| Property | Capital Value as at 31st December, 2001 (RMB) | Interests attributable to the Group (%) | Capital Value attributable to the Group as at 31st December, 2001 (RMB) |
|---|---|---|---|
| 1. No. 27-29 Liuyun Liu Street Tian He Nan Er Road Tian He District Guangzhou | 17,000,000 | 95 | 16,150,000 |
| 2. South-Western Portion of Level 1 and the whole of Levels 2 and 3 Xing Chen Building No. 26 Tianhe Nan Er Road Tian He District Guangzhou | 8,800,000 | 95 | 8,360,000 |
| 3. Southern Portion of Level 1 and the Level 2 Shi Pai Qiao Dong Composite Building No. 550 Tian He Road Tian He District Guangzhou | 15,000,000 | 95 | 14,250,000 |
| 4. Block C Die Cui Court No. 27 Hua Jing Street Hua Jing Garden Tian He District Guangzhou | 10,400,000 | 95 | 9,880,000 |
| 5. Unit Nos. 106 and 107 No. 264 Tian He Dong Road Tian He District Guangzhou | 400,000 | 95 | 380,000 |

| Property | Capital Value as at 31st December, 2001 (RMB) | Interests attributable to the Group (%) | Capital Value attributable to the Group as at 31st December, 2001 (RMB) |
|--|---|---|---|
| 6. Unit Nos. 302, 304 and 802 at No. 44 Ti Yu Dong Road Unit Nos. 301, 302, 303, 304, 401, 404, 501 and 601 at No. 58 Ti Yu Dong Road, Unit Nos. 502, 702 and 802 at No. 60 Ti Yu Dong Road Unit Nos. 402, 602, 702 and 802 at No. 62 Ti Yu Dong Road Fu Li Garden Tian He District Guangzhou | 6,400,000 | 95 | 6,080,000 |
| 7. Unit Nos. 303, 503 and 603 in Block No. 11 No. 21 Ti Yu Dong Road Tian He District Guangzhou | 840,000 | 95 | 798,000 |
| 8. Unit Nos. 602 and 702 No. 319 De Pu Street Huang Pu Da Road West Tian He District Guangzhou | 430,000 | 95 | 408,500 |
| 9. Unit Nos. 104, 203, 404, 702, 703, 704, 802, 803 and 804 No. 32 Shang Ya Street and Unit Nos. 101, 304, 703, 704, 802, 803 and 804 No. 34 Shang Ya Street Huang Pu Da Road West Tian He District Guangzhou | 4,100,000 | 95 | 3,895,000 |

| Property | Capital Value as at 31st December, 2001 (RMB) | Interests attributable to the Group (%) | Capital Value attributable to the Group as at 31st December, 2001 (RMB) |
|--|---|---|---|
| 10. Unit No. 504 No. 12 Yan Du Road Jing Yan Garden Tian He District Guangzhou | 210,000 | 95 | 199,500 |
| 11. Unit Nos. 503, 601, 602, 604, 702, 703, 704, 801, 803, 804, 901, 902 and 903 Agriculture Trading Composite Building No. 95 Shi Pai Dong Road Tian He District Guangzhou | 2,000,000 | 95 | 1,900,000 |
| 12. Unit Nos. 601, 701 and 702 in Block No. 41 and Unit Nos. 401, 601, 701 and 702 in Block No. 45 Dong Yuan Xin Cun Shi Pai Xi Road Tian He District Guangzhou | 1,240,000 | 95 | 1,178,000 |
| 13. Unit Nos. 262, 462 on Level 6 and Unit Nos. 272, 279 and 472 on Level 7 Block A No. 87 Zhan Xi Road Li Wan District Guangzhou | 1,170,000 | 95 | 1,111,500 |
| 14. Unit No. 703 No. 9 Dong Si Street Jian She Er Ma Road Dong Shan District Guangzhou | 180,000 | 95 | 171,000 |

| Property | Capital Value as at 31st December, 2001 (RMB) | Interests attributable to the Group (%) | Capital Value attributable to the Group as at 31st December, 2001 (RMB) |
|--|---|---|---|
| 15. Unit No. 801 No. 76 Jiu Cang Hang Cang Bian Road Yue Xiu District Guangzhou | 240,000 | 95 | 228,000 |
| 16. Nos. 7 Hua Gui Road Riverside Garden Panyu Guangzhou | 1,950,000 | 95 | 1,852,500 |
| 17. No. 4 Han Ji Dong Road and No. 7 Han Ji Da Road Han Ji Industrial Estate Shi Ji Panyu Guangzhou | 14,000,000 | 95 | 13,300,000 |
| 18. Unit Nos. 701, 702, 703, 801, 802, 803 and 804 Block No. 20 Fu Tai Garden Qiao Dong Development Zone Da Shi Panyu Guangzhou | 1,050,000 | 95 | 997,500 |
| 19. Unit Nos. 302, 402, 403, 502, 503, 602, 603, 702, 703 and 704 Block No. 2-1 Lian Fang Garden Cheng Dong Road Qiao Dong Development Zone Da Shi Panyu Guangzhou | 1,500,000 | 95 | 1,425,000 |

| Property | Capital Value as at 31st December, 2001 (RMB) | Interests attributable to the Group (%) | Capital Value attributable to the Group as at 31st December, 2001 (RMB) |
|---|---|---|---|
| 20. Xun Fa Building Xin Cheng District Qiao Dong Road Da Shi Panyu Guangzhou | 2,800,000 | 95 | 2,660,000 |
| 21. Dai Shi Restaurant Meng Yong Cun Luo Gang Da Shi Panyu Guangzhou | 3,900,000 | 95 | 3,705,000 |
| 22. Warehouse at No. 73 Luo Lang Road Luo Gang Bai Yun District Guangzhou | 7,500,000 | 95 | 7,125,000 |
| 23. Nos. 40-42 Jian Zhong Road Tian He High and New Technology Production Development Zone Industrial Park Tian He District Guangzhou | 9,200,000 | 95 | 8,740,000 |
| 24. Unit Nos. 3 and 4 on Levels 1 to 9 Block C No. 3 Hua Jiang Road Lot No. D1 Tian He High and New Technology Production Development Zone Industrial Park Tian He District Guangzhou | 3,200,000 | 95 | 3,040,000 |

| Property | Capital Value as at 31st December, 2001 (RMB) | Interests attributable to the Group (%) | Capital Value attributable to the Group as at 31st December, 2001 (RMB) |
|---|---|---|---|
| 25. Unit Nos. 1201, 1202, 1301, 1302, 1401, 1402, 1501, 1502, 1601, 1602, 1701, 2201, 2202, 2301, 2302, 2401, 2402, 2501, 2502, 2601, 2602, 2701, 2702, 2801, 2802, 3201, 3202, 3301, 3302, 3401, 3402, 3501, 3502, 3601, 3602, 3701, 3702, 3801, 3802, 4201, 4202, 4301, 4302, 4401, 4402, 4501, 4502, 4601, 4602, 4702, 4801 and 4802 Bicycle Parking Spaces Nos. 1 to 41 and 6-2 to 6-12 Block No. 2 Xing Long Xin Lun Guan Cheng Dongguan | 4,700,000 | 95 | 4,465,000 |
| 26. Unit No. 401 and Bicycle Parking Space No. 3 of Block No. 26 Unit Nos. 801 and 802, and Bicycle Parking Space Nos. 11 and 14 of Block No. 27 Chuang Ye Xin Cun Guan Cheng Dongguan | 320,000 | 95 | 304,000 |

| Property | Capital Value as at 31st December, 2001 (RMB) | Interests attributable to the Group (%) | Capital Value attributable to the Group as at 31st December, 2001 (RMB) |
|---|---|---|---|
| 27. Unit Nos. 1502 and 2202, Bicycle Parking Space Nos. 12 and 26 of Chun Lan Mansion, Unit Nos. 502, 503, 602, 603, 701, 702, 703 and 801, Bicycle Parking Space Nos. 8 to 15 of Ling Yun Mansion, Unit Nos. 403, 404, 502, 504, 604, 703, 704, 804 and 905, Bicycle Parking Space Nos. 5, 12, 20, 23, 26 to 30 of Sheng Feng Mansion, Unit Nos. 702 and 803, Bicycle Parking Space Nos. 41 and 58 of Dong Ming Mansion (Block A), Unit Nos. 801 to 803, Bicycle Parking Space Nos. 10, 39 and 40 of Dong Ming Mansion (Block B) Hua Yuan Xin Cun Guan Cheng Dongguan. | 2,200,000 | 95 | 2,090,000 |
| 28. Huang Jiang Healthy Foodstuff Factory Huang Niu Pu Reservoir Huang Niu Pu Management District Huang Jiang Dongguan | 26,000,000 | 95 | 24,700,000 |

| Property | Capital Value as at 31st December, 2001 (RMB) | Interests attributable to the Group (%) | Capital Value attributable to the Group as at 31st December, 2001 (RMB) |
|---|---|---|---|
| 29. Li Cheng Pharmaceutical Factory Niu Bei Ling Cha Gan Gao Xi Yuen Nan Road Li Cheng Zeng Cheng Guangzhou | 14,100,000 | 95 | 13,395,000 |
| 30. Level 9 Duanzhou Civil Administration Building No. 20 Ren Min Zhong Road Zhao Xing | 1,900,000 | 95 | 1,805,000 |
| 31. Level 6 and Carparking Space No. 1 on Level 1 Jin Qiao Building Pu Lan Road Foshan | 2,900,000 | 95 | 2,755,000 |
| 32. Unit No. 6-2 of Block 1 Building No. 41 An Wai Shang Long Xi Li Dong Cheng District Beijing | 990,000 | 95 | 940,500 |
| 33. Unit No. H1-21D Long Cheng Villas Hui Long Er Buo Zi Chang Ping District Beijing | 1,200,000 | 95 | 1,140,000 |
| 34. Level 2 Ai Bang Building No. 585 Ling Ling Road Xu Hui District Shanghai | *No commercial value | 95 | *No commercial value |

| Property | Capital Value as at 31st December, 2001 (RMB) | Interests attributable to the Group (%) | Capital Value attributable to the Group as at 31st December, 2001 (RMB) |
|--|---|---|---|
| 35. Unit No. 304 No. 205 Cao Xi Er Cun Cao Dong Zhi Road Xu Hui District Shanghai | 100,000 | 95 | 95,000 |
| 36. Unit Nos. 505 and 506 No. 9 Lane 240 Wan Ping Nan Road Xu Hui District Shanghai | 270,000 | 95 | 256,500 |
| 37. No. 3 Si Zhi Lane Chang Sha Road He Ping District Tianjin | 1,800,000 | 95 | 1,710,000 |
| 38. No. 70-1 Qi Xiang Tai Road He Xi District Tianjin | 6,200,000 | 95 | 5,890,000 |
| 39. No. 5-1 Yu Quan Lane Yu Quan Road Tianjin | 430,000 | 95 | 408,500 |
| 40. Level 4 Lian Hua Building No. 6 Han Wei Road Yu Zhong District Chongqing | 2,900,000 | 95 | 2,755,000 |

| Property | Capital Value as at 31st December, 2001 (RMB) | Interests attributable to the Group (%) | Capital Value attributable to the Group as at 31st December, 2001 (RMB) |
|--|---|---|---|
| 41. Unit No. 4 on Level 12 Unit No. 4 on Level 13 Unit Nos. 2 and 4 on Level 14 and Unit Nos. 2 and 4 on Level 15 No. 209 Hua Xin Cun Chongqing | 680,000 | 95 | 646,000 |
| 42. Southern Portion of Levels 1 to 3 No. 237 Xi Shun Cheng Street Shen He District Shenyang | *No commercial value | 95 | *No commercial value |
| 43. Unit C3 on Level 4 Dong Li Building No. 187 Huan Cheng Bei Road Xin Cheng District Xian | 1,700,000 | 95 | 1,615,000 |
| 44. Unit Nos. 4407, 4509 and 4510 Block No. 17 Mi Jia Qiao Sub-District Yan Ta District Xian | 520,000 | 95 | 494,000 |
| 45. Part of Level 8 Deng Yue Building No. 248 Xin Hua Road Wuhan | 1,170,000 | 95 | 1,111,500 |
| 46. Level 3 Xi Men of Block No. 5 Tai Bao Sub-District Zhengzhou | 150,000 | 95 | 142,500 |

| Property | Capital Value as at 31st December, 2001 (RMB) | Interests attributable to the Group (%) | Capital Value attributable to the Group as at 31st December, 2001 (RMB) |
|--|---|---|---|
| 47.Nos. 40-41 Xi San Street Chinese Medicine Wholesale Market Northern side of Hang Hai Road Zhengzhou | 110,000 | 95 | 104,500 |
| 48.Unit Nos. 303, 403 and 503 No. 147 Taipei Road Wuhan | 420,000 | 95 | 399,000 |
| 49.Unit No. 1C Block No. 2 Rong Qiao Garden No. 313 Wu Si Bei Road Gulou District Fuzhou | 290,000 | 95 | 275,500 |
| 50.Unit Nos. 303 and 403 Block 5 Ping Dong Garden Gulou District Fuzhou | 400,000 | 95 | 380,000 |
| 51.Level 12 Shi Fa Building No. 92 Liu Yi Bei Road Jin An District Fuzhou | 2,100,000 | 95 | 1,995,000 |
| 52.Flat B on Level 5 Xiang He Building Tai He Garden No. 333 Wu Si Road Gulou District Fuzhou | 180,000 | 95 | 171,000 |

| Property | Capital Value as at 31st December, 2001 (RMB) | Interests attributable to the Group (%) | Capital Value attributable to the Group as at 31st December, 2001 (RMB) |
|--|---|---|---|
| 53. Unit No. 1004 on Level 10 Hua Lian Building No. 269 Fu Rong Zhong Road Changsha | 1,700,000 | 95 | 1,615,000 |
| 54. Unit Nos. 402 and 403 Block 2 Yi Yuan Sub-District Jie Fang Si Cun Tian Xin District Changsha | 220,000 | 95 | 209,000 |
| 55. Level 6 Block No. B5 Hong Tai Garden Nos. 9-15 Shan Shi Dong Road Jinan | 810,000 | 95 | 769,500 |
| 56. Units A, B and C on Level 15 Grand Cosmos Tower Zheng Hong Lane Zheng Hong Street Bai Xia District Nanjing | 1,800,000 | 95 | 1,710,000 |
| 57. Unit No. 601 Block No. 15 Mo Chou Garden No. 1 Hai Tang Lane Nanjing | 160,000 | 95 | 152,000 |

| Property | Capital Value as at 31st December, 2001 (RMB) | Interests attributable to the Group (%) | Capital Value attributable to the Group as at 31st December, 2001 (RMB) |
|---|---|---|---|
| 58.Units 103, 104 and 105 on Level 1 Block C Huang Cheng Garden Fu Ning Nan Xiang Zhong He Road Hangzhou | 1,530,000 | 95 | 1,453,500 |
| 59.Unit No. 701 Block No. 14-5 Chi Yuan Xin Cun (East of District No. 2) Hangzhou | 160,000 | 95 | 152,000 |
| Total: | <u>193,620,000</u> | | <u>183,939,000</u> |

Property Interests held by the Group in Macau

| Property | Capital Value as at 31st December, 2001 (MOP) | Interests attributable to the Group (%) | Capital Value attributable to the Group as at 31st December, 2001 (MOP) |
|--|---|---|---|
| 60.Flat A and B on 9th Floor Guangan Building No. 29 Rua de Silva Mendes Macau | 1,600,000 | 100 | 1,600,000 |
| Total: | <u>1,600,000</u> | | <u>1,600,000</u> |

Note: * The land use rights of the property were granted by the government through administrative allocation, the property is prohibited from being transferred unless prior government approval is obtained. Thus, the property has no commercial value.

VALUATION CERTIFICATE

Property Interests held by the Group in the PRC

| Property | Description and tenure | Particulars of occupancy | Capital value in existing state as at 31st December, 2001 |
|---|--|--|--|
| 1. No. 27-29 Liuyun Liu Street Tian He Nan Er Road Tian He District Guangzhou | <p>The property comprises an 8-storey commercial/residential building which was completed in about 1990.</p> <p>The gross floor area of the property is approximately 4,858.63 square metres including shop area of approximately 1,392.84 square metres.</p> <p>According to the legal opinion of the PRC lawyer, the property is held for a term of 40 years for commercial use and 70 years for residential use all commencing from the date of Title Realty Certificate of the property i.e. 26th October, 1995.</p> | The property is occupied by the Group as offices and staff quarters. | RMB17,000,000 (95 per cent, interest attributable to the Company: RMB16,150,000) |

Notes:

1. According to three sets of Title Realty Certificate all dated 26th October, 1995 and issued by the Guangzhou Land and Buildings Administration Bureau, the property is held by Guangdong Apollo (Group) Co., Ltd. Guangzhou Branch (a 95%-owned subsidiary of the Company).
2. Opinion of the PRC Lawyer is summarized as follows:
 - the property is held by Guangdong Apollo (Group) Co., Ltd. Guangzhou Branch;
 - the land use right term of the property is 40 years for commercial use and 70 years for residential use all commencing from the date of Title Realty Certificate of the property i.e. 26th October, 1995;
 - Guangdong Apollo (Group) Co., Ltd. Guangzhou Branch has the rights to occupy, use, dispose of (to transfer, to sell, to lease or to mortgage) the property free from any Government prior consent or additional charge;
 - Portion of Level 1 of the property with a gross floor area of approximately 577.95 square metres is subject to a mortgage in favour of Guangzhou Bank of Commerce Dong Cun Branch from 20th May, 2001 to 20th April, 2002; and
 - Levels 3 to 8 of the property with a total gross floor area of approximately 3,465.79 square metres are subject to a mortgage in favour of Guangzhou Bank of Commerce Dong Cun Branch from 15th September, 2001 to 15th August, 2002.

| Property | Description and tenure | Particulars of occupancy | Capital value in existing state as at 31st December, 2001 |
|--|--|---|--|
| 2. South-Western Portion of Level 1 and the whole of Levels 2 and 3 No. 26 Tianhe Nan Er Road Tian He District Guangzhou | The property comprises retail/ office space within an 18-storey commercial/residential building which was completed in about 1991. | The property is occupied by the Group as offices. | RMB8,800,000 (95 per cent, interest attributable to the Company: RMB8,360,000) |
| | The gross floor area of the property is approximately 2,521.22 square metres including ground floor shop area of approximately 150.41 square metres. | | |
| | According to the legal opinion of the PRC lawyer, the property is held for a term of 40 years commencing from the date of Building Ownership Certificate of the property i.e. 31st January,1997. | | |

Notes:

1. According to five sets of Building Ownership Certificate all dated 31st January, 1997 and issued by the Guangzhou Land and Buildings Administration Bureau, the property is held by Guangdong Apollo (Group) Co., Ltd. (a 95%-owned subsidiary of the Company).
2. Opinion of the PRC Lawyer is summarized as follows:
 - the property is held by Guangdong Apollo (Group) Co., Ltd.;
 - the land use right term of the property is 40 years for commercial use commencing from the date of Building Ownership Certificate of the property i.e. 31st January, 1997;
 - Guangdong Apollo (Group) Co., Ltd. Guangzhou Branch has the rights to occupy, use, dispose of (to transfer, to sell, to lease or to mortgage) the property free from any Government prior consent or additional charge; and
 - Levels 2 and 3 of the property with a total gross floor area of approximately 2,370.8 square metres are subject to a mortgage in favour of Guangzhou Bank of Commerce Hai Dong Branch from 14th June, 2001 to 15th May, 2002.

| Property | Description and tenure | Particulars of occupancy | Capital value in existing state as at 31st December, 2001 |
|---|--|---|---|
| 3. Southern Portion of Level 1 and the Level 2 Shi Pai Qiao Dong Composite Building No. 550 Tian He Road Tian He District Guangzhou | <p>The property comprises retail and office space within a 9-storey commercial/residential building which was completed in about 1994.</p> <p>The gross floor area of the property is approximately 2,608.01 square metres.</p> <p>According to the legal opinion of the PRC lawyer, the property is held for a term of 40 years commencing from the date of Title Realty Certificate to be issued for the property.</p> | <p>As informed by the Company, the property was leased to a principal tenant who then sub-let to various individual tenants as computer-related products retailing shops.</p> <p>However, as further informed, the lease agreement was terminated on 1st January, 2002.</p> | <p>RMB15,000,000 (95 per cent, interest attributable to the Company; RMB14,250,000)</p> |

Notes:

1. Pursuant to two sets of Agreement for Sale and Purchase all dated 12th February, 1992 as notarized on 12th September, 1992, the property was purchased by Guangdong Apollo (Group) Co., Ltd. Guangzhou Operational Department (a 95%-owned subsidiary of the Company).
2. Opinion of the PRC Lawyer is summarized as follows:
 - the property was purchased by Guangdong Apollo (Group) Co., Ltd. Guangzhou Operational Department;
 - the aforesaid Agreements for Sale and Purchase are lawful and valid;
 - Guangdong Apollo (Group) Co., Ltd. has settled in full the purchase price of the property in accordance with the payment terms of the Agreements for Sale and Purchase;
 - the land use right term of the property is 40 years for commercial use commencing from the date of Title Realty Certificate to be issued for the property; and
 - Guangdong Apollo (Group) Co., Ltd. has the rights to occupy, use, dispose of (to transfer, to sell, to lease or to mortgage) the property free from any Government prior consent or additional charge.

| Property | Description and tenure | Particulars of occupancy | Capital value in existing state as at 31st December, 2001 |
|---|--|---|---|
| 4. Block C Die Cui Court No. 27 Hua Jing Garden Tian He District Guangzhou | The property comprises 36 residential units within a 9-storey residential building completed in about 1996. | The property is occupied as staff quarters. | RMB10,400,000 (95 per cent, interest attributable to the Company: RMB9,880,000) |
| | The total gross floor area of the property is approximately 3,154.77 square metres. | | |
| | According to the legal opinion of the PRC lawyer, the property is held for a term of 70 years commencing from the date of Title Realty Certificate of the property i.e. 23rd July, 1996. | | |

Notes:

1. According to 36 sets of Title Realty Certificate all dated 23rd July, 1996 and issued by the Guangzhou Land and Buildings Administration Bureau, the property is held by Guangdong Apollo (Group) Co., Ltd. (a 95%-owned subsidiary of the Company).
2. Opinion of the PRC Lawyer is summarized as follows:
 - the property is held by Guangdong Apollo (Group) Co., Ltd.;
 - the land use right term of the property is 70 years for residential use commencing from the date of Title Realty Certificate of the property i.e. 23rd July, 1996;
 - Guangdong Apollo (Group) Co., Ltd. has the rights to occupy, use, dispose of (to transfer, to sell, to lease or to mortgage) the property free from any Government prior consent or additional charge;
 - 18 units (Unit Nos. 103 to 903, 104 to 904 with a total gross floor area of approximately 1,515.87 square metres) of the property are subject to a mortgage in favour of Guangzhou Bank of Commerce, Hai Dong Branch from 26th October, 2001 to 18th April, 2002; and
 - 18 units (Unit Nos. 101 to 901, 102 to 902 with a total gross floor area of approximately 1,638.89 square metres) of the property are subject to a mortgage in favour of China Merchants Bank, Guangzhou Wu Yang Branch from 24th October, 2001 to 24th October, 2002.

| Property | Description and tenure | Particulars of occupancy | Capital value in existing state as at 31st December, 2001 |
|---|---|--|--|
| 5. Unit Nos. 106 and 107 No. 264 Tian He Dong Road Tian He District Guangzhou | <p>The property comprises two residential units within an 8-storey residential building which was completed in about 1992.</p> <p>The total gross floor area of the property is approximately 132.64 square metres.</p> <p>According to the legal opinion of the PRC lawyer, the property is held for a term of 70 years commencing from the date of Title Realty Certificate of the property i.e. 25th July, 1994.</p> | The property is occupied by the Group as staff quarters. | RMB400,000 (95 per cent, interest attributable to the Company: RMB380,000) |

Notes:

- According to 2 sets of Title Realty Certificate all dated 25th July, 1994 and issued by the Guangzhou Land and Buildings Administration Bureau, the property is held by Guangdong Apollo (Group) Co., Ltd. Guangzhou Operational Department (a 95%-owned subsidiary of the Company).
- Opinion of the PRC Lawyer is summarized as follows:
 - the property is held by Guangdong Apollo (Group) Co., Ltd. Guangzhou Operational Department;
 - the land use right term of the property is 70 years for residential use commencing from the date of Title Realty Certificate of the property i.e. 25th July, 1994; and
 - Guangdong Apollo (Group) Co., Ltd. Guangzhou Operational Department has the rights to occupy, use, dispose of (to transfer, to sell, to lease or to mortgage) the property free from any Government prior consent or additional charge.

| Property | Description and tenure | Particulars of occupancy | Capital value in existing state as at 31st December, 2001 |
|---|--|--|--|
| 6. Unit Nos. 302, 304 and 802 at No. 44 Ti Yu Dong Road Unit Nos. 301, 302, 303, 304, 401, 404, 501 and 601 at No. 58 Ti Yu Dong Road, Unit Nos. 502, 702 and 802 at No. 60 Ti Yu Dong Road Unit Nos. 402, 602, 702 and 802 at No. 62 Ti Yu Dong Road Fu Li Garden Tian He District Guangzhou | <p>The property comprises 18 residential units within four 8-storey commercial/residential buildings which were completed in about 1994.</p> <p>The total gross floor area of the property is approximately 1,671.64 square metres.</p> <p>According to the legal opinion of the PRC lawyer, the property is held for a term of 70 years commencing from the date of the Title Realty Certificate of the property.</p> | The property is occupied by the Group as staff quarters. | RMB6,400,000 (95 per cent, interest attributable to the Company: RMB6,080,000) |

Notes:

1. According to 14 sets of Title Realty Certificate all dated 22nd November, 1994 and issued by the Guangzhou Land and Buildings Administration Bureau, Unit No. 802 of No. 44 Tiyu Dong Road, Unit Nos. 301, 304, 401, 404, 501 and 601 of No. 58 Tiyu Dong Road, Unit Nos. 502, 702 and 802 of No. 60 Tiyu Dong Road and Unit Nos. 402, 602, 702 and 802 of No. 62 Tiyu Dong Road of the property are held by Guangdong Apollo (Group) Co., Ltd. (a 95%-owned subsidiary of the Company).
2. Pursuant to four sets of Agreement for Sale and Purchase dated either 20th January, 1995 or 25th January, 1995, Unit Nos. 302 and 304 of No. 44 Tiyu Dong Road, Unit Nos. 302 and 303 of No. 58 Tiyu Dong Road of the property were purchased by 閻國華, 姚偉芳, 王鳳義 and 黃木炎 respectively.
3. Opinion of the PRC Lawyer is summarized as follows:
 - Unit No. 802 of No. 44 Tiyu Dong Road, Unit Nos. 301, 304, 401, 404, 501 and 601 of No. 58 Tiyu Dong Road, Unit Nos. 502, 702 and 802 of No. 60 Tiyu Dong Road and Unit Nos. 402, 602, 702 and 802 of No. 62 Tiyu Dong Road of the property are held by Guangdong Apollo (Group) Co., Ltd.;
 - Unit Nos. 302 and 304 of No. 44 Tiyu Dong Road, Unit Nos. 302 and 303 of No. 58 Tiyu Dong Road of the property were purchased by 閻國華, 姚偉芳, 王鳳義 and 黃木炎 respectively on behalf of Guangdong Apollo (Group) Co., Ltd.;
 - the aforesaid Agreements for Sale and Purchase are lawful and valid;
 - Guangdong Apollo (Group) Co., Ltd. has settled in full the purchase price of the property in accordance with the payment terms of the Agreements for Sale and Purchase;
 - the land use right term of the property is 70 years for residential use commencing from the date of Title Realty Certificate of the property; and
 - Guangdong Apollo (Group) Co., Ltd. has the rights to occupy, use, dispose of (to transfer, to sell, to lease or to mortgage) the property free from any Government prior consent or additional charge.

| Property | Description and tenure | Particulars of occupancy | Capital value in existing state as at 31st December, 2001 |
|---|---|--|--|
| 7. Unit Nos. 303, 503 and 603 in Block No. 11 No. 21 Ti Yu Dong Road Tian He District Guangzhou | <p>The property comprises three residential units within an 8-storey residential building which was completed in 1991.</p> <p>The total gross floor area of the property is approximately 240.69 square metres.</p> <p>According to the legal opinion of the PRC lawyer, the property is held for a term of 70 years commencing from the date of Title Realty Certificate of the property i.e. 7th September, 1995.</p> | The property is occupied by the Group as staff quarters. | RMB840,000 (95 per cent, interest attributable to the Company: RMB798,000) |

Notes:

1. According to 3 sets of Title Realty Certificate all dated 7th September, 1995 and issued by the Guangzhou Land and Buildings Administration Bureau, the property is held by Guangdong Apollo (Group) Co., Ltd. Guangzhou Branch (a 95%-owned subsidiary of the Company).
2. Opinion of the PRC Lawyer is summarized as follows:
 - the property is held by Guangdong Apollo (Group) Co., Ltd. Guangzhou Branch;
 - the land use right term of the property is 70 years for residential use commencing from the date of Title Realty Certificate of the property i.e. 7th September, 1995; and
 - Guangdong Apollo (Group) Co., Ltd. Guangzhou Branch has the rights to occupy, use, dispose of (to transfer, to sell, to lease or to mortgage) the property free from any Government prior consent or additional charge.

| Property | Description and tenure | Particulars of occupancy | Capital value in existing state as at 31st December, 2001 |
|--|--|--|--|
| 8. Unit Nos. 602 and 702 No. 319 De Pu Street Huang Pu Da Road West Tian He District Guangzhou | <p>The property comprises two residential units within two 8-storey residential buildings which were completed in about 1992.</p> <p>The total gross floor area of the property is approximately 143.96 square metres.</p> <p>According to the legal opinion of the PRC lawyer, the property is held for a term of 70 years commencing from the date of Title Realty Certificate of the property i.e. 27th June, 1993.</p> | The property is occupied by the Group as staff quarters. | RMB430,000 (95 per cent, interest attributable to the Company; RMB408,500) |

Notes:

1. According to 2 sets of Title Realty Certificate all dated 27th June, 1993 and issued by the Guangzhou Land and Buildings Administration Bureau, the property is held by Guangdong Apollo (Group) Co., Ltd. Guangzhou Operational Department (a 95%-owned subsidiary of the Company).
2. Opinion of the PRC Lawyer is summarized as follows:
 - the property is held by Guangdong Apollo (Group) Co., Ltd. Guangzhou Operational Department;
 - the land use right term of the property is 70 years for residential use commencing from the date of Title Realty Certificate of the property i.e. 27th June, 1993; and
 - Guangdong Apollo (Group) Co., Ltd. Guangzhou Operational Department has the rights to occupy, use, dispose of (to transfer, to sell, to lease or to mortgage) the property free from any Government prior consent or additional charge.

| Property | Description and tenure | Particulars of occupancy | Capital value in existing state as at 31st December, 2001 |
|---|---|--|--|
| 9. Unit Nos. 104, 203, 404, 702, 703, 704, 802, 803 and 804 No. 32 Shang Ya Street and Unit Nos. 101, 304, 703, 704, 802, 803 and 804 No. 34 Shang Ya Street Huang Pu Da Road West Tian He District Guangzhou | <p>The property comprises a total of 16 residential unit within an 8-storey residential building which was completed in about 1992.</p> <p>The total gross floor area of the property is approximately 1,145.10 square metres.</p> <p>According to the legal opinion of the PRC lawyer, the property is held for a term of 70 years commencing from the date of Title Realty Certificate of the property i.e. 9th August, 2001.</p> | The property is occupied by the Group as staff quarters. | RMB4,100,000 (95 per cent, interest attributable to the Company: RMB3,895,000) |

Notes:

1. According to 16 sets of Title Realty Certificate all dated 9th August, 2001 and issued by the Guangzhou Land and Buildings Administration Bureau, the property is held by Guangdong Apollo (Group) Co., Ltd. (a 95%-owned subsidiary of the Company).
2. Opinion of the PRC Lawyer is summarized as follows:
 - the property is held by Guangdong Apollo (Group) Co., Ltd.;
 - the land use right term of the property is 70 years for residential use commencing from the date of Title Realty Certificate of the property i.e. 9th August, 2001; and
 - Guangdong Apollo (Group) Co., Ltd. has the rights to occupy, use, dispose of (to transfer, to sell, to lease or to mortgage) the property free from any Government prior consent or additional charge.

| Property | Description and tenure | Particulars of occupancy | Capital value in existing state as at 31st December, 2001 |
|--|--|--------------------------|--|
| 10. Unit No. 504 No. 12 Yan Du Road Jing Yan Garden Tian He District Guangzhou | <p>The property comprises a residential unit in a 9-storey building which was completed in 1994.</p> <p>The gross floor area of the property is approximately 90.73 square metres.</p> <p>According to the legal opinion of the PRC lawyer, the property is held for a term of 70 years commencing from the date of Title Realty Certificate of the property i.e. 22nd December, 1998.</p> | The property is vacant. | RMB210,000 (95 per cent, interest attributable to the Company: RMB199,500) |

Notes:

1. According to the Title Realty Certificate all dated 22nd December, 1998 and issued by the Guangzhou Land and Buildings Administration Bureau, the property is held by Guangdong Apollo (Group) Co., Ltd. (a 95%-owned subsidiary of the Company).
2. Opinion of the PRC Lawyer is summarized as follows:
 - the property is held by Guangdong Apollo (Group) Co., Ltd.;
 - the land use right term of the property is 70 years for residential use commencing from the date of Title Realty Certificate of the property i.e. 22nd December, 1998; and
 - Guangdong Apollo (Group) Co., Ltd. has the rights to occupy, use, dispose of (to transfer, to sell, to lease or to mortgage) the property free from any Government prior consent or additional charge.

| Property | Description and tenure | Particulars of occupancy | Capital value in existing state as at 31st December, 2001 |
|--|--|--|--|
| 11. Unit Nos. 503, 601, 602, 604, 702, 703, 704, 801, 803, 804, 901, 902 and 903 Agriculture Trading Composite Building No. 95 Shi Pai Dong Road Tian He District Guangzhou | <p>The property comprises 13 residential units within a 9-storey residential building which was completed in 1993.</p> <p>The total gross floor area of the property is approximately 924.12 square metres.</p> <p>According to the legal opinion of the PRC lawyer, the property is held for a term of 70 years commencing from the date of Title Realty Certificate of the property.</p> | The property is occupied by the Group as staff quarters. | RMB2,000,000 (95 per cent, interest attributable to the Company: RMB1,900,000) |

Notes:

1. According to 13 sets of Title Realty Certificate dated 9th July, 1995, 10th July, 1995 or 11th July, 1995 and issued by the Guangzhou Land and Buildings Administration Bureau, the property is held by Guangdong Apollo (Group) Co., Ltd. Guangzhou Branch (a 95%-owned subsidiary of the Company).
2. Opinion of the PRC Lawyer is summarized as follows:
 - the property is held by Guangdong Apollo (Group) Co., Ltd. Guangzhou Branch;
 - the land use right term of the property is 70 years for residential use commencing from the date of Title Realty Certificate of the property i.e. between 9th July, 1995 and 11th July, 1995; and
 - Guangdong Apollo (Group) Co., Ltd. Guangzhou Branch has the rights to occupy, use, dispose of (to transfer, to sell, to lease or to mortgage) the property free from any Government prior consent or additional charge.

| Property | Description and tenure | Particulars of occupancy | Capital value in existing state as at 31st December, 2001 |
|---|--|--|--|
| 12. Unit Nos. 601, 701 and 702 in Block No. 41 and Unit Nos. 401, 601, 701 and 702 in Block No. 45 Dong Yuan Xin Cun Shi Pai Xi Road Tian He District Guangzhou | <p>The property comprises seven residential units within two 8-storey residential building which were completed in about 1991.</p> <p>The total gross floor area of the property is approximately 494.45 square metres.</p> <p>According to the legal opinion of the PRC lawyer, the property is held for a term of 70 years commencing from the date of Title Realty Certificate of the property i.e. 22nd October, 1999.</p> | The property is occupied by the Group as staff quarters. | RMB1,240,000 (95 per cent, interest attributable to the Company: RMB1,178,000) |

Notes:

- According to 7 sets of Title Realty Certificate all dated 22nd October, 1999 and issued by the Guangzhou Land and Buildings Administration Bureau, the property is held by Guangdong Apollo (Group) Co., Ltd. (a 95%-owned subsidiary of the Company).
- Opinion of the PRC Lawyer is summarized as follows:
 - the property is held by Guangdong Apollo (Group) Co., Ltd.;
 - the land use right term of the property is 70 years for residential use commencing from the date of Title Realty Certificate of the property i.e. 22nd October, 1999; and
 - Guangdong Apollo (Group) Co., Ltd. has the rights to occupy, use, dispose of (to transfer, to sell, to lease or to mortgage) the property free from any Government prior consent or additional charge.

| Property | Description and tenure | Particulars of occupancy | Capital value in existing state as at 31st December, 2001 |
|---|---|--|--|
| 13. Unit Nos. 262, 462 on Level 6 and Unit Nos. 272, 279 and 472 on Level 7 Block A No. 87 Zhan Xi Road Li Wan District Guangzhou | <p>The property comprises 5 residential units within a 7-storey residential building which was completed in about 1991.</p> <p>The total gross floor area of the property is approximately 388.44 square metres.</p> <p>According to the legal opinion of the PRC lawyer, the property is held for a term of 70 years commencing from the date of Title Realty Certificate of the property i.e. 19th April, 1999.</p> | The property is occupied by the Group as staff quarters. | RMB1,170,000 (95 per cent, interest attributable to the Company: RMB1,111,500) |

Notes:

1. According to five Title Realty Certificate all dated 19th April, 1999 and issued by the Guangzhou Land and Buildings Administration Bureau, the property is held by Guangdong Apollo (Group) Co., Ltd. (a 95%-owned subsidiary of the Company).
2. Opinion of the PRC Lawyer is summarized as follows:
 - the property is held by Guangdong Apollo (Group) Co., Ltd.;
 - the land use right term of the property is 70 years for residential use commencing from the date of Title Realty Certificate of the property i.e. 19th April, 1999; and
 - Guangdong Apollo (Group) Co., Ltd. has the rights to occupy, use, dispose of (to transfer, to sell, to lease or to mortgage) the property free from any Government prior consent or additional charge.

| Property | Description and tenure | Particulars of occupancy | Capital value in existing state as at 31st December, 2001 |
|--|---|--|--|
| 14. Unit No. 703 No. 9 Dong Si Street Jian She Er Ma Road Dong Shan District Guangzhou | <p>The property comprises a residential unit within a 7-storey residential building.</p> <p>The gross floor area of the property is approximately 55.25 square metres.</p> <p>According to the legal opinion of the PRC lawyer, the property is held for a term of 70 years commencing from the date of Title Realty Certificate to be issued for the property.</p> | The property is occupied by the Group as staff quarters. | RMB180,000 (95 per cent, interest attributable to the Company; RMB171,000) |

Notes:

1. Pursuant to an Agreement for Sale and Purchase dated 9th June, 1990, the property was purchased by 東莞市黃江保健品廠廣州經銷部 (Dongguan Huangjian Health Products Factory).
2. Opinion of the PRC Lawyer is summarized as follows:
 - the property was purchased by 東莞市黃江保健品廠廣州經銷部 (Dongguan Huangjian Health Products Factory) on behalf of Guangdong Apollo (Group) Co., Ltd.;
 - the aforesaid Agreements for Sale and Purchase are lawful and valid;
 - Guangdong Apollo (Group) Co., Ltd. has settled in full the purchase price of the property in accordance with the payment terms of the Agreements for Sale and Purchase;
 - the land use right term of the property is 70 years for residential use commencing from the date of Title Realty Certificate to be issued for the property; and
 - Guangdong Apollo (Group) Co., Ltd. has the rights to occupy, use, dispose of (to transfer, to sell, to lease or to mortgage) the property free from any Government prior consent or additional charge.

| Property | Description and tenure | Particulars of occupancy | Capital value in existing state as at 31st December, 2001 |
|---|--|---|--|
| 15. Unit No. 801 No. 76 Jiu Cang Hang Cang Bian Road Yue Xiu District Guangzhou | <p>The property comprises a residential unit within an 8-storey building which was completed in 1990.</p> <p>The gross floor area of the property is approximately 80.16 square metres.</p> <p>According to the legal opinion of the PRC lawyer, the property is held for a term of 70 years commencing from the date of Title Realty Certificate of the property i.e. 11th October, 1994.</p> | The property is occupied by the Group as staff quarter. | RMB240,000 (95 per cent, interest attributable to the Company; RMB228,000) |

Notes:

1. According to a Title Realty Certificate dated 11th October, 1994 and issued by the Guangzhou Land and Buildings Administration Bureau, the property is held by Dongguan Huangjiang Health Products Factory (a 95%-owned subsidiary of the Company).
2. Opinion of the PRC Lawyer is summarized as follows:
 - the property is held by was purchased by 東莞市黃江保健品廠 (Dongguan Huangjian Health Products Factory) on behalf of Guangdong Apollo (Group) Co., Ltd.;
 - the land use right term of the property is 70 years for residential use commencing from the date of Title Realty Certificate of the property; and
 - Guangdong Apollo (Group) Co., Ltd. has the rights to occupy, use, dispose of (to transfer, to sell, to lease or to mortgage) the property free from any Government prior consent or additional charge.

| Property | Description and tenure | Particulars of occupancy | Capital value in existing state as at 31st December, 2001 |
|---|--|---|--|
| 16. Nos. 7 Hua Gua Lu Riverside Garden Panyu Guangzhou | <p>The property comprises a detached garden house completed in about 1995.</p> <p>The gross floor area of the property is approximately 299.99 square metres.</p> <p>According to the legal opinion of the PRC lawyer, the property is held for a term of 70 years commencing from the date of Title Realty Certificate to be issued for the property.</p> | The property is occupied by the Group as staff quarter. | RMB1,950,000 (95 per cent, interest attributable to the Company; RMB1,852,500) |

Notes:

1. Pursuant to the Agreement for Sale and Purchase dated 28th August, 1998, the property was purchased by Guangdong Apollo (Group) Co., Ltd. (a 95%-owned subsidiary of the Company).
2. Opinion of the PRC Lawyer is summarized as follows:
 - the property was purchased by Guangdong Apollo (Group) Co., Ltd.;
 - the aforesaid Agreements for Sale and Purchase are lawful and valid;
 - Guangdong Apollo (Group) Co., Ltd. has settled in full the purchase price of the property in accordance with the payment terms of the Agreements for Sale and Purchase;
 - the land use right term of the property is 70 years for residential use commencing from the date of Title Realty Certificate to be issued for the property; and
 - Guangdong Apollo (Group) Co., Ltd. has the rights to occupy, use, dispose of (to transfer, to sell, to lease or to mortgage) the property free from any Government prior consent or additional charge.

| Property | Description and tenure | Particulars of occupancy | Capital value in existing state as at 31st December, 2001 |
|--|--|---|---|
| 17. No. 4 Han Ji Dong Road and No. 7 Han Ji Da Road Han Ji Industrial Estate Shi Ji Panyu Guangzhou | <p>The property comprises two parcels of land with a total area of approximately 8,780.84 square metres. One of them was built with a 4-storey industrial building while the other parcel was built with a 7-storey dormitory building. They were completed in about 1993.</p> <p>The gross floor area of the industrial building and the dormitory building are approximately 19,004.59 square metres and 2,736.51 square metres respectively.</p> <p>According to the legal opinion of the PRC lawyer, the property is held for a term of 50 years commencing from the date of the Building Ownership Certificates of the property i.e. 19th June, 1995.</p> | <p>Portions of the property with a total gross floor area of 6,212.00 square metres is currently leased for a term of 2 years expiring on 30th August, 1997 at a current monthly rent of RMB62,120.00 exclusive of management fees. Whilst the remaining portion is vacant.</p> <p>As advised, the vacant portion of the property is planned to be used by the Group for production purposes.</p> | <p>RMB14,000,000 (95 per cent, interest attributable to the Company: RMB13,300,000)</p> |

Notes:

1. According to two sets of Building Ownership Certificate all dated 19th June, 1995 and issued by the Guangzhou Land and Buildings Administration Bureau, the property is held by Guangdong Apollo (Group) Co, Ltd. (a 95%-owned subsidiary of the Company).

2. Opinion of the PRC Lawyer is summarized as follows:

- the property is held by was purchased by Guangdong Apollo (Group) Co., Ltd.;
- the land use right term of the property is 50 years for industrial use commencing from the date of Building Ownership Certificate of the property i.e. 19th June, 1995; and
- Guangdong Apollo (Group) Co., Ltd. has the rights to occupy, use, dispose of (to transfer, to sell, to lease or to mortgage) the property free from any Government prior consent or additional charge.

| Property | Description and tenure | Particulars of occupancy | Capital value in existing state as at 31st December, 2001 |
|--|---|---------------------------------|--|
| 18. Unit Nos. 701, 702, 703, 801, 802, 803 and 804 Block No. 20 Fu Tai Garden Qiao Dong Development Zone Da Shi Panyu Guangzhou | <p>The property comprises seven residential units within an 8-storey residential building which was completed in about 1992.</p> <p>The total gross floor area of the property is approximately 701.50 square metres.</p> <p>According to the legal opinion of the PRC lawyer, the property is held for a term of 70 years commencing from the date of the Title Realty Certificate of the property i.e. 15th December, 1998.</p> | The property is vacant. | RMB1,050,000 (95 per cent, interest attributable to the Company: RMB997,500) |

Notes:

1. According to seven sets of Title Realty Certificate all dated 15th December, 1998 and issued by the Guangzhou Land and Buildings Administration Bureau, the property is held by Guangdong Apollo (Group) Co., Ltd. Guangzhou Branch (a 95%-owned subsidiary of the Company).
2. Opinion of the PRC Lawyer is summarized as follows:
 - the property is held by Guangdong Apollo (Group) Co., Ltd. Guangzhou Branch;
 - the land use right term of the property is 70 years for residential use commencing from the date of Title Realty Certificate of the property i.e. 15th December, 1998; and
 - Guangdong Apollo (Group) Co., Ltd. Guangzhou Branch has the rights to occupy, use, dispose of (to transfer, to sell, to lease or to mortgage) the property free from any Government prior consent or additional charge.

| Property | Description and tenure | Particulars of occupancy | Capital value in existing state as at 31st December, 2001 |
|--|--|---|---|
| 19. Unit Nos. 302, 402,403, 502, 503, 602, 603, 702, 703 and 704 Block No. 2-1 Lian Fang Garden Cheng Dong Road Qiao Dong Development Zone Da Shi Panyu Guangzhou | <p>The property comprises 10 residential units within a 7-storey commercial/residential building which were completed in about 1991.</p> <p>The total gross floor area of the property is approximately 977.50 square metres.</p> <p>According to the legal opinion of the PRC lawyer, the property is held for a term of 70 years commencing from the date of Title Realty Certificate of the property i.e. 5th November, 1998.</p> | <p>The property is occupied by the Group as staff quarters.</p> | <p>RMB1,500,000 (95 per cent, interest attributable to the Company: RMB1,425,000)</p> |

Notes:

1. According to ten sets of Title Realty Certificate all dated 5th November, 1998 and issued by the Guangzhou Land and Buildings Administration Bureau, the property is held by Guangdong Apollo (Group) Co., Ltd. (a 95%-owned subsidiary of the Company).
2. Opinion of the PRC Lawyer is summarized as follows:
 - the property is held by Guangdong Apollo (Group) Co., Ltd.;
 - the land use right term of the property is 70 years for residential use commencing from the date of Title Realty Certificate of the property i.e. 5th November, 1998; and
 - Guangdong Apollo (Group) Co., Ltd. has the rights to occupy, use, dispose of (to transfer, to sell, to lease or to mortgage) the property free from any Government prior consent or additional charge.

| Property | Description and tenure | Particulars of occupancy | Capital value in existing state as at 31st December, 2001 |
|---|---|---|--|
| 20. Xun Fa Building Xin Cheng District Qiao Dong Road Da Shi Panyu Guangzhou | The property comprises a site with an area of approximately 900 square metres over which a 4-storey commercial building was built. As at the date of our inspection, the building was used for health center. | The property is occupied by the Group as health center. | RMB2,800,000 (95 per cent, interest attributable to the Company: RMB2,660,000) |
| | The gross floor area of the property is approximately 2,774.00 square metres. | | |
| | According to the legal opinion of the PRC lawyer, the property is held for a term of 40 years commencing from the date of the Building Ownership Certificate of the property i.e. 7th September, 1998. | | |

Notes:

1. According to the Building Ownership Certificate dated 7th September, 1998 and issued by the Guangzhou Land and Buildings Administration Bureau, the property is held by Guangdong Apollo (Group) Co, Ltd. (a 95%-owned subsidiary of the Company).
2. Opinion of the PRC Lawyer is summarized as follows:
 - the property is held by Guangdong Apollo (Group) Co., Ltd.;
 - the land use right term of the property is 40 years for commercial use commencing from the date of Building Ownership Certificate of the property i.e. 7th September, 1998; and
 - Guangdong Apollo (Group) Co., Ltd. has the rights to occupy, use, dispose of (to transfer, to sell, to lease or to mortgage) the property free from any Government prior consent or additional charge.

| Property | Description and tenure | Particulars of occupancy | Capital value in existing state as at 31st December, 2001 |
|---|---|--------------------------|--|
| 21. Dai Shi Restaurant Meng Yong Cun Luo Gang Da Shi Panyu PRC | <p>The property comprises a 4-storey restaurant which was completed in about 1993.</p> <p>The gross floor area of the property is approximately 5,608.70 square metres.</p> <p>According to the legal opinion of the PRC lawyer, the property is held for a term of 40 years commencing from the date of the Building Ownership Certificates of the property i.e. 8th June, 2000.</p> | The property is vacant. | RMB3,900,000 (95 per cent, interest attributable to the Company: RMB3,705,000) |

Notes:

1. According to two sets of Building Ownership Certificate all dated 8th June, 2000 and issued by the Guangzhou Land and Buildings Administration Bureau, the property is held by Guangdong Apollo (Group) Co, Ltd. (a 95%-owned subsidiary of the Company).
2. Opinion of the PRC Lawyer is summarized as follows:
 - the property is held by Guangdong Apollo (Group) Co., Ltd.;
 - the land use right term of the property is 40 years for commercial use commencing from the date of Building Ownership Certificate of the property i.e. 8th June, 2000; and
 - Guangdong Apollo (Group) Co., Ltd. has the rights to occupy, use, dispose of (to transfer, to sell, to lease or to mortgage) the property free from any Government prior consent or additional charge.

| Property | Description and tenure | Particulars of occupancy | Capital value in existing state as at 31st December, 2001 |
|---|--|---|--|
| 22. Warehouse at No. 73 Luo Lang Lu Luo Gang Bai Yun District Guangzhou | <p>The property comprises 6-storey industrial building which was completed in about 1994.</p> <p>The total gross floor area of the property is approximately 13,045.85 square metres.</p> <p>According to the legal opinion of the PRC lawyer, the property is held for a term of 50 years commencing from the date of the Building Ownership Certificate of the property i.e. 8th June, 1999.</p> | The property is currently leased to 廣州市信聯實業有限公司 for a term of 10 years expiring on 31st December, 2008 at a current annual rent of RMB566,500 exclusive of management fees. | RMB7,500,000 (95 per cent, interest attributable to the Company: RMB7,125,000) |

Notes:

1. According to the Building Ownership Certificate dated 8th June, 1999 issued by the Guangzhou Land and Buildings Administration Bureau, the property is held by Guangdong Apollo (Group) Co, Ltd. (a 95%-owned subsidiary of the Company).
2. Opinion of the PRC Lawyer is summarized as follows:
 - the property is held by Guangdong Apollo (Group) Co., Ltd.;
 - the land use right term of the property is 50 years for industrial use commencing from the date of Building Ownership Certificate of the property i.e. 8th June, 1999;
 - Guangdong Apollo (Group) Co., Ltd. has the rights to occupy, use, dispose of (to transfer, to sell, to lease or to mortgage) the property free from any Government prior consent or additional charge; and
 - The property is subject to a mortgage from 9th November, 2001 to 5th November, 2002.

| Property | Description and tenure | Particulars of occupancy | Capital value in existing state as at 31st December, 2001 |
|---|--|--|---|
| 23. Nos. 40-42 Jian Zhong Road Tian He High and New Technology Production Development Zone Industrial Park Tian He District Guangzhou | <p>The property comprises a 6-storey industrial building which was completed in about 1993.</p> <p>The gross floor area of the property is approximately 7,741.79 square metres. The floor loading capacity of Level 1 and the upper floor levels are 800 and 600 kilograms per square metre respectively.</p> <p>According to the legal opinion of the PRC lawyer, the property is held for a term of 50 years commencing from the date of the Building Ownership Certificate of the property i.e. 13th August, 2001.</p> | <p>The property is leased to 廣東愛立信科技有限公司 as maintenance services centre for a term of 2 years at an annual rent of approximately RMB1,700,000 expiring on 31st December, 2002.</p> | <p>RMB9,200,000 (95 per cent, interest attributable to the Company: RMB8,740,000)</p> |

Notes:

1. According to 6 sets of Building Ownership Certificate all dated 13th August, 2001 issued by Guangzhou Land and Building Administration Bureau, the property was held by Guangdong Apollo (Group) Co., Ltd. (a 95%-owned subsidiary of the Company).
2. Opinion of the PRC Lawyer is summarized as follows:
 - the property is held by Guangdong Apollo (Group) Co., Ltd.;
 - the land use right term of the property is 50 years for industrial use commencing from the date of Building Ownership Certificate of the property i.e. 13th August, 2001;
 - Guangdong Apollo (Group) Co., Ltd. has the rights to occupy, use, dispose of (to transfer, to sell, to lease or to mortgage) the property free from any Government prior consent or additional charge.

| Property | Description and tenure | Particulars of occupancy | Capital value in existing state as at 31st December, 2001 |
|---|---|--|---|
| 24. Unit Nos. 3 and 4 on Levels 1 to 9 Block C No. 3 Hua Jiang Road Lot No. D1 Tian He High and New Technology Production Development Zone Industrial Park Tian He District Guangzhou | <p>The property comprises 18 residential units within a 9-storey residential building completed in about 1996.</p> <p>The total gross floor area of the property is approximately 2,100 square metres.</p> <p>According to the legal opinion of the PRC lawyer, the property is held for a term of 70 years commencing from the date of the Title Realty Certificate to be issued for the Property.</p> | <p>The property is leased to 中國聯合通信有限公司廣東分公司 for a term of 36 months at a monthly rent of approximately RMB28,000 expiring on 14th August, 2002.</p> | <p>RMB3,200,000 (95 per cent, interest attributable to the Company; RMB3,040,000)</p> |

Notes:

1. According to an Agreement for Sale and Purchase dated 16th February, 1995, the property was purchased by Guangdong Apollo (Group) Co., Ltd. (a 95%-owned subsidiary of the Company).
2. Opinion of the PRC Lawyer is summarized as follows:
 - the property was purchased by Guangdong Apollo (Group) Co., Ltd.;
 - the aforesaid Agreements for Sale and Purchase are lawful and valid;
 - Guangdong Apollo (Group) Co., Ltd. has settled in full the purchase price of the property in accordance with the payment terms of the Agreements for Sale and Purchase;
 - the land use right term of the property is 70 years for residential use commencing from the date of Title Realty Certificate to be issued for the property; and
 - Guangdong Apollo (Group) Co., Ltd. has the rights to occupy, use, dispose of (to transfer, to sell, to lease or to mortgage) the property free from any Government prior consent or additional charge.

| Property | Description and tenure | Particulars of occupancy | Capital value in existing state as at 31st December, 2001 |
|--|--|--------------------------|--|
| 25. Unit Nos. 1201, 1202, 1301, 1302, 1401, 1402, 1501, 1502, 1601, 1602, 1701, 2201, 2202, 2301, 2302, 2401, 2402, 2501, 2502, 2601, 2602, 2701, 2702, 2801, 2802, 3201, 3202, 3301, 3302, 3401, 3402, 3501, 3502, 3601, 3602, 3701, 3702, 3801, 3802, 4201, 4202, 4301, 4302, 4401, 4402, 4501, 4502, 4601, 4602, 4702, 4801 and 4802 Bicycle Parking Spaces Nos. 1 to 41 and 6-2 to 6-12 Block No. 2 Xing Long Xin Lun Guan Cheng Dongguan | <p>The property comprises 52 residential units within four 8-storey commercial/residential buildings which were completed in about 1993.</p> <p>The total gross floor area of the property is approximately 3,911.01 square metres plus parking space area of approximately 351.33 square metres.</p> <p>According to the legal opinion of the PRC lawyer, the property is held for a term of 70 years commencing from the date of the Title Realty Certificate to be issued for the property.</p> | The property is vacant. | RMB4,700,000 (95 per cent, interest attributable to the Company; RMB4,465,000) |

Notes:

1. Pursuant to 52 sets of Agreement for Sale and Purchase all dated 24th December, 1992, the property was purchased by Guangdong Apollo (Group) Co., Ltd. (a 95%-owned subsidiary of the Company).
2. Opinion of the PRC Lawyer is summarized as follows:
 - the property was purchased by Guangdong Apollo (Group) Co., Ltd.;
 - the aforesaid Agreements for Sale and Purchase are lawful and valid;
 - Guangdong Apollo (Group) Co., Ltd. has settled in full the purchase price of the property in accordance with the payment terms of the Agreements for Sale and Purchase;
 - the land use right term of the property is 70 years for residential use commencing from the date of Title Realty Certificate to be issued for the property; and
 - Guangdong Apollo (Group) Co., Ltd. has the rights to occupy, use, dispose of (to transfer, to sell, to lease or to mortgage) the property free from any Government prior consent or additional charge.

| Property | Description and tenure | Particulars of occupancy | Capital value in existing state as at 31st December, 2001 |
|--|--|---|---|
| 26. Unit No. 401 and Bicycle Parking Space No. 3 of Block No. 26 Unit Nos. 801 and 802, and Bicycle Parking Space Nos. 11 and 14 of Block No. 27 Chuang Ye Xin Cun Guan Cheng Dongguan | <p>The property comprises 3 residential units within two 8-storey residential building. The property was completed in about 1993.</p> <p>The total gross floor area of the property is approximately 214.62 square metres plus parking space area of approximately 30.19 square metres.</p> <p>According to the legal opinion of the PRC lawyer, the property is held for a term of 70 years commencing from the date of the Title Realty Certificate to be issued for the property.</p> | <p>The property is occupied by the Group as staff quarters.</p> <p>As at the date of our inspection, Unit No. 801 is vacant, Unit 401 & 802 is currently leased for a term expiring on 31st December, 2002 at a current monthly rent of RMB500 and 600 respectively inclusive of management fees.</p> | <p>RMB320,000 (95 per cent, interest attributable to the Company: RMB304,000)</p> |

Notes:

1. Pursuant to 3 sets of Agreement for Sale and Purchase all dated 16th October, 1992, the property was purchased by Guangdong Apollo (Group) Co., Ltd. (a 95%-owned subsidiary of the Company).
2. Opinion of the PRC Lawyer is summarized as follows:
 - the property was purchased by Guangdong Apollo (Group) Co., Ltd.;
 - the aforesaid Agreements for Sale and Purchase are lawful and valid;
 - Guangdong Apollo (Group) Co., Ltd. has settled in full the purchase price of the property in accordance with the payment terms of the Agreements for Sale and Purchase;
 - the land use right term of the property is 70 years for residential use commencing from the date of Title Realty Certificate to be issued for the property; and
 - Guangdong Apollo (Group) Co., Ltd. has the rights to occupy, use, dispose of (to transfer, to sell, to lease or to mortgage) the property free from any Government prior consent or additional charge.

| Property | Description and tenure | Particulars of occupancy | Capital value in existing state as at 31st December, 2001 |
|--|--|---|---|
| 27. Unit Nos. 1502 and 2202, Bicycle Parking Space Nos. 12 and 26 of Chun Lan Mansion, Unit Nos. 502, 503, 602, 603, 701, 702, 703 and 801, Bicycle Parking Space Nos. 8 to 15 of Ling Yun Mansion, Unit Nos. 403, 404, 502, 504, 604, 703, 704, 804 and 905, Bicycle Parking Space Nos. 5, 12, 20, 23, 26 to 30 of Sheng Feng Mansion, Unit Nos. 702 and 803, Bicycle Parking Space Nos. 41 and 58 of Dong Ming Mansion (Block A), Unit Nos. 801 to 803, Bicycle Parking Space Nos. 10, 39 and 40 of Dong Ming Mansion (Block B) Hua Yuan Xin Cun Guan Cheng Dongguan | <p>The property comprises 24 residential units and 24 bicycle parking spaces within four 8-storey residential buildings which were completed in between 1992 and 1993.</p> <p>The total gross floor area of the property is approximately 1,832.07 square metres plus parking space area of approximately 209.87 square metres.</p> <p>According to the legal opinion of the PRC lawyer, the property is held for a term of 70 years commencing from the date of the Title Realty Certificate to be issued for the property.</p> | <p>As at the date of our inspection, Unit No. 2202 Chun Lan Mansion, Unit Nos. 702 & 703 Ling Yun Mansion, Unit Nos. 403 & 504 Sheng Feng Mansion were occupied by the Group as staff quarters. The rest is subject to separate tenancies for various terms expiring on 31st December, 2002 at a total monthly rent of RMB12,000.</p> | <p>RMB2,200,000 (95 per cent, interest attributable to the Company: RMB2,090,000)</p> |

Notes:

1. Pursuant to 24 sets of Agreement for Sale and Purchase all dated 8th September, 1992, the property was purchased by Guangdong Apollo (Group) Co., Ltd. (a 95%-owned subsidiary of the Company).
2. Opinion of the PRC Lawyer is summarized as follows:
 - the property was purchased by Guangdong Apollo (Group) Co., Ltd.;
 - the aforesaid Agreements for Sale and Purchase are lawful and valid;
 - Guangdong Apollo (Group) Co., Ltd. has settled in full the purchase price of the property in accordance with the payment terms of the Agreements for Sale and Purchase;
 - the land use right term of the property is 70 years for residential use commencing from the date of Title Realty Certificate to be issued for the property; and
 - Guangdong Apollo (Group) Co., Ltd. has the rights to occupy, use, dispose of (to transfer, to sell, to lease or to mortgage) the property free from any Government prior consent or additional charge.

| Property | Description and tenure | Particulars of occupancy | Capital value in existing state as at 31st December, 2001 |
|---|---|---|---|
| 28. Huang Jiang Healthy Foodstuff Factory | The property comprises five parcels of land with a total area of approximately 46,553 square metres on which an industrial complex and a dormitory area were built. | The property is occupied by the Group as a healthy foodstuff manufacturing factory. | RMB26,000,000 (95 per cent, interest attributable to the Company; |
| Huang Niu Pu Reservoir | | | RMB24,700,000) |
| Huang Niu Pu Management District | The complex consists of a total of 60 buildings or structures which were completed in between 1988 & 1995. | | |
| Huang Jiang Dongguan | | | |

The gross floor area schedule for the buildings or structures is set out as follows:

| | Number of blocks | Number of storeys | Gross Floor Area (sq.m.) |
|---------------------|------------------|-------------------|--------------------------|
| Workshops | 7 | 1 to 6 | 11,552.00 |
| Warehouses | 11 | 1 to 4 | 9,666.00 |
| Offices | 3 | 1 to 3 | 941.00 |
| Laboratories | 1 | 2 | 396.00 |
| Dormitories | 7 | 2 to 5 | 12,200.00 |
| Canteen | 1 | 1 | 253.00 |
| Plant rooms | 16 | 1 | 1,708.00 |
| Ancillary buildings | 6 | 1 | 317.00 |
| | | | Total: 37,033.00 |

As stated in five sets of Land Use Certificate all dated 10th January, 1995, the property is held for a term of 50 years commencing from 1994.

Notes:

1. According to five sets of Land Use Certificate all dated 10th January, 1995 and issued by the People's Government of Dongguan and 60 sets of Building Ownership Certificate all dated 25th July, 1995 and issued by the People's Government of Dongguan, the property is held by Guangdong Apollo (Group) Co., Ltd. (a 95%-owned subsidiary of the Company).
2. Opinion of the PRC Lawyer is summarized as follows:
 - the property is held by Guangdong Apollo (Group) Co., Ltd.;
 - the land use right term of the property is 50 years for industrial use commencing from 1994 and expiring in 2044;
 - Guangdong Apollo (Group) Co., Ltd. has the rights to occupy, use, dispose of (to transfer, to sell, to lease or to mortgage) the property free from any Government prior consent or additional charge.
 - Portion of the property with a gross floor area of approximately 23,844.12 square metres is subject to a mortgage in favour of Dongguan Industrial and Commercial Bank from 9th November, 2001 to 5th November, 2002.
 - Portion of the property with a gross floor area of approximately 6,577.55 square metres is subject to a mortgage in favour of Dongguan Industrial and Commercial Bank from 27th June, 2001 to 20th June, 2002.
 - Portion of the property with a gross floor area of approximately 4,235.36 square metres is subject to a mortgage in favour of Dongguan Industrial and Commercial Bank from 27th August, 2001 to 20th August, 2002.

| Property | Description and tenure | Particulars of occupancy | Capital value in existing state as at 31st December, 2001 | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|---|--|--------------------------|---|-------------------|--------------------------|-----------|---|--------|----------|------------|---|---|----------|--------|---|---|--------|-------------|---|---|--------|----------------------|---|---|--------|--|--|--|----------------|--|--|
| 29. Li Cheng Pharmaceutical Factory Niu Bei Ling Cha Gan Gao Xi Yuen Nan Road Li Cheng Zeng Cheng Guangzhou | <p>The property comprises a parcel of land with an area of approximately 25,718.00 square metres on which an industrial complex with ancillary facilities were built.</p> <p>The complex consists of a total 17 buildings or structures which were completed in between 1990 and 1999.</p> <p>The gross floor area schedule for the buildings or structures is set out as follows:</p> <table border="1"> <thead> <tr> <th></th> <th>Number of blocks</th> <th>Number of storeys</th> <th>Gross Floor Area (sq.m.)</th> </tr> </thead> <tbody> <tr> <td>Workshops</td> <td>5</td> <td>1 to 6</td> <td>4,590.00</td> </tr> <tr> <td>Warehouses</td> <td>5</td> <td>1</td> <td>1,314.00</td> </tr> <tr> <td>Office</td> <td>1</td> <td>1</td> <td>440.00</td> </tr> <tr> <td>Plant rooms</td> <td>4</td> <td>1</td> <td>530.00</td> </tr> <tr> <td>Ancillary facilities</td> <td>2</td> <td>1</td> <td>197.00</td> </tr> <tr> <td></td> <td></td> <td></td> <td>Total 7,071.00</td> </tr> </tbody> </table> <p>As stated in a Land Use Certificate dated 7th December, 1994, the property is held for a term of 50 years expiring in December, 2044.</p> | | Number of blocks | Number of storeys | Gross Floor Area (sq.m.) | Workshops | 5 | 1 to 6 | 4,590.00 | Warehouses | 5 | 1 | 1,314.00 | Office | 1 | 1 | 440.00 | Plant rooms | 4 | 1 | 530.00 | Ancillary facilities | 2 | 1 | 197.00 | | | | Total 7,071.00 | The property is occupied by the Group as a drug-manufacturing factory. | RMB14,100,000 (95 per cent, interest attributable to the Company; RMB13,395,000) |
| | Number of blocks | Number of storeys | Gross Floor Area (sq.m.) | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Workshops | 5 | 1 to 6 | 4,590.00 | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Warehouses | 5 | 1 | 1,314.00 | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Office | 1 | 1 | 440.00 | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Plant rooms | 4 | 1 | 530.00 | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Ancillary facilities | 2 | 1 | 197.00 | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | | | Total 7,071.00 | | | | | | | | | | | | | | | | | | | | | | | | | | | | |

Notes:

- According to the Land Use Certificate dated 7th December, 1994 issued by the Zengcheng Land Administration Bureau, subject land is held by Guangdong Apollo (Group) Co., Ltd. (a 95%-owned subsidiary of the Company).
- According to 11 sets of Building Ownership Certificate dated 9th December, 1994, 12th December, 1994 or 8th August, 2001 issued by the People's Government of Zengcheng, the buildings or structures of the property are held by Guangdong Apollo (Group) Co., Ltd.
- Opinion of the PRC Lawyer is summarized as follows:
 - the property is held by Guangdong Apollo (Group) Co., Ltd.;
 - the land use right term of the property is 50 years for industrial use expiring in 2044;
 - Guangdong Apollo (Group) Co., Ltd. has the rights to occupy, use, dispose of (to transfer, to sell, to lease or to mortgage) the property free from any Government prior consent or additional charge.

| Property | Description and tenure | Particulars of occupancy | Capital value in existing state as at 31st December, 2001 |
|---|--|---|--|
| 30. Level 9 Duanzhou Civil Administration Building No. 20 Ren Min Zhong Road Zhao Xing | <p>The property comprises office space within a 10-storey commercial building.</p> <p>The gross floor area of the property is approximately 745.04 square metres.</p> <p>According to the legal opinion of the PRC lawyer, the property is held for a term of 40 years commencing from the date of the Building Ownership Certificate to be issued for the property.</p> | The property is occupied by the Group as an office. | RMB1,900,000 (95 per cent, interest attributable to the Company: RMB1,805,000) |

Notes:

1. Pursuant to an Agreement for Sale and Purchase dated 22nd November, 1993, the property was purchased by Guangdong Apollo Groups Co., Ltd. (a 95%-owned subsidiary of the Company).
2. Opinion of the PRC Lawyer is summarized as follows:
 - the property was purchased by Guangdong Apollo (Group) Co., Ltd.;
 - the aforesaid Agreements for Sale and Purchase are lawful and valid;
 - Guangdong Apollo (Group) Co., Ltd. has settled in full the purchase price of the property in accordance with the payment terms of the Agreements for Sale and Purchase;
 - the land use right term of the property is 40 years for commercial use commencing from the date of Building Ownership Certificate to be issued to the property; and
 - Guangdong Apollo (Group) Co., Ltd. has the rights to occupy, use, dispose of (to transfer, to sell, to lease or to mortgage) the property free from any Government prior consent or additional charge.

| Property | Description and tenure | Particulars of occupancy | Capital value in existing state as at 31st December, 2001 |
|--|--|---|--|
| 31. Level 6 and Carparking Space No. 1 on Level 1 Jin Qiao Building Pu Lan Road Foshan | <p>The property comprises office space and a carparking space within a 10-storey commercial building completed in about 1996.</p> <p>The gross floor area of the property is approximately 822.62 square metres plus carparking space of 15.13 square metres.</p> <p>According to the legal opinion of the PRC lawyer, the property is held for a term of 40 years commencing from the date of the Building Ownership Certificate of the property i.e. 11th October, 1995.</p> | The property is occupied by the Group as an office. | RMB2,900,000 (95 per cent, interest attributable to the Company: RMB2,755,000) |

Notes:

1. According to two sets of Building Ownership Certificate all dated 11th October, 1995, the property is held by Guangdong Apollo (Group) Co., Ltd. (a 95%-owned subsidiary of the Company).
2. Opinion of the PRC Lawyer is summarized as follows:
 - the property is held by Guangdong Apollo (Group) Co., Ltd.;
 - the land use right term of the property is 40 years for commercial commencing from the date of the Building Ownership Certificate of the property i.e. 11th October, 1995; and
 - Guangdong Apollo (Group) Co., Ltd. has the rights to occupy, use, dispose of (to transfer, to sell, to lease or to mortgage) the property free from any Government prior consent or additional charge.

| Property | Description and tenure | Particulars of occupancy | Capital value in existing state as at 31st December, 2001 |
|---|---|--------------------------|--|
| 32. Unit No. 6-2 of Block 1 Building No. 41 An Wai Shang Long Xi Li Dong Cheng District Beijing | <p>The property comprises a residential unit within a 16-storey building (inclusive of 2 basement levels) which was completed in 1999.</p> <p>The gross floor area of the property is approximately 152.68 square metres.</p> <p>According to the legal opinion of the PRC lawyer, the property is held for a term of 70 years commencing from the date of the Title Realty Certificate of the property i.e. 20th November, 2001.</p> | The property is vacant. | RMB990,000 (95 per cent, interest attributable to the Company: RMB940,500) |

Notes:

1. According to a Title Realty Certificate dated 20th November, 2001 issued by the Beijing Land Resources and Buildings Administration Bureau, the property is held by Guangdong Apollo (Group) Co., Ltd. (a 95%-owned subsidiary of the Company).
2. Opinion of the PRC Lawyer is summarized as follows:
 - the property is held by Guangdong Apollo (Group) Co., Ltd.;
 - the land use right term of the property is 70 years for residential use commencing from the date of the Title Realty Certificate of the property i.e. 20th November, 2001; and
 - Guangdong Apollo (Group) Co., Ltd. has the rights to occupy, use, dispose of (to transfer, to sell, to lease or to mortgage) the property free from any Government prior consent or additional charge.

| Property | Description and tenure | Particulars of occupancy | Capital value in existing state as at 31st December, 2001 |
|--|--|--------------------------|--|
| 33. Unit No. H1-21D Long Cheng Villas Hui Long Er Buo Zi Chang Ping District Beijing | <p>The property comprises a residential unit in a 4-storey building which was completed in 1999.</p> <p>The gross floor area of the property is approximately 125.78 square metres.</p> <p>According to the legal opinion of the PRC lawyer, the property is held for a term of 70 years commencing from the date of the Title Realty Certificate to be issued for the property.</p> | The property is vacant. | RMB1,200,000 (95 per cent, interest attributable to the Company; RMB1,140,000) |

Notes:

- Pursuant to an Agreement for Sale and Purchase dated 25th April, 1996, the property was purchased by Guangdong Apollo (Group) Co., Ltd. (a 95%-owned subsidiary of the Company).
- Opinion of the PRC Lawyer is summarized as follows:
 - the property was purchased by Guangdong Apollo (Group) Co., Ltd. via an Agreement for Sale and Purchase dated 25th April, 1996;
 - the aforesaid Agreement for Sale and Purchase is lawful and valid;
 - Guangdong Apollo (Group) Co., Ltd. has settled in full the purchase price of the property in accordance with the payment terms of the Agreement for Sale and Purchase;
 - the land use right term of the property is 70 years for residential use commencing from the date of the Title Realty Certificate of the property; and
 - Guangdong Apollo (Group) Co., Ltd. has the rights to occupy, use, dispose of (to transfer, to sell, to lease or to mortgage) the property free from any Government prior consent or additional charge.

| Property | Description and tenure | Particulars of occupancy | Capital value in existing state as at 31st December, 2001 |
|---|---|---|---|
| 34. Level 2 Ai Bang Building No. 585 Ling Ling Road Xu Hui District Shanghai | <p>The property comprises office space within a 28-storey residential building which was completed in about 1992.</p> <p>The gross floor area of the property is approximately 569.72 square metres.</p> <p>According to the legal opinion of the PRC lawyer, the property was granted by the Government through administrative allocation for an unspecified term.</p> | The property is occupied by the Group as offices. | No commercial value |

Notes:

1. According to a Land Use Certificate dated 18th March, 1994 and a Building Ownership Certificate dated 24th September, 1993, the property is held by Guangdong Apollo (Group) Co., Ltd.
2. Opinion of the PRC Lawyer is summarized as follows:
 - the property is held by Guangdong Apollo (Group) Co., Ltd.;
 - the land use rights of the property were granted by the Government through administrative allocation for an unspecified term; and
 - the property is prohibited from being transferred unless prior government approval is obtained and land grant procedures including payment of land premium are completed.

| Property | Description and tenure | Particulars of occupancy | Capital value in existing state as at 31st December, 2001 |
|--|--|--|--|
| 35. Unit No. 304 No. 205 Cao Xi Er Cun Cao Dong Zhi Road Xu Hui District Shanghai | <p>The property comprises a residential unit within a 6-storey residential building which was completed early this year.</p> <p>The gross floor area of the property is approximately 52.33 square metres.</p> <p>According to the legal opinion of the PRC lawyer, the property is held for a term of 70 years commencing from the date of the Building Ownership Certificate of the property i.e. 6th April, 1999.</p> | The property is occupied by the Group as staff quarters. | RMB100,000 (95 per cent, interest attributable to the Company: RMB95,000) |

Notes:

1. According the Building Ownership Certificate dated 6th April, 1999, the property is held by Guangdong Apollo (Group) Co., Ltd. Shanghai Branch (a 95%-owned subsidiary of the Company).
2. Opinion of the PRC Lawyer is summarized as follows:
 - the property is held by Guangdong Apollo (Group) Co., Ltd. Shanghai Branch;
 - the land use right term of the property is 70 years for residential use commencing from the date of the Building Ownership Certificate of the property i.e. 6th April, 1999; and
 - Guangdong Apollo (Group) Co., Ltd. Shanghai Branch has the rights to occupy, use, dispose of (to transfer, to sell, to lease or to mortgage) the property free from any Government prior consent or additional charge.

| Property | Description and tenure | Particulars of occupancy | Capital value in existing state as at 31st December, 2001 |
|---|---|--|--|
| 36. Unit Nos. 505 and 506 No. 9 Lane 240 Wan Ping Nan Road Xu Hui District Shanghai | <p>The property comprises two residential units within a 6-storey residential building. It was completed early this year.</p> <p>The total gross floor area of the property is approximately 106.36 square metres.</p> <p>According to the legal opinion of the PRC lawyer, the property is held for a term of 70 years commencing from the date of the Building Ownership Certificate of the property i.e. April 1999.</p> | The property is occupied by the Group as staff quarters. | RMB270,000 (95 per cent, interest attributable to the Company; RMB256,500) |

Notes:

1. According to two sets of Building Ownership Certificate dated 2nd April, 1999 and 6th April, 1999 respectively, the property is held by Guangdong Apollo (Group) Co., Ltd. Shanghai Branch (a 95%-owned subsidiary of the Company).
2. Opinion of the PRC Lawyer is summarized as follows:
 - the property is held by Guangdong Apollo (Group) Co., Ltd. Shanghai Branch;
 - the land use right term of the property is 70 years for residential use commencing from the date of the Building Ownership Certificate of the property i.e. April 1999; and
 - Guangdong Apollo (Group) Co., Ltd. Shanghai Branch has the rights to occupy, use, dispose of (to transfer, to sell, to lease or to mortgage) the property free from any Government prior consent or additional charge.

| Property | Description and tenure | Particulars of occupancy | Capital value in existing state as at 31st December, 2001 |
|--|--|---|--|
| 37. No. 3 Si Zhi Lane Chang Sha Road He Ping District Tianjin | <p>The property comprises a site with an area of 150.87 square metres on which a 3-storey commercial building and three single-storey ancillary structures erected.</p> <p>The total gross floor area of the property is approximately 362.56 square metres.</p> <p>The property is held for a term spanning between 9th November, 1991 and 20th August, 1998.</p> | The property is occupied by the Group as a canteen and offices. | RMB1,800,000 (95 per cent, interest attributable to the Company; RMB1,710,000) |

Notes:

1. According to a Land Use Certificate dated 9th September, 1991 and a Building Ownership Certificate dated 6th November, 1992, the property is held by Guangdong Apollo (Group) Co., Ltd. Tianjin Branch (a 95%-owned subsidiary of the Company).
2. Opinion of the PRC Lawyer is summarized as follows:
 - the property is held by Guangdong Apollo (Group) Co., Ltd. Tianjin Branch;
 - the land use right term of the property is spanning between 9th November, 1991 and 20th August, 1998; and
 - Guangdong Apollo (Group) Co., Ltd. Tianjin Branch has the rights to occupy, use, dispose of (to transfer, to sell, to lease or to mortgage) the property free from any Government prior consent or additional charge.
3. Our valuation has been made on the assumption that the land use right term of the property can be extended to 40 years for office use without payment of additional land premium.

| Property | Description and tenure | Particulars of occupancy | Capital value in existing state as at 31st December, 2001 |
|--|---|--|--|
| 38. No. 70-1 Qi Xiang Tai Road He Xi District Tianjin | <p>The property comprises a 6-storey commercial building which was completed in about 1994.</p> <p>The total gross floor area of the property is approximately 1,495.62 square metres including shop area of approximately 227.47 square metres on ground floor level.</p> <p>According to the legal opinion of the PRC lawyer, the property is held for a term of 40 years commencing from the date of the Building Ownership Certificate of the property i.e. 6th November, 1996.</p> | The property is occupied by the Group as retail shops and offices. | RMB6,200,000 (95 per cent, interest attributable to the Company: RMB5,890,000) |

Notes:

1. According to the Building Ownership Certificate dated 6th November, 1996, the property is held by Guangdong Apollo (Group) Co., Ltd. (a 95%-owned subsidiary of the Company).
2. Opinion of the PRC Lawyer is summarized as follows:
 - the property is held by Guangdong Apollo (Group) Co., Ltd.;
 - the land use right term of the property is 40 years for office use commencing from the date of the Building Ownership Certificate of the property i.e. 6th November, 1996; and
 - Guangdong Apollo (Group) Co., Ltd. has the rights to occupy, use, dispose of (to transfer, to sell, to lease or to mortgage) the property free from any Government prior consent or additional charge.

| Property | Description and tenure | Particulars of occupancy | Capital value in existing state as at 31st December, 2001 |
|--|---|--------------------------|--|
| 39. No. 5-1 Yu Quan Lane Yu Quan Road Tianjin | <p>The property comprises three residential units in a 4-storey building which was completed in 1999.</p> <p>The gross floor area of the property is approximately 215.19 square metres.</p> <p>According to the legal opinion of the PRC lawyer, the property is held for a term of 70 years commencing from the date of Land Use Right Certificate of the property i.e. October 2000.</p> | The property is vacant. | RMB430,000 (95 per cent, interest attributable to the Company; RMB408,500) |

Notes:

- According to three sets of Land Use Right Certificate issued in October 2000 and three sets of Building Ownership Certificate all dated 9th March, 1999, the property is held by Guangdong Apollo (Group) Co., Ltd. (a 95%-owned subsidiary of the Company).
- Opinion of the PRC Lawyer is summarized as follows:
 - the property is held by Guangdong Apollo (Group) Co., Ltd.;
 - the land use right term of the property is 70 years for residential use commencing from the date of Land Use Right Certificate of the property i.e. October 2000; and
 - Guangdong Apollo (Group) Co., Ltd. has the rights to occupy, use, dispose of (to transfer, to sell, to lease or to mortgage) the property free from any Government prior consent or additional charge.

| Property | Description and tenure | Particulars of occupancy | Capital value in existing state as at 31st December, 2001 |
|--|---|---|--|
| 40. Level 4 Lian Hua Building No. 6 Han Wei Road Yu Zhong District Chongqing | <p>The property comprises office space within a 26-storey commercial building which was completed in about 1991.</p> <p>The gross floor area of the property is approximately 734.00 square metres.</p> <p>According to the legal opinion of the PRC lawyer, the property is held for a term of 40 years commencing from the date of the Building Ownership Certificate of the property i.e. 20th July, 1994.</p> | The property is occupied by the Group as offices. | RMB2,900,000 (95 per cent, interest attributable to the Company; RMB2,755,000) |

Notes:

1. According to the Building Ownership Certificate dated 20th July, 1994 issued by Chongqing Real Estate Administration Bureau, the property is held by Guangdong Apollo (Group) Co., Ltd. (a 95%-owned subsidiary of the Company).
2. Opinion of the PRC Lawyer is summarized as follows:
 - the property is held by Guangdong Apollo (Group) Co., Ltd.;
 - the land use right term of the property is 40 years for office use commencing from the date of Building Ownership Certificate of the property i.e. 20th July, 1994;
 - Guangdong Apollo (Group) Co., Ltd. has the rights to occupy, use, dispose of (to transfer, to sell, to lease or to mortgage) the property free from any Government prior consent or additional charge.

| Property | Description and tenure | Particulars of occupancy | Capital value in existing state as at 31st December, 2001 |
|-------------------------------|---|---------------------------------|---|
| 41. Unit No. 4 on Level 12 | The property comprises six residential units within a | The property is occupied by the | RMB680,000 |
| Unit No. 4 on Level 13 | 15-storey commercial/residential building which was completed in | Group as staff | (95 per cent, interest attributable to the |
| Unit Nos. 2 and 4 on Level 14 | about 1991. | quarters. | Company: |
| Unit Nos. 2 and 4 on Level 15 | The total gross floor area of the property is approximately 427.00 | | RMB646,000) |
| No. 209 Hua Xin Cun Chongqing | square metres. | | |
| | According to the legal opinion of the PRC lawyer, the property is held for a term of 70 years commencing from the date of the Building Ownership Certificate of the property i.e. 8th November, 1991. | | |

Notes:

1. According to a Building Ownership Certificate dated 8th November, 1991 issued by Chongqing Real Estate Administration Bureau, the property is held by Guangdong Apollo (Group) Co., Ltd. Chongqing Operational Department (a 95%-owned subsidiary of the Company).
2. Opinion of the PRC Lawyer is summarized as follows:
 - the property is held by Guangdong Apollo (Group) Co., Ltd. Chongqing Operational Department;
 - the land use right term of the property is 70 years for residential use commencing from the date of Building Ownership Certificate of the property i.e. 8th November, 1991;
 - Guangdong Apollo (Group) Co., Ltd. Chongqing Operational Department has the rights to occupy, use, dispose of (to transfer, to sell, to lease or to mortgage) the property free from any Government prior consent or additional charge.

| Property | Description and tenure | Particulars of occupancy | Capital value in existing state as at 31st December, 2001 |
|--|---|--|---|
| 42. Southern Portion of Levels 1 to 3 No. 237 Xi Shun Cheng Street Shen He District Shenyang | <p>The property comprises commercial space within a 3-storey commercial podium which was completed in about 1992.</p> <p>The gross floor area of the property is approximately 864.58 square metres.</p> <p>According to the legal opinion of the PRC lawyer, the property was granted by the Government through administrative allocation for an unspecified term.</p> | The property is occupied by the Group as staff quarters. | No commercial value |

Notes:

1. According to a Land Use Certificate dated 15th October, 1994 and a Building Ownership Certificate dated 9th June, 1994, the property is held by Guangdong Apollo (Group) Co., Ltd. Shenyang Branch (a 95%-owned subsidiary of the Company).
2. Opinion of the PRC Lawyer is summarized as follows:
 - the property is held by Guangdong Apollo (Group) Co., Ltd. Shenyang Branch;
 - the land use rights of the property were granted by the Government through administrative allocation for an unspecified term;
 - the property is prohibited from being transferred unless prior government approval is obtained and land grant procedures including payment of land premium are completed.

| Property | Description and tenure | Particulars of occupancy | Capital value in existing state as at 31st December, 2001 |
|---|---|---|--|
| 43. Unit C3 on Level 4 Dong Li Building No. 187 Huan Cheng Bei Road Xin Cheng District Xian | <p>The property comprises office space within a 13-storey commercial building which was completed in about 1993.</p> <p>The gross floor area of the property is approximately 477.45 square metres.</p> <p>According to the legal opinion of the PRC lawyer, the property is held for a term of 40 years commencing from the date of the Building Ownership Certificate of the property i.e. 26th November, 1993.</p> | The property is occupied by the Group as an office. | RMB1,700,000 (95 per cent, interest attributable to the Company: RMB1,615,000) |

Notes:

- 1 According to a Building Ownership Certificate dated 26th November, 1993, the property is held by Guangdong Apollo (Group) Co., Ltd. Xian Operational Department (a 95%-owned subsidiary of the Company).
2. Opinion of the PRC Lawyer is summarized as follows:
 - the property is held by Guangdong Apollo (Group) Co., Ltd. Xian Operational Department;
 - the land use right term of the property is 40 years for office use commencing from the date of Building Ownership Certificate of the property i.e. 26th November, 1993;
 - Guangdong Apollo (Group) Co., Ltd. Xian Operational Department has the rights to occupy, use, dispose of (to transfer, to sell, to lease or to mortgage) the property free from any Government prior consent or additional charge.

| Property | Description and tenure | Particulars of occupancy | Capital value in existing state as at 31st December, 2001 |
|--|--|--|--|
| 44. Unit Nos. 4407, 4509 and 4510 Block No. 17 Mi Jia Qiao Sub-District Xian | <p>The property comprises three residential units within a 7-storey commercial/residential building which was completed in about 1994.</p> <p>The total gross floor area of the property is approximately 207.9 square metres.</p> <p>According to the legal opinion of the PRC lawyer, the property is held for a term of 70 years commencing from the date of the Building Ownership Certificate of the property i.e. 9th September, 1998.</p> | The property is occupied by the Group as staff quarters. | RMB520,000 (95 per cent, interest attributable to the Company: RMB494,000) |

Notes:

- 1 According to three sets of Building Ownership Certificate all dated 9th September, 1998, the property is held by Guangdong Apollo (Group) Co., Ltd. (a 95%-owned subsidiary of the Company).
2. Opinion of the PRC Lawyer is summarized as follows:
 - the property is held by Guangdong Apollo (Group) Co., Ltd.;
 - the land use right term of the property is 70 years for residential use commencing from the date of Building Ownership Certificate of the property i.e. 9th September, 1998;
 - Guangdong Apollo (Group) Co., Ltd. has the rights to occupy, use, dispose of (to transfer, to sell, to lease or to mortgage) the property free from any Government prior consent or additional charge.

| Property | Description and tenure | Particulars of occupancy | Capital value in existing state as at 31st December, 2001 |
|--|--|---|--|
| 45. Part of Level 8 Deng Yue Building No. 248 Xin Hua Road Wuhan | <p>The property comprises office space within a 12-storey commercial building. It was completed in about 1994.</p> <p>The total gross floor area of the property is approximately 391.1 square metres.</p> <p>According to the legal opinion of the PRC lawyer, the property is held for a term of 40 years commencing from the date of the Land Use Right Certificate of the property i.e. 12th December, 1995.</p> | The property is occupied by the Group as offices. | RMB1,170,000 (95 per cent, interest attributable to the Company: RMB1,111,500) |

Notes:

1. According to the Land Use Right Certificate dated 12th December, 1995, the property is held by Guangdong Apollo (Group) Co., Ltd. Wuhan Branch (a 95%-owned subsidiary of the Company).
2. Opinion of the PRC Lawyer is summarized as follows:
 - the property is held by Guangdong Apollo (Group) Co., Ltd. Wuhan Branch;
 - the land use right term of the property is 40 years for office use commencing from the date of Land Use Right Certificate of the property i.e. 12th December, 1995.;
 - Guangdong Apollo (Group) Co., Ltd. Wuhan Branch has the rights to occupy, use, dispose of (to transfer, to sell, to lease or to mortgage) the property free from any Government prior consent or additional charge.

| Property | Description and tenure | Particulars of occupancy | Capital value in existing state as at 31st December, 2001 |
|---|---|--------------------------|--|
| 46. Level 3 Xi Men of Block No. 5 Tai Bao Sub-District Zhengzhou | <p>The property comprises a residential unit within a 6-storey building which was completed in 1997.</p> <p>The gross floor area of the property is approximately 106 square metres.</p> <p>According to the legal opinion of the PRC lawyer, the property is held for a term of 70 years commencing from the date of Title Realty Certificate of the property i.e. 7th June, 1995.</p> | The property is vacant. | RMB150,000 (95 per cent, interest attributable to the Company: RMB142,500) |

Notes:

1. According to a Title Realty Certificate dated 7th June, 1995 issued by the Zhengzhou People's Government Taiwan Affairs Office, the property is held by Guangdong Apollo (Group) Co., Ltd. (a 95%-owned subsidiary of the Company).
2. Opinion of the PRC Lawyer is summarized as follows:
 - the property is held by Guangdong Apollo (Group) Co., Ltd.;
 - the land use right term of the property is 70 years for residential use commencing from the date of Building Ownership Certificate of the property i.e. 7th June, 1995;
 - Guangdong Apollo (Group) Co., Ltd. has the rights to occupy, use, dispose of (to transfer, to sell, to lease or to mortgage) the property free from any Government prior consent or additional charge.

| Property | Description and tenure | Particulars of occupancy | Capital value in existing state as at 31st December, 2001 |
|---|--|--------------------------|--|
| 47. Nos. 40-41 Xi San Street Chinese Medicine Wholesale Market Northern side of Hang Hai Road Zhengzhou | <p>The property comprises 2 office units within a 2-storey building which was completed in 1994.</p> <p>The gross floor area of the property is approximately 300.78 square metres.</p> <p>According to the legal opinion of the PRC lawyer, the property is held for a term of 40 years commencing from the date of Title Realty Certificate to be issued for the property.</p> | The property is vacant. | RMB110,000 (95 per cent, interest attributable to the Company: RMB104,500) |

Notes:

1. Pursuant to a Purchase Agreement dated 11th May, 1995, the property was purchased by Guangdong Apollo (Group) Co., Ltd. (a 95%-owned subsidiary of the Company).
2. Opinion of the PRC Lawyer is summarized as follows:
 - the property was purchased by Guangdong Apollo (Group) Co., Ltd.;
 - the aforesaid Agreements for Sale and Purchase are lawful and valid;
 - Guangdong Apollo (Group) Co., Ltd. has settled in full the purchase price of the property in accordance with the payment terms of the Agreements for Sale and Purchase;
 - the land use right term of the property is 40 years for commercial use commencing from the date of Title Realty Certificate to be issued for the property;
 - Guangdong Apollo (Group) Co., Ltd. has the rights to occupy, use, dispose of (to transfer, to sell, to lease or to mortgage) the property free from any Government prior consent or additional charge.

| Property | Description and tenure | Particulars of occupancy | Capital value in existing state as at 31st December, 2001 |
|--|---|--------------------------|--|
| 48. Unit Nos. 303, 403 and 503 No. 147 Taipei Road Wuhan | <p>The property comprises 3 residential units in an 8-storey building which was completed in 1995.</p> <p>The gross floor area of the property is approximately 234.6 square metres.</p> <p>According to the legal opinion of the PRC lawyer, the property is held for a term of 70 years commencing from the date of Title Realty Certificate to be issued for the property.</p> | The property is vacant. | RMB420,000 (95 per cent, interest attributable to the Company; RMB399,000) |

Notes:

1. Pursuant to three sets of Sales and Purchase Agreement all dated 5th November, 1995, the property was purchased by Guangdong Apollo (Group) Co., Ltd. (a 95%-owned subsidiary of the Company).
2. Opinion of the PRC Lawyer is summarized as follows:
 - the property was purchased by Guangdong Apollo (Group) Co., Ltd.;
 - the aforesaid Agreements for Sale and Purchase are lawful and valid;
 - Guangdong Apollo (Group) Co., Ltd. has settled in full the purchase price of the property in accordance with the payment terms of the Agreements for Sale and Purchase;
 - the land use right term of the property is 70 years for residential use commencing from the date of Title Realty Certificate to be issued for the property;
 - Guangdong Apollo (Group) Co., Ltd. has the rights to occupy, use, dispose of (to transfer, to sell, to lease or to mortgage) the property free from any Government prior consent or additional charge.

| Property | Description and tenure | Particulars of occupancy | Capital value in existing state as at 31st December, 2001 |
|---|---|---|--|
| 49. Unit No. 1C Block No. 2 Rong Qiao Garden No. 313 Wu Si Bei Road Gulou District Fuzhou | The property comprises an office unit within a 7-storey commercial/residential building which was completed in about 1991. | The property is occupied by the Group as offices. | RMB290,000 (95 per cent, interest attributable to the Company: RMB275,500) |
| | The gross floor area of the property is approximately 116.59 square metres. | | |
| | According to the legal opinion of the PRC lawyer, the property is held for a term of 40 years commencing from the date of the Building Ownership Certificate of the property i.e. 8th February, 1996. | | |

Notes:

- 1 According to the Building Ownership Certificate dated 8th February, 1996, the property is held by Guangdong Apollo (Group) Co., Ltd. (a 95%-owned subsidiary of the Company).
2. Opinion of the PRC Lawyer is summarized as follows:
 - the property is held by Guangdong Apollo (Group) Co., Ltd.;
 - the land use right term of the property is 40 years for office use commencing from the date of Building Ownership Certificate of the property i.e. 8th February, 1996.;
 - Guangdong Apollo (Group) Co., Ltd. has the rights to occupy, use, dispose of (to transfer, to sell, to lease or to mortgage) the property free from any Government prior consent or additional charge.

| Property | Description and tenure | Particulars of occupancy | Capital value in existing state as at 31st December, 2001 |
|--|---|--------------------------|--|
| 50. Unit Nos. 303 and 403 Block 5 Ping Dong Garden Gulou District Fuzhou | <p>The property comprises 2 residential units and 2 store rooms within an 8-storey building which was completed in 1996.</p> <p>The gross floor area of the property is approximately 158.2 square metres, inclusive of floor area of 2 storerooms of approximately 15.18 square metres.</p> <p>According to the legal opinion of the PRC lawyer, the property is held for a term of 70 years commencing from the date of Building Ownership Certificates of the property i.e. 5th September, 1996.</p> | The property is vacant. | RMB400,000 (95 per cent, interest attributable to the Company: RMB380,000) |

Notes:

1. According to 2 sets of Building Ownership Certificate all dated 5th September, 1996, the property is held by Guangdong Apollo (Group) Co., Ltd. (a 95%-owned subsidiary of the Company).
2. Opinion of the PRC Lawyer is summarized as follows:
 - the property is held by Guangdong Apollo (Group) Co., Ltd.;
 - the land use right term of the property is 70 years for residential use commencing from the date of Building Ownership Certificate of the property i.e. 5th September, 1996.;
 - Guangdong Apollo (Group) Co., Ltd. has the rights to occupy, use, dispose of (to transfer, to sell, to lease or to mortgage) the property free from any Government prior consent or additional charge.

| Property | Description and tenure | Particulars of occupancy | Capital value in existing state as at 31st December, 2001 |
|---|--|--------------------------|--|
| 51. Level 12 Shi Fa Building No. 92 Liu Yi Bei Road Jin An District Fuzhou | <p>The property comprises an office floor within a 25-storey building (inclusive of 1 basement level) which was completed in 1995.</p> <p>The gross floor area of the property is approximately 580.8 square metres.</p> <p>According to the legal opinion of the PRC lawyer, the property is held for a term of 40 years commencing from the date of Building Ownership Certificate of the property i.e. 12th December, 1997.</p> | The property is vacant. | RMB2,100,000 (95 per cent, interest attributable to the Company; RMB1,995,000) |

Notes:

1. According to the Building Ownership Certificate dated 12th December, 1997, the property is held by Guangdong Apollo (Group) Co., Ltd. Fuzhou Operational Department (a 95%-owned subsidiary of the Company).
2. Opinion of the PRC Lawyer is summarized as follows:
 - the property is held by Guangdong Apollo (Group) Co., Ltd. Fuzhou Operational Department;
 - the land use right term of the property is 40 years for office use commencing from the date of Building Ownership Certificate of the property i.e. 12th December, 1997.;
 - Guangdong Apollo (Group) Co., Ltd Fuzhou Operational Department has the rights to occupy, use, dispose of (to transfer, to sell, to lease or to mortgage) the property free from any Government prior consent or additional charge.
 - The property is subject to a mortgage in favour of Bank of Agricultural Gulou Branch from 19th October, 2001 to 19th October, 2002.

| Property | Description and tenure | Particulars of occupancy | Capital value in existing state as at 31st December, 2001 |
|---|---|--------------------------|--|
| 52. Flat B on Level 5 Xiang He Building Tai He Garden No. 333 Wu Si Road Gulou District Fuzhou | <p>The property comprises a residential unit within a 7-storey building which was completed in 1995.</p> <p>The gross floor area of the property is approximately 76.25 square metres.</p> <p>According to the legal opinion of the PRC lawyer, the property is held for a term of 70 years commencing from the date of the Building Ownership Certificate of the property i.e. 13th September, 1996.</p> | The property is vacant. | RMB180,000 (95 per cent, interest attributable to the Company; RMB171,000) |

Notes:

1. According to a Building Ownership Certificate dated 13th September, 1996, the property is held by Guangdong Apollo (Group) Co., Ltd. (a 95%-owned subsidiary of the Company).
2. Opinion of the PRC Lawyer is summarized as follows:
 - the property is held by Guangdong Apollo (Group) Co., Ltd.;
 - the land use right term of the property is 70 years for residential use commencing from the date of Building Ownership Certificate of the property i.e. 13th September, 1996.;
 - Guangdong Apollo (Group) Co., Ltd. has the rights to occupy, use, dispose of (to transfer, to sell, to lease or to mortgage) the property free from any Government prior consent or additional charge.

| Property | Description and tenure | Particulars of occupancy | Capital value in existing state as at 31st December, 2001 |
|---|---|--------------------------|--|
| 53. Unit No. 1004 on Level 10 Hua Lian Building No. 269 Fu Rong Zhong Road Changsha | <p>The property comprises an office unit within a 26-storey building which was completed in 1997.</p> <p>The gross floor area of the property is approximately 564.45 square metres.</p> <p>According to the legal opinion of the PRC lawyer, the property is held for a term of 40 years commencing from the date of the Building Ownership Certificate of the property i.e. 8th August, 1998.</p> | The property is vacant. | RMB1,700,000 (95 per cent, interest attributable to the Company: RMB1,615,000) |

Notes:

1. According to a Building Ownership Certificate dated 8th August, 1998, the property is held by Guangdong Apollo (Group) Co., Ltd. (a 95%-owned subsidiary of the Company).
2. Opinion of the PRC Lawyer is summarized as follows:
 - the property is held by Guangdong Apollo (Group) Co., Ltd.;
 - the land use right term of the property is 40 years for office use commencing from the date of Building Ownership Certificate of the property i.e. 8th August, 1998.;
 - Guangdong Apollo (Group) Co., Ltd. has the rights to occupy, use, dispose of (to transfer, to sell, to lease or to mortgage) the property free from any Government prior consent or additional charge.

| Property | Description and tenure | Particulars of occupancy | Capital value in existing state as at 31st December, 2001 |
|---|---|--------------------------|--|
| 54. Unit Nos. 402 and 403 Block 2 Yi Yuan Sub-District Jie Fang Si Cun Tian Xin District Changsha | <p>The property comprises 2 residential units within an 8-storey building.</p> <p>The gross floor area of the property is approximately 156.08 square metres.</p> <p>According to the legal opinion of the PRC lawyer, the property is held for a term of 70 years commencing from the date of the Building Ownership Certificates of the property i.e. 25th April, 1998.</p> | The property is vacant. | RMB220,000 (95 per cent, interest attributable to the Company; RMB209,000) |

Notes:

- According to two sets of Building Ownership Certificate all dated 25th April, 1998, the property is held by Guangdong Apollo (Group) Co., Ltd. (a 95%-owned subsidiary of the Company).
- Opinion of the PRC Lawyer is summarized as follows:
 - the property is held by Guangdong Apollo (Group) Co., Ltd.;
 - the land use right term of the property is 70 years for residential use commencing from the date of Building Ownership Certificate of the property i.e. 25th April, 1998.;
 - Guangdong Apollo (Group) Co., Ltd. has the rights to occupy, use, dispose of (to transfer, to sell, to lease or to mortgage) the property free from any Government prior consent or additional charge.

| Property | Description and tenure | Particulars of occupancy | Capital value in existing state as at 31st December, 2001 |
|--|---|---|--|
| 55. Level 6 Block No. B5 Hong Tai Garden Nos. 9-15 Shan Shi Dong Road Jinan | <p>The property comprises office space within a 6-storey commercial building.</p> <p>The gross floor area of the property is approximately 406.12 square metres.</p> <p>According to the legal opinion of the PRC lawyer, the property is held for a term of 40 years commencing from the date of the Building Ownership Certificate of the property i.e. 30th October, 1996.</p> | The property is occupied by the Group as an office. | RMB810,000 (95 per cent, interest attributable to the Company; RMB769,500) |

Notes:

1. According to a Building Ownership Certificate dated 30th October, 1996, the property is held by Guangdong Apollo (Group) Co., Ltd. Jinan Operational Department (a 95%-owned subsidiary of the Company).
2. Opinion of the PRC Lawyer is summarized as follows:
 - the property is held by Guangdong Apollo (Group) Co., Ltd. Jinan Operational Department;
 - the land use right term of the property is 40 years for office use commencing from the date of Building Ownership Certificate of the property i.e. 30th October, 1996.;
 - Guangdong Apollo (Group) Co., Ltd. Jinan Operational Department has the rights to occupy, use, dispose of (to transfer, to sell, to lease or to mortgage) the property free from any Government prior consent or additional charge.

| Property | Description and tenure | Particulars of occupancy | Capital value in existing state as at 31st December, 2001 |
|--|---|---|--|
| 56. Units A, B and C on Level 15 Grand Cosmos Tower Zheng Hong Lane Zheng Hong Street Bai Xia District Nanjing | <p>The property comprises three office units within a 28-storey residential building which was completed in 1996.</p> <p>The total gross floor area of the property is approximately 500.48 square metres.</p> <p>The property is held for a term of 50 years expiring on 30th March, 2043.</p> | The property is occupied by the Group as an office. | RMB1,800,000 (95 per cent, interest attributable to the Company: RMB1,710,000) |

Notes:

1. According to a Building Ownership Certificate dated 4th August, 1999, the property is held by Guangdong Apollo Group) Co., Ltd. (a 95%-owned subsidiary of the Company).
2. Opinion of the PRC Lawyer is summarized as follows:
 - the property is held by Guangdong Apollo (Group) Co., Ltd.;
 - Guangdong Apollo (Group) Co., Ltd. has the rights to occupy, use, dispose of (to transfer, to sell, to lease or to mortgage) the property free from any Government prior consent or additional charge.

| Property | Description and tenure | Particulars of occupancy | Capital value in existing state as at 31st December, 2001 |
|--|--|--|--|
| 57. Unit No. 601 Block No. 15 Mo Chou Garden No. 1 Hai Tang Lane Nanjing | <p>The property comprises a residential unit within a 7-storey residential building completed in about 1996.</p> <p>The gross floor area of the property is approximately 65.57 square metres.</p> <p>According to the legal opinion of the PRC lawyer, the property is held for a term of 70 years commencing from the date of the Building Ownership Certificate of the property i.e. 19th February, 1997.</p> | The property is occupied by the Group as staff quarters. | RMB160,000 (95 per cent, interest attributable to the Company: RMB152,000) |

Notes:

1. According to a Building Ownership Certificate dated 19th February, 1997, the property is held by Guangdong Apollo (Group) Co., Ltd. (a 95%-owned subsidiary of the Company).
2. Opinion of the PRC Lawyer is summarized as follows:
 - the property is held by Guangdong Apollo (Group) Co., Ltd.;
 - the land use right term of the property is 70 years for residential use commencing from the date of Building Ownership Certificate of the property i.e. 19th February, 1997;
 - Guangdong Apollo (Group) Co., Ltd. has the rights to occupy, use, dispose of (to transfer, to sell, to lease or to mortgage) the property free from any Government prior consent or additional charge.

| Property | Description and tenure | Particulars of occupancy | Capital value in existing state as at 31st December, 2001 |
|---|--|--|--|
| 58. Units 103, 104 and 105 on Level 1 Block C Huang Cheng Garden Fu Ning Nan Xiang Zhong He Road Hangzhou | <p>The property comprises three residential units within a 19-storey residential building completed in about 1996.</p> <p>The total gross floor area of the property is approximately 339.17 square metres.</p> <p>The property is held for a term of 70 years commencing on 7th December, 1993.</p> | The property is occupied by the Group as staff quarters. | RMB1,530,000 (95 per cent, interest attributable to the Company: RMB1,453,500) |

Notes:

1. According to three sets of Building Ownership Certificate all dated 26th November, 1998, the property is held by Guangdong Apollo (Group) Co., Ltd. (a 95%-owned subsidiary of the Company).
2. Opinion of the PRC Lawyer is summarized as follows:
 - the property is held by Guangdong Apollo (Group) Co., Ltd.;
 - Guangdong Apollo (Group) Co., Ltd. has the rights to occupy, use, dispose of (to transfer, to sell, to lease or to mortgage) the property free from any Government prior consent or additional charge.

| Property | Description and tenure | Particulars of occupancy | Capital value in existing state as at 31st December, 2001 |
|--|--|--|--|
| 59. Unit No. 701 Block No. 14-5 Cui Yuan Xin Cun (East of District No. 2) Hangzhou | <p>The property comprises a residential unit within a 7-storey residential building completed in about 1996.</p> <p>The gross floor area of the property is approximately 71.96 square metres.</p> <p>According to the legal opinion of the PRC lawyer, the property is held for a term of 70 years commencing from the date of the Building Ownership Certificate of the property i.e. 29th November, 2000.</p> | The property is occupied by the Group as staff quarters. | RMB160,000 (95 per cent, interest attributable to the Company: RMB152,000) |

Notes:

1. Pursuant to an Agreement for Sale and Purchase dated 28th July, 1995, the property was purchased by Guangdong Apollo (Group) Co., Ltd. (a 95%-owned subsidiary of the Company).
2. Opinion of the PRC Lawyer is summarized as follows:
 - the property is held by Guangdong Apollo (Group) Co., Ltd.;
 - the land use right term of the property is 70 years for residential use commencing from the date of Building Ownership Certificate of the property i.e. 29th November, 2000;
 - Guangdong Apollo (Group) Co., Ltd. has the rights to occupy, use, dispose of (to transfer, to sell, to lease or to mortgage) the property free from any Government prior consent or additional charge.

Property Interests held by the Group in Macau

| Property | Description and tenure | Particulars of occupancy | Capital value in existing state as at 31st December, 2001 |
|--|--|--|---|
| 60. Flats A and B on 9th Floor Guangan Building No. 29 Rua de Silva Mendes Macau | <p>The property comprises two residential units within a 25-storey residential building completed in about 1996.</p> <p>The total gross floor area of the property is approximately 328.04 square metres.</p> <p>The property is held for an indefinite term commencing from the date of the deed of purchase.</p> | The property is occupied by the Group as staff quarters. | MOP1,600,000 (100 per cent, interest attributable to the Company: MOP1,600,000) |

Notes:

1. Pursuant to two sets of Agreement for Sale and Purchase dated 9th November, 1994, the property was purchased by China Apollo Enterprises (Hong Kong) Ltd. (a wholly-owned subsidiary of the Company) from the Companhia de Construção e Fomento Predial Kuong Ian, Limitada.
2. According to the legal opinion of the Macau Lawyers, the Companhia de Construção e Fomento Predial Kuong Ian, Limitada (the developer of subject development) has good title to the subject land and may sell all or part of the building, including the subject property, which transfer good title to the promissory purchaser namely China Apollo Enterprises (Hong Kong) Limited free from all encumbrances and third party rights.
3. Since subject building is not registered in the Land Registry yet, the deed of purchase cannot be issued before the registration of the building in the name of the developer.

1. RESPONSIBILITY STATEMENT

This document includes particulars given in compliance with the Takeovers Code for the purpose of giving information with regard to the Group and the Offers. The information contained herein relating to the Company (other than information on the future intentions of Vision Ocean in respect of the Group) has been supplied by the Directors, who jointly and severally accept full responsibility for the accuracy of the information contained in this document (other than those relating to Vision Ocean) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this document by them have been arrived at after due and careful consideration and there are no other facts not contained in this document the omission of which would make any statement contained herein misleading.

The issue of this document has been approved by the director of Vision Ocean and includes particulars given in compliance with the Takeovers Code for the purpose of giving information with regard to Vision Ocean, the Offers and the future intentions of Vision Ocean regarding the Group. The information contained herein relating to Vision Ocean has been supplied by the director of Vision Ocean, who accepts full responsibility for the accuracy of the information contained in this document relating to Vision Ocean and its future intentions regarding the Group and confirm, having made all reasonable enquiries, that to the best of its knowledge, opinions expressed in this document by it have been arrived at after due and careful consideration and there are no other facts not contained in this document the omission of which would make any statement contained herein misleading.

2. SHARE CAPITAL

The authorised and issued share capital of the Company as at the Latest Practicable Date were as follows:

| | |
|-------------------------------|--------------------|
| <i>Authorised:</i> | <i>HK\$</i> |
| <u>1,600,000,000</u> Shares | <u>160,000,000</u> |
| <i>Issued and fully paid:</i> | |
| <u>815,100,000</u> Shares | <u>81,510,000</u> |

All the Shares rank pari passu in all aspects, including as to dividends, voting and interests in capital.

No Shares have been issued since 31st December, 2000 up to the Latest Practicable Date.

Save for the Share Options, there are no warrants or similar rights to acquire Shares.

3. MARKET PRICES

The table below shows the closing prices of the Shares quoted on the Stock Exchange on (i) the last day on which dealings took place in each of the six calendar months immediately preceding the Announcement, (ii) 7th January, 2002, being the last trading day immediately preceding the Announcement and (iii) the Latest Practicable Date:

| Date | Closing price per Share HK\$ |
|-------------------------|---|
| 31st July, 2001 | 0.170 |
| 31st August, 2001 | 0.186 |
| 30th September, 2001 | 0.158 |
| 31st October, 2001 | 0.172 |
| 30th November, 2001 | 0.208 |
| 31st December, 2001 | 0.171 |
| 7th January, 2002 | 0.205 |
| Latest Practicable Date | 0.229 |

The highest and lowest closing prices per Share recorded on the Stock Exchange during the period commencing on the date falling six months prior to the date of the Announcement to the Latest Practicable Date (the “Relevant Period”) were HK\$0.315 per Share on 29th August, 2001 and HK\$0.135 per Share on 10th August, 2001 respectively.

4. DISCLOSURE OF INTERESTS

Interests in securities of the Company and its associated corporations

As at the Latest Practicable Date, the interests of the Directors in the equity or debt securities of the Company or any of its associated corporations (within the meaning of the SDI Ordinance) which were required to be notified to the Company and the Stock Exchange pursuant to section 28 of the SDI Ordinance (including any interest which any such Directors were taken or deemed to have under section 31 of or Part I of the Schedule to the SDI Ordinance), or which were required, pursuant to section 29 of the SDI Ordinance, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, to be notified to the Company and the Stock Exchange were as follows:

| Name of Director | Type of interest | Number of Shares | Percentage of total issued Shares |
|-------------------------|-------------------------|-------------------------|--|
| Mr. Lok Fai | Corporate | *185,000,000 | 22.70% |

* These shares were held by Sunny Fortune Limited which is beneficially owned by Mr. Lok Fai. The interests of Mr. Lok Fai in the Shares were accordingly corporate interests in the Company as described in Practice Note 5 to the Listing Rules.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors had any interests in the equity or debt securities of the Company or its associated corporations (within the meaning of the SDI Ordinance) which were required to be notified to the Company and the Stock Exchange pursuant to section 28 of the SDI Ordinance (including any interests which they were taken or deemed to have under section 31 or Part I of the Schedule to the SDI Ordinance), or which were required, pursuant to section 29 of the SDI Ordinance, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies to be notified to the Company and the Stock Exchange.

As at the Latest Practicable Date, Vision Ocean owned 415,000,000 Shares. Save as disclosed herein, none of Vision Ocean, the director of Vision Ocean and any party acting in concert with any of them (or any of the directors of any of them) owned or controlled any Shares at the Latest Practicable Date.

As at the Latest Practicable Date, none of Baron Capital, Dao Heng Securities, Hantec Capital Limited, Kim Eng Capital (Hong Kong) Limited and Greater China Appraisal Limited had any beneficial interest in any Shares, options or convertible securities of the Company, and none of them has dealt for value in any such securities during the Relevant Period.

Save for the Vendor, who will not accept the Share Offer in relation to the Retained Shares, as at the Latest Practicable Date, no person had irrevocably committed himself to accept or reject the Offers.

Interests in Vision Ocean

As at the Latest Practicable Date, neither the Company nor any of the Directors nor the Vendor owned or had any interest in the securities in Vision Ocean and, as at the Latest Practicable Date, none of them had dealt for value in any securities in Vision Ocean during the Relevant Period.

As at the Latest Practicable Date, none of Baron Capital, Dao Heng Securities, Hantec Capital Limited, Kim Eng Capital (Hong Kong) Limited and Greater China Appraisal Limited had any beneficial interest in the securities in Vision Ocean, and none of them had dealt for value in any such securities in Vision Ocean during the Relevant Period.

Interests in service contracts

As at the Latest Practicable Date, none of the Directors had entered, or was proposing to enter, into a service contract with any member of the Group, excluding contracts expiring or determinable by the Group within one year without payment of compensation (other than statutory compensation).

As at the Latest Practicable Date, no benefit (other than statutory compensation) would be given to any Director as compensation for loss of office or otherwise in connection with the Offers.

Interests in assets of the Group

Since 31st December, 2000, the date to which the latest published audited consolidated financial statements of the Group were made up, none of the Directors has, or has had, any direct or indirect interest in any assets which have been acquired, disposed of by or leased to or which are proposed to be acquired, disposed of by or leased to, any member of the Group.

Interests in contracts or arrangements

As at the Latest Practicable Date, there was no contract or arrangement subsisting in which a Director was materially interested and which is significant in relation to the business of the Group.

As at the Latest Practicable Date, no material contracts had been entered into by Vision Ocean in which any Director has a material personal interest.

As at the Latest Practicable Date, there were no agreements or arrangements between Vision Ocean and the Directors or any other person which are conditional on the outcome of the Offers or otherwise connected with the Offers.

5. SUBSTANTIAL SHAREHOLDER

As at the Latest Practicable Date, the registered holders of 10% or more of the issued Shares were as follows:

| Name | Number of Shares | Percentage of total issued share capital |
|---|------------------|--|
| Sunny Fortune Limited (<i>note 1</i>) | 185,000,000 | 22.70% |
| Truthful (Nominees) Limited (<i>note 2</i>) | 415,000,000 | 50.91% |

Notes:

- The 185,000,000 Shares are held by Sunny Fortune Limited, the shares of which are wholly-owned by Mr. Lok Fai.
- These 415,000,000 Shares are held by Truthful (Nominees) Limited pursuant to a share mortgage as nominee for Strong Future Assets Limited, an independent third party who provided financing to Vision Ocean for the purchase of the 415,000,000 Shares. The Company has been advised that the sole shareholder of Strong Future Assets Limited is Mr. Kao Chu Chee, Emmanuel and that Mr. Kao Chu Chee, Emmanuel and Mr. Yip Wan Tak are the two shareholders of Truthful (Nominees) Limited. Truthful (Nominees) Limited holds the 415,000,000 Shares on trust for Vision Ocean until such financing is fully repaid, when the 415,000,000 Shares will be transferred back to Vision Ocean subject to the terms of the share mortgage and the option agreement referred to below.

3. Vision Ocean has granted to Strong Future Assets Limited an option to purchase 30,303,030 Shares (subject to adjustments) from Vision Ocean at a price of HK\$0.33 per Share, subject to adjustments. The option is exercisable by notice(s) in writing given on one or more occasions from time to time during the “Option Period” which is the period commencing 6 months from the date of the grant of the option (“Commencement Date”) and expiring on the date following the expiry of 6 months after (a) full repayment of the financing referred to above or (b) the Commencement Date, whichever shall occur later (both dates inclusive).

Save as disclosed above, no party was recorded in the register required to be kept under Section 16(1) of the SDI Ordinance who, as at the Latest Practicable Date, was interested in 10% or more of the issued share capital of the Company.

6. DEALINGS

None of the Company or the Directors or Vision Ocean or parties acting in concert with any of them had any dealings in the Shares, or shares in Vision Ocean during the period that began six months prior to the date of the Announcement and ended on the Latest Practicable Date.

7. QUALIFICATION OF EXPERTS

The following are the qualification of the experts who have given opinions or advice which are contained in this document:

| Name | Qualification |
|-------------------------------------|---|
| Baron Capital | Investment adviser registered under the Securities Ordinance |
| Dao Heng Securities | Investment adviser and dealer registered under the Securities Ordinance |
| Hantec Capital Limited | Investment adviser and dealer registered under the Securities Ordinance |
| Kim Eng Capital (Hong Kong) Limited | Investment adviser registered under the Securities Ordinance |
| Greater China Appraisal Limited | Registered professional surveyors |

8. CONSENTS

Baron Capital, Dao Heng Securities, Hantec Capital Limited, Kim Eng Capital (Hong Kong) Limited and Greater China Appraisal Limited have given and have not withdrawn their respective written consents to the issue of this document, with the inclusion herein of their letters and/or references to their names, in the form and context in which they respectively appear.

9. LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration of material importance and so far as the Directors were aware, no litigation or claim of material importance were pending or threatened by or against any member of the Group.

10. MISCELLANEOUS

- (a) As at the Latest Practicable Date, none of the experts named in the paragraph headed “Consents” in this appendix, any of their respective holding companies, or any of their respective subsidiaries was beneficially interested, directly or indirectly, in any Shares, and none of them had dealt in any Shares during the Relevant Period. None of these experts has any direct or indirect interests in any assets acquired or disposed of by or leased to any members of the Group, or proposed to be acquired or disposed of by or leased to any member of the Group within the two years immediately preceding the date of this document;
- (b) No shareholding in the Company was owned or controlled or dealt with by a subsidiary of the Company or by a pension fund of any member of the Group as at the Latest Practicable Date;
- (c) As at the Latest Practicable Date, no person had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or with any person who is acting in concert with the Company or with any person who is an associate of the Company by virtue of classes (1), (2), (3) and (4) of the definition of associate in the Takeovers Code;
- (d) No shareholding in the Company was managed on a discretionary basis by fund managers connected with the Company at the Latest Practicable Date.
- (e) Vision Ocean does not intend to exercise any rights which may be available to it to acquire compulsorily after the Offers have closed any Shares not acquired under the Offer, but reserves the right to do so.
- (f) Save for the option agreement referred to in note 3 to paragraph 5 of this Appendix, there is no agreement, arrangement or understanding between Vision Ocean and any other persons for the transfer of the beneficial interests in Shares acquired by Vision Ocean under the Share Offer.

11. MATERIAL CONTRACTS

Other than contracts in the ordinary course of business, no contract has been entered into by members of the Group within the two years preceding the date of this document which is or may be material.

12. GENERAL

- (a) The head office and principal place of business of Vision Ocean is Room 3802, Wu Chung House, 213 Queen's Road East, Wanchai, Hong Kong and the registered office of Vision Ocean is at P.O. Box 957, Offshore Incorporation Centre, Road Town, Tortola, British Virgin Islands.
- (b) The registered office of Baron Capital is at Room 3106, 31st Floor, Alexandra House, 16-20 Chater Road, Central, Hong Kong.
- (c) The registered office of Dao Heng Securities is at 12th Floor, The Center, 99 Queen's Road Central, Hong Kong.
- (d) The address of Hantec Capital Limited, one of the two joint financial advisers to the Independent Board Committee, is at 45th Floor, COSCO Tower, 183 Queen's Road Central, Hong Kong. The address of Kim Eng Capital (Hong Kong) Limited, the other of the two joint financial advisers to the Independent Board Committee, is at 8th Floor, Alexandra House, 16-20 Chater Road, Central, Hong Kong.
- (e) The address of Greater China Appraisal is at Room 2407, Shui On Centre, 6-8 Harbour Road, Wanchai, Hong Kong.

13. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours at the head office and principal place of business of the Company in Hong Kong at 10th Floor, Cammer Commercial Building, 30-32 Cameron Road, Tsimshatsui, Kowloon, Hong Kong while the Offers remain open:

- (a) the memorandum of association and bye-laws of the Company;
- (b) the letter of advice of Hantec Capital Limited and Kim Eng Capital (Hong Kong) Limited, the text of which is set out on pages 21 to 35 of this document;
- (c) the audited financial statements of the Group for the year ended 31st December, 2000;
- (d) the written consents referred to in the section headed "Consents" in this appendix.