



GOLDEN DRAGON GROUP (HOLDINGS) LIMITED

金龍集團（控股）有限公司

(incorporated in the Cayman Islands with limited liability)
(Stock Code:329)

CONNECTED AND DISCLOSEABLE TRANSACTIONS

The Board announces that on 3 December 2004, New Wellon, an indirect wholly-owned subsidiary of the Company has entered into the Share Purchase Agreement as purchaser with the Vendor for acquiring the Sale Shares, representing the entire issued share capital of Success Century for a cash consideration of HK\$28 million.

Success Century is an investment holding Company which in turn holds 20% equity interest in the registered capital of Jinlong, an indirect non-wholly owned subsidiary of the Company and the Group holds the remaining 80% equity interest in its registered capital.

Jinlong will become an indirect wholly-owned subsidiary of the Company upon Completion. The terms and conditions of the Share Purchase Agreement were arrived at after arm’s length negotiations between New Wellon and the Vendor.

The Board considers that the Acquisition is in the interests of the Company and the Shareholders and that the terms of the Share Purchase Agreement and the transactions contemplated thereunder (including the said consideration) are fair and reasonable so far as the Shareholders are concerned.

Given that the Vendor is an associate of Success Century which in turn is a substantial shareholder of Jinlong, the Vendor is a connected person of the Company (within the meaning of the Listing Rules). Accordingly, the Acquisition constitutes a connected transaction for the Company under the Listing Rules. The Acquisition also constitutes a discloseable transaction for the Company under the Listing Rules.

The Share Purchase Agreement and the transactions contemplated thereunder are subject to the approval of the independent Shareholders.

As no Shareholders have interest in the Share Purchase Agreement, they are not required to abstain from voting if a general meeting of the Company is to be convened for approving the Share Purchase Agreement and the transactions contemplated thereunder.

Absolute Target Limited, being the controlling shareholder of the Company which beneficially owns approximately 75% of the entire issued share capital of the Company, has approved in writing the Share Purchase Agreement and the transactions contemplated thereunder, accordingly, a general meeting to approve the said matters is not required to convene.

The Company has applied to the Stock Exchange for a waiver from strict compliance with the requirement of Rule 14A.43 of the Listing Rules to hold a general meeting of Shareholders for approving the Share Purchase Agreement.

A circular containing, amongst other things, the details of the Share Purchase Agreement, the recommendation from the independent board committee of the Company and the advice of the independent financial adviser will be despatched to the Shareholders as soon as possible.

THE SHARE PURCHASE AGREEMENT DATED 3 DECEMBER 2004

Parties

Purchaser: New Wellon
Vendor: Ms. Huan Ling

Assets to be acquired

Sale Shares 50,000 shares of US\$1.00 each in the share capital of Success Century, representing its entire issued share capital

Consideration and Terms of Payment

The cash consideration of HK\$28 million for the Acquisition was arrived at after arm’s length negotiations between New Wellon and the Vendor.

The consideration was determined with reference to the unaudited net assets of Jinlong of approximately HK\$117.8 million (approximately RMB124.9 million) as at 30 June 2004 and the audited net asset value of Jinlong of approximately HK\$117.5 million (approximately RMB 124.6 million) as at 31 December 2003. The cash consideration represents a premium of about 18.8% over the unaudited net assets of Jinlong as at 30 June 2004 which are attributable to the 20% equity interests in its registered capital and also a premium of about 19.1% over the audited net assets of Jinlong as at 31 December 2003 which are attributable to the 20% equity interests in its registered capital. Having taken into account that (i) Jinlong had a track record of making positive contribution to the profitability of the Group; (ii) the Group’s policies and strategies can be implemented more effectively and consistently across all the members of the Group including Jinlong without minority interests therein; (iii) the health care products market is expected to pick up in the future; and (iv) the seasonal effect on the profits from the sale of health care products (in relation to the relatively low level of profits of Jinlong having been attained in the first half of 2004, as the peak season for sale of health care products of Jinlong usually takes place in the second half of a year, especially from early August to December), the Directors consider that the premium paid in the consideration for the Acquisition is justifiable despite a declining trend of profits of Jinlong in the past.

The cash consideration of HK\$28 million (approximately RMB29.7 million) for the Acquisition is payable in cash by the Purchaser to the Vendor as follows:

- (a) an initial deposit in the sum of HK\$8.4 million (approximately RMB8.9 million) as partial payment of the cash consideration by New Wellon to the Vendor upon signing of the Share Purchase Agreement; and
- (b) the balance of the cash consideration of HK\$19.6 million (approximately RMB20.8 million) upon Completion.

The cash consideration will be financed by the Group’s internal resources.

Conditions

The Share Purchase Agreement is conditional upon, among other things, the following conditions:

- (a) the result of the due diligence exercise conducted by New Wellon on the accounts, books, records, constitutional documents and contracts of Success Century to the satisfaction of New Wellon prior to the Completion Date and written notice to that effect having been given by New Wellon to the Vendor;
- (b) the warranties made by the Vendor remaining true and accurate and not misleading in any material respect at Completion and at all times between the date of the Share Purchase Agreement and the Completion Date;
- (c) New Wellon having received the following documents:
 - (i) a legal opinion issued by a PRC law firm at the costs of the Vendor on 20% equity interests beneficially held by the Vendor in the registered capital of Jinlong in form and substance to the satisfaction of New Wellon;
 - (ii) a legal opinion issued by a BVI law firm at the costs of the Vendor on the Share Purchase Agreement and any transactions contemplated thereunder in form and substance to the satisfaction of New Wellon;
- (d) the Share Purchase Agreement and the transactions contemplated thereunder being approved by the Shareholders;
- (e) all waivers, consents, approvals or confirmations of the Stock Exchange or other governmental and regulatory bodies, in Hong Kong or elsewhere which are required or appropriate or in relation thereto, required for the Vendor and New Wellon to enter into the Share Purchase Agreement and implement the Share Purchase Agreement, having been obtained.

New Wellon may waive the above conditions (other than paragraphs (d) and (e) as referred to above) at any time by notice in writing to the Vendor. As at the date of this announcement, New Wellon has no intention to waive the above conditions.

If by 15 January 2005 or such other date as New Wellon and the Vendor may agree in writing, all the conditions of the Share Purchase Agreement shall not have been fulfilled (or waived by New Wellon in writing), the Share Purchase Agreement shall terminate whereby all rights and obligations and liabilities of the Vendor and New Wellon shall cease to have any further effect and neither party shall have any obligation to each other under the Share Purchase Agreement except for any antecedent breaches of the

Share Purchase Agreement. For the avoidance of doubt, New Wellon shall be entitled to the immediate return of the sum of HK\$8.4 million paid by New Wellon to the Vendor in full without interest upon termination of the Share Purchase Agreement.

Completion

Subject to the conditions set out above being fulfilled or waived, Completion shall take place within seven business days following the fulfillment of all the conditions precedent stipulated in the Share Purchase Agreement have been fulfilled (or waived, where appropriate) or at such later date as New Wellon and the Vendor may agree.

INFORMATION ON SUCCESS CENTURY AND JINLONG

Success Century is a company incorporated in the BVI with limited liability on 22 April 2002. As at the date hereof, Success Century has an authorised share capital of US\$50,000 divided into 50,000 shares of US\$1.00 each, all of which were acquired by the Vendor from Mr. Tong Lin, who is independent of and not connected with any directors, the chief executive, substantial shareholders of the Company, its subsidiaries or any of their respective associates (other than his prior shareholding in Success Century, which in turn holds 20% equity interests in the registered capital of Jinlong) for a consideration of HK\$26 million.

Success Century is an investment holding company whose principal asset is its 20% equity interests in the registered capital of Jinlong. Save as disclosed above, Success Century has not carried out any other business activity since 22 April 2002 being the date of its incorporation.

Based on the unaudited management accounts of Success Century for the two financial years ended 31 December 2003 and for the six months period ended 30 June 2004, the unaudited losses before and after taxation were approximately HK\$5,000 and approximately HK\$5,000, approximately HK\$10,000 and approximately HK\$10,000, approximately HK\$15,000 and approximately HK\$15,000,respectively which were incurred in consequence of the operational expenses of Success Century. As at 30 June 2004. the unaudited net tangible assets of Success Century was approximately HK\$375,000.

Jinlong was originally established on 27 November 1992 as a Sino-foreign equity joint venture enterprise in the PRC and subsequently converted into a wholly-foreign owned enterprise in the PRC.

Jinlong is principally engaged in the production and sale of the ginseng products of the Group under its various brand names such as Chenlong Baoling Longevity Ginseng「辰龍保齡蔘」and Chenlong Baoling Longevity Ginseng (xylitol type)「辰龍保齡蔘 (木糖醇型)」.

The Board expects that Jinlong will continue to focus on the said business activities upon Completion.

Based on the audited accounts of Jinlong for the two financial years ended 31 December 2003 and the unaudited management accounts of Jinlong for the six months ended 30 June 2004, the audited profits of Jinlong before and after taxation for the year ended 31 December 2002 were approximately HK\$20.8 million (approximately RMB22.1 million) and approximately HK\$17.5 million(approximately RMB18.5 million) respectively; (ii) the audited profits of Jinlong before and after taxation for the year ended 31 December, 2003 were approximately HK\$14.8 million (approximately RMB15.7 million); and approximately HK\$11.7 million (approximately RMB12.4 million) respectively; and (iii) the unaudited profits of Jinlong before and after taxation for the six months ended 30 June 2004 were approximately HK\$0.5 million (approximately RMB0.5 million) and approximately HK\$0.3 million (approximately RMB0.3 million) respectively.

Based on the audited accounts of Jinlong for the two financial years ended 31 December 2003 and the unaudited management accounts of Jinlong for the six months ended 30 June 2004, the audited net tangible assets of Jinlong were approximately HK\$102.7 million (approximately RMB108.9 million) as at 31 December 2002 and were approximately HK\$117.5 million (approximately RMB124.6 million) as at 31 December 2003 and the unaudited net tangible assets of Jinlong were approximately HK\$117.8 million (approximately RMB124.9 million)as at 30 June 2004.

The unaudited net tangible assets of Jinlong which were attributable to the 20% interests beneficially held by the Vendor in the registered capital of Jinlong, being approximately HK\$23.6 million (approximately RMB25.0 million) as at 30 June 2004.

According to the latest articles of association of Jinlong dated 22 January 2003, the board of directors of Jinlong is responsible for the daily business operation and management of Jinlong, comprising three directors, namely, Messrs. Wong Yin Sen, Hon Lik and Wong Hei Lin. As at the date hereof, all these directors in the board of directors of Jinlong are nominated by the Group. The said composition of the board of directors of Jinlong will remain unchanged upon Completion .

REASONS FOR ENTERING INTO THE ACQUISITION

The Group is principally engaged in the production and sale of health care products and pharmaceuticals in the PRC.

Jinlong is the Group’s key operating subsidiary in the PRC and its turnover had accounted for approximately 69.3% and approximately 63.8% of the total turnover of the Group for the two financial years ended 31 December 2003.

Given that Jinlong has a track record of making positive contribution to the profitability of the Group, the Board considers that the Acquisition will provide the Group with an opportunity for further enhancing its profitability of the Group and securing a stable source of income without being diluted.

Moreover, the Group's policies and strategies can be implemented more effectively and consistently across all the members of the Group (including Jinlong) without any minority interests therein.

The terms of the Share Purchase Agreement have been arrived at after arm's length negotiations between New Wellon and the Vendor and are based on normal commercial terms. The Board considers that the Acquisition is in the interests of the Company and the Shareholders and that the terms of the Share Purchase Agreement (including the consideration) are fair and reasonable so far as the Shareholders are concerned.

WAIVER

Given that the Vendor is an associate of Success Century which in turn is a substantial shareholder of Jinlong, the Vendor is a connected person of the Company (within the meaning of the Listing Rules). Accordingly, the Acquisition constitutes a connected transaction for the Company under the Listing Rules. The Share Purchase Agreement and the transactions contemplated thereunder are therefore subject to the approval of the independent Shareholders.

Absolute Target Limited does not have any interest in Success Century and does not have any interest which is different from those of other Shareholders. The Vendor has also confirmed in writing to the Company that the Vendor and its associates are not interested in any Shares. As no Shareholders have interest in the Share Purchase Agreement, they are not required to abstain from voting if a general meeting is to be convened for approving the Share Purchase Agreement and the transactions contemplated thereunder.

Absolute Target Limited which beneficially owns approximately 75% of the entire issued share capital of the Company as at the date hereof, has also approved in writing the Share Purchase Agreement.

Since the passing of any resolutions for approving the Share Purchase Agreement will be a foregoing conclusion, the Company has applied to the Stock Exchange for a waiver from strict compliance with the requirement of Rule 14A.43 of the Listing Rules to hold a general meeting for approving the Share Purchase Agreement and for a permission from the Stock Exchange that the Share Purchase Agreement and the transaction contemplated thereunder will be approved by the written resolution of the independent Shareholders who hold more than 50% in nominal value of the issued share capital of the Company in lieu of holding a general meeting.

GENERAL

An independent board committee of the Company will be appointed by the Company for the purpose of considering the Share Purchase Agreement. An independent financial adviser has been appointed to advise the Independent Board Committee in this regard.

A circular containing, amongst other things, the details of the Share Purchase Agreement, the recommendation from the independent board committee of the Company, the advice of the independent financial adviser to the independent board committee of the Company will be despatched to the Shareholders as soon as possible.

DEFINITIONS

In this announcement, the following words and expressions have the following meanings unless the context otherwise requires:

"Absolute Target Limited"	Absolute Target Limited, a company incorporated in BVI, and a substantial shareholder of the Company holding 75% interest in the issued share capital of the Company (which is beneficially owned as to 46.25%, 42.50% and 11.25% by Messrs. Wong Yin Sen, Hon Lik and Wong Hei Lin, respectively);
"Acquisition"	means the proposed acquisition of the Sale Shares by New Wellon from the Vendor pursuant to the Share Purchase Agreement;
"associate"	has the meaning ascribed thereto under the Listing Rules;
"BVI"	means the British Virgin Islands;
"Board"	means the board of Directors;
"Company"	means Golden Dragon Group (Holdings) Limited, a company incorporated in Cayman Islands, the shares of which are listed on the main board of the Stock Exchange;
"Completion"	means completion of the Acquisition pursuant to the terms of the Share Purchase Agreement;
"Completion Date"	means the date on which Completion takes place;
"Directors"	means the directors of the Company;
"Group"	means the Company and its subsidiaries;
"HK\$"	means Hong Kong dollars, the lawful currency of Hong Kong for the time being;
"Hong Kong"	means the Hong Kong Special Administrative Region of the People's Republic of China;
"New Wellon"	means New Wellon Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Company;
"Jinlong"	means 瀋陽金龍保健品有限公司 (Shenyang Jinlong Health Care Products Company Limited), a wholly foreign-owned enterprise in the PRC (80% and 20% equity interests in its registered capital were held by the Group and Success Century, respectively);
"Listing Rules"	means the Rules Governing the Listing of Securities on the Stock Exchange;
"PRC"	means the People's Republic of China;
"Sale Shares"	means 50,000 shares of US\$1.00 each in the capital of Success Century, representing its entire issued share capital;
"Shares"	means shares of HK\$0.10 each in the issued share capital of the Company;
"Share Purchase Agreement"	means the conditional share purchase agreement dated 3 December 2004 and entered into between New Wellon and the Vendor in relation to the Acquisition;
"Shareholders"	shareholders of the Company;
"Stock Exchange"	means The Stock Exchange of Hong Kong Limited;
"Success Century"	means Success Century Holding Limited, a company incorporated in the BVI with limited liability and is beneficially wholly-owned by the Vendor;
"RMB"	means Renminbi, the lawful currency of the PRC for the time being;
"US\$"	means United States dollars, the lawful currency of the United States of America for the time being;
"Vendor"	means Ms. Huan Ling, who is a connected person of the Company by virtue of her shareholding in Success Century which in turns holds 20% equity interest in the registered capital of Jinlong.

For the purpose of this announcement, the translations of RMB into HK\$ have been made for indication purposes only at the exchange rate of HK\$1.00 to RMB 1.06.

As at the date of this announcement, the executive Directors are Mr. Wong Yin Sen, Mr. Hon Lik, Mr. Wong Hei Lin, Mr. Li Kim Hung, Isaacs; the non-executive Director is Ms. Cheng Kong Yin; and the independent non-executive Directors are Mr. Pang Hong, Mr. Mo Kwan Nin and Mr. Cheung Kwan Hung, Anthony.

By Order of the Board
Golden Dragon Group (Holdings) Limited
Wong Yin Sen
Chairman

Hong Kong, 3 December 2004