Golden Dragon Group (Holdings) Limited
金龍集團（控股）有限公司

(Incorporated in the Cayman Islands with limited liabilit)

INTERIM RESULTS 2003

The Board of Directors (the "Directors") of Golden Dragon Group (Holdings) Limited (the "Company") is pleased to announce that the unaudited condensed consolidated income statement of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2003, together with the comparative figures over the corresponding period last year are set out below:

CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2003

	NOTES	**Six months ended 30.6.2003 HK$'000 (unaudited)**	30.6.2002 HK$'000 (unaudited)
Turnover		**49,214**	92,595
Cost of goods sold		**(17,989)**	(31,265)
Gross profit		**31,225**	61,330
Other operating income		**613**	427
Distribution costs		**(17,681)**	(28,882)
Administrative expenses		**(8,566)**	(14,588)
Profit from operations	5	**5,591**	18,287
Finance charges		**(3,212)**	(1,921)
Profit before taxation		**2,379**	16,366
Taxation	6	**(847)**	(3,377)
Profit before minority interests		**1,532**	12,989
Minority interests		**(449)**	(2,602)
Net profit for the period		**1,083**	10,387
Dividend	7	**–**	8,760
Basic earnings per share	8	**HK0.19 cents**	HK1.78 cents

NOTES:

1. GENERAL

The Company was incorporated in the Cayman Islands as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Its ultimate holding company is Absolute Target Limited, a company incorporated in the British Virgin Islands ("BVI").

The Company acts as an investment holding company. Its subsidiaries are principally engaged in production and sales of a series of health care and pharmaceutical products.

2. BASIS OF PREPARATION

The condensed financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange and with Statement of Standard Accounting Practice No. 25 ("SSAP 25") "Interim Financial Reporting".

3. PRINCIPAL ACCOUNTING POLICIES

The condensed financial statements have been prepared under the historical cost convention. The accounting policies adopted are consistent with those followed in the preparation of the Group's annual financial statement for the year ended 31 December 2002, except as described below.

In the current period, the Group has adopted, for the first time, the revised SSAP 12 "Income taxes" ("SSAP 12 (Revised)"). The principal effect of the implementation of SSAP 12 (Revised) is in relation to deferred tax. SSAP 12 (Revised) requires the adoption of a balance sheet liability method, whereby deferred tax is recognised in respect of all temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, with limited exceptions. The adoption of SSAP 12 (Revised) has had no material effect on financial statements. Accordingly, no prior period adjustment has been required.

The Group's accounting policy for taxation following the adoption of SSAP 12 (Revised) is set out below.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income and expense that are taxable or deductible in other years, and it further excludes income statement items that are never taxable and deductible.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill (or negative goodwill) or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

4. SEGMENTAL INFORMATION

Business segments

For management purposes, the Group is currently organised into two operating business production and sales of health care products and pharmaceutical product. These businesses are the basis on which the Group reports its primary segment information.

Segment information for the six months ended 30 June 2003 and 30 June 2002 about these businesses is presented below.

	Health care products 2003 HK$'000	2002 HK$'000	Pharmaceutical product 2003 HK$'000	2002 HK$'000	Total 2003 HK$'000	2002 HK$'000
Segment turnover	**42,086**	92,595	**7,128**	–	**49,214**	92,595
Segment result	**6,772**	25,125	**4,074**	–	**10,846**	25,125
Other operating income					**613**	427
Unallocated corporate expenses					**(5,868)**	(7,265)
Profit from operations					**5,591**	18,287
Finance charges					**(3,212)**	(1,921)
Profit before taxation					**2,379**	16,366

5. PROFIT FROM OPERATIONS

	Six months ended 30.6.2003 HK$'000 (unaudited)	30.6.2002 HK$'000 (unaudited)
Profit from operations has been arrived at after charging (crediting):		
Depreciation and amortisation of property, plant and equipment	**1,618**	1,238
Interest income	**(205)**	(210)

6. TAXATION

	Six months ended 30.6.2003 HK$'000 (unaudited)	30.6.2002 HK$'000 (unaudited)
Income tax in the People's Republic of China (other than Hong Kong) ("PRC")		
– current period	**571**	3,500
– under (over) provision in prior periods	**276**	(123)
	847	3,377

No Hong Kong Profits Tax is payable by the Company or its subsidiaries operated in Hong Kong since they had no assessable profit for the period.

Income tax in the PRC has been provided at the prevailing rates on the estimated assessable profit applicable to each individual company within the Group in the PRC.

Pursuant to relevant laws and regulations in the PRC, the Group's PRC subsidiaries are entitled to an exemption from PRC income tax for the two years starting from their first profit-making year, followed by a 50% tax relief for the next three years. The tax charge provided has been made after taking these tax incentives into account.

The tax charge for the six months ended 30 June 2003 and 30 June 2002 can be reconciled to the profit per the income statement as follows:

	Six months ended 30 June 2003 RMB'000 (unaudited)	2002 RMB'000 (unaudited)
Profit before taxation	**2,379**	16,366
Taxation at PRC income tax rate of 33%	**785**	5,401
Tax effect of expenses that are not deductible in determining taxable profit	**672**	1,114
Tax effect of tax losses for which tax assets have not been recognised	**517**	255
Under (over) provision in prior periods	**276**	(123)
Effect of tax relief entitled by the Company's subsidiaries	**(1,403)**	(3,270)
Taxation for the period	**847**	3,377

At the balance sheet date, the Group has unused tax losses of HK$3,508,000 (31.12.2002: HK$2,991,000) available for offset against futures profit. No deferred tax asset has been recognised in respect of the unused tax losses due to the unpredictability of future profit streams.

7. DIVIDEND

For the six months ended 30 June 2003, no dividends were paid. The directors do not recommend the payment of an interim dividend.

For the six months ended 30 June 2002, a dividend of HK1.50 cents per share was paid to shareholders as final dividend for the year ended 31 December 2001.

8. BASIC EARNINGS PER SHARE

The calculation of basic earnings per share for the six months ended 30 June 2003 is based on the net profit for the period of HK$1,083,000 (2002: HK$10,387,000) and on 584,000,000 (2002: 584,000,000) shares in issue during the period.

No diluted earnings per share is presented as the Company did not have any dilutive potential ordinary shares in issue.

MANAGEMENT REPORT, DISCUSSION AND ANALYSIS

Review of Market Conditions and Business Operation

The Board of Directors ("The Directors") of the Company presents the following business review of the Group for the six months ended 30 June 2003 ("the period under review").

The Group recorded an unaudited consolidated turnover of approximately HK$49,214,000 in the period under review, representing a decrease of approximately 46.9% when compared with approximately HK$92,595,000 in the corresponding period in 2002. Unaudited consolidated profit attributable to shareholders amounted to approximately HK$1,083,000 in the period under review, representing a decline of 89.6% from approximately HK$10,387,000 in the corresponding period in 2002. The Directors consider that the decrease in profit was mainly attributable to the unfavourable market conditions leading to reduced turnover. Please refer to the relevant paragraphs below for details. Accordingly, earnings per share for the period under review was approximately 0.19 HK cents (Corresponding period in 2002: approximately 1.78 HK cents).

Sales turnover of health care products continued to decline during the period under review, an extension of the declining trend of the previous two years during which substantial drop of sales turnover was recorded. In addition, the attack of SARS in the region had adversely affected the overall economy and also exerted pressure on the market of health care products. As a result, the Group generated sales income of HK$49,214,000, representing a decrease of 46.9% from the corresponding period in 2002. Of which, sales income of "Baoling Longevity Ginseng"「保齡蔘」was HK$30,205,000, "American Ginseng"「西洋蔘」was HK$11,881,000, and the new product "Mei Nuo Ping"「美諾平」was HK$7,128,000. In the face of such unfavorable situation, the Group took decisive measures to cut its sales expenses by 38.8% compared to the corresponding period of previous year. As the health food market in the PRC remained depressed, the Company had temporarily suspended the market development for its new health care products. On the other hand, it actively prepared for the launching of the new product "Mei Nuo Ping"「美諾平」in the markets of the Northern region and the Eastern region of China in order to boost the sales of pharmaceutical products. Letters of intent were signed with the distributors there, and it is expected that the product will be sold to the above markets in the second half of the year.

NEW PRODUCT DEVELOPMENT

Technology transfer fees of HK$1.8 million and HK$0.6 million were paid for the acquisition of two new products, namely Piglyketone and Azithromycin Granules respectively, approval was granted by the State Pharmaceutical Supervision and Administration Bureau of the PRC, and are now in the stage of examination of the packaging and description. It is anticipated that production approval can be obtained in October of 2003.

In line with the strategy of diversified production of pharmaceutical products, the Company was developing Kang Jun Su「抗菌素」, Luo Hong Mei Su「羅紅霉素」whose application has been submitted to the State Pharmaceutical Supervision and Administration Bureau of the PRC for approval.

As a remedy for the limited choice of health care products offered to the market, the Company has developed on its own five new products, namely "Bing Tong Yan Wo Kou Fu Ye"「冰糖燕窩口服液」, "Da Zao Wu Ji Jing"「大棗烏雞精」, "Qi Cai Zhen Zhu Ye"「七彩珍珠液」, "Amino Acid"「氨基酸」and "Protein Powder"「蛋白粉」. Production approval was granted for these new products and it is anticipated that these products will be launched in the second half of the year.

At present, the new reserved products of "Xiang Fei Jiao Nang pill"「香妃膠囊」and Guo Yao Zhan Zi No. "Baoling Longevity Ginseng" 國藥准字號「保齡蔘」will be launched to the market at appropriate time.

REGIONAL DEVELOPMENT

The new product "Mei Nuo Ping"「美諾平」was only sold in the north eastern part of China now. New markets in the Northern region and the Eastern region of China are being developed and letters of intent have been signed with the distributors there. It is expected that the product will be available for the above markets in the second half of the year.

LIQUIDITY AND FINANCIAL ANALYSIS

As at 30 June, 2003, bank loans of the Group at fixed rate amounted to HK$65,094,000, all of which were short-term loans due within one year in Renminbi denomination. Since the exchange rates of Renminbi against other currencies, in particular the Hong Kong dollar were more stable, the Directors do not anticipate to face any major currency exposures, therefore the Group has not arranged any currency hedge. The Group has also secured short-term floating rate loan of HK$39,397,000 for working capital. As a whole, it was an slightly increase of 2.5% as compared to the total outstanding loans at 31 December 2002. During the period, a total amount of HK$3,212,000 was paid as bank loan interest. The Group did not use property as security for such bank facilities, nor the use of any financial instruments for hedging purposes.

Gearing ratio of the Group rose from approximately 50.8% at 31 December, 2002 to approximately 51.8% at 30 June, 2003. This calculation is based on net borrowings of approximately HK$104.5 million (31 December 2002: HK$102.0 million) and shareholders' fund of approximately HK$201.7 million (31 December 2002: HK$200.7 million).

As at 30 June 2003, the balance of the inventories amounted to HK$105.2 million, representing an decrease of HK$12.6 million when compared with HK$117.8 million at 31 December 2002.

CHARGE OF ASSETS

As at 30 June, 2003, the Group's bank deposits of approximately HK$23.9 million (31 December 2002: HK$27.4 million) were pledged to banks to secure general banking facilities granted to its subsidiaries.

CONTINGENT LIABILITIES

As at 30 June, 2003, the Group did not provide any form of guarantees for any other company and was not liable to any legal proceedings. Therefore, the Group has no significant contingent liabilities.

SHORT AND LONG TERM BUSINESS PROSPECTS AND DEVELOPMENT PLANS

Since the sale for traditional health care products is expected to be satisfactory, the Group therefore will increase the production of "Korean Ginseng" in 2003. It is anticipated that "Korean Ginseng" will generate long term profit contribution to the Group since 2nd half year of 2003.

The Group will step up promotion of the product "Mei Nuo Ping"「美諾平」and develop new markets in addition to the existing one in north eastern part of China. The Group will tap the market in eastern China by the end of 2003 and also other parts of China with market potential in 2004.

In order to cope with its strategy of producing a great variety of pharmaceutical products and enhancing their therapeutic effect, the Group will promote the sale of the new medicine for curing diabetes – "Piplyketone"「匹格列酮」, and the antibiotic – "Azithromycin"「阿奇霉素」in the second half of 2003. Following increase in sales turnover of the phamaceutical products, the Group will have stable growth of its business.

The Group will commence production of the "Baoling Longevity Ginseng"「保齡蔘」with approval ref. "Guo Yao Zhen Zi Hao"「國藥准字號」in the second half of 2003. It will be sold in pharmacies and hospitals so as to avoid keen competition in the market for health care products and reduce the sales expenses to a large extent with a view to increasing profit ability.

In order to improve the situation of limited choice of products and seasonal fluctuation in sales, the Group adopted a multiple mode of operations so as to gain a larger share of the market and avoid the decline in sales. We will introduce to the market the products of "Protein Powder"「蛋白粉」, "Bing Tong Yan Wo Kou Fu Ye"「冰糖燕窩口服液」and "Da Zao Wu Ji Jing"「大棗烏雞精」to compensate for the loss of sales in the non-peak season. We will also increase the utilization rate of the speciality outlets and significantly reduce the cost of production and sale.

In view of uncertainty in the property market situation in the PRC, the Group had decided to withdraw from the Guangzhou market and took back full amount of investment in the property development project with no profit or loss incurred.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the period under review, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's securities.

CODE OF BEST PRACTICE

During the period under review, the Company has complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules.

AUDIT COMMITTEE

The audit committee of the Company and the management of the Company have reviewed the accounting principles and practices adopted by the Group and have discussed the matters related to auditing, financial reporting procedures and internal control, including the review of the interim financial report during the period under review.

The interim financial report during the period under review has been reviewed by the audit committee and the management of the Company as well as Messrs. Deloitte Tohmatsu, the auditors of the Company, in accordance with the Statements of Auditing Standards 700 "Engagements to review interim financial reports" issued by the Hong Kong Society of Accountants.

On behalf of the Board
Golden Dragon Group (Holdings) Limited
Wong Yin Sen
Chairman

Hong Kong, 26 September, 2003

Notes:

1. A detailed results announcement will be published on the website of the Stock Exchange at http://www.hkex.com.hk in due course, containing all the information required by paragraphs 46(1) to 46(6) of Appendix 16 of the Listing Rules.
2. The 2003 interim report of the Company is expected to be despatched to shareholders of the Company in late September 2003.