



GOLDEN DRAGON GROUP (HOLDINGS) LIMITED

金龍集團(控股)有限公司

(incorporated in the Cayman Islands with limited liability)

ANNOUNCEMENT

The Board wishes to inform the shareholders of the Company and investors that the Relevant Subsidiaries were alleged by the Complainants to have made the Alleged Infringements. In response thereto the Relevant Subsidiaries took precautionary steps to minimize their exposure under the threatened legal proceedings for the Alleged Infringements.

The Complainants have not commenced any formal legal proceedings against the Relevant Subsidiaries for the Alleged Infringements.

The PRC Lawyers to the Group have advised that the Alleged Infringements are untenable and the Relevant Subsidiaries have not infringed the trademarks of the Complainants under the PRC laws.

It is expected that the final consolidated results of the Group for the year ended 31 December 2001 will show a decline in profits as a result of the precautionary steps taken by the Group. The Board is not able to quantify the decline in profits at this stage. The Board plans to publish the consolidated results of the Group for the year ended 31 December 2001 in its annual report by the end of April 2002.

The Board will inform the shareholders of the Company and investors of any latest development from time to time.

Shareholders of the Company and investors should exercise caution when dealing in the shares of the Company.

The Board wishes to inform the shareholders of the Company and its investors that the final consolidated results of the Group for the year ended 31 December 2001 is expected to show a decline in profits, due to the circumstances set out below.

BACKGROUND INFORMATION

It was alleged by the Complainants in the Letter that the Relevant Subsidiaries have made the Alleged Infringements. They have further demanded in the Letter that the Relevant Subsidiaries, inter alia, to withdraw the Affected Products from sale in the markets and to destroy all the relevant packaging labels, printing mould and promotional materials within 5 days of the Letter and to make compensation proposal to the Complainants within 10 days of the Letter, failing which the Complainants would commence legal proceedings and related action against the Relevant Subsidiaries for the Alleged Infringements without further notice.

In or about early October 2001, the Relevant Subsidiaries commenced to take certain precautionary steps to minimize their exposure under the threatened legal proceedings as mentioned above by, inter alia, withdrawing most of the Affected Products already sold to distributors in the markets located in Zhejiang, Jiangsu and Shanghai, the PRC, replacing the packaging of the Affected Products and reducing advertisements in the market and promotional activities.

The Complainants have not commenced any formal legal proceedings against the Relevant Subsidiaries for the Alleged Infringements.

In or about early October 2001, the Group retained the PRC Lawyers to assist the Relevant Subsidiaries to investigate and defend the Alleged Infringements. After thorough investigation including, liaising with the relevant PRC authorities in both the State and the provincial levels, the PRC Lawyers have recently advised the Group that the Alleged Infringements are untenable and the Relevant Subsidiaries have not infringed the said trademarks of the Complainants under the PRC laws.

At or about the end of December 2001, the Relevant Subsidiaries commenced to resume in full scale the normal activities of selling the Affected Products in the markets located in Zhejiang, Jiangsu and Shanghai, the PRC, the related advertisements and promotional activities.

GENERAL INFORMATION

As the Group's final consolidated results for the year ended 31 December 2001 have not yet been finalised, the Board is not in a position to quantify the relevant financial effect at this stage.

The Board plans to publish the results for the year ended 31 December 2001 in its annual report by the end of April 2002.

The Board will inform the shareholders of the Company and investors of any latest development from time to time.

Shareholders of the Company and investors should exercise caution when dealing in the shares of the Company.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms shall have the following meanings:-

"Affected Products"	all the relevant products of the Relevant Subsidiaries as affected by the Alleged Infringements;
"Alleged Infringements"	the alleged infringements of certain trademarks registered in the PRC and owned by the Complainants;
"Board"	board of directors of the Company;
"Company"	Golden Dragon Group (Holdings) Limited;
"Complainants"	certain third parties established in the PRC;
"Group"	the Company and its subsidiaries;
"Letter"	the letter dated 29 September 2001 issued by the PRC Lawyers of the Complainants;
"PRC"	the People's Republic of China;
"PRC Lawyers"	a firm of qualified PRC lawyers; and
"Relevant Subsidiaries"	Shenyang Jinlong Health Care Products Company Limited* (瀋陽金龍保健品有限公司) and Shenyang Chenlong Longevity Ginseng Company Limited* (瀋陽辰龍保齡參有限公司), two of the subsidiaries of the Group, established in the PRC.

By Order of the Board
Wong Yin Sen
Chairman

Hong Kong, 22 January 2002

* for identification purpose only