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INDEPENDENT REVIEW REPORT

TO THE BOARD OF DIRECTORS OF
GOLDEN DRAGON GROUP (HOLDINGS) LIMITED
金龍集團(控股)有限公司
(incorporated in the Cayman Islands with limited liability)

Introduction

We have been instructed by the Company to review the interim financial report set out on pages 2 to 15.

Directors' responsibilities

The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with Statement of Standard Accounting Practice No. 25 "Interim Financial Reporting" issued by the Hong Kong Society of Accountants and the relevant provisions thereof. The interim financial report is the responsibility of, and has been approved by, the directors.

It is our responsibility to form an independent conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Review work performed

We conducted our review in accordance with Statement of Auditing Standards No. 700 "Engagements to Review Interim Financial Reports" issued by the Hong Kong Society of Accountants. A review consists principally of making enquiries of management and applying analytical procedures to the interim financial report and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the interim financial report.

Review conclusion

On the basis of our review which does not constitute an audit, we are not aware of any material modifications that should be made to the interim financial report for the six months ended 30 June 2003.

Deloitte Touche Tohmatsu
26 September 2003

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

CONDENSED CONSOLIDATED BALANCE SHEET

AT 30 JUNE 2003

	NOTES	30.6.2003 HK$'000 (unaudited)	31.12.2002 HK$'000 (audited)
Non-current assets			
Property, plant and equipment		37,665	39,170
Interest in an associate		9,434	9,434
Investment securities		1,000	1,000
Intangible asset		2,830	2,830
Deposits paid		2,877	2,877
		53,806	55,311
Current assets			
Inventories		105,222	117,811
Trade receivables	9	166,929	157,197
Deposits and other receivables		41,540	37,651
Pledged bank deposits		23,853	27,423
Bank balances and cash		17,473	27,891
		355,017	367,973
Current liabilities			
Trade payables	10	37,932	52,833
Accruals and other payables		35,431	35,160
Deposit received	11	5,239	–
Taxation		2,372	11,409
Bank borrowings		104,491	101,960
Obligations under a finance lease			
– due within one year		190	190
		185,655	201,552

CONDENSED CONSOLIDATED BALANCE SHEET (CONTINUED)

AT 30 JUNE 2003

	NOTES	30.6.2003 *HK$'000* *(unaudited)*	31.12.2002 *HK$'000* *(audited)*
Net current assets		169,362	166,421
Total assets less current liabilities		223,168	221,732
Non-current liability			
Obligations under a finance lease			
– due after one year		(443)	(538)
Minority interests		(20,981)	(20,533)
		201,744	200,661
Capital and reserves			
Share capital		58,400	58,400
Reserves	*12*	143,344	142,261
		201,744	200,661

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2003

	Total equity
	HK$'000
At 1 January 2002	196,305
Net profit for the period	10,387
Dividend paid	(8,760)
At 30 June 2002	197,932
Net profit for the period	2,729
At 31 December 2002	200,661
Net profit for the period	1,083
At 30 June 2003	201,744

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2003

	Six months ended	
	30.6.2003	30.6.2002
	HK$'000	*HK$'000*
	(unaudited)	*(unaudited)*
Net cash used in operating activities	(21,550)	(22,357)
Net cash from (used in) investing activities	8,696	(19,944)
Net cash from financing activities	848	13,943
Net decrease in cash and cash equivalents	(12,006)	(28,358)
Cash and cash equivalents at beginning of the period	10,082	51,310
Cash and cash equivalents at end of the period	(1,924)	22,952
Analysis of the balances of cash and cash equivalents		
Bank balances and cash	17,473	30,869
Bank overdraft	(19,397)	(7,917)
	(1,924)	22,952

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2003

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.

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

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		Pharmaceutical product		Total	
	2003	2002	2003	2002	2003	2002
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'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	30.6.2002
	HK$'000	*HK$'000*
	(unaudited)	*(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	30.6.2002
	HK$'000	*HK$'000*
	(unaudited)	*(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.

6. TAXATION (CONTINUED)

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	2002
	RMB'000	*RMB'000*
	(unaudited)	*(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.

9. TRADE RECEIVABLES

The credit terms granted by the Group to its customers normally range from 90 days to 270 days. The aged analysis of trade receivables is as follows:

	30.6.2003	31.12.2002
	HK$'000	*HK$'000*
	(unaudited)	*(audited)*
Aged:		
Current	**125,153**	143,414
1 to 30 days overdue	**15,461**	6,784
31 to 60 days overdue	**5,757**	6,999
More than 60 days overdue	**20,558**	–
	166,929	157,197

10. TRADE PAYABLES

The aged analysis of trade payables is as follows:

	30.6.2003 *HK$'000* *(unaudited)*	31.12.2002 *HK$'000* *(audited)*
Aged:		
Current	25,312	49,205
1 to 30 days overdue	8,808	92
31 to 60 days overdue	716	–
More than 60 days overdue	3,096	3,536
	37,932	52,833

11. DEPOSIT RECEIVED

The amount represents a deposit received pursuant to an agreement dated 29 July 2003 in connection with the disposal of the Group's entire 48.8% interest in an associate. Details of interest in an associate are set out in note 16.

12. RESERVES

	Share premium account HK$'000	Negative goodwill HK$'000	Translation reserve HK$'000	Non-distributable reserves HK$'000	Special reserve HK$'000	Accumulated profits HK$'000	Total HK$'000
At 1 January 2002	12,779	2,281	3,805	21,768	3,142	94,130	137,905
Net profit for the period	–	–	–	–	–	10,387	10,387
Transfer	–	–	–	2,264	–	(2,264)	–
Dividend paid	–	–	–	–	–	(8,760)	(8,760)
At 30 June 2002	12,779	2,281	3,805	24,032	3,142	93,493	139,532
Net profit for the period	–	–	–	–	–	2,729	2,729
At 31 December 2002	12,779	2,281	3,805	24,032	3,142	96,222	142,261
Net profit for the period	–	–	–	–	–	1,083	1,083
At 30 June 2003	12,779	2,281	3,805	24,032	3,142	97,305	143,344

The non-distributable reserves represent statutory reserves appropriated from the profit after tax of the Company's PRC subsidiaries under the PRC laws and regulations.

The special reserve represents reserve arising pursuant to the group reorganisation as set out in the prospectus issued by the Company dated 26 April 2001 ("Group Reorganisation") and is on the basis that the Group Reorganisation had been effected on 1 January 2000.

13. CAPITAL COMMITMENTS

	30.6.2003 *HK$'000* *(unaudited)*	31.12.2002 *HK$'000* *(audited)*
Capital expenditure contracted for but not provided in the financial statements in respect of acquisition of property, plant and equipment	131	131

14. OTHER COMMITMENTS

At the balance sheet date, the Group had committed under various technology transfer and cooperative agreements with independent third parties to acquire certain technologies and rights for the production of new products at an aggregate consideration of approximately HK$4 million (31.12.2002: HK$4 million).

15. POST BALANCE SHEET EVENTS

Pursuant to an agreement dated 29 July 2003 entered into between the Company and Messrs. Wang Wei Zhong and Bai Xiang Chun, the Company shall dispose of its entire 48.8% interest in an associate, 廣州市富園房地產開發有限公司(「廣州富園」), which was engaged in property development in the PRC, for a total cash consideration of HK$9.4 million. The transaction was completed on 29 July 2003.

廣州富園 has not commenced its commercial operations and its results for the six months ended 30 June 2003 is immaterial.

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.

SHORT AND LONG TERM BUSINESS PROSPECTS AND DEVELOPMENT PLANS (CONTINUED)

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.

EMPLOYEE POLICY, PERFORMANCE AND SALARY PROCEDURES

The Group has a total of over one thousand employees in the PRC and Hong Kong about the same level as last year.

The Group continues to strengthen performance appraisal standards for all employees. Those who fail to meet the appraisal are subject to dismissal. In order to boost the staff morale and enable them to give full play to their professional knowledge and skill, monthly as well as annual appraisals are conducted, those with remarkable performance upon appraisal are rewarded whereas those who fail in the appraisal standards are dismissed.

A quota system is implemented in respect of their task of various job postings. Those who fail to achieve their production quotas have their salary reduced and have their bonuses cancelled in accordance with the One Hundred Points Appraisal System and in proportion to the quantity of work being not completed. Those who have worked exceeding the production indicator such as production or sales quotas are awarded and have their bonuses determined in accordance with the One Hundred Points Appraisal System.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN THE COMPANY AND ITS ASSOCIATED CORPORATION

As at 30 June 2003, the Directors and the chief executive of the Company and their respective associates have the following interests or short positions in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance(the "SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were deemed or taken to have under such provisions of the SFO) or which were required, pursuant to Section 352 of the SFO, 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:

1. *Long positions in shares of the Company*

	Number of Shares			
Name	Personal Interests	Family Interests	Corporate Interests	Other interests
Mr. Wong Yin Sen	–	–	438,000,000 *(Note 1)*	–
Mr. Hon Lik	–	–	438,000,000 *(Note 2)*	–
Ms. Cheng Kong Yin	–	438,000,000 *(Note 3)*	–	–

Notes:

1. Mr. Wong Yin Sen is beneficially interested in 46.25% of the issued share capital of Absolute Target Limited which in turn holds 438,000,000 shares of the Company. The interests of Mr. Wong Yin Sen are accordingly "corporate interest" under the SFO.

2. Mr. Hon Lik is beneficially interested in 42.50% of the issued share capital of Absolute Target Limited which in turn holds 438,000,000 shares of the Company. The interests of Mr. Hon Lik are accordingly "corporate interest" under the SFO.

3. Ms. Cheng Kong Yin is deemed to be interested in 438,000,000 shares of the Company through interest of her spouse, Mr. Wong Yin Sen. The interests of Ms. Cheng Kong Yin are accordingly "family interest" under the SFO.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN THE COMPANY AND ITS ASSOCIATED CORPORATION (CONTINUED)

2. Long positions in shares of the associated corporation

Messrs. Wong Yin Sen, Hon Lik and Wong Hei Lin are beneficially interested in 46.25%, 42.50% and 11.25% of the entire issued share capital of Absolute Target Limited.

SUBSTANTIAL SHAREHOLDER

As at 30 June 2003, the following persons/companies (not being a Director) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group were as follows :

Long positions in shares of the Company

Name	Number of Shares	Percentage holding of Shares
Absolute Target Limited *(Note)*	438,000,000	75.0%

Note: The entire issued share capital of Absolute Target Limited is beneficially owned as to 46.25%, 42.50% and 11.25% by Messrs. Wong Yin Sen, Hon Lik and Wong Hei Lin, respectively.

SHARE OPTION SCHEME

Due to the changes of provisions in Chapter 17 of the Listing Rules on 1 September, 2001, the Company adopted its existing share option scheme (the "Scheme") on 30 May, 2003 and authorized the Board of Directors, at its discretion, to grant share options to the employees of the Company or any of its subsidiaries, including the executive directors of the Company or any of its subsidiaries, to subscribe for Shares. As at the date of this report, no options have been granted under the Scheme to any directors or employees of the Company.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the period up to the date of this report was the Company, its holding company or any of its subsidiaries was the party to any arrangements to procure the directors or their respective spouses or children under the age of 18 to acquire the shares or debentures of the Company.

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