

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



## China Golden Development Holdings Limited 中國金展控股有限公司\*

(Incorporated in Bermuda with limited liability)

(Stock Code: 162)

### INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2009

#### INTERIM RESULTS

The board of directors (the “Board”) of China Golden Development Holdings Limited (the “Company”) announces the unaudited condensed consolidated financial statements of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2009 together with comparative figures for the corresponding period in 2008. The result is stated as follows:

#### CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2009

		(Unaudited)	
		Six months ended 30 June	
	Note	2009 HK\$'000	2008 HK\$'000 (restated)
<b>Turnover</b>	3	<b>262,694</b>	88,345
Cost of sales		<u>(80,666)</u>	<u>(24,658)</u>
<b>Gross profit</b>		<b>182,028</b>	63,687
Other revenue		41,950	8,300
Selling and distribution expenses		(18,863)	(9,751)
General and administrative expenses		(125,244)	(44,050)
Equity settled share-based payment expense for share options granted	4	<u>(1,276)</u>	<u>(1,170)</u>
<b>Operating profit</b>		<b>78,595</b>	17,016
Finance costs	5(a)	<u>(69,179)</u>	<u>(2,084)</u>
<b>Profit before taxation</b>	5	<b>9,416</b>	14,932
Income tax	6	<u>(19,746)</u>	<u>(4,323)</u>
<b>(Loss)/profit for the period</b>		<u><b>(10,330)</b></u>	<u>10,609</u>
<b>Attributable to:</b>			
– Equity shareholders of the Company		(20,127)	10,609
– Minority interests		9,797	–
<b>(Loss)/profit for the period</b>		<u><b>(10,330)</b></u>	<u>10,609</u>
<b>(Loss)/earnings per share (HK cents)</b>	7		
– basic		<u>(1.74)</u>	<u>1.11</u>
– diluted		<u>N/A</u>	<u>1.08</u>

\* For identification purpose only

# CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2009

	(Unaudited)	
	Six months ended	
	30 June	
	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>(Loss)/profit for the period</b>	<b>(10,330)</b>	10,609
<b>Other comprehensive (loss)/income</b>		
Exchange differences on translation of financial statements of overseas subsidiaries	<u>(726)</u>	<u>10,905</u>
<b>Total comprehensive (loss)/income for the period</b>	<b><u>(11,056)</u></b>	<b><u>21,514</u></b>
<b>Attributable to:</b>		
– Equity shareholders of the Company	<b>(20,853)</b>	21,514
– Minority interests	<u>9,797</u>	<u>–</u>
<b>Total comprehensive (loss)/income for the period</b>	<b><u>(11,056)</u></b>	<b><u>21,514</u></b>

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2009

		(Unaudited) At 30 June 2009 <i>HK\$'000</i>	(Audited) At 31 December 2008 <i>HK\$'000</i>
	<i>Note</i>		
<b>Non-current assets</b>			
Fixed assets		155,351	158,534
Goodwill		226,579	226,579
Loan receivables		1,365,947	1,343,644
Deferred tax assets		3,650	3,655
		<u>1,751,527</u>	<u>1,732,412</u>
<b>Current assets</b>			
Inventories		24,164	32,372
Trade and other receivables	9	86,841	60,216
Loan receivables		13,975	20,979
Amount due from a director		130	78
Time deposits		17,034	5,685
Cash and cash equivalents		67,066	84,686
		<u>209,210</u>	<u>204,016</u>
<b>Current liabilities</b>			
Trade and other payables	10	858,321	853,555
Amount due to a related company		–	2,502
Bank loans, secured		329,204	358,575
Obligations under finance leases		31	154
Current taxation		37,246	26,030
		<u>1,224,802</u>	<u>1,240,816</u>
<b>Net current liabilities</b>		<u>(1,015,592)</u>	<u>(1,036,800)</u>
<b>Total assets less current liabilities</b>		<b>735,935</b>	<b>695,612</b>
<b>Non-current liabilities</b>			
Convertible bonds	11	757,016	706,913
<b>NET LIABILITIES</b>		<u><b>(21,081)</b></u>	<u><b>(11,301)</b></u>
<b>CAPITAL AND RESERVES</b>			
Share capital	12	115,824	115,824
Reserves		(217,710)	(198,133)
<b>Total deficit attributable to equity shareholders of the Company</b>		<b>(101,886)</b>	<b>(82,309)</b>
<b>Minority interests</b>		<u><b>80,805</b></u>	<u><b>71,008</b></u>
<b>TOTAL DEFICIT</b>		<u><b>(21,081)</b></u>	<u><b>(11,301)</b></u>

# **NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION**

## **1 EMPHASIS OF MATTER**

Without qualifying in the conclusion of the independent auditor's review report, auditor draw attention to condensed consolidated interim financial information which indicates that the Group incurred a consolidated net loss attributable to the equity shareholders of the Company of approximately HK\$20,127,000 for the six months ended 30 June 2009 and had consolidated net current liabilities of approximately HK\$1,015,592,000 and a full impairment of issued share capital of approximately HK\$21,081,000 at 30 June 2009. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as going concern and therefore that it may be unable to realise its assets and discharge its liabilities in the normal course of business. Nevertheless, the directors are of the opinion that the Group will be able to finance its future working capital and financial requirements given that:

- (i) the Group has been actively discussing with prospective investors to obtain new working capital; and
- (ii) the Company's substantial shareholder has agreed to provide financial support as is necessary to enable the Group to meet its liabilities as they fall due.

## **2 PRINCIPAL ACCOUNTING POLICIES**

The unaudited condensed consolidated interim financial statements of the Company for the six months ended 30 June 2009 (the "Financial Statement") have been prepared in accordance with the International Financial Reporting Standards 34 "Interim Financial Reporting" promulgated by the International Accounting Standards Board.

## **3 TURNOVER AND SEGMENT REPORTING**

The Group's revenue and loss for the six months ended 30 June 2009 are mainly derived from the operation of shopping malls in North-western China. The operations of the Group are subject to similar risks and returns and, therefore, the Group has one single segment. The Group's revenue is substantially derived from its end customers in the PRC and the Group's operating assets are substantially located in the PRC. Accordingly, no segment analysis by business and geographical segments is provided for the six months ended 30 June 2009.

#### 4 EQUITY SETTLED SHARE-BASED PAYMENT EXPENSE FOR SHARE OPTIONS GRANTED

On 15 January 2008, 49,106,000 share options were granted at an exercise price of HK\$0.74 per share. The exercise period is from 16 January 2008 to 15 January 2010. The fair value of the services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). The estimate of the fair value of the share options granted is measured based on Black-Scholes option pricing model. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable.

No options were exercised during the six months ended 30 June 2009 (six months ended 30 June 2008: 22,922,250 options).

#### 5 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

	(Unaudited)	
	Six months ended 30 June	
	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>(a) Finance costs</b>		
Bank charges	82	26
Credit card expenses	6,351	29
Finance charges on obligations under finance leases	19	–
Interest on bank loans wholly repayable within five years	12,624	2,029
Interest on convertible bonds ( <i>note 11</i> )	50,103	–
	<u>69,179</u>	<u>2,084</u>
<b>(b) Other items</b>		
Auditors' remuneration	280	90
Amortisation of intangible assets	–	1,079
Depreciation	8,140	3,088
Interest income	(26,069)	(1,699)
Loss on disposal of fixed assets	193	107
Net exchange loss	68	209
	<u>68</u>	<u>209</u>

## 6 INCOME TAX

	(Unaudited)	
	Six months ended 30 June	
	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current tax – PRC	<u>19,746</u>	<u>4,323</u>

The Company and its subsidiaries are subject to income tax on an entity basis on income arising in or derived from the tax jurisdiction in which they operate.

No provision for Hong Kong profits tax has been made as the Group's income neither arises in, nor is derived from Hong Kong during the period.

## 7 (LOSS)/EARNINGS PER SHARE

### (a) Basic (loss)/earnings per share

The calculation of basic (loss)/earnings per share is based on the loss attributable to equity shareholders of the Company of HK\$20,127,000 (six months ended 30 June 2008: profit of HK\$10,609,000) and the weighted average number of 1,158,241,000 ordinary shares (six months ended 30 June 2008: 959,012,000 ordinary shares) in issue during the interim period, calculated as follows:

Weighted average number of ordinary shares:

	(Unaudited)	
	Six months ended 30 June	
	2009	2008
	<i>'000</i>	<i>'000</i>
Issued ordinary shares at 1 January	1,158,241	948,419
Effect of share options exercised	–	10,362
Effect of exercise of warrants	–	231
Weighted average number of ordinary shares at 30 June	<u>1,158,241</u>	<u>959,012</u>

(b) **Diluted (loss)/earnings per share**

The calculation of diluted (loss)/earnings per share is based on the following data:

(i) ***(Loss)/profit attributable to ordinary equity shareholders of the Company (diluted)***

	(Unaudited)	
	Six months ended 30 June	
	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
(Loss)/profit attributable to ordinary equity shareholders	(20,127)	10,609
After tax effect of effective interest on the liability component of convertible bonds	<u>41,836</u>	<u>–</u>
Profit attributable to ordinary equity shareholders (diluted)	<u><u>21,709</u></u>	<u><u>10,609</u></u>

(ii) ***Weighted average number of ordinary shares (diluted)***

	(Unaudited)	
	Six months ended 30 June	
	2009	2008
	<i>'000</i>	<i>'000</i>
Weighted average number of ordinary shares at 30 June	1,158,241	959,012
Effect of deemed issue of shares under the Company's share option scheme for nil consideration	–	7,115
Effect of warrants	<u>–</u>	<u>19,933</u>
Weighted average number of ordinary shares at 30 June (diluted)	<u><u>1,158,241</u></u>	<u><u>986,060</u></u>

The exercise of the outstanding share options and warrants has no dilutive effect for the six months ended 30 June 2009 because the exercise price of the Company's share options and warrants were higher than the average market price of the shares during the period.

The convertible bonds have no dilutive effect for the six months ended 30 June 2009.

## 8 DIVIDENDS

The Board has resolved not to declare any interim dividend in respect of the six months ended 30 June 2009 (six months ended 30 June 2008: HK\$Nil).

## 9 TRADE AND OTHER RECEIVABLES

Included in trade and other receivables are trade receivables (net of allowance for doubtful debts) with the following ageing analysis:

	(Unaudited) At 30 June 2009 <i>HK\$'000</i>	(Audited) At 31 December 2008 <i>HK\$'000</i>
0-30 days	8,870	4,073
31-60 days	4,826	175
61-90 days	369	107
Over 90 days	<u>1,282</u>	<u>1,028</u>
Trade receivables, net of allowance for doubtful debts	<u><u>15,347</u></u>	<u><u>5,383</u></u>

The Group's retail sales to customers are mainly on cash basis, either in cash or credit card payment. The Group does not have a defined fixed credit policy as its major trade receivables arise from credit card sales.

Based on past experience, the directors believe that no impairment allowance is necessary in respect of these trade receivables arise from credit card sales as there has not been a significant change in credit quality and the balances are still considered fully recoverable.



## 10 TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables with the following ageing analysis as of end of the reporting period:

	(Unaudited) At 30 June 2009 <i>HK\$'000</i>	(Audited) At 31 December 2008 <i>HK\$'000</i>
0-30 days	13,785	19,291
31-90 days	3,102	4,803
Over 90 days	<u>1,656</u>	<u>1,212</u>
Total trade payables	<u><u>18,543</u></u>	<u><u>25,306</u></u>

## 11 CONVERTIBLE BONDS

The carrying values of the derivative component and liability component of the convertible bonds at 30 June 2009 are as follows:

	Liability component <i>HK\$'000</i>	Derivative component <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 31 December 2008 and 1 January 2009	645,773	61,140	706,913
Interest expense	<u>50,103</u>	<u>–</u>	<u>50,103</u>
<b>At 30 June 2009</b>	<u><u>695,876</u></u>	<u><u>61,140</u></u>	<u><u>757,016</u></u>

No conversion of the convertible bonds occurred during the period.

## 12 SHARE CAPITAL

	<b>Number of ordinary shares of HK\$0.1 each '000</b>	<i>HK\$'000</i>
<i>Authorised:</i>		
At 31 December 2008, 1 January 2009 and 30 June 2009	<u>20,000,000</u>	<u>2,000,000</u>
<i>Issued and fully paid:</i>		
At 31 December 2008, 1 January 2009 and 30 June 2009	<u>1,158,241</u>	<u>115,824</u>

## 13 COMPARATIVE FIGURES, RESTATEMENT AND RECLASSIFICATIONS

### (a) Revenue recognition

In previous periods, gross proceeds from concessionaire sales and net proceeds payable to relevant stores after deduction of commission receivable by the Group were included in turnover and cost of sales of the Group respectively. In the current period, the Group has recognised commission income from concessionaire sales as revenue only. The directors consider that the restatement reflects more appropriately the nature of this income.

### (b) Comparative figures

Certain comparative amounts have been reclassified and adjusted to conform to the current period's presentation.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Results

The turnover of the Group for the six months ended 30 June 2009 increased to approximately HK\$263 million compared to approximately HK\$88 million for the corresponding period last year, an increase of approximately 199%.

The gross profit of the Group for the six months ended 30 June 2009 increased to approximately HK\$182 million compared to approximately HK\$63.7 million for the corresponding period last year due to better control on sales mix and the increase in turnover. The gross profit margin of the Group for the six months ended 30 June 2009 slightly decreased from approximately 72% to 69% due to the migration of new acquired business.

The operating, general and administrative expenses for the six months ended 30 June 2009 increased to approximately HK\$145.4 million compared to approximately HK\$55 million for the corresponding period last year.

The finance costs for the six months ended 30 June 2009 increased by approximately 3,220% to approximately HK\$69 million compared to approximately HK\$2.1 million for the corresponding period last year. The rise in the finance costs was mainly attributable to the accrued interest on the convertible bonds during the period.

Loss attributable to equity shareholders of the Company for the six months ended 30 June 2009 was recorded at approximately HK\$20 million compared with the profit of approximately HK\$10.6 million reported in the corresponding period of last year.

### Business Review

Since 2006, the Group has been continuing to explore other business opportunities so as to diversify its business interests. With the huge population of the People's Republic of China (the "PRC"), the PRC has a large consumer base which provides tremendous opportunities for distributors of consumer goods. Having considered the rapid growth in the PRC consumption power, the Group decided to diversify its business into the operation of department stores, starting with acquiring one "Century Ginwa" branded department store in Urumqi from Ginwa Group in May 2006, Xian Hi-Tech store in May 2007, and Xian Bell Tower store in August 2008.

## **Merger and Acquisition**

Regarding the acquisition of 76.43% equity interest in Century Ginwa, the Xian Bell Tower store, approvals have been granted by related PRC government authorities and the acquisition was completed in August 2008. The store has started its contributions to the Group.

## **Future Plan and Prospect**

The Group would continue exploring opportunities in the operation of department store by acquiring existing Century Ginwa department stores and expanding Century Ginwa geographically in the PRC. The Group strongly believes that the business strategy of Century Ginwa could eventually lead the Group to become one of the top tier department stores operators in the PRC.

## **LIQUIDITY AND FINANCIAL RESOURCES**

As at 30 June 2009, net current liabilities and total assets less current liabilities of the Group amounted to approximately HK\$1,016 million (31 December 2008: HK\$1,037 million) and approximately HK\$736 million (31 December 2008: HK\$695.6 million) respectively. As at 30 June 2009, the Group had cash and bank balances amounted to approximately HK\$84 million (31 December 2008: HK\$90.4 million). The current ratio of the Group as at 30 June 2009 was 0.17 (31 December 2008: 0.16).

The gearing ratio, being the bank loan divided by the shareholders' equity, as at 30 June 2009, was nil (31 December 2008: nil).

## **HUMAN RESOURCES**

As at 30 June 2009, the Group employed 1,114 (31 December 2008: 1,196) full time employees including management and administrative staff. Most of the employees are employed in the PRC. The employees' remuneration, promotion and salary increments are assessed based on both individual's and Company's performance, professional and working experience and by reference to prevailing market practice and standards. Apart from the general remuneration package, the Group also granted share options and discretionary bonus to the eligible staff based on their performance and contribution to the Group. The Group regards quality staff as one of the key factors to corporate success.

## **FOREIGN EXCHANGE EXPOSURE**

During the six months ended 30 June 2009, the Group's operation of department stores earned revenue and incurred costs in Renminbi. Renminbi was relatively stable during the period. The directors considered that the Group's exposure to fluctuation in foreign exchange rate was minimal, and accordingly, the Group did not employ any financial instruments for hedging purpose.

## **CONTINGENT LIABILITIES**

As at 30 June 2009, the Group and the Company did not have any material contingent liabilities (31 December 2008: Nil).

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES**

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2009.

## **CORPORATE GOVERNANCE**

The Board considers that the Company has complied throughout the six months ended 30 June 2009 with the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 of the Listing Rules, except for certain deviations. The corporate governance of the Company for the period is stated as follows:

## **Board of Directors**

Code Provision A.2.1 stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Hu Yangxiong is the Vice Chairman & Chief Executive Officer of the Company. The Board considers that this structure will not impair the balance of power and authority between the Board and the Management of the Company. The balance of power and authority is ensured by the operations of the Board, which comprises experienced and high calibre individuals and meets regularly to discuss issues affecting operations of the Company. The Board believes that the current structure is conducive to strong and consistent leadership, enabling the Company to make and implement decisions promptly and efficiently. The Board believes that Mr. Hu's appointment to the posts of Vice Chairman and Chief Executive Officer is beneficial to the business prospects and management of the Company. The Vice Chairman ensures that all directors are properly briefed on issues arising at Board meetings. The Vice Chairman is responsible for ensuring that directors receive adequate, complete and reliable information, in a timely manner.

Code Provision A.4.1 stipulates that non-executive directors should be appointed for a specific term, subject to re-election. None of the existing Independent Non-executive Directors of the Company is appointed for a specific term. However, all the directors (Executive and Independent Non-executive) are subject to retirement at least once every three years under Bye-Law 87(1) of the Bye-Laws of the Company. As such, the Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those in the CG Code.

## **Nomination Committee**

No nomination committee is currently in place but Executive Directors usually consult Independent Non-executive Directors on nominations to the Board.

## **Remuneration Committee**

The remuneration committee is responsible for reviewing the remuneration packages of Executive Director and Senior Management, including bonuses and options granted under the Share Option Scheme, to ensure that such remuneration is reasonable and not excessive. The committee shall consist of not less than 2 members. Currently, the remuneration committee consists of three Independent Non-executive Directors: Mr. Chan Wai Kwong, Peter, and Mr. Fu Wing Kwok, Ewing and Mr. Tsang Kwok Wai and one Executive Director, Mr. Hu Yangxiong.

## **Audit Committee**

The primary objective of the audit committee is to review the financial reporting process of the Group and its internal control system, oversee the audit process and to perform other duties assigned by the Board and make recommendations to the Company to improve the quality of financial information to be disclosed. The audit committee shall consist of not less than 3 members. Currently, the audit committee consists of three Independent Non-executive Directors: Mr. Fu Wing Kwok, Ewing, Mr. Chan Wai Kwong, Peter and Mr. Tsang Kwok Wai and two Executive Directors, Mr. Sha Yingjie and Ms. Lu Xiaoling.

The audit committee has reviewed with management and Baker Tilly Hong Kong Limited the accounting principles and practices adopted by the Group, and discussed auditing, internal control and financial reporting matters including the review of the unaudited interim results for the six months ended 30 June 2009.

## **MODEL CODE FOR SECURITIES TRANSACTION BY DIRECTORS**

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules. Having made specific enquiry of all the directors, all the directors confirmed that they have complied with the required standards set out in the Model Code throughout the six months ended 30 June 2009.

## **SUFFICIENCY OF PUBLIC FLOAT**

Based on the information that is publicly available to the Company and within the knowledge of the directors, the directors confirmed that the Company has maintained the amounts of public float as required under the Listing Rules throughout the six months ended 30 June 2009.

On behalf of the Board  
**China Golden Development Holdings Limited**  
**Hu Yangxiong**  
*Vice Chairman and Chief Executive Officer*

Hong Kong, 11 September 2009

*As at the date of this announcement, the Board comprises five executive directors, namely Messrs. Hu Yangxiong, Qu Jiaqi, Li Haogang, Sha Yingjie and Ms. Lu Xiaoling, and three independent non-executive directors, namely Messrs. Chan Wai Kwong, Peter, Fu Wing Kwok, Ewing and Tsang Kwok Wai.*