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

(Incorporated in Bermuda with limited liability)

(Stock Code: 162)

ANNUAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2009

The directors (the "Directors") of China Golden Development Holdings Limited (the "Company") announce the audited consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2009, together with the comparative figures for the previous financial year as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2009
(Expressed in Hong Kong dollars)

	Note	**2009** **HK$'000**	2008 HK$'000 (Represented)
Turnover	*3*	**542,237**	301,052
Cost of sales		**(158,808)**	(96,483)
Gross profit		**383,429**	204,569
Other revenue and income	*3*	**97,203**	122,044
Selling and distribution expenses		**(41,875)**	(27,596)
General and administrative expenses		**(279,325)**	(177,691)
Provision for impairment of goodwill	*9*	**–**	(604,653)
Operating profit/(loss)		**159,432**	(483,327)
Finance costs	*4*	**(160,951)**	(46,009)
Loss before taxation	*5*	**(1,519)**	(529,336)
Income tax	*6*	**(30,188)**	(10,495)
Loss for the year		**(31,707)**	(539,831)

* *For identification purpose only*

	Note	2009	2008
		HK$'000	*HK$'000*
			(Represented)
Attributable to:			
– Equity shareholders of the Company		**(46,351)**	(545,172)
– Minority interests		**14,644**	5,341
		(31,707)	(539,831)
		HK cents	*HK cents*
Loss per share	*8*		
– Basic		**(3.99)**	(53.62)
– Diluted		**N/A**	N/A

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2009

(Expressed in Hong Kong dollars)

	2009	2008
	HK$'000	*HK$'000*
Loss for the year	**(31,707)**	(539,831)
Other comprehensive income		
Exchange differences on translation of financial statements of overseas subsidiaries	**149**	4,711
Total comprehensive loss for the year	**(31,558)**	(535,120)
Attributable to:		
– Equity shareholders of the Company	**(46,202)**	(540,461)
– Minority interests	**14,644**	5,341
Total comprehensive loss for the year	**(31,558)**	(535,120)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2009

(Expressed in Hong Kong dollars)

	Note	**2009**	2008
		HK$'000	*HK$'000*
Non-current assets			
Fixed assets		**157,641**	158,534
Goodwill	*9*	**226,579**	226,579
Loan receivables		**1,393,789**	1,343,644
Deferred tax assets		**3,368**	3,655
		1,781,377	1,732,412
Current assets			
Inventories		**27,293**	32,372
Trade and other receivables	*10*	**71,851**	60,216
Loan receivables		**8,982**	20,979
Amounts due from related companies		**250**	–
Amount due from a director		**–**	78
Time deposits		**–**	5,685
Cash and cash equivalents		**88,505**	84,686
		196,881	204,016
Current liabilities			
Trade and other payables	*11*	**923,355**	853,555
Amounts due related companies		**47,674**	2,502
Amount due to a director		**135**	–
Bank and other loans	*12*	**267,341**	358,575
Obligations under finance leases		**–**	154
Current taxation		**7,289**	26,030
		1,245,794	1,240,816

	Note	2009 HK$'000	2008 HK$'000
Net current liabilities		**(1,048,913)**	(1,036,800)
Total assets less current liabilities		**732,464**	695,612
Non-current liabilities			
Convertible bonds	*13*	**767,427**	706,913
NET LIABILITIES		**(34,963)**	(11,301)
CAPITAL AND RESERVES	*14*		
Share capital		**116,824**	115,824
Reserves		**(237,439)**	(198,133)
Total deficit attributable to equity shareholders of the Company		**(120,615)**	(82,309)
Minority interests		**85,652**	71,008
TOTAL DEFICIT		**(34,963)**	(11,301)

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

China Golden Development Holdings Limited (the "Company") was incorporated in Bermuda on 8 August 2000 as an exempted company with limited liability under the Companies Act 1981 of Bermuda. The principal activity of the Group is the operation of department stores in the PRC.

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKAS") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The HKICPA has issued one new HKFRS, a number of amendments to HKFRSs and new Interpretations that are first effective for the current accounting period of the Group and the Company. Of these, the following developments are relevant to the Group's financial statements:

– HKFRS 8, Operating segments

– HKAS 1 (revised 2007), Presentation of financial statements

– Amendments to HKFRS 7, Financial instruments: Disclosures – improving disclosures about financial instruments

– Improvements to HKFRSs (2008)

– Amendments to HKAS 27, Consolidated and separate financial statements – cost of an investment in a subsidiary, jointly controlled entity or associate

– HKAS 23 (revised 2007), Borrowing costs

– Amendments to HKFRS 2, Share-based payment vesting conditions and cancellations

– HK(IFRIC) – Int 13, Customer loyalty programmes

– HK(IFRIC) – Int 15, Agreements for the construction of real estate

– HK(IFRIC) – Int 16, Hedges of a net investment in a foreign operation

Except for HKAS 1 (revised 2007) and HK(IFRIC) – Int 13 as described below, the adoption of these new and revised HKFRSs have no material impact on the Group's or the Company's financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

– As a result of the adoption of HKAS 1 (revised 2007), details of changes in equity during the period arising from transactions with equity shareholders in their capacity as such have been presented separately from all other income and expenses in a revised consolidated statement of changes in equity. All other items of income and expense are presented in the consolidated income statement, if they are recognised as part of profit or loss for the period, or otherwise in a new primary statement, the consolidated statement of comprehensive income. Corresponding amounts have been restated to conform to the new presentation. This change in presentation has no effect on reported profit or loss, total income and expense or net assets for any period presented.

– The adoption of HK(IFRIC)-Int 13 has resulted in a change to the Group's accounting policy for its customer loyalty program. Under the Group's customer loyalty program, customers are entitled to convert their award credits into cash vouchers or gifts upon the fulfilment of certain criteria as set out in the terms and conditions of the Group's customer loyalty program. HK(IFRIC)-Int 13 requires such transactions to be accounted for as multiple element revenue transactions and that the consideration received in the initial sale transaction should be allocated between the sale of goods and the award credits that are earned by the customers in that transaction.

  The application of HK(IFRIC)-Int 13 has had no material impact on the Group's financial statements as the scale of redemption of award credits accounted for a small portion as compared to the normal sales transactions.

3. TURNOVER AND REVENUE

Turnover represents the amounts received and receivable for goods sold by the Group to outside customers, net of discounts and sales related taxes, commission from concessionaire sales and rental income for the year.

An analysis of the Group's turnover and other revenue is as follows:–

	2009	2008
	HK$'000	*HK$'000*
Sales of goods – direct sales	**198,105**	117,695
Commission from concessionaire sales *(note)*	**319,242**	171,743
Rental income	**24,890**	11,614
	542,237	301,052

Note: The commission from concessionaire sales is analysed as follows:

Gross proceeds from concessionaire sales	**1,753,351**	959,446
Commission from concessionaire sales	**319,242**	171,743

3. TURNOVER AND REVENUE (CONT'D)

The Group's revenue and loss for the year ended 31 December 2009 are mainly derived from the operation of department stores 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 year ended 31 December 2009.

	2009	2008
Other revenue and income	***HK$'000***	*HK$'000*
		(Represented)
Administration income	**9,517**	2,459
Catering income	**6,533**	5,554
Credit card handling charges	**10,529**	5,752
Fair value gain on the derivative component of convertible bonds	**9,058**	73,108
Interest income on bank deposits	**870**	1,994
Interest income on loan receivables	**51,371**	20,092
Sponsor and service fee income	**1,184**	1,151
Sundry income	**8,141**	6,699
Waiver of interest on promissory notes	**–**	299
Write-back of trade payables *(note)*	**–**	4,936
	97,203	122,044

Note: Based on legal advice in the PRC, the Group's trade creditors in the amount of RMB4,340,000 as at 31 December 2008 lost their right to recourse on the debts that they had not requested payment for over 3 years, recognising a write-back of trade payables of HK$4,936,000 in the consolidated income statement for the year ended 31 December 2008.

4. FINANCE COSTS

	2009	2008
	HK$'000	*HK$'000*
		(Represented)
Bank charges	**153**	142
Credit card expenses	**15,320**	8,304
	15,473	8,446
Finance charges on obligations under finance leases	**26**	13
Interest on bank loans wholly repayable within five years	**42,270**	8,994
Interest on convertible bonds *(note 13)*	**103,182**	28,556
	145,478	37,563
	160,951	46,009

5. LOSS BEFORE TAXATION

	2009	2008
	HK$'000	*HK$'000*
		(Represented)
(a) Staff costs		
Directors' remuneration	**5,469**	6,768
Salaries, wages and other benefits	**57,179**	45,569
Pension scheme contributions	**5,716**	3,162
	68,364	55,499
(b) Other items		
Auditors' remuneration	**1,330**	1,140
Amortisation of intangible assets	**–**	1,497
Cost of inventories sold	**158,808**	96,483
Depreciation	**16,308**	9,459
Exchange losses	**152**	1,121
Fair value gain on the derivative component of convertible bonds	**(9,058)**	(73,108)
Loss on disposal of fixed assets	**1,927**	583
Operating lease charges: minimum lease payments		
– hire of land and buildings	**127,102**	55,717
– hire of motor vehicles	**1,637**	1,482
Provision for impairment of goodwill	**–**	604,653
Provision for impairment of trade and other receivables	**131**	17

6. INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

(a) Taxation in the consolidated income statement represents:

	2009	2008
	HK$'000	*HK$'000*
Current tax – Hong Kong Profits Tax	**–**	–
Current tax – PRC Enterprise Income Tax		
Provision for the year	**27,963**	10,231
Under-provision in respect of prior years	**1,937**	–
	29,900	10,231
Deferred tax		
Origination of temporary differences	**288**	264
	30,188	10,495

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.

The Company is exempted from tax in Bermuda until March 2016.

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 year.

The statutory PRC Enterprise Income Tax rate is 25%. The subsidiaries of the Group operated in the PRC are subject to the PRC Enterprise Income Tax as follows:

– Xian Century Ginwa Property Investments Company Limited ("Xian Century Ginwa") enjoys a preferential tax treatment as being a foreign investment enterprise located in the western region of the PRC, including a reduction in the PRC Enterprise Income Tax to 15% until 2010.

– Century Ginwa Urumqi Shopping Mall Company Limited ("Century Ginwa Urumqi") and Century Ginwa Joint Stock Company Limited ("Century Ginwa") are subject to the standard PRC Enterprise Income Tax rate of 25%.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised.

6. INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT (CONT'D)

(b) Reconciliation between tax expense and accounting loss at applicable tax rates:

	2009	2008
	HK$'000	*HK$'000*
		(Represented)
Loss before taxation	**(1,519)**	(529,336)
Notional tax credit at the applicable tax rate of 25% (2008: 25%) on loss before taxation	**(380)**	(132,334)
Tax effect of non-deductible expenses	**31,245**	144,564
Tax effect of non-taxable revenue	**–**	(60)
Tax effect of temporary differences recognised	**288**	264
Tax effect of unrecognised temporary differences	**(198)**	(145)
Tax effect of unused tax losses not recognised	**1,242**	1,148
Under-provision in respect of prior years	**1,843**	–
Under-provision in current year	**–**	(34)
Tax effect of preferential income tax rate of a subsidiary	**(3,854)**	(2,908)
Others	**2**	–
Actual tax expense	**30,188**	10,495

7. DIVIDENDS

The directors do not recommend the payment of dividends for the year ended 31 December 2009 (2008: Nil).

8. LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share is based on the loss attributable to equity shareholders of the Company of HK$46,351,000 (2008: HK$545,172,000) and the weighted average number of 1,161,556,000 ordinary shares (2008: 1,016,735,000 ordinary shares) in issue during the year, calculated as follows:

8. LOSS PER SHARE (CONT'D)

(a) Basic loss per share (Cont'd)

Weighted average number of ordinary shares:

	Number of shares	
	2009	2008
	'000	*'000*
Issued ordinary shares at 1 January	**1,158,241**	948,419
Effect of share options exercised	**–**	16,677
Effect of exercise of warrants	**3,315**	1,120
Effect of conversion of convertible bonds	**–**	50,519
Weighted average number of ordinary shares at 31 December	**1,161,556**	1,016,735

(b) Diluted loss per share

The calculation of diluted loss per share is based on the following data:

(i) Profit/(loss) attributable to ordinary equity shareholders of the Company (diluted)

	2009	2008
	HK$'000	*HK$'000*
Loss attributable to ordinary equity shareholders	**(46,351)**	(545,172)
After tax effect of effective interest on the liability component of convertible bonds	**86,157**	23,844
Effect of fair value gain recognised on the derivative component of convertible bonds	**(9,058)**	(73,108)
Profit/(loss) attributable to ordinary equity shareholders (diluted)	**30,748**	(594,436)

8. LOSS PER SHARE (CONT'D)

(b) Diluted loss per share (Cont'd)

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

	Number of shares	
	2009	2008
	'000	*'000*
Weighted average number of ordinary shares at 31 December	**1,161,556**	1,016,735
Weighted average number of ordinary shares at 31 December (diluted)	**1,161,556**	1,016,735

The exercise of the outstanding share options and warrants has no dilutive effect for the year ended 31 December 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 year.

The convertible bonds have no dilutive effect for the year ended 31 December 2009.

9. GOODWILL

	HK$'000
Cost:	
At 1 January 2008	4,513
Additions	831,232
Disposal	(2,802)
At 31 December 2008, 1 January 2009 and 31 December 2009	832,943
Accumulated impairment:	
At 1 January 2008	4,513
Provision for impairment loss	604,653
Written back on disposal	(2,802)
At 31 December 2008, 1 January 2009 and 31 December 2009	606,364
Carrying value:	
At 31 December 2009	**226,579**
At 31 December 2008	226,579

9. GOODWILL (CONT'D)

Impairment tests for cash-generating units containing goodwill

Goodwill is allocated to the Group's cash-generating units ("CGU") identified according to business segment as follows:

	2009	2008
	HK$'000	*HK$'000*
Operation of department stores in the PRC	**226,579**	226,579

The recoverable amount of the CGU is determined based on value-in-use calculations. Goodwill is expected to generate cash flow for an indefinite period. These calculations use cash flow projections based on financial budgets approved by management covering approximately a five-year period. Cash flows beyond that five-year period are extrapolated using the estimated rates stated below. The growth rate does not exceed the long-term average growth rate for the business in which the CGU operates.

Key assumptions used for value-in-use calculations:

	2009	2008
	%	*%*
– Gross margin	**19**	19
– Growth rate	**2**	2
– Discount rate	**14.8**	14.8

Management determined the budgeted gross margin and growth rate based on past performance and its expectations for market development. The discount rate used is post-tax and reflects specific risks relating to this segment.

10. TRADE AND OTHER RECEIVABLES

Included in trade and other receivables are trade receivables (net of allowance for impairment loss) with the following ageing analysis as of the reporting date:

	2009	2008
	HK$'000	*HK$'000*
0-30 days	**7,038**	4,073
31-60 days	**402**	175
61-90 days	**745**	107
Over 90 days	**319**	1,028
	8,504	5,383

The Group's retail sales to customers are mainly on cash basis, either in cash, debit card or credit card payment.

11. TRADE AND OTHER PAYABLES

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

	2009	2008
	HK$'000	*HK$'000*
0-30 days	**16,103**	19,291
31-90 days	**4,169**	4,803
Over 90 days	**1,415**	1,212
	21,687	25,306

12. BANK AND OTHER LOANS

	2009	2008
	HK$'000	*HK$'000*
Bank loans, secured *(note (a))*	**186,431**	358,575
Other loan payable *(note (b))*	**80,910**	–
	267,341	358,575

12. BANK AND OTHER LOANS (CONT'D)

(a) Bank loans, secured

The bank loans are interest bearing at a range from 5.31% to 7.254% per annum (2008: 5.31% to 13%), secured by investment securities and properties of related companies and guarantees given by related companies, and are repayable within one year.

(b) Other loan payable

The other loan is unsecured, interest free and repayable on demand *(note 16(b))*.

13. CONVERTIBLE BONDS

The carrying values of the derivative component and liability component of the convertible bonds as at 31 December 2009 are as follows:

	Liability component *HK$'000*	Derivative component *HK$'000*	Total *HK$'000*
At 1 January 2008	–	–	–
Issue of convertible bonds	688,534	149,736	838,270
Fair value gain on the derivative component of convertible bonds	–	(73,108)	(73,108)
Interest expense	28,556	–	28,556
Conversion during the year	(71,317)	(15,488)	(86,805)
At 31 December 2008	645,773	61,140	706,913
At 1 January 2009	645,773	61,140	706,913
Fair value gain on the derivative component of convertible bonds	–	(9,058)	(9,058)
Interest expense	103,182	–	103,182
Interest paid	(33,610)	–	(33,610)
At 31 December 2009	715,345	52,082	767,427

On 22 September 2008, the convertible bond in a principal amount of HK$127,396,100 was converted into 184,900,000 ordinary shares.

As a result of the conversion, the outstanding principal amount of the convertible bonds was HK$1,104,216,100 as at 31 December 2008 and 2009.

14. CAPITAL, RESERVES AND DIVIDENDS

(a) Share capital

Authorised and issued share capital

	2009		2008	
	No. of shares		No. of shares	
	'000	***HK$'000***	*'000*	*HK$'000*
Authorised:				
Ordinary shares of HK$0.1 each				
At 1 January and 31 December	**20,000,000**	**2,000,000**	20,000,000	2,000,000
Ordinary shares, issued and fully paid:				
At 1 January	**1,158,241**	**115,824**	948,419	94,842
Shares issued for conversion of convertible bonds *(note (i))*	**–**	**–**	184,900	18,490
Shares issued for exercise of share options *(note (ii))*	**–**	**–**	22,922	2,292
Shares issued for exercise of warrants *(notes (iii) and (vi))*	**10,000**	**1,000**	2,000	200
At 31 December	**1,168,241**	**116,824**	1,158,241	115,824

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

(i) On 22 September 2008, the convertible bond in a principal amount of HK$127,396,100 was converted into 184,900,000 ordinary shares of HK$0.1 each at the conversion price of HK$0.689. The excess of the conversion price over the par value of the new shares, totalling HK$68,313,000, was credited to the share premium account of the Company.

14. CAPITAL, RESERVES AND DIVIDENDS (CONT'D)

(a) Share capital (Cont'd)

Authorised and issued share capital (Cont'd)

(ii) During the year ended 31 December 2008, 22,922,250 new shares of HK$0.1 each were allotted and issued at a premium of HK$0.35 per share upon the exercise of 22,922,250 share options granted under the share option scheme as mentioned in note "Equity Settled Share-based Transactions" to the Annual Report. The excess of the issue price over the par value of the new shares and the related share-based payment reserve, totalling HK$9,880,000, were credited to the share premium account of the Company.

(iii) During the year ended 31 December 2008, an aggregate of 2,000,000 new shares of HK$0.1 each were issued for cash pursuant to the exercise of 2,000,000 warrants for a cash consideration of HK$920,000. The excess by the subscription price over the par value of the shares and the related warrant reserve, totalling HK$770,000, were credited to the share premium account of the Company.

(iv) On 20 July 2009, the 89,398,156 warrants issued on 20 July 2007 expired.

(v) On 31 August 2009, 231,600,000 warrants at an issue price of HK$0.011 each were issued to an independent third party. Each of the warrants confers rights to the registered holder to subscribe for one new share of the Company in cash at an initial subscription price of HK$0.29 per share, subject to adjustments, up to the amount of HK$67,164,000 at any time during the period of two years from the date of issue.

(vi) On 8 September 2009, 10,000,000 new shares of HK$0.1 each were issued for cash at HK$0.29 per share upon exercise of 10,000,000 warrants by the registered holder for a total consideration of HK$2,900,000. The excess by the subscription price over the par value of the shares and the related warrant reserve, totalling HK$2,010,000, were credited to the share premium account of the Company.

As at 31 December 2009, the Company had 221,600,000 warrants outstanding. The exercise in full of such warrants would, under the present capital structure of the Company, result in an issue of 221,600,000 additional ordinary shares of the Company, including additional share capital and share premium of approximately HK$22,160,000 and HK$42,104,000 (before expenses) respectively.

14. CAPITAL, RESERVES AND DIVIDENDS (CONT'D)

(b) Capital management

The Group's primary objective when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes judgements to the capital structure in light of changes in economic conditions.

15. CONTINGENT LIABILITIES

(a) Litigation

(i) On 7 September 2005, Century Ginwa Joint Stock Company Limited ("Century Ginwa"), a subsidiary of the Company, together with other four unrelated parties (collectively known as the "Guarantor I"), entered into guarantee contracts with a bank to provide guarantees to secure a bank loan of RMB24,000,000, which was interest-bearing at 6.138% per annum, granted to an unrelated party (the "Borrower I") for a period from 7 September 2005 to 6 June 2006. The guarantee period given by the Guarantor I was two years starting from 6 June 2006. By default of the Borrower I, a court judgement was obtained by the bank on 30 October 2006 against the Guarantor I for the repayment of the bank loan together with interest and administrative expenses thereon. On 31 August 2008, Ginwa Investments Company Limited ("Ginwa Investments") entered into a counter-indemnity agreement with Century Ginwa to indemnify it against any loss that may arise from this guarantee. On 31 December 2009, the outstanding balance of the bank loan was approximately RMB18,249,000.

The directors consider that, given the nature of the claims and the preliminary status of these proceedings, it is not possible to estimate the eventual outcome of the claims with reasonable certainty at this stage. In addition, Ginwa Investments has agreed to indemnify Century Ginwa against any loss that may arise from this guarantee and therefore, no provision for penalty interest or other damages has been made in these financial statements.

15. CONTINGENT LIABILITIES (CONT'D)

(a) Litigation (Cont'd)

(ii) Century Ginwa had unsettled bank loan principal of RMB100 out of an original bank loan amount of RMB80,000,000, which was interest-bearing and derived a RMB9,350,000 late settlement interest payable. By default of Century Ginwa, a court judgment was obtained by the bank against Century Ginwa for the repayment of unsettled bank loan together with late settlement interest thereon.

On 11 December 2009, the bank entered into a negotiation agreement with Century Ginwa, in which Century Ginwa agreed to settle the unsettled bank loan principal RMB100 and all legal and other fees incurred and on the same day, the amount was fully settled, while the bank waived the late settlement interest of RMB9,350,000. The case was closed on 14 December 2009.

(b) Financial guarantees issued

(i) On 18 April 2006, Century Ginwa, together with other three unrelated parties (collectively known as the "Guarantor II"), entered into guarantee contracts with a bank to provide guarantees to secure a bank loan of RMB13,460,000 ("First Bank Loan"), which was interest-bearing at 5.22% per annum, granted to an unrelated company (the "Borrower II") for a period of six months from 27 April 2006 to 27 October 2006. The guarantee period given by the Guarantor II was two years starting from 27 October 2006.

On 27 October 2006, the Borrower II negotiated with the bank for a bank loan of RMB12,000,000 ("Second Bank Loan") which was interest-bearing at 5.58% per annum, for a further six months until 26 April 2007 to repay the First Bank Loan, and the First Bank Loan was then fully settled. Under the new loan agreement, the guarantee period given by the Guarantor II was extended for a further six months until 26 April 2009.

On 23 April 2008, the Borrower II negotiated with the bank for another loan of RMB4,500,000, which was interest-bearing at 7.227% per annum, for a further eighteen months until 22 October 2008 to repay the Second Bank Loan. Under the new loan agreement, the guarantee period given by the Guarantor II was extended for a further eighteen months until 23 October 2010. On 31 August 2008, Ginwa Investments entered into a counter-indemnity agreement with Century Ginwa to indemnify it against any loss that may arise from this guarantee. On 31 December 2009, the amount was fully settled.

15. CONTINGENT LIABILITIES (CONT'D)

(b) Financial guarantees issued (Cont'd)

(ii) On 30 June 2008, Century Ginwa, together with Ginwa Investments (collectively known as the "Guarantor III"), entered into guarantee contracts with a bank to provide guarantees to secure a bank loan of RMB90,000,000, which was interest-bearing at 9.486% per annum, granted to 陝西新世界醫藥有限公司 (the "Borrower III") for a period from 30 June 2008 to 31 July 2008. The guarantee period given by the Guarantor III was two years starting from 31 July 2008. Ginwa Investments has equity interests in 陝西新世界醫藥有限公司. On 31 August 2008, Ginwa Investments entered into a counter-indemnity agreement with Century Ginwa to indemnify it against any loss that may arise from this guarantee.

(iii) On 29 September 2007, Century Ginwa entered into guarantee contracts with a bank to provide guarantees to secure a bank loan of RMB18,900,000 ("Third Bank Loan"), which was interest bearing at 9.534% per annum, granted to Ginwa Investments for a period from 29 September 2007 to 28 September 2008. The guarantee period given by Century Ginwa was two years starting from 28 September 2008. On 31 August 2008, Ginwa Investments entered into a counter-indemnity agreement with Century Ginwa to indemnify it against any loss that may arise from this guarantee. On 29 September 2008, Ginwa Investments negotiated with the bank to extend the loan period for eleven months until 28 August 2009, with interest bearing at 15.3421% per annum. The guarantee period given by Century Ginwa was extended for eleven months until 28 August 2011.

On 28 August 2009, Ginwa Investments negotiated with the bank for another loan of RMB17,000,000, which was interest bearing at 10.4274% per annum, for a further twelve months until 27 August 2010 to repay the Third Bank Loan. Under the new loan agreement, the guarantee period given by Century Ginwa was revised to be valid until 27 August 2010. On 31 December 2009, the outstanding balance of the bank loan was RMB17,000,000.

As at 31 December 2009, the directors consider that Ginwa Investments will settle the amount in the near future and any claim made by the bank to Century Ginwa is unlikely. Therefore, a provision for penalty interest or other damages has not been made in these financial statements.

15. CONTINGENT LIABILITIES (CONT'D)

(c) Contingent liabilities in income tax and business tax

(i) Included in the interest income from Ginwa Investments as noted in note "Material Connected and Related Party Transactions" to the Annual Report, there was an amount of RMB22,889,000 (2008: RMB9,029,000) earned for compensating interest payment to PRC banks relating to loans borrowed for lending to Ginwa Investments. According to a PRC tax circular "Guoshuifa (2002) No. 13", such interest income is exempted from the PRC business tax if the lending company, Century Ginwa, is a finance company of the Group. However, there is no clear definition of the term "finance company of the group" in the circular. Thus, there is a risk that the PRC tax bureau may interpret that Century Ginwa does not qualify as a "finance company of the group", in which case the aforesaid interest income should not be exempted from business tax at 5%, resulting in an additional business tax provision of approximately RMB1,144,000 (2008: RMB451,000).

(ii) According to Article 47 of the Enterprise Income Tax Law, if an enterprise makes arrangements for unreasonable commercial purposes for reducing its taxable income, the PRC tax authority has the right to make an adjustment in accordance with reasonable methods as it thinks fit. Thus, for the interest free portion of the loan receivable from Ginwa Investments as in note "Loan Receivables" to the Annual Report, there is a risk that the PRC tax bureau may consider it as a provision of funding without reasonable commercial purposes which aims to reduce the Group's taxable income. The tax bureau may deem the interest income of the Group for the interest free portion of the loan at market rate and calculated as RMB22,404,000, resulting in additional enterprise income tax and business tax provision of RMB5,321,000 and RMB1,120,000 respectively.

16. NON-ADJUSTING SUBSEQUENT EVENTS

(a) On a special general meeting held on 22 December 2009, the Company's shareholders approved an open offer on the basis of one share for every two shares to allot and issue 584,120,426 shares at a subscription price of HK$0.1 per share.

The open offer was completed on 18 January 2010.

(b) On 4 January 2010, Century Ginwa reached an agreement with an independent third party for the repayment of loan in an aggregate amount of RMB71,123,000. The loan is now interest free and repayable by 18 monthly instalments to June 2011. No adjustments have been made to these financial statements as a result of this repayment agreement and therefore the loan is presented as a current liability as at the reporting date.

(c) On 20 February 2010, China King Management Limited ("China King"), a subsidiary of the Company, entered into a memorandum of understanding ("MOU") with Ginwa Hi-Tech, a connected person of the Group, for China King's proposed acquisition from Ginwa Hi-Tech the entire equity interest in two companies and 51% of the equity interest in another company, all of them are established in the PRC and are principally engaged in operation of department stores in the PRC.

On the same day, another MOU was entered into between the Company and an independent third party, for the proposed issuance of convertible bonds by the Company and grant of warrant to the independent third party.

Details are disclosed in the Company's announcements dated 4 February 2010 and 24 February 2010.

17. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the current year's presentation.

BUSINESS REVIEW

The principal business activity of the Group is mainly engaged in the operation of department stores in North-western China.

Based on our new strategy implemented in 2008, we have successfully consolidated of our business in operating of department stores in North-Western China which was one of the highest growing region in the People's Republic of China ("PRC"). Having done that we have led the Group to sustain the economic crisis in the year of 2009 and still reported growth in business. This strategy will continue to provide contribution to the Group and further acquisition opportunities will be solicited.

Department Store Operations

The Group successfully consolidates its business in operation of department stores in Northwestern part of China. At present, the Group operates two department stores in Xian and one department store in Urmuqi, the PRC. It can be proved that the business strategy implemented in 2008 was successful. Under the economic crisis in 2009 the business still achieved a double digit growth.

The Group still incurs a loss is mainly due to the heavy burden of finance costs which does not result from the department store operations. On the one hand there are non-recurring bank loan interests and on the other hand the inputted interest on the convertible bonds also smears the results. The Board is confident to improve the borrowing mix of the Group and will reduce the finance costs in the coming year.

The Board believes that with the continuous improvements of standard of living in the PRC and the implementation of various monetary policies and fiscal stimulus packages to drive domestic consumption, operation of department stores is an attractive industry in the PRC in the near future.

Corporate Restructuring and Introduction of Investment Fund

From the continuous effort of the management to improve its operations and promotion of corporate governance, the Group had successfully signed a Memorandum of Understanding with an investment fund - Hony Capital as a strategic investor on 20 February 2010.

Hony Capital is an investment fund which is structured as an exempted limited partnership established in the Cayman Islands. Based on the limited partnership interests of Hony Capital, Legend Holdings Limited, via its wholly-owned subsidiary, Right Lane Limited, is the single largest investor in Hony Capital, with a holding of approximately 14.3% of the value of the fund. In addition to Legend Holdings Limited, Hony Capital has 75 other investors with interests ranging from 0.02% to 7.15% of the value of the fund.

Merger & Acquisition

As mentioned in 2008 Annual Report, the Group will continue to explore other business opportunities in acquiring department stores in the PRC. As a further step, the Group has signed a Memorandum of Understanding in acquisition of three department stores in Xian, the PRC, on 20 February 2010. If the transaction can be completed, the Board believes that having a network of six department stores, will enhance economies of scale in operations and revenue contribution to the Group.

FINANCIAL RESULTS

Due to the acquisition of 76.43% equity interest in Century Ginwa, the Xian Bell Tower store, was completed in August 2008. The store has started its contributions to the Group, with inclusion of full year sales performance in 2009 and benefited from the implementation of a wide array of measures and policies that aim at promoting domestic consumption and expediting economic growth, the PRC economy posted moderate growth, hence:

i) The turnover of the Group for the twelve months ended 31 December 2009 increased to HK$542 million compared to HK$301 million for the last period, representing an increase of 80%.

ii) The gross profit of the Group increased to HK$383 million compared to HK$205 million of the last period. The gross profit margin of the Group for the twelve months ended 31 December 2009 improved to 70.7% from 68.0% of the last year due to the improvement of sales mix.

iii) The Group's operating profit for 2009 was HK$159 million, increased by 31% from HK$121 million in 2008 (being operating profit excluding the provision for impairment of goodwill).

iv) In 2008, the impairment of goodwill in respect of the acquisition of Century Ginwa Joint Stock Company Limited amounted to HK$605 million. The business value of this subsidiary was based on the valuation reports issued by RHL Appraisal Limited ("RHL"), an independent professional valuer. The decision to provide for impairment of the goodwill was made by the Board after taking into consideration the RHL's reports and the severity of the global financial and economic crisis. No such impairment was made in 2009.

v) The finance costs for 2009 were HK$161 million (2008: HK$46 million). Higher finance costs in 2009 were attributable to the full year inputted interest expenses incurred on the convertible bonds and certain non-recurring expenses incurred on bank loans.

vi) The Group's loss for the year and net consolidated loss attributable to equity shareholders of the Company were HK$32 million (2008: HK$540 million) and HK$46 million (2008: HK$545 million) respectively.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2009, net current liabilities and total assets less current liabilities of the Group amounted to HK$1,049 million (2008: HK$1,037 million) and HK$732 million (2008: HK$696 million) respectively. As at 31 December 2009, the Group had cash and cash equivalents amounting to HK$89 million (2008: HK$90 million). The current ratio of the Group as at 31 December 2009 was 0.16 (2008: 0.16). The gearing ratio, being the bank and other loans divided by the shareholders' equity, as at 31 December 2009, was nil (2008: nil). The capital raising activities during the year are disclosed in note 14 to this announcement.

FUTURE PLAN AND PROSPECT

Recently, the PRC government implemented various monetary policies and fiscal stimulus packages to drive domestic consumption and stimulate the economy. Having considered this advantage, 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 also plans to reinvent and remodel its stores to further enhance the stores image and to improve productivity by the more efficient use of the available floor space. Meanwhile, the Group would introduce more famous international brands to further enhance its market status and maximise shareholder value. 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.

BANKING FACILITIES

The Group's banking facilities are disclosed in note 12 to this announcement.

CONTINGENT LIABILITIES

The Group's contingent liabilities are disclosed in note 15 to this announcement.

FOREIGN EXCHANGE EXPOSURE

During the year, the Group's operation of department stores earned revenue and incurred costs in Renminbi. Renminbi was relatively stable although there was an appreciation pressure during the year. The Directors considered that the Group's exposure to fluctuations in foreign exchange rate was minimal, and accordingly, the Group did not employ any financial instruments for hedging purpose.

SEASONAL OR CYCLICAL FACTORS

During the year, the Group's business operations were not significantly affected by any seasonal and cyclical factors.

MODIFIED AUDITORS' OPINION

The auditors' report on the Group's financial statements for the year ended 31 December 2009 contains a modified auditors' opinion which includes as follows:

"Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2009 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Emphasis of matter

Without qualifying our opinion, we draw attention to the following issues:

(a) As reported in note 2(b) to the financial statements, the Group incurred a consolidated net loss from operations attributable to the equity shareholders of the Company of approximately HK$46,351,000 for the year ended 31 December 2009, had consolidated net current liabilities of approximately HK$1,048,913,000 and a full impairment of issued capital of HK$34,963,000 as at 31 December 2009. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. The consolidated financial statements have been prepared on a going concern basis, the validity of which is dependent on the continuing financial support from the Group's substantial shareholder in order to finance the Group's future working capital and financial requirements and the Group's ability to obtain new working capital from prospective investors and to generate adequate cash flows from its continuing operations in the foreseeable future. The consolidated financial statements do not include any adjustments that would result from a failure to obtain such financial support and working capital. We consider that adequate disclosures have been made.

(b) As reported in note 18(d) to the financial statements, the Group has prepaid HK$14,938,000 in output Value-Added Tax in respect of customer's gift cards sold in 2007 and 2008. The Group has been negotiating with the local PRC Tax Bureau as to when the prepaid output VAT can be used to offset the output VAT derived from the sale of goods in future. The recoverability of this amount is dependent on the outcome of the negotiations."

HUMAN RESOURCES

As at 31 December 2009, the Group employed approximately 1,000 (2008: 1,200) full time employees including management and administrative staff. Most of the employees are employed in Mainland China. 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.

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

Save as disclosed in the note 14 to this announcement, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Bye-laws and the laws in Bermuda.

MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the business of the Group was entered into or existed during the year.

MATERIAL LITIGATION

Save as disclosed in note 15 to this announcement, neither the Company nor any of its subsidiaries is engaged in any other litigation or arbitration of material importance and there is no litigation or claim of material importance known to the directors to be pending or threatened by or against the Company or any of its subsidiaries.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the directors as at the date of this announcement, there is sufficient public float of more than 25% of the Company's shares in the market as required under the Listing Rules.

CORPORATE GOVERNANCE

The Company is committed to maintaining good corporate governance to effectively oversee/guide operations and to enhance long term shareholder value, with an emphasis on having a quality board, transparency, independence and accountability. The Company has applied the principles and complied with the code provisions set out in the Code on Corporate Governance Practices ("CG Code") contained in the Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") during the year ended 31 December 2009, except for certain deviations set out below.

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. For the year ended 31 December 2009, 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.

MODEL CODE FOR SECURITIES TRANSACTION BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers 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 year ended 31 December 2009.

DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Directors are responsible for overseeing in preparation of accounts for each financial period with a view to ensuring such accounts give a true and fair view of the state of affairs of the Group and of the results and cashflow for that year. The Company's accounts are prepared in accordance with all relevant statutory requirements and applicable accounting standards. The Directors are responsible for ensuring that appropriate accounting policies are selected and applied consistently; and that judgments and estimates made are prudent and reasonable.

NOMINATION COMMITTEE

The Board has not set up a nomination committee. The Executive Directors would consult Independent Non-Executive Directors on any nominations to the Board and the Board would review regularly the need to appoint additional Director with appropriate professional knowledge and industry experience.

REMUNERATION COMMITTEE

The remuneration committee is responsible for forming the remuneration's structure and policy of the Group, 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. Generally, their remunerations are determined based on their experience and qualifications, the Group's performance as well as market conditions.

The committee shall consist of not less than two members. Currently, the remuneration committee consists of three Independent Non-Executive Directors: Mr. Chan Wai Kwong, Peter, Mr. Tsang Kwok Wai and Mr. Fu Wing Kwok, Ewing.

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 perform other duties assigned by the Board and make recommendations for the Company to improve the quality of financial information to be disclosed. It also reviews the annual and interim reports of the Company prior to their approval by the Board. The audit committee shall consist of not less than 3 members. Currently, the audit committee consists of three Independent Non-Executive Directors: Mr. Chan Wai Kwong, Peter, Mr. Fu Wing Kwok, Ewing 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 the accounting principles and practices adopted by the Group, and discussed auditing, internal control and financial reporting matters including the review of the audited results for the year ended 31 December 2009, and the unaudited interim results for the six months ended 30 June 2009 prior to their approval by the Board.

APPRECIATION

I would like to express my deep thanks to Mr. Hu Yangxing, the former Vice Chairman and Chief Executive Officer and my fellow directors for their valuable contribution during the difficult year 2009. I would also like to thank you for the commitment made by all the employees in Hong Kong and the PRC. I and on behalf of the Board would also like to extend my sincere thanks to our shareholders, customers, suppliers, bankers and business associates for their continued strong support.

On behalf of the Board
China Golden Development Holdings Limited
Choon Hoi Kit, Edwin
Chief Executive Officer

Hong Kong, 20 April 2010

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