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 2010

FINANCIAL HIGHLIGHTS

	2010	2009	**Change**
	HK$	*HK$*	
		(restated)	
Turnover	**699 million**	548 million	+28%
Profit from operations	**134 million**	74 million	+81%
Profit for the year	**120 million**	39 million	+208%
Profit attributable to equity holders	**74 million**	10 million	+640%
Basic earnings per share	**4.32 cents**	0.88 cents	+391%
Net assets of the Group	**405 million**	241 million	+68%
NAV per share	**0.18 dollar**	0.17 dollar	+6%
Net cash generated from operations	**197 million**	185 million	+6%

* *For identification purpose only*

The directors (the "Directors") of China Golden Development Holdings Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2010, together with the comparative figures for the previous financial year as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2010

	Note	**2010** *HK$'000*	2009 *HK$'000* (restated)
Turnover	*4*	**698,860**	548,052
Cost of sales		**(238,495)**	(173,474)
Gross profit		**460,365**	374,578
Other revenue	*5*	**22,135**	5,644
Other net (loss)/income	*5*	**(3,619)**	442
Selling expenses		**(38,346)**	(29,451)
Administrative expenses		**(306,857)**	(277,365)
Profit from operations		**133,678**	73,848
Finance income/(costs)	*6(a)*	**34,493**	(9,072)
Profit before taxation	*6*	**168,171**	64,776
Income tax	*7*	**(48,449)**	(25,485)
Profit for the year		**119,722**	39,291
Attributable to:			
Equity shareholders of the Company		**74,479**	10,168
Non-controlling interests		**45,243**	29,123
Profit for the year		**119,722**	39,291
Earnings per share			
Basic *(HK$ cents)*	*8*	**4.32**	0.88
Diluted *(HK$ cents)*	*8*	**1.01**	N/A

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2010

	2010	2009
	HK$'000	*HK$'000*
		(restated)
Profit for the year	**119,722**	39,291
Other comprehensive income for the year (before and after tax):		
Exchange differences on translation into presentation currency	**4,202**	2,632
Total comprehensive income for the year	**123,924**	41,923
Attributable to:		
Equity shareholders of the Company	**77,649**	12,211
Non-controlling interests	**46,275**	29,712
Total comprehensive income for the year	**123,924**	41,923

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2010

	Note	2010 HK$'000	2009 HK$'000 (restated)
Non-current assets			
Fixed assets		**994,397**	154,693
Intangible assets	*9*	**403,199**	240,365
Goodwill	*10*	**1,081,609**	757,254
Loans receivables	*11*	**681,174**	1,018,577
Deferred tax assets		**30,447**	12,244
		3,190,826	2,183,133
Current assets			
Inventories		**43,488**	27,293
Trade and other receivables	*12*	**156,992**	81,332
Cash and cash equivalents		**115,101**	88,505
		315,581	197,130
Current liabilities			
Trade and other payables	*13*	**1,198,103**	963,563
Bank and other loans	*14*	**149,371**	241,036
Current taxation		**65,231**	39,689
		1,412,705	1,244,288
Net current liabilities		**(1,097,124)**	(1,047,158)
Total assets less current liabilities		**2,093,702**	1,135,975
Non-current liabilities			
Bank and other loans	*14*	**216,821**	26,305
Unsecured notes	*15*	**98,661**	–
Convertible notes	*16*	**1,275,102**	812,159
Deferred tax liabilities		**97,649**	56,755
		1,688,233	895,219
NET ASSETS		**405,469**	240,756

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

At 31 December 2010

	Note	2010 HK$'000	2009 HK$'000 (restated)
CAPITAL AND RESERVES			
Share capital	*17*	**177,436**	116,824
Reserves	*17*	**134,979**	85,333
Total equity attributable to equity shareholders of the Company		**312,415**	202,157
Non-controlling interests		**93,054**	38,599
TOTAL EQUITY		**405,469**	240,756

NOTES TO THE FINANCIAL STATEMENTS

1 CORPORATE 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 Bermuda Companies Act 1981. The principal activities of the Group are the operations of department stores in the People's Republic of China (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 ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "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.

3 CORRECTION OF PRIOR YEARS' ERRORS AND THEIR EFFECTS

During the course of preparing the Group's financial statements for the year ended 31 December 2010, it has come to the attention of the directors that the prior years' financial statements of the Group and of the Company contained errors.

(a) Initial recognition and subsequent measurements on assets acquired and liabilities assumed in a business combination completed in 2008

On 25 September 2007, the Group, through a wholly owned subsidiary, entered into an agreement with Ginwa Investments Limited ("Ginwa Investments") to acquire 76.43% equity interests in Century Ginwa Joint Stock Company Limited ("Ginwa Bell Tower") for a consideration of HK$1,091,142,000, comprising cash consideration of RMB180,000,000 and the Company's issuance of convertible notes with a face value of HK$1,231,612,200. The acquisition was completed on 31 August 2008. It has come to the attention of the directors that the previous accounting treatments adopted in relation to this acquisition including the related subsequent measurements were not compliant with HKFRS 3, *Business combinations*, as follows:

– intangible assets (trademark use-right) and related deferred tax liabilities of the acquiree were not identified and recognised at the acquisition date.

– non-current loan receivable of the acquiree were not measured at their fair values at the acquisition date by taking into account the effect of discounting.

  As a result of the above adjustments to the identifiable net assets acquired and the below adjustments to the convertible notes issued, a different amount of goodwill has been recognised. In addition, due to the adjustment made to loan receivable, the Group has also adjusted the related amounts of interest income for each accounting period using the effective interest method. The intangible assets (trademark use-right) are assessed to be indefinite.

- Previously the convertible notes issued as part of the consideration were accounted for by the Group as containing a liability component and a derivative component (i.e. a conversion option). But after revisiting the terms of the convertible notes, the directors of the Company consider that the convertible notes should have been accounted for as compound financial instruments containing a liability component, an equity component and a derivative component (i.e. a call option). Adjustments have been made accordingly.

  As a result of the adjustment made to the liability component of the convertible notes, the Group has also adjusted the related amounts of amortisation for each accounting period using the effective interest method. In addition, due to the identification of a new derivative financial instrument, the Group has re-measured the derivative financial instrument at the end of each reporting period using a Binomial model, and adjusted the amounts of changes in fair value for each accounting period.

- Given the change in value of the amount of goodwill arising from the above acquisition, the directors of the Company have reassessed whether the goodwill may be impaired at the end of each reporting period. In assessing the recoverable amount, the directors have revisited the cash flow forecast previously adopted and concluded that such cash flow forecast contained errors. As a result, adjustments were made to the cash flow forecast, and consequently, the overstated amount of impairment loss on goodwill.

  In addition to the above, the Company has also adopted cash flow forecasts that contained errors in considering the recoverability of amounts due from subsidiaries. Based on the revised cash flow forecasts, the directors of the Company consider that no impairment losses on the amounts due from subsidiaries with department store operations is required at 31 December 2009.

(b) Other adjustments to expenses recognised in prior years

The following errors in connection with expenses recognised in prior years have also been identified as follows:

(i) The Group has implemented a customer loyalty programme for its department store operations since inception of the business, but did not account for such programme in accordance with HK(IFRIC)-Int 13, *Customer loyalty programmes*. Accordingly, the Group has made adjustments upon the adoption of HK(IFRIC)-Int 13.

(ii) The Group leases certain properties for its department stores. Under the terms of the leases, the Group is entitled to rent-free periods. Previously such incentive had not been taken into account by the Group when determining the operating lease charge for each accounting period and, consequently, the Group has made adjustments in accordance with the accounting policy.

(iii) The Group previously depreciated certain leasehold improvements over their estimated useful lives, which are longer than their respective lease terms and was not in accordance with the Group's accounting policy. Consequently, the Group has made adjustments to depreciate leasehold improvements over the shorter of their estimated useful lives or lease periods.

4 TURNOVER

Turnover represents the sales value of goods sold to customers (net of value added tax or other sales tax and discounts), net income from concession sales, rental income from operating leases and management service fee income. The amount of each significant category of revenue recognised during the year is analysed as follows:

	2010	2009
	HK$'000	*HK$'000*
		(restated)
Sale of goods	**249,556**	196,909
Net income from concession sales	**402,904**	312,657
Rental income from operating leases	**33,680**	28,616
Management service fee income	**12,720**	9,870
	698,860	548,052

The Group's revenue and profit for the year ended 31 December 2010 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 2010.

5 OTHER REVENUE AND OTHER NET (LOSS)/INCOME

	2010	2009
	HK$'000	*HK$'000*
		(restated)
Other revenue		
Non-redemption of credits under customer loyalty programme	**15,347**	–
Interest income	**1,286**	1,661
Others	**5,502**	3,983
	22,135	5,644
Other net (loss)/income		
Net loss on disposal of fixed assets	**(4,550)**	(1,926)
Net income from the sale of food and beverages in department stores	**931**	2,368
	(3,619)	442

6 PROFIT BEFORE TAXATION

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

(a) Finance (income)/costs:

	2010	2009
	HK$'000	*HK$'000*
		(restated)
Interest expenses on bank and other loans	**19,119**	42,295
Finance charges on unsecured and convertible notes	**95,861**	83,750
Bank charges and other finance costs	**7,748**	5,096
Total borrowing costs	**122,728**	131,141
Finance income on loans receivables	**(126,986)**	(116,248)
Changes in fair value on the derivative components of convertible notes	**(34,319)**	(5,821)
Net loss on redemption of convertible notes	**4,084**	–
	(34,493)	9,072

(b) Staff costs

	2010	2009
	HK$'000	*HK$'000*
		(restated)
Salaries, wages and other benefits	**82,554**	65,320
Contributions to defined contribution retirement plans	**5,910**	5,011
Equity-settled share-based payment expenses	**6,750**	2,553
	95,214	72,884

The Group has no further obligation for payment of other retirement benefits beyond the above annual contributions.

(c) Other items

	2010	2009
	HK$'000	*HK$'000*
		(restated)
Auditors' remuneration –audit service	**1,724**	1,330
Depreciation	**28,521**	23,883
Impairment losses on trade and other receivables	**–**	131
Operating lease charges in respect of:		
– buildings	**115,619**	126,657
– motor vehicles	**1,655**	1,637
– contingent rentals on property rentals	**2,816**	2,000
Net foreign exchange loss	**255**	152
Cost of inventories sold	**191,739**	153,986

7 INCOME TAX

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

	2010	2009
	HK$'000	*HK$'000*
		(restated)
Current tax:		
– Provision for PRC income tax for the year	**50,658**	26,837
– Withholding income tax on dividends paid by a PRC subsidiary of the Group	**1,548**	1,126
– Under-provision in respect of prior years	**853**	1,937
	53,059	29,900
Deferred tax:		
– Origination and reversal of temporary differences	**(4,610)**	(4,415)
	48,449	25,485

8 EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of HK$74,479,000 (2009: HK$10,168,000 (restated)) and the weighted average of 1,724,709,000 ordinary shares (2009: 1,161,392,000 ordinary shares) in issue during that year.

The calculation of diluted earnings per share takes into account on the effects of conversion of convertible notes, exercise of warrants and share options.

9 INTANGIBLE ASSETS

	The Group Trademark use-right *HK$'000* (restated)
Cost:	
At 1 January and 31 December 2009	
As previously reported	–
Prior years' adjustments	240,365
As restated	240,365
Additions through acquisitions of subsidiaries *(Note 18)*	162,834
At 31 December 2010	403,199
Accumulated impairment losses:	
At 1 January 2009, 31 December 2009 and 31 December 2010	–
Carrying amount:	
At 31 December 2010	403,199
At 31 December 2009	240,365

10 GOODWILL

	HK$'000 (restated)
Cost:	
At 1 January and 31 December 2009	
As previously reported	831,232
Prior years' adjustments	255,595
As restated	1,086,827
Addition through acquisitions of subsidiaries *(Note 18)*	324,355
At 31 December 2010	1,411,182
Accumulated impairment losses:	
At 1 January and 31 December 2009	
As previously reported	604,653
Prior years' adjustments	(275,080)
As restated and at 31 December 2010	329,573
Carrying amount:	
At 31 December 2010	1,081,609
At 31 December 2009	757,254

Impairment loss

During the year ended 31 December 2008, the Group acquired 76.43% equity interests in Ginwa Bell Tower for a consideration of HK$1,091.1 million. The excess of the cost of purchase over the net fair value of Ginwa Bell Tower's identifiable net assets was HK$1,086.8 million, which was recorded as goodwill and allocated to the department store operations of Ginwa Bell Tower.

At 31 December 2008, due to the global economic crisis, the directors of the Company have determined that the recoverable amount of the cash generating unit which the goodwill related to was less than its carrying value by HK$329.6 million, and accordingly, an impairment loss of the same amount was provided in 2008.

During the year ended 31 December 2010, the Group acquired 100% equity interests in Golden Chance (Xi'an) Limited ("GCX") for a total consideration of HK$458.6 million. The excess of the cost of purchase over the net fair value of GCX's identifiable net assets was HK$324.4 million, which was recorded as goodwill and allocated to the department store operations of GCX.

The recoverable amount of the cash generating unit was determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets prepared by the directors of the Company covering a five-year period and a discount rate of 7% (2009: 10%).

11 LOANS RECEIVABLES

	2010	2009
	HK$'000	*HK$'000*
		(restated)
Loan receivable from a related party *(Note (i))*	**681,174**	1,018,577
Loans receivable from third parties *(Note (ii))*	**3,526**	8,982
	684,700	1,027,559
Less: Current portion classified as current assets *(Note (ii))*	**(3,526)**	(8,982)
Non-current portion	**681,174**	1,018,577

Note:

(i) Loan receivable from a related party was granted to Ginwa Investments, a related party of the Group, and was part of the assets acquired in the Group's acquisition of Ginwa Bell Tower. The original principal balance of the loan is RMB1,165.3 million (equivalent to approximately HK$1,333.0 million). The loan is secured by convertible notes issued by the Company to the Company's immediate holding company (the "BMRL Notes") and is repayable on 31 August 2013. Of the total loan balance, it's an amount of RMB776.4 million bearing interest at a rate of 6.22% per annum (2009: 5.76% per annum).

On 3 December 2010, a principal amount of RMB425.4 million (equivalent to approximately HK$495.4 million) together with accrued interest of RMB49.7 million (equivalent to approximately HK$57.8 million) were used to offset a portion of the BMRL Notes of HK$544.2 million. As a result of the above offsetting, only an amount of RMB351.0 million is interest bearing. The remaining terms of the loans have not been changed.

(ii) As 31 December 2010, loans receivable from a third party comprise an unsecured loan of RMB3.5 million, bearing interest at 7.839% per annum, and is repayable on 31 August 2011. As at 31 December 2009, loan receivable from a third party comprised an unsecured loan of RMB5.0 million, bear interest at 4% per annum, and has been settled in January 2010.

12 TRADE AND OTHER RECEIVABLES

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

	The Group	
	2010	2009
	HK$'000	*HK$'000*
		(restated)
Less than 1 month	**21,214**	9,014
More than 1 month but less than 3 months	**3,813**	2,234
More than 3 months	**1,060**	797
	26,087	12,045

Trade receivables that were not impaired relate to a wide range of customers for whom there were no recent history of default and have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

13 TRADE AND OTHER PAYABLES

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

	The Group	
	2010	2009
	HK$'000	*HK$'000*
		(restated)
Due within one month or on demand	**359,433**	261,372

14 BANK AND OTHER LOANS

(a) The Group's short-term bank and other loans are analysed as follows:

	The Group	
	2010	2009
	HK$'000	*HK$'000*
		(restated)
Bank loans:		
– Guaranteed by related parties	**45,773**	78,949
– Secured by properties of related parties	**–**	39,361
– Jointly guaranteed by related parties and secured by properties of related parties	**55,271**	68,121
	101,044	186,431
Add: current portion of long-term bank and other loans	**48,327**	54,605
	149,371	241,036

(b) The Group's long-term bank and other loans are analysed as follows:

	The Group	
	2010	2009
	HK$'000	*HK$'000*
		(restated)
Bank loans:		
– Secured by properties of the Group *(Note (i))*	**237,974**	–
Other loans:		
– Secured by properties of related parties	**27,174**	80,910
	265,148	80,910
Less: current portion of long-term bank and other loans	**(48,327)**	(54,605)
	216,821	26,305

Note:

(i) The long-term bank loans are secured by the Group's the leasehold land and buildings. The aggregate carrying value of the secured properties amounted to HK$745.1 million as at 31 December 2010 (2009: HK$Nil).

15 UNSECURED NOTES

On 3 December 2010, the Company issued unsecured notes with a principal amount of HK$138.7 million as part of the consideration for the acquisition of the 100% equity interests in GCX. The unsecured notes are non-interest bearing and will mature on 3 December 2012.

Further details on the acquisition of GCX are set out in Note 18.

16 CONVERTIBLE NOTES

Convertible notes presented in the statement of financial position are comprised as follows:

	2010	2009
	HK$'000	*HK$'000*
		(restated)
Convertible Notes:		
– Liability component	**835,797**	856,771
– Derivative – Call component	**(120,557)**	(44,612)
– Derivative – Conversion component	**311,163**	–
– Derivative – Redemption component	**248,699**	–
	1,275,102	812,159

17 CAPITAL, RESERVES AND DIVIDENDS

(a) Movements in components of equity

	Attributable to equity shareholders of the Company								
	Share capital HK$'000	**Share premium** HK$'000	**Capital reserve** HK$'000	**Statutory reserves** HK$'000	**Exchange reserve** HK$'000	**Accumulated losses** HK$'000	**Total** HK$'000	**Non-controlling interests** HK$'000	**Total equity** HK$'000
Balance at 1 January 2009									
As previously reported	115,824	386,673	54,568	9,148	12,619	(661,141)	(82,309)	71,008	(11,301)
Prior years' adjustments *(Note 3)*	–	(3,648)	73,553	–	(39)	194,493	264,359	(62,121)	202,238
As restated	115,824	383,025	128,121	9,148	12,580	(466,648)	182,050	8,887	190,937
Changes in equity for 2009:									
Profit for the year (restated) *(Note 3)*	–	–	–	–	–	10,168	10,168	29,123	39,291
Other comprehensive income (restated) *(Note 3)*	–	–	–	–	2,043	–	2,043	589	2,632
Total comprehensive income for the year	–	–	–	–	2,043	10,168	12,211	29,712	41,923
Issuance of warrants (restated) *(Note 3)*	–	–	2,443	–	–	–	2,443	–	2,443
Shares issued on the exercise of warrants	1,000	2,010	(110)	–	–	–	2,900	–	2,900
Equity-settled share-based transactions	–	–	2,553	–	–	–	2,553	–	2,553
Appropriation to reserves	–	–	–	9,477	–	(9,477)	–	–	–
Transfer between reserves	–	–	(2,607)	–	–	2,607	–	–	–
Transactions with equity holders of the Group	1,000	2,010	2,279	9,477	–	(6,870)	7,896	–	7,896
Balance at 31 December 2009	116,824	385,035	130,400	18,625	14,623	(463,350)	202,157	38,599	240,756
Balance at 1 January 2010									
As previously reported	116,824	388,578	56,952	18,625	12,768	(714,362)	(120,615)	85,652	(34,963)
Prior years' adjustments *(Note 3)*	–	(3,543)	73,448	–	1,855	251,012	322,772	(47,053)	275,719
As restated	116,824	385,035	130,400	18,625	14,623	(463,350)	202,157	38,599	240,756
Changes in equity for 2010:									
Profit for the year	–	–	–	–	–	74,479	74,479	45,243	119,722
Other comprehensive income	–	–	–	–	3,170	–	3,170	1,032	4,202
Total comprehensive income for the year	–	–	–	–	3,170	74,479	77,649	46,275	123,924
Shares issued on the exercise of warrants	2,000	2,152	(152)	–	–	–	4,000	–	4,000
Shares issued under share option scheme	200	733	(303)	–	–	–	630	–	630
Equity-settled share-based transactions	–	–	6,750	–	–	–	6,750	–	6,750
Shares issued on rights issue	58,412	–	(1,057)	–	–	1,057	58,412	–	58,412
Effect on equity arising from the acquisitions of subsidiaries	–	–	–	–	–	–	–	8,180	8,180
Effect on equity arising from the offsetting of loan receivable with convertible notes and the subsequent extinguishment and recognition of the convertible notes	–	–	(37,183)	–	–	–	(37,183)	–	(37,183)
Appropriation to reserves	–	–	–	17,765	–	(17,765)	–	–	–
Transfer between reserves	–	–	(4,733)	–	–	4,733	–	–	–
Transactions with equity holders of the Group	60,612	2,885	(36,678)	17,765	–	(11,975)	32,609	8,180	40,789
Balance at 31 December 2010	**177,436**	**387,920**	**93,722**	**36,390**	**17,793**	**(400,846)**	**312,415**	**93,054**	**405,469**

(b) Dividends

(i) Dividends payable to equity shareholders of the Company attributable to the year

The directors of the Company do not recommend the payment of a final dividend for the year ended 31 December 2010 (2009: HK$Nil).

(ii) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year

The directors of the Company did not recommend the payment of a final dividend for the year ended 31 December 2009 (2008: HK$Nil).

(c) Share capital

Authorised and issued share capital

	2010		2009	
	Number of shares		Number of shares	
	'000	***HK$'000***	*'000*	*HK$'000*
Authorised:				
Ordinary shares of HK$0.1 each	**20,000,000**	**2,000,000**	20,000,000	2,000,000
Ordinary shares, issued and fully paid:				
At 1 January	**1,168,241**	**116,824**	1,158,241	115,824
Shares issued on rights issue	**584,120**	**58,412**	-	-
Shares issued under share option scheme	**2,000**	**200**	-	-
Shares issued on the exercise of warrants	**20,000**	**2,000**	10,000	1,000
At 31 December	**1,774,361**	**177,436**	1,168,241	116,824

18 ACQUISITIONS OF SUBSIDIARIES

On 31 August 2010, the Company entered into an agreement with Best Mineral Resources Limited, the Company's immediate holding company, to acquire 100% equity interest in GCX, a company owns three department store operations in the PRC, for a consideration of HK$458.6 million. Of the consideration HK$361.3 million was satisfied in cash and the remaining HK$97.3 million was satisfied through the issuance of unsecured notes by the Company. The above acquisition was completed on 3 December 2010.

The directors of the Company consider the acquisition of the three department stores owned by GCX will benefit the Group through synergies and economies of scale.

The identifiable assets acquired and liabilities assumed in the above acquisition were as follows:

	Pre-acquisition carrying amounts *HK$'000*	Fair value adjustments *HK$'000*	Recognised values on acquisition *HK$'000*
Fixed assets	71,866	(806)	71,060
Intangible assets	–	162,834	162,834
Deferred tax assets	12,603	–	12,603
Inventories	4,399	–	4,399
Trade and other receivables	58,884	–	58,884
Cash and cash equivalents	18,951	–	18,951
Trade and other payables	(145,771)	–	(145,771)
Deferred tax liabilities	–	(40,507)	(40,507)
Total identifiable net assets	20,932	121,521	142,453
Less: non-controlling interests			(8,180)
Net identifiable assets acquired			134,273
Goodwill			324,355
Total consideration			458,628
Less: consideration satisfied by issuance of unsecured notes			(97,330)
Consideration satisfied in cash			361,298
Less: cash and cash equivalents acquired			(18,951)
Net cash outflow			342,347

Pre-acquisition carrying amounts of the acquiree's assets and liabilities were determined based on applicable HKFRSs immediately before the acquisition. The values of assets, liabilities and contingent liabilities recognised on acquisition are their estimated fair values. In determining the fair values of fixed assets and intangible assets, the directors of the Company have referenced the fair value adjustments to valuation reports issued by independent valuers. The valuation methods adopted were cost approach, market approach and income approach.

From the date of the above acquisition to 31 December 2010, the above acquisition contributed net loss of HK$6.9 million to the Group for the year ended 31 December 2010. Had the above acquisition been occurred on 1 January 2010, the directors of the Company estimate that the consolidated turnover and consolidated net profit for the year ended 31 December 2010 would have been HK$747.2 million and HK$105.1 million, respectively.

19 CONTINGENT LIABILITIES

(a) Legal claims

(i) Ginwa Bell Tower, a subsidiary of the Group, has provided a guarantee on bank loan of RMB24.0 million drawn by a third party in 2005. This third party has subsequently defaulted repayment on the bank loan and has yet to repay the bank loan as of the date of these financial statements. In October 2006 and December 2009, Ginwa Bell Tower received court judgements which found that both the third party and Ginwa Bell Tower to be jointly and severally liable for the repayment of the defaulted bank loan plus interest accrued thereof. The court judgements have required Ginwa Bell Tower to fulfil its obligation as the guarantor. Under an agreement entered into between Ginwa Bell Tower and Ginwa Investments in 2008, Ginwa Investments has agreed to indemnify Ginwa Bell Tower on any losses incurred arising from the above guarantee. As of 31 December 2010, the defaulted bank loan plus accrued interest amounted to RMB26.2 million (equivalent to approximately HK$30.8 million). The directors of the Company believe the indemnity agreement entered into with Ginwa Investments will enable the Group to recover any losses the Group may have incurred arising from the above guarantee. Accordingly, no provision has been made in respect of this claim.

(ii) In January 2011, Ginwa Bell Tower received a notice that it is being sued by a third party in respect of a guarantee provided by Ginwa Bell Tower on a loan of RMB13.2 million (equivalent to approximately HK$15.6 million) granted by this third party to Ginwa Investments in August 2005. Ginwa Investments has subsequently defaulted repayment on the loan but is currently under negotiation with the third party to formulate a revised repayment plan. As of the date of these financial statements, the above lawsuit is under reviewed before an arbitrator. The directors of the Company believe Ginwa Investments will be able to agree a revised repayment plan with the third party in the foreseeable future. Accordingly, no provision has been made in respect of this claim.

(b) Financial guarantees issued

As at the end of the reporting period, in addition to the guarantees mentioned in Note 14, the Group has issued the following guarantees:

(i) A guarantee provided by Ginwa Bell Tower in respect of an interest bearing bank loan of RMB90.0 million (equivalent to approximately HK$102.3 million) drawn by Ginwa Investments in 2008. The loan will mature in July 2012. In September 2010, Ginwa Bell Tower and Ginwa Investments have entered into an agreement, where Ginwa Investments has agreed to indemnify Ginwa Bell Tower on any losses incurred arising from the above guarantee.

(ii) A guarantee provided by Ginwa Bell Tower in respect of an interest bearing bank loan of RMB15.0 million (equivalent to approximately HK$16.0 million) drawn by Ginwa Investments in 2007. The loan will mature in September 2013. In August 2008, Ginwa Bell Tower and Ginwa Investments have entered into an agreement, where Ginwa Investments has agreed to indemnify Ginwa Bell Tower on any losses incurred arising from the above guarantee.

As at the end of the reporting period, the directors of the Company do not consider it probable that a claim will be made against the Group under any of the above guarantees. The maximum liability of the Group at the end of the reporting period under the guarantees issued is the outstanding amount of the bank loans of RMB105.0 million (equivalent to approximately HK$118.3 million) plus accrued interest.

20 NON-ADJUSTING SUBSEQUENT EVENTS

(a) Acquisition of non-controlling interests in a subsidiary of the Group

On 30 December 2010, the Company, through a wholly-owned subsidiary of the Group, entered into various share transfer agreements to acquire the remaining 49% equity interests in Shaanxi Century Ginwa Tangrenjie Shopping Mall Company Limited ("Ginwa Tangrenjie") from the existing non-controlling equity holders of Ginwa Tangrenjie at a total consideration of RMB47.5 million (equivalent to approximately HK$55.6 million). Upon completion of the above share transfers, Ginwa Tangrenjie will be a wholly-owned subsidiary of the Group. Up to the date of issue of these financial statements, these transactions have not been completed.

The directors of the Company have confirmed that the Group has commenced considering the potential financial impact of the above transactions but is not yet in a position to determine the potential financial impact of the above transactions on the Group's results of operations in future periods and financial position at future dates.

(b) Acquisition of a subsidiary

On 31 January 2011, the Company, through a wholly-owned subsidiary, entered into a share transfer agreement with a third party to acquire 100% equity interests in Ideal Mix Limited, a company owns several department store operations in the PRC, at a consideration of HK$348.5 million. The consideration will be satisfied by HK$254.0 million in cash and the Company's issuance of HK$94.5 million of convertible notes to this third party. This acquisition will require the approval by the Company's shareholders in a special general meeting to be held in the future. Up to the date of issue of these financial statements, this acquisition has not been completed.

The directors of the Company have confirmed that the Group has commenced considering the potential financial impact of the above acquisition but is not yet in a position to determine the potential financial impact of the above acquisition on the Group's results of operations in future periods and financial position at future dates.

(c) Possible acquisition of a subsidiary

On 18 January 2011, the Company, through a wholly-owned subsidiary, entered into a memorandum of understanding ("MOU") with a third party. Pursuant to the MOU, which is subject to further negotiation between the Group and this third party and the finalisation of the related agreement, the Group will acquire 100% equity interests in a company which owns the properties that one of the Group's department stores is currently situated. The preliminary consideration is set at RMB1,030.0 million (equivalent to approximately HK$1,205.1 million). As at the date of issue of these financial statements, the share transfer agreement on the above transaction has yet to be finalised.

(d) Change of the Company's name

On 15 February 2011, the shareholders of the Company have approved to change the Company's name from "China Golden Development Holdings Limited" to "Century Ginwa Retail Holdings Limited" in a special general meeting . As at the date of issue of these financial statements, the above change of name has yet to be completed.

21 COMPARATIVE FIGURES

As a result of the correction of prior years' errors, certain comparative figures have been adjusted to conform to current year's presentation and to provide comparative amounts in respect of items disclosed for the first time in 2010. Further details of these corrections are disclosed in Note 3.

BUSINESS REVIEW

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

We have successfully consolidated our department stores operation in North-western China, one of the highest growing regions in the People's Republic of China ("PRC"). This enables us to lead the Group to achieve continuous business growth in 2010. This strategy will continue to generate revenue for the Group, while it will also identify further acquisition opportunities.

Department Store Operations

In December 2010, the Group acquired three Century Ginwa branded department stores and the properties of Xian Bell Tower Department Store. Currently, the Group operates five department stores in Xian and one department store in Urumqi, the PRC, which achieved continuous business growth.

The Board believes that with the rising standard of living and the increasing domestic demand in China, the department store operations will become an industry generating a considerable revenue in China in the foreseeable future.

Corporate Restructuring and Introduction of Investment Fund

With the continuous effort of the management to improve its operations and to promote corporate governance, the Group had successfully signed a Memorandum of Understanding with Hony Capital, an investment fund, 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. Apart from Legend Holdings Limited, Hony Capital has 77 other investors with interests ranging from 0.02% to 7.15% of the value of the fund.

Pursuant to the Memorandum of Understanding signed on 20 February 2010, the Group had successfully signed a Convertible Notes Agreement on 31 August 2010 to secure an investment of HK$887 million. In addition, the Group also issued an option agreement to allow the option holder to purchase another Convertible Notes with a principal of HK$443.5 million with the same term of the Convertible Notes issued. The transaction was completed on 3 December 2010. By securing this investment, the Group is able to expand its operation, reduce banking facilities cost and optimize capital structure continuously.

Merger & Acquisition

As mentioned in 2009 Annual Report, the Group will continue to explore other business opportunities of acquiring department stores in the PRC. As a further step to achieve its business objective, the Group had completed the acquisitions of three departments in Xian, the PRC on 3 December 2010. The Board believes with its operation network comprising six department stores, the Group could enhance economies of scale, attract more talents and strengthen the advantages of bulk purchasing, so as to contribute more revenue to the Group.

In order to consolidate the development of its own business and mitigate the impact of increasing rental expenses due to appreciation of commercial properties on operation, the Group had successfully acquired CPI Asia Big Bell Limited, the holding company of the properties in which Xian Bell Tower Store, operated by Century Ginwa Joint Stock Company Limited, is located on 3 December 2010. This acquisition allows the Group to optimize its assets quality, saving rental expenses of more than HK$60 million per year. At the same time, the Group will also continue to identify and acquire premium commercial properties in the PRC when appropriate.

On 18 January 2011, the Group signed a Memorandum of Understanding with Shaanxi F&L Properties Co. Ltd, for the acquisition of a property situated at North District, Xian City, Shaanxi Province at the consideration of RMB 1.03 billion. Upon completion, apart from 25,000 square meters in operation, it will increase the Group's commercial operation area by approximately 60,000 square meters. As Xian Municipal Government and its various administrative authorities have been relocated to the north, it is expected that this acquisition will be another bright spot in operation.

On 31 January 2011, the Group announced to acquire 100% equity interest in Ideal Mix Limited, which owns 2 department stores and 5 supermarkets in Xianyang City, Shaanxi Province, with guaranteed profit for 2011 of not less than RMB 32 million. The Group is confident that it can integrate resources from different regions to capitalize the maximum synergies, in order to maximize shareholders' profits.

FINANCIAL RESULTS

In the year, the Group successfully acquired Golden Chance (Xian) Limited and CPI Asia Big Bell Limited. Benefited from the steady economy growth of China and its economies of scale, the Group achieved continuous business growth.

(i) The turnover of the Group for the year ended 31 December 2010 increased to HK$699 million as compared to HK$548 million for the same period last year, representing an increase of 28%.

(ii) The gross profit of the Group increased to HK$460 million as compared to HK$375 million for the same period last year. The gross profit margin of the Group for the year ended 31 December 2010 decreased to 66% from 68% of last year due to acquisition of newly operated departments stores in Xian during the year.

(iii) The Group's operating profit for 2010 was HK$134 million, increased by 81% from HK$74 million for 2009.

(iv) The finance income in 2010 was HK$34 million (2009 finance costs: HK$9 million). The changes in finance income/costs was mainly due to a gain of HK$34 million arising from change in fair value of the convertible bonds recorded in 2010 (2009: HK$6 million).

(v) The Group's profit for the year and consolidated profit attributable to shareholders of the Company were HK$120 million (2009: HK$39 million) and HK$74 million (2009: HK$10 million) respectively.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2010, the Group's consolidated net assets value was HK$405 million (2009: HK$241 million). As at 31 December 2010, the Group had cash and cash equivalents amounting to HK$115 million (2009: HK$89 million). The current ratio of the Group as at 31 December 2010 was 0.22 (2009: 0.16). The gearing ratio, being the bank and other loans, the unsecured notes and the convertible bonds and less cash and cash equivalents divided by the total equity, as at 31 December 2010, was 4.01 (2009: 4.12). The capital raising activities during the year are disclosed in note 17 to this announcement.

FUTURE PLAN AND OUTLOOK

In recent years, the economic development of China has gradually matured with increasing domestic demand, which steadily lift the per capita disposable income and total retail sales of social consumer goods. On the other hand, pace of urbanization in China will further drive the development of the modern retail industry. In view of this favourable situation, the Group will 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 existing stores to further enhance the store 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 maximize shareholders' 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 store operators in the PRC.

BANKING FACILITIES

The Group's banking facilities are disclosed in note 14 to this announcement.

CONTINGENT LIABILITIES

The Group's contingent liabilities are disclosed in note 19 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.

AUDITORS' OPINION

The auditors' report on the Group's financial statements for the year ended 31 December 2010 contains an unqualified auditors' opinion which includes emphases of matter as follows:

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Company and of the Group as at 31 December 2010, and of the Group's profit 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.

Emphases of matter

Without qualifying our opinion, we draw attention to Note 4 to the consolidated financial statements which states that the Company has made various prior years' adjustments to restate the consolidated financial statements and the Company's financial statements for the year ended 31 December 2009, including certain opening balances as at 1 January 2009. The prior years' adjustments have been made to correct certain prior years' errors that were identified during our audit of the Group's consolidated financial statements for the year ended 31 December 2010.,

HUMAN RESOURCES

As at 31 December 2010, the Group employed approximately 1,600 (2009: 1,000) 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 17 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 19(a) 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 2010, 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. During the period from 8 March 2010 to 31 December 2010 (the "Relevant Period"), the Company did not have chairman or deputy chairman of the Board. During the Relevant Period, the Board, with the assistance of the chief executive officer and other senior management of the Group, was responsible for overseeing the management of the Board and the day-to-day management of the business of the Group. The Board considers that such arrangements enable the Group to operate effectively and ensure a balance of power and authority. Mr. Wu Yijian and Mr. Qiu Zhongwei have been appointed as Chairman and Vice Chairman of the Company on 7 January 2011 respectively.

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, Non-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 2010.

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 period. 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 formulating 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 one Executive Director: Mr. Qiu Zhongwei, four Independent Non-Executive Directors: Mr. Chan Wai Kwong, Peter, Mr. Tsang Kwok Wai, Mr. Fu Wing Kwok, Ewing and Ms. Li Ling, and one Non-executive Director: Mr. Chen Shuai.

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 four Independent Non-Executive Directors: Mr. Chan Wai Kwong, Peter, Mr. Fu Wing Kwok, Ewing, Mr. Tsang Kwok Wai and Ms. Li Ling, one Non-executive Director, Mr. Chen Shuai.

The audit committee together with management and independent auditors have reviewed 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 2010, and the unaudited interim results for the six months ended 30 June 2010 prior to their approval by the Board.

APPRECIATION

I would like to express my deep thanks to my fellow directors and colleagues for their valuable contribution during the year 2010. I and on behalf of the Board would also like to extend my sincere thanks to our shareholders, investors, customers, suppliers, bankers and business associates for their continued strong support.

On behalf of the board
China Golden Development Holdings Limited
Wu Yijian
Chairman

Hong Kong, 22 March 2011

As at the date of this announcement, the Board comprises four executive directors, being Mr. Qiu Zhongwei, Mr. Choon Hoi Kit, Edwin, Mr. Qu Jiaqi and Mr. Sha Yingjie; two non-executive directors, being Mr. Wu Yijian and Mr. Chen Shuai; and four independent non-executive directors, being Mr. Chan Wai Kwong, Peter, Mr. Fu Wing Kwok, Ewing, Mr. Tsang Kwok Wai and Ms. Li Ling.