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 31ST DECEMBER 2008

The directors (the "Directors") of China Golden Development Holdings Limited (the "Company") are pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended 31st December 2008, together with the comparative figures for the previous financial year as follows:

CONSOLIDATED INCOME STATEMENT
for the year ended 31st December 2008
(Expressed in Hong Kong dollars)

	Note	**2008** **HK$'000**	2007 *HK$'000* (Restated)
Turnover	*3*	**301,052**	115,656
Cost of sales		**(96,483)**	(33,602)
Gross profit		**204,569**	82,054
Other revenue and income	*3*	**118,100**	11,969
Selling and distribution expenses		**(27,596)**	(19,274)
General and administrative expenses		**(175,232)**	(61,704)
Provision for impairment of goodwill	*9*	**(604,653)**	–
Operating (loss)/profit		**(484,812)**	13,045
Finance costs	*4*	**(44,524)**	(2,289)
(Loss)/profit before taxation	*5*	**(529,336)**	10,756
Income tax	*6*	**(10,495)**	(5,426)
(Loss)/profit for the year		**(539,831)**	5,330

* *For identification purpose only*

CONSOLIDATED INCOME STATEMENT (CONT'D)

for the year ended 31st December 2008

(Expressed in Hong Kong dollars)

	Note	**2008**	2007
		HK$'000	*HK$'000*
			(Restated)
Attributable to			
– Shareholders of the Company		**(545,172)**	5,330
– Minority interests		**5,341**	–
		(539,831)	5,330
(Loss)/earnings per share (HK cents)	*8*		
– basic		**(53.62)**	0.94
– diluted		**N/A**	0.89

CONSOLIDATED BALANCE SHEET

as at 31st December 2008

(Expressed in Hong Kong dollars)

	Note	**2008**	2007
		HK$'000	*HK$'000*
Non-current assets			
Fixed assets		**158,534**	63,836
Intangible assets		**–**	15,578
Goodwill	*9*	**226,579**	–
Loan receivables		**1,343,644**	10,000
Deposits for acquisition of subsidiaries		**–**	17,160
Deferred tax assets		**3,655**	–
		1,732,412	106,574
Current assets			
Inventories		**32,372**	7,606
Trade and other receivables		**60,216**	22,858
Loan receivables		**20,979**	26,153
Amounts due from related companies		**–**	60,006
Amount due from a director		**78**	–
Time deposits		**5,685**	100,000
Cash and cash equivalents		**84,686**	138,363
		204,016	354,986
Current liabilities			
Trade and other payables		**853,555**	96,335
Amount due to a related company		**2,502**	–
Bank loans, secured		**358,575**	1,059
Obligations under finance leases		**154**	–
Promissory notes		**–**	2,480
Current taxation		**26,030**	3,845
		1,240,816	103,719

CONSOLIDATED BALANCE SHEET (CONT'D)

as at 31st December 2008

(Expressed in Hong Kong dollars)

	Note	2008 HK$'000	2007 HK$'000
Net current (liabilities)/assets		**(1,036,800)**	251,267
Total assets less current liabilities		**695,612**	357,841
Non-current liabilities			
Convertible bonds	*10*	**706,913**	–
NET (LIABILITIES)/ASSETS		**(11,301)**	357,841
CAPITAL AND RESERVES	*11*		
Share capital		**115,824**	94,842
Reserves		**(198,133)**	262,999
Total equity attributable to equity shareholders of the Company		**(82,309)**	357,841
Minority interests		**71,008**	–
TOTAL (DEFICIT)/EQUITY		**(11,301)**	357,841

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

China Golden Development Holdings Limited (the "Company") was incorporated in Bermuda on 8th 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 shopping malls 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, 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.

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:–

	2008	2007
	HK$'000	*HK$'000*
		(Restated)
Sales of goods – direct sales	**117,695**	40,544
Commission from concessionaire sales *(note)*	**171,743**	67,717
Rental income	**11,614**	7,395
	301,052	115,656

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

	2008	2007
Gross proceeds from concessionaire sales	**959,446**	379,711
Commission from concessionaire sales	**171,743**	67,717

3. TURNOVER AND REVENUE (CONT'D)

Other revenue and income	**2008** ***HK$'000***	2007 *HK$'000*
Catering income	**5,554**	2,307
Fair value gain on the derivative component of convertible bonds	**73,108**	–
Guarantee profit	**–**	4,327
Interest income on bank deposits	**1,994**	698
Interest income on loan receivables	**20,092**	367
Reimbursement of administrative expenses	**4,098**	–
Sponsor and service fee income	**1,151**	305
Sundry income	**6,868**	3,899
Waiver of interest on convertible bonds	**–**	66
Waiver of interest on promissory notes	**299**	–
Write-back of trade payables	**4,936**	–
	118,100	11,969

4. FINANCE COSTS

	2008 ***HK$'000***	2007 *HK$'000*
Bank charges	**142**	98
Credit card expenses	**6,819**	2,067
	6,961	2,165
Finance charges on obligations under finance leases	**13**	–
Interest on bank loans wholly repayable within five years	**8,994**	24
Interest on convertible bonds (note 10)	**28,556**	–
Interest on promissory notes	**–**	100
	37,563	124
	44,524	2,289

5. (LOSS)/PROFIT BEFORE TAXATION

	2008	2007
	HK$'000	*HK$'000*
(a) Staff costs (including directors' remuneration)		
Salaries, wages and other benefits	**50,990**	22,788
Pension scheme contributions	**3,215**	1,209
Share-based payment expenses	**1,294**	–
	55,499	23,997
(b) Other items		
Auditor's remuneration	**1,140**	612
Amortisation of intangible assets	**1,497**	2,055
Cost of inventories sold	**96,483**	33,602
Depreciation	**9,459**	3,788
Exchange loss	**1,121**	260
Fair value gain on the derivative component of convertible bonds	**(73,108)**	–
Loss on disposal of fixed assets	**583**	669
Operating lease charges: minimum lease payments		
– in respect of rented properties	**55,360**	14,166
– in respect of motor vehicles	**1,839**	–
Provision for impairment loss of goodwill	**604,653**	–
Provision for impairment loss of other receivables	**17**	32

6. INCOME TAX

Taxation in the consolidated income statement represents:

	2008	2007
	HK$'000	*HK$'000*
Current tax – Hong Kong Profits Tax	**–**	–
Current tax – PRC Enterprise Income Tax		
Provision for the year	**10,231**	4,939
Under-provision in respect of prior years	**–**	487
	10,231	5,426
Deferred tax		
Origination of temporary differences	**264**	–
	10,495	5,426

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 taxation in Bermuda until March 2016.

The statutory PRC corporate income tax rate is 25%. The subsidiaries of the Group operated in the PRC are subject to PRC corporate 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 PRC, including a reduction in PRC corporate income tax to 15% until 2010.

- Century Ginwa Urumqi Shopping Mall Company Limited ("Century Ginwa Urumqi") enjoys a preferential tax treatment as being a foreign investment enterprise located in the western region of PRC, including a reduction in PRC corporate income tax rate to 25%.

On 16th March 2007, the PRC promulgated the Law of the PRC on Enterprise Income Tax (the "New Law") by Order No. 63 of the President of the PRC. On 6th December 2007, the State Council of the PRC issued Implementation Regulations of the New Law. Under the New Law and Implementation Regulations, the Enterprise Income Tax rate for certain subsidiaries in the PRC was reduced from 33% to 25% from 1st January 2008 onwards.

7. DIVIDENDS

The directors do not recommend the payment of dividends for the year ended 31st December 2008 (2007: Nil).

8. (LOSS)/EARNINGS PER SHARE

(a) Basic (loss)/earnings per share

The calculation of basic (loss)/earnings per share is based on the (loss)/profit attributable to equity shareholders of the Company of HK$545,172,000 (2007: HK$5,330,000) and the weighted average number of 1,016,735,000 ordinary shares (2007: 565,140,000 ordinary shares) in issue during the year, calculated as follows:

Weighted average number of ordinary shares:

	Number of shares	
	2008	2007
	'000	*'000*
Issued ordinary shares at 1st January	**948,419**	491,067
Effect of share options exercised	**16,677**	4,175
Effect of exercise of warrants	**1,120**	2,958
Effect of conversion of convertible bonds	**50,519**	4,936
Effect of placement of new shares	**–**	62,004
Weighted average number of ordinary shares at 31st December	**1,016,735**	565,140

(b) Diluted (loss)/earnings per share

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

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

	2008	2007
	HK$'000	*HK$'000*
(Loss)/profit attributable to ordinary equity shareholders	**(545,172)**	5,330
After tax effect of effective interest on the liability component of convertible bonds	**23,844**	–
Effect of fair value gain recognised on the derivative component of convertible bonds	**(73,108)**	–
(Loss)/profit attributable to ordinary equity shareholders (diluted)	**(594,436)**	5,330

8. **(LOSS)/EARNINGS PER SHARE (CONT'D)**

(b) Diluted (loss)/earnings per share (cont' d)

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

	2008	2007
	HK$'000	*HK$'000*
Weighted average number of ordinary shares at 31st January	**1,016,735**	565,140
Effect of conversion of convertible bonds *(note 10)*	**–**	11,593
Effect of deemed issue of shares under the Company's share option scheme for nil consideration	**–**	6,144
Effect of warrants	**–**	18,010
Weighted average number of ordinary shares (diluted) at 31st December	**1,016,735**	600,887

The exercise of the outstanding share options and warrants has no dilutive effect for the year ended 31st December 2008 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 31st December 2008.

9. **GOODWILL**

	HK$'000
Cost:	
At 1st January 2007 and 31st December 2007	4,513
At 1st January 2008	4,513
Additions	831,232
Disposals	(2,802)
At 31st December 2008	832,943
Accumulated impairment:	
At 1st January 2007 and 31st December 2007	4,513
At 1st January 2008	4,513
Provision for impairment loss	604,653
Written back on disposal	(2,802)
At 31st December 2008	606,364
Carrying value:	
At 31st December 2008	226,579
At 31st December 2007	–

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:

	2008	2007
	HK$'000	*HK$'000*
Operation of shopping malls in PRC	**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:

	%
– Gross margin	79
– Growth rate	2
– Discount rate	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. CONVERTIBLE BONDS

The carrying values of the derivative component and liability component of the convertible bonds as at 31st December 2008 are as follows:

	Liability component	**Derivative component**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
At 1st 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 *(note 4)*	28,556	–	28,556
Conversion during the year	(71,317)	(15,488)	(86,805)
At 31st December 2008	645,773	61,140	706,913

On 22nd 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 31st December 2008.

11. CAPITAL AND RESERVES ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

(a) Share capital

Authorised and issued share capital

	2008		2007	
	No. of shares ***'000***	***HK$'000***	No. of shares *'000*	*HK$'000*
Authorised:				
Ordinary shares of HK$0.1 each				
At 1st January	20,000,000	2,000,000	2,000,000	200,000
Increase in authorised share capital	–	–	18,000,000	1,800,000
At 31st December	20,000,000	2,000,000	20,000,000	2,000,000
Ordinary shares, issued and fully paid:				
At 1st January	948,419	94,842	491,067	49,106
Shares issued for conversion of convertible bonds *(note (i))*	184,900	18,490	16,529	1,653
Placement of new shares	–	–	412,273	41,228
Shares issued under share option scheme *(note (ii))*	22,922	2,292	16,000	1,600
Shares issued for exercise of share warrants *(note (iii))*	2,000	200	12,550	1,255
At 31st December	1,158,241	115,824	948,419	94,842

11. CAPITAL AND RESERVES ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY (CONT'D)

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 22nd 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.

(ii) During the year ended 31st 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 32 to the financial statements. The excess of the issue price over the par value of the shares, totalling HK$8,023,000 was credited to the share premium account of the Company.

(iii) On 28th June 2007, a board resolution was duly passed with respect to the issue of 98,200,000 warrants of the Company at an issue price of HK$0.025 per warrant for total cash consideration of warrants of the Company at an issue price of HK$0.025 per warrant for total cash consideration of HK$2,455,000. Each warrant entitles the holder to subscribe for one ordinary share of the Company of HK$0.1 each at an initial subscription price of HK$0.49 per share at any time during the period from 29th June 2007, the date of issue, to 28th June 2009.

During the year ended 31st 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 total cash consideration of approximately HK$922,000. The excess by the subscription price over the par value of the shares amounted to approximately HK$722,000 was credited to the share premium account of the Company.

At the balance sheet date, the Company had 89,398,156 warrants outstanding. The exercise in full of such warrants would, under the present capital structure of the Company, will result in an issue of 89,398,156 additional ordinary shares of the Company, including additional share capital and share premium of approximately HK$8,940,000 and HK$32,273,000 (before expenses) respectively.

11. CAPITAL AND RESERVES ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY (CONT'D)

(b) Capital management

The Group's primarily 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, 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.

12. SEGMENT REPORTING

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of other business segments. Summary details of the business segments are as follows:

In determining the Group's geographical segments, revenues are attributable to the segments based on the location of the customers, and assets are attributable to the segments based on the location of the assets.

12. SEGMENT REPORTING (CONT'D)

(a) Business segments

The following tables present revenue, loss and certain assets, liabilities and expenditure information for the Group's business segments:–

	Operation of shopping malls in PRC		Others		Consolidated	
	2008	2007	**2008**	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Revenue						
Revenue from external customers	**301,052**	115,656	**–**	–	**301,052**	115,656
Total revenue	**301,052**	115,656	**–**	–	**301,052**	115,656
Segment results	**27,504**	7,888	**(630,416)**	(6,812)	**(602,912)**	1,076
Other income					**118,100**	11,969
(Loss)/profit from operations					**(484,812)**	13,045
Finance costs					**(44,524)**	(2,289)
(Loss)/profit before tax					**(529,336)**	10,756
Income tax expense					**(10,495)**	(5,426)
(Loss)/profit for the year					**(539,831)**	5,330
Attributable to:						
– Shareholders of the Company					**(545,172)**	5,300
– Minority interests					**5,341**	–
					(539,831)	5,300
Depreciation	**9,437**	3,741	**22**	47	**9,459**	3,788
Amortisation	**1,497**	2,055	**–**	–	**1,497**	2,055
Segment assets	**1,687,811**	299,792	**248,617**	161,768	**1,936,428**	461,560
Total assets	**1,687,811**	299,792	**248,617**	161,768	**1,936,428**	461,560
Segment liabilities	**1,247,063**	96,735	**700,666**	6,984	**1,947,729**	103,719
Total liabilities	**1,247,063**	96,735	**700,666**	6,984	**1,947,729**	103,719
Capital expenditure	**17,169**	14,073	**–**	12	**17,169**	14,085

12. SEGMENT REPORTING (CONT'D)

(b) Geographical segments

	PRC		Hong Kong		Consolidated	
	2008	2007	**2008**	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Revenue from external customers	**301,052**	115,656	**–**	–	**301,052**	115,656
Other revenue	**43,494**	6,693	**74,606**	5,276	**118,100**	11,969
Total revenue	**344,546**	122,349	**74,606**	5,276	**419,152**	127,625
Segment assets	**1,687,811**	299,792	**248,617**	161,768	**1,936,428**	461,560
Capital expenditure	**17,169**	14,073	**–**	12	**17,169**	14,085

13. POST BALANCE SHEET EVENTS

There were no other significant events that took place subsequent to 31st December 2008.

14. COMPARATIVE FIGURES

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

FINANCIAL RESULTS

This year the Group has one more department store in Xian since September 2008, hence:

i) The turnover of the Group for the twelve months ended 31st December 2008 increased to approximately HK$301.0 million compared to approximately HK$115.6 million for the last year, an increase of approximately 160.3%.

ii) The gross profit of the Group increased to approximately HK$204.6 million compared to approximately HK$82 million of the last year. The gross profit margin of the Group for the twelve months ended 31st December 2008 dropped slightly to approximately 67.9% from 70.9% of the last year due to higher product costs.

iii) The operating, general and administrative expenses increased to approximately HK$202.8 million compared to approximately HK$81 million of the last year.

The finance costs increased by approximately 1,845% to approximately HK$44.5 million compared to approximately HK$2.3 million for the last year, as a result of more borrowing activities during the year.

Even though the Group generated a higher turnover for 2008, the overall loss for the year from continuing operations amounted to approximately HK$540 million (2007: profit of approximately HK$5 million), primarily as the result of the impairment of goodwill in respect of the acquisition of Century Ginwa Joint Stock Company Limited amounting 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 impair the carrying amount of the goodwill was made by the Board after taking into consideration of RHL's reports, and the severity of the global financial and economic crisis.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31st December 2008, net current liabilities and total assets less current liabilities of the Group amounted to approximately HK$1,037 million (31st December 2007: net current assets of HK$251.3 million) and approximately HK$695.6 million (31st December 2007: HK$357.8 million) respectively. As at 31st December 2008, the Group had cash and cash equivalents amounted to approximately HK$90.4 million (31st December 2007: HK$238.4 million). The current ratio of the Group as at 31st December 2008 was 0.16 (31st December 2007: 3.42). The gearing ratio, being the bank loan divided by the shareholders' equity, as at 31st December 2008, was nil (31st December 2007: nil).

BUSINESS REVIEW

Change in Business Strategy

It was mentioned in the 2006 and 2007 Annual Reports that the Group would continue to explore other business opportunities so as to diversify its business interests. With the huge population of the People's Republic of China ("PRC"), PRC has a large consumer base which provides tremendous opportunities for distributors of consumer goods. Having considered the rapid growth in the PRC consumption power, the Group decided to diversify its business into the operation of department stores, starting with acquiring one "Century Ginwa" branded department store in Urumqi from Ginwa Group in May 2006.

Merger & Acquisition

Acquisition of 76.43% shareholding of Century Ginwa

As mentioned in our 2007 Annual Report, on 25th September 2007, China Rich International Management Limited ("China Rich", a wholly-owned subsidiary of the Company) entered into an Acquisition Agreement with Ginwa Investments Company Limited ("Ginwa"), pursuant to which China Rich has agreed to acquire and Ginwa has agreed to dispose of 76.43% equity interest in Century Ginwa Joint Stock Company Limited ("Century Ginwa") owned by Ginwa at the Consideration of RMB180,000,000 (equivalent to approximately HK$185,400,000). Ginwa is beneficially owned as to 60% by Mr. Wu and is therefore a connected person of the Company under the Listing Rules.

On the same day, the Company also entered into a BM Agreement (as supplemented by a supplemental agreement dated 28th December 2007) with Best Mineral Resources Limited ("Best Mineral") and Mr. Wu, pursuant to which Best Mineral agreed to, inter alias, provide the Profit Guarantee and the Repayment Guarantee, and the Company agreed to issue a Consideration Convertible Bond ("Consideration CB") of HK$1,231,612,200 to Best Mineral upon completion of the Acquisition. Application will be made to the Stock Exchange for the listing of, and the permission to deal in, the new Shares upon conversion of the Consideration CB.

All these agreements and transactions constitute connected transactions according to the Listing Rules. A Special General Meeting was required and held on 17th January 2008 at which these agreements and transactions were approved by Independent Shareholders. Approval was granted by the government authorities. The registration procedures and transfer of assets were also completed in August 2008. This shop has started its contributions to the Group.

In the following years, it is our Group's policy to consolidate and strengthen our base at Xian and explore more business opportunities in North-western China by setting up more stores and deepening our quality image in the market.

BANKING FACILITIES

As at 31st December 2008, the Group had no outstanding banking facilities (2007: nil).

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.

CONTINGENT LIABILITIES

As at 31st December 2008, the Group and the Company did not have any material contingent liabilities (31st December 2007: Nil).

HUMAN RESOURCES

As at 31st December 2008, the Group employed 1,196 (2007: 656) full time employees including management and administrative staff. Most of the employees are employed in Mainland China. The headcount of the Group increases significantly as the Group has acquired operations of department stores in the PRC. The employees' remuneration, promotion and salary increments are assessed based on both individual's and Company's performance, professional and working experience and by reference to prevailing market practice and standards. Apart from the general remuneration package, the Group also granted share options and discretionary bonus to the eligible staff based on their performance and contribution to the Group. The Group regards quality staff as one of the key factors to corporate success.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

PRE-EMPTIVE RIGHTS

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

SEGMENT INFORMATION

Analysis by principal activities and geographical markets of the Group's turnover and results for the year is provided in note 12 to the financial statements.

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

Neither the Company nor any of its subsidiaries is engaged in any 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 report, there is sufficient public float of more than 25% of the Company's shares in the market as required under the Listing Rules.

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 31st December 2008.

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 2 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 and one Executive Director, Mr. Hu Yangxiong.

AUDIT COMMITTEE

The primary objective of the audit committee is to review the financial reporting process of the Group and its internal control system, oversee the audit process and 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 31st December 2008, and the unaudited interim results for the six months ended 30th June 2008 (by PKF) prior to their approval by the Board.

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

Hong Kong, 24th April 2009

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