

## CHAIRMAN'S STATEMENT

On behalf of the board of directors (the "Board") of China Golden Development Holdings Limited (the "Company"), I am pleased to present the audited results of the Company and its subsidiaries (the "Group") for the eighteen months ended 31st December 2006 ("the period"). The report is prepared for the eighteen months ended 31st December 2006 due to the change of the financial year-end date of the Company from 30th June to 31st December in order to ensure the Company's financial year-end is coterminous with those of the Company's newly acquired subsidiaries in the People's Republic of China (the "PRC").

### FINANCIAL RESULTS

For the eighteen months ended 31st December 2006, the Group's revenue increased by 69.74% to approximately HK\$120,405,000. The Group suffered a loss of approximately HK\$151,202,000 mainly due to the disposal of cruise ship operations. The loss per share was HK\$0.33. The Board does not recommend the payment of any dividends for the period.

### BUSINESS REVIEW

We have been implementing our new strategy as a middle and high-end department store operator in the PRC and started to acquire the "Century Ginwa" branded department stores in the beginning of year 2006. On the other hand, the Group has successfully disposed of the cruise ship operations so that we can concentrate all resources on the implementation of our new business strategy.

Having considered the rapid growth in the people's general consumption power in the PRC, the Group decided to step into the business of operating department stores, starting with acquiring one "Century Ginwa" branded department store in Urumqi from the Group of Ginwa Investment Company Limited (together with its subsidiaries, associated and affiliated companies, the "Ginwa Group") early in the year 2006. The acquisition was successfully completed in May 2006. Also, we managed to start our own operations of department store by acquiring certain selected assets from Shaanxi Century Ginwa Hi-Tech Shopping Centre Company Limited ("Xian Hi-Tech"). In respect of this acquisition, the Company has obtained full support from the shareholders in the Special General Meeting ("SGM") held on 18th December 2006. Approval has been granted by the government authorities. The registration procedures and transfer of assets are being executed. It is expected that the completion will take place before the long stop date of 10th May 2007.

Before the department store business was taken up, the Group, through All Chance Resources Limited and all its subsidiaries ("All Chance Group"), was originally engaged in the operation of its cruise ship "Ming Fai Princess". Due to the change of operating environment, we granted a licence to a third party at a licence fee for two years commencing June 2005 in respect of the whole operations of the cruise ship on a new route in Hong Kong waters and the international waters nearby Hong Kong. However, since May 2006, the operations of the cruise ship have been suspended temporarily for regular examination, repairs and maintenance. The Group therefore agreed in August 2006 to waive the 3 months licence fee (May to July 2006) which amounted to HK\$4.5 million. Also, the Group entered into agreement with the licensee for the sharing of the repair and maintenance expenses.

Regarding the uncertainty on the revenue generating capability of the cruise ship aged around 34 years and the substantial repairs and maintenance costs, the Company disposed of All Chance Group on 25th September 2006 to an independent third party at a cash consideration of HK\$18 million. The disposal was completed on 9th November 2006 after obtaining the approval from the shareholders in the SGM held on 7th November 2006 and resulted with a net loss of approximately HK\$43.9 million. Nevertheless, the Company is relieved from the obligations to bear the potential huge expenses arising from the repairs and maintenance on the cruise ship and is able to concentrate its resources in developing the fast growing business of department store in the PRC.

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### RESTRUCTURING OF THE BOARD AND SENIOR MANAGEMENT

In 2006, we strengthened our management expertise and recruited relevant expertise in order to cope with the change of business strategy and the new business expansion. In particular, Mr. Hu Yangxiong was designated in March 2006 as Vice Chairman and Chief Executive Officer, Mr. Qu Jiaqi and Mr. Li Haogang were appointed as Vice Presidents of the Group. Mr. Hu is experienced in the operations of the international capital market and financial management while both Mr. Qu and Mr. Li bring to the Group considerable experience in the retail sector.

### FUTURE PLAN AND PROSPECT

We have made steady progress in 2006 in implementing our department store focused business strategy. By restructuring the Board of Directors and senior management, disposing All Chance Group and acquiring Century Ginwa department stores, we are finally engaged in one of the most attractive industries in the PRC – operation of department stores. The continuous improvements of the standard of living in the PRC will keep on stimulating consumer's spending that supports our business. We will continue exploring opportunities by acquiring existing Century Ginwa department stores and expanding Century Ginwa geographically in the PRC and to strengthen the corporate governance of the Group, especially on the newly acquired department stores to further enhance the Group's market status and maximise shareholder value. We are confident that the Group is well-positioned to continue with the implementation of its business strategy. The Board and I believe that 2007 will be an extremely challenging year for the Company and it will see a doubling of effort by the Group to ensure sustainable growth.

### APPRECIATION

I would like to express my deep thanks to my fellow directors for their valuable contribution and my heartfelt gratitude to all our employees for their dedicated efforts and hard work. 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.

**Wu Yijian**

*Chairman*

Hong Kong, 10th April 2007

