



CGD 中國金展 控股有限公司

China Golden Development Holdings Limited

Stock Code: 0162

CGD

INTERIM REPORT 2007



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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Wu Yijian (*Chairman*)
Mr. Hu Yangxiong
Mr. Qu Jiaqi
Mr. Li Haogang
Mr. Sha Yingjie
Mr. Lai Chik Fan
Mr. Leung Siu Kuen

Independent Non-executive Directors

Mr. Xiao Ming
Mr. Chan Wai Kwong, Peter
Mr. Fu Wing Kwok, Ewing

COMPANY SECRETARY & QUALIFIED ACCOUNTANT

Mr. Leung Siu Kuen

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Units C & D, 7/F, China Overseas Building
139 Hennessy Road, Wanchai, Hong Kong

PRINCIPAL BANKERS IN THE PRC

Agricultural Bank of China
(Xinjiang Corps Branch)
Industrial and Commercial Bank of China
(Xian Hi-tech Industrial Zone Branch)

PRINCIPAL BANKERS IN HONG KONG

Wing Lung Bank Limited
Bank of China (Hong Kong) Limited

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

COMPANY WEB SITE

<http://cgd.etnet.com.hk>

HONG KONG BRANCH SHARE REGISTRAR & TRANSFER OFFICE

Tricor Abacus Limited
26/F Tesbury Centre
28 Queen's Road East
Hong Kong

LEGAL ADVISERS

As to Bermuda Law:
Conyers Dill & Pearman

AUDITORS

PKF
Certified Public Accountants
26/F., Citicorp Centre
18 Whitfield Road
Causeway Bay
Hong Kong

AUDIT COMMITTEE MEMBERS

Mr. Xiao Ming (*Chairman*)
Mr. Hu Yangxiong
Mr. Chan Wai Kwong, Peter
Mr. Fu Wing Kwok, Ewing

REMUNERATION COMMITTEE MEMBERS

Mr. Chan Wai Kwong, Peter (*Chairman*)
Mr. Hu Yangxiong
Mr. Xiao Ming
Mr. Fu Wing Kwok, Ewing

BERMUDA PRINCIPAL SHARE REGISTRAR

Butterfield Fund Services (Bermuda) Limited
Rosebank Centre
11 Bermuda Road, Pembroke HM 08
Bermuda

STOCK CODE

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INTERIM RESULTS

The board of directors (the "Board") of China Golden Development Holdings Limited (the "Company") are pleased to announce the unaudited condensed consolidated financial statements of the Company and its subsidiaries (the "Group") for the six months ended 30th June 2007 together with comparative figures for the corresponding period in 2006. The result is stated as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30th June 2007

		Six months ended 30th June	
	<i>Note</i>	2007 HK\$'000 (unaudited)	2006 HK\$'000 (unaudited)
Continuing operations:			
Turnover	2	139,971	24,439
Cost of sales		(114,838)	(20,325)
Gross profit		25,133	4,114
Other revenue		4,818	900
Selling and distribution expenses		(7,459)	(2,767)
General and administrative expenses		(23,370)	(14,796)
Loss from operations		(878)	(12,549)
Finance costs		(705)	(2,060)
Loss before income tax	4	(1,583)	(14,609)
Income tax expense	5	(907)	(133)
Loss for the period from continuing operations		(2,490)	(14,742)
Discontinued operations:			
Loss for the period from discontinued operations	3	-	(1,620)
Loss for the period		(2,490)	(16,362)
Attributable to:			
– Equity holders of the Company		(2,490)	(15,446)
– Minority interests		-	(916)
		(2,490)	(16,362)
Basic loss per share (HK cents)			
– From continuing and discontinued operations	7	(0.51)	(3.52)
– From continuing operations		(0.51)	(3.36)
– From discontinued operations		N/A	(0.16)
Diluted loss per share (HK cents)			
– From continuing and discontinued operations	7	N/A	N/A
– From continuing operations		N/A	N/A
– From discontinued operations		N/A	N/A

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30th June 2007

	Note	As at 30th June 2007 HK\$'000 (unaudited)	As at 31st December 2006 HK\$'000 (audited)
Non-current assets			
Property, plant and equipment	8	49,743	38,052
Loan receivables	9	15,000	20,000
Intangible assets	10	15,583	16,559
Construction in progress		118	–
		80,444	74,611
Current assets			
Inventories	11	6,197	3,014
Loan receivables	9	15,000	10,000
Prepayments and other receivables	12	25,010	4,201
Amount due from a related company	13	3,569	13,364
Amount due from a shareholder	17	5,000	5,000
Cash and cash equivalents		8,936	17,696
		63,712	53,275
Total current assets			
Current liabilities			
Trade payables	14	49,593	21,431
Amount due to a related company	17	216	–
Accruals and other payables		7,739	19,168
Tax payable		257	1,051
Convertible bond	15	8,566	–
Promissory note	15	12,807	–
		79,178	41,650
Total current liabilities			
Net current (liabilities)/assets		(15,466)	11,625
Total assets less current liabilities		64,978	86,236
Non-current liabilities			
Convertible bond	15	–	8,516
Promissory note	15	–	12,807
		–	21,323
Net assets		64,978	64,913
Capital and reserves			
Share capital	16	49,106	49,106
Reserves		15,872	15,807
Total equity		64,978	64,913

CONDENSED CONSOLIDATED CASH FLOW STATEMENT*For the six months ended 30th June 2007*

	Six months ended 30th June	
	2007	2006
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Net cash used in operating activities	(13,974)	(11,726)
Net cash (used in)/generated from investing activities	(1,076)	1,410
Net cash generated from financing activities	6,190	12,028
(Decrease)/increase in cash and cash equivalents	(8,860)	1,712
Effect of foreign exchange rate changes	100	–
Cash and cash equivalents at the beginning of the period	17,696	239
Cash and cash equivalents at the end of the period	8,936	1,951
Analysis of the balances of cash and cash equivalents		
Cash and bank balances	8,936	1,951

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY*For the six months ended 30 June 2007*

	Attributable to equity holders of the Company										
	Share capital	Share premium	Capital reserve	Share option reserve	Convertible bond reserve	Warrants reserve	Exchange reserve	Retained profits/ losses (accumulated)	Total	Minority interests	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st January 2007	49,106	71,905	49,886	3,336	1,550	-	1,444	(112,314)	64,913	-	64,913
Exchange difference arising from translation of financial statements of a foreign subsidiary	-	-	-	-	-	-	100	-	100	-	100
Private subscription of non-listed warrants	-	-	-	-	-	2,455	-	-	2,455	-	2,455
Loss for the period	-	-	-	-	-	-	-	(2,490)	(2,490)	-	(2,490)
At 30th June 2007	49,106	71,905	49,886	3,336	1,550	2,455	1,544	(114,804)	64,978	-	64,978
At 1st January 2006	40,922	43,973	49,886	-	-	-	1,008	38,887	174,676	27,413	202,089
Placing of shares	7,366	25,804	-	-	-	-	-	-	33,170	-	33,170
Exercise of share options	818	2,128	-	-	-	-	-	-	2,946	-	2,946
Grant of share options	-	-	-	3,336	-	-	-	-	3,336	-	3,336
Issuance of convertible bond	-	-	-	-	1,550	-	-	-	1,550	-	1,550
Loss for the period	-	-	-	-	-	-	-	(15,446)	(15,446)	(916)	(16,362)
At 30th June 2006	49,106	71,905	49,886	3,336	1,550	-	1,008	23,441	200,232	26,497	226,729

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

1. Basis of preparation

These unaudited condensed consolidated interim financial statements (“Interim Accounts”) of the Group have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

Interim Accounts are unaudited, but have been reviewed by PKF in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA.

The accounting policies and methods of computation used in the preparation of these Interim Accounts are consistent with those used in the financial statements for the eighteen months ended 31st December 2006.

In the current interim period, the Group has applied, for the first time, a number of new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) and HKASs and Interpretations (hereinafter collectively referred to as “new HKFRSs”) issued by the HKICPA that are effective for accounting periods beginning on or after 1st January 2007. The adoption of these new HKFRSs did not result in substantial changes to the Group’s accounting policies and amounts reported for the current period and prior years.

The following new HKFRSs have been issued but are not yet effective and have not been early adopted:

- HKFRS 8, “Operating segments”, effective for annual periods beginning on or after 1st January 2009
- HKAS 23 (Revised), “Borrowing costs”, effective for annual periods beginning on or after 1st January 2009
- HK(IFRIC) – Int 11, “HKFRS 2 – Group and treasury share transactions”, effective for annual periods beginning on or after 1st March 2007
- HK(IFRIC) – Int 12, “Service concession arrangements”, effective for annual periods beginning on or after 1st January 2008

The adoption of the above new HKFRSs in future periods is not expected to result in substantial changes to the Group’s accounting policies except that additional disclosures may be required.

2. Turnover and segment information

On 4th May 2006, the Group has acquired 100% equity interest of Silver Light Group Limited of which its wholly-owned subsidiary, Century Ginwa Urumqi Shopping Mall Company Limited ("Ginwa Urumqi") is engaging in the operation of a department store in Urumqi of the People's Republic of China ("PRC").

As already mentioned in our 2006 Annual Report, on 10th November 2006, Xian Century Ginwa Property Investments Company Limited ("Xian Century"), the newly acquired wholly-owned subsidiary of the Group, as purchaser entered into an Assets Acquisition Agreement with Shannxi Century Ginwa Hi-Tech Shopping Centre Company Limited ("Ginwa Hi-Tech") as vendor, in relation to the purchase of certain assets owned by Ginwa Hi-Tech, for the operation of department store business at the 1st to 4th floors of Shu Ma Da Sha of International Commercial Centre in Xian, the PRC ("Shopping Floors") at a consideration of approximately RMB127,000 payable at cash after taking up obligations to pay suppliers in the amount of approximately RMB13,981,000 on completion.

Approval was granted by the government authorities. The registration procedures and transfer of assets were also completed in May 2007. This shop has started its contributions to the Group.

The following table represents revenue and result information for the Group's business segments.

	Continuing operations - Operation of the department stores		Discontinued operations - Cruise and cruise- related business		Others		Consolidated	
	Six months ended 30th June 2007 HK\$'000	Six months ended 30th June 2006 HK\$'000	Six months ended 30th June 2007 HK\$'000	Six months ended 30th June 2006 HK\$'000	Six months ended 30th June 2007 HK\$'000	Six months ended 30th June 2006 HK\$'000	Six months ended 30th June 2007 HK\$'000	Six months ended 30th June 2006 HK\$'000
Revenue								
Revenue from external customers	139,971	24,439	-	6,000	-	-	139,971	30,439
Other revenue	4,797	899	-	1,794	21	1	4,818	2,694
Total revenue	<u>144,768</u>	<u>25,338</u>	<u>-</u>	<u>7,794</u>	<u>21</u>	<u>1</u>	<u>144,789</u>	<u>33,133</u>
Segment results	2,386	(2,611)	-	(1,814)	(3,352)	(9,945)	(966)	(14,370)
Interest income							88	201
Loss from operations							(878)	(14,169)
Finance costs							(705)	(2,060)
Loss before income tax							(1,583)	(16,229)
Income tax expense							(907)	(133)
Loss for the period							<u>(2,490)</u>	<u>(16,362)</u>
Attributable to:								
- Shareholders of the Company							(2,490)	(15,446)
- Minority interests							-	(916)
							<u>(2,490)</u>	<u>(16,362)</u>

3. Discontinued operations

On 30th September 2006, the Company publicly announced that it has entered into a sale and purchase agreement with a third party on 25th September 2006 to dispose of its entire 100% direct equity interest in All Chance Resources Limited, and entire 100% indirect equity interest in Best Paradise Assets Limited, China Golden Fountain Limited and Ming Fai Princess Entertainment Limited (“Ming Fai”) and entire 51% indirect equity interest in Pacific Cruises (Hainan) Limited (collectively known as the “Disposal Group”) at a total consideration of HK\$18,000,000. The Disposed Group is principally engaged in the provision of cruise and cruise-related business segment of the Group.

The results of the discontinued operations are as follows:–

	Six months ended 30th June 2007 HK\$'000	Six months ended 30th June 2006 HK\$'000
Turnover	–	6,000
Cost of sales	–	(3,652)
	<hr/>	<hr/>
Gross profit	–	2,348
Other revenue	–	1,794
General and administrative expenses	–	(5,762)
	<hr/>	<hr/>
Loss before income tax	–	(1,620)
Income tax expense	–	–
	<hr/>	<hr/>
Loss for the period from discontinued operations	<u>–</u>	<u>(1,620)</u>
Attributable to:		
Equity holders of the Company	–	(704)
Minority interests	–	(916)
	<hr/>	<hr/>
	<u>–</u>	<u>(1,620)</u>

4. Loss before income tax

Loss before income tax is arrived after charging and crediting the following items:

	Continuing operations		Discontinued operations		Consolidated	
	Six months ended 30th June 2007 HK\$'000	Six months ended 30th June 2006 HK\$'000	Six months ended 30th June 2007 HK\$'000	Six months ended 30th June 2006 HK\$'000	Six months ended 30th June 2007 HK\$'000	Six months ended 30th June 2006 HK\$'000
AFTER CHARGING						
Auditors' remuneration	191	328	-	-	191	328
Staff costs (including directors' emoluments)	8,570	5,933	-	140	8,570	6,073
Depreciation	1,495	382	-	3,652	1,495	4,034
Amortisation of intangible assets	976	340	-	1,500	976	1,840
Minimum lease payments under operating leases	5,429	1,459	-	-	5,429	1,459
Loss on disposal of property, plant and equipment	195	-	-	-	195	-
Interest on borrowings wholly repayable within five years	-	1,309	-	-	-	1,309
Interest on convertible bond	49	16	-	-	49	16
Interest on promissory note	149	48	-	-	149	48
Net exchange loss	<u>231</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>231</u>	<u>-</u>
AFTER CREDITING						
Net exchange gain	-	34	-	-	-	34
Interest income	<u>88</u>	<u>7</u>	<u>-</u>	<u>194</u>	<u>88</u>	<u>201</u>

5. Income tax expense

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.

Provision for Hong Kong profits tax has not been made as the companies in the Group did not have assessable profits during the period.

The subsidiaries operating in the PRC are subject to PRC enterprise income tax at a rate of 33%.

The Group did not have material deferred tax assets and liabilities unrecognised at 30th June 2007.

6. Dividend

The Board has resolved not to declare any interim dividend in respect of the six months ended 30th June 2007. (2006: Nil).

7. Loss per share

The calculation of basic and diluted earnings per share for the period ended 30th June 2007 is based on the following data:

	Six months ended 30th June 2007 HK\$'000	Six months ended 30th June 2006 HK\$'000
Loss:		
(a) From continuing and discontinued operations		
Loss for the period attributable to equity holders, used in the basic loss per share calculation	<u>(2,490)</u>	<u>(15,446)</u>
(b) From continuing operations		
Loss for the period from continuing operations attributable to equity holders, used in the basic loss per share calculation	<u>(2,490)</u>	<u>(14,742)</u>
(c) From discontinued operations		
Loss for the period from discontinued operations attributable to equity holders, used in the basic loss per share calculation	<u>-</u>	<u>(704)</u>
Number of ordinary shares:		
Weighted average number of ordinary shares in issue during the period used in the basic loss per share calculations	<u>491,066,950</u>	<u>438,342,846</u>

The exercise of the outstanding share options has no dilutive effect for the periods ended 30th June 2007 and 30th June 2006 because the exercise price of the Company's share options was higher than the average market price of the shares during the period.

The convertible bond has no dilutive effect for the periods ended 30th June 2007 and 30th June 2006.

8. Property, plant and equipment

As at 30th June 2007, the Group has property, plant and equipment of approximately HK\$49,743,000, including fixed assets of two department stores of approximately HK\$37,228,000 and HK\$12,444,000 which are owned by Ginwa Urumqi and Xian Century respectively.

9. Loan receivables

On 25th September 2006, Ming Fai Princess Entertainment Limited ("Ming Fai"), Bright Chance (Asia) Limited ("Bright Chance") and Mr. Cai Jun Jie entered into a loan assignment agreement. Pursuant to the loan assignment agreement, Ming Fai agreed to assign all its rights and benefits in the loan receivable balance of HK\$30,000,000 to Bright Chance at a total consideration of HK\$30,000,000. The loan receivable balance is interest-bearing at 2% per annum and the repayments will be made semi-annually in the amount of HK\$5,100,000 (including repayment of the principal in the amount of HK\$5,000,000) for the six half-years ending 31st December 2009.

10. Intangible assets

	Licence	
	HK\$'000	HK\$'000
COST		
As at 1st January 2007/1st July 2005	17,892	–
Acquisition of subsidiaries	–	17,204
Exchange difference	–	688
	<hr/>	<hr/>
As at 30th June 2007/31st December 2006	17,892	17,892
	<hr/>	<hr/>
AMORTISATION		
As at 1st January 2007/1st July 2005	1,333	–
Provided for the period	976	1,333
	<hr/>	<hr/>
As at 30th June 2007/31st December 2006	2,309	1,333
	<hr/>	<hr/>
CARRYING AMOUNT		
As at 30th June 2007/31st December 2006	15,583	16,559
	<hr/> <hr/>	<hr/> <hr/>

Licence is stated at cost less accumulated amortisation and any impairment loss. Amortisation is calculated on a straight-line basis over its useful life of ten years.

11. Inventories

	As at 30th June 2007 HK\$'000	As at 31st December 2006 HK\$'000
Finished goods	<u>6,197</u>	<u>3,014</u>

12. Prepayments and other receivables

	As at 30th June 2007 HK\$'000	As at 31st December 2006 HK\$'000
Deposits	1,058	1,035
Prepayments	4,868	741
Receivables from banks for credit card sales	8,374	843
Other receivable	<u>10,710</u>	<u>1,582</u>
	<u>25,010</u>	<u>4,201</u>

13. Amount due from a related company

The amount represents amount due from Century Ginwa Joint Stock Company Limited ("Century Ginwa") in which Mr. Wu Yijian, a director of Company, has indirect controlling interests. The amount is interest-free, unsecured and without fixed terms of repayment. The directors consider the carrying amount of the amount due from a related company approximates its fair value.

14. Trade payables

The credit terms of the Group range from 30 to 90 days. The aging analysis of trade payables is as follows:

	As at 30th June 2007 HK\$'000	As at 31st December 2006 HK\$'000
Aged for:		
0 to 30 days	25,749	13,028
31 to 60 days	15,441	3,710
61 to 90 days	3,470	2,314
Over 90 days	<u>4,933</u>	<u>2,379</u>
	<u>49,593</u>	<u>21,431</u>

15. Convertible bond and promissory note

HK\$15 million promissory note (originally issued HK\$30 million and HK\$15 million has been repaid) and HK\$8,449,951 fair value of convertible bond (HK\$1,550,049 fair value of equity component has been transferred to convertible bond reserve according to HKAS32) were issued for the partial settlement of the acquisition of Ginwa Urumqi.

HK\$15 million promissory note is due and payable two years after the completion date on 4th May 2006 and carrying a fixed interest rate of 2% per annum. HK\$8,449,951 (face value HK\$10 million) convertible bond is to be due and matured at the end of two years from 4th May 2006 to 3rd May 2008. It carries a fixed rate of interest of 1% per annum and the bondholders shall have the right to convert at any time following one year after the date of issue, 16th May 2006 at the initial conversion price of HK\$0.624 per share.

16. Share capital

	Number of ordinary shares of HK\$0.1 each	Amount HK\$'000
Authorised:		
As at 30th June 2007 and 31st December 2006	<u>2,000,000,000</u>	<u>200,000</u>
Issue and fully paid:		
As at 30th June 2007 and 31st December 2006	<u>491,066,950</u>	<u>49,106</u>

On 29th June 2007, a Warrant Subscription Agreement was entered into between the Company and the Subscriber in relation to a private placing of 98,200,000 non-listed warrants ("Warrants") at an issue price of HK\$0.025 per unit of warrant. Each Warrant entitles the Subscriber to subscribe for one new ordinary share at an initial exercise price of HK\$0.49 per new ordinary share from the date of issue of the Warrants to the date falling on two years after the date of issue of the Warrants.

17. Related party transactions

(a) Acquisition of assets of Ginwa Hi-Tech

On 10th November 2006, Xian Century, the newly acquired wholly-owned subsidiary of the Group, as purchaser entered into an Assets Acquisition Agreement with Ginwa Hi-Tech as vendor, in relation to the purchase of certain assets owned by Ginwa Hi-Tech, for the operation of department store business at the Shopping Floors at a consideration of approximately RMB127,000 payable at cash after taking up obligations to pay suppliers in the amount of approximately RMB13,981,000 on completion. On the same date, Xian Century also entered into Tenancy Agreement I with Ginwa Hi-Tech and Tenancy Agreement II with Century Ginwa for leasing the Shopping Floors for the operation of department store business both for a term of two years at an annual rentals of RMB4,000,000 and RMB5,000,000 respectively ("Tenancy Agreements"). As Mr. Wu Yijian, the Chairman of the Company, is the president of Ginwa Investment Company Limited ("Ginwa Investment") and owned 60% of the share registered of Ginwa Investment while Ginwa Investment owned about 93.75% and 76.43% of the registered capital of Ginwa Hi-Tech and Century Ginwa respectively. Hence, Mr. Wu Yijian, Ginwa Hi-Tech and Century Ginwa were thus connected persons to the Company under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited ("Listing Rules"). The transactions contemplated under the Assets Acquisition Agreement constituted a connected transaction under the Listing Rules and the Tenancy Agreements constituted continuing connected transaction for the Company. All the transactions were approved by the Independent Shareholders in the Special General Meeting held on 18th December 2006. Approval was granted by the government authorities. The registration procedures and transfer of assets were already completed in May 2007. After the completion, Xian Century started its department store business in Xian, the PRC.

(b) Four Parties Repayment Agreement

Up to 8th February 2007, Century Ginwa repaid approximately RMB4,664,000 to the Group. On 8th February 2007, an agreement was concluded by the Company with Mr. Guo Qiang, Century Ginwa and Ginwa Urumqi. It was thereby agreed that the remaining balance of RMB8,700,000 owed by Century Ginwa to Ginwa Urumqi was to be fully set off with the HK\$9,000,000 Convertible Bond issued by the Company to Mr. Guo Qiang on 16th May 2006. The approval for the execution of the agreement was pending from tax authorities of the PRC government.

(c) Details of balances due from/(to) related parties are as follows:

	As at 30th June 2007 HK\$'000	As at 31st December 2006 HK\$'000
Century Ginwa Joint Stock Company Limited	3,569	13,364
Ginwa Hi-Tech	(216)	–
Refundable deposit to Best Mineral Resources Limited	5,000	5,000
Convertible bond payable	(8,566)	(8,516)
Promissory note payable	<u>(12,807)</u>	<u>(12,807)</u>

(d) *Key management personnel compensation:*

	Six months ended 30th June 2007 HK\$'000	Six months ended 30th June 2006 HK\$'000
Salaries and other employee benefits	1,556	1,002
Retirement benefit costs	17	16
Employee share option benefits	–	489
	<u>1,573</u>	<u>1,507</u>

18. Operating lease arrangements(a) *The Group as lessee*

As at 30th June 2007, the Group had total future minimum lease payments in respect of land and buildings under non-cancellable operating leases as follows:

	As at 30th June 2007 HK\$'000	As at 31st December 2006 HK\$'000
Within one year	16,855	7,782
In the second to fifth years inclusive	36,818	29,576
After five years	75,600	79,200
	<u>129,273</u>	<u>116,558</u>

Operating leases payments represent rentals payable by the Group for its office premises, shopping mall and director quarters. Leases are negotiated for a term range from two to seventeen years with fixed monthly rental charges.

(b) *The Group as lessor*

As at 30th June 2007, the Group had contracted with licensee to receive the following future minimum leases payments in respect of the shopping areas in the shopping mall under non-cancellable operating leases:

	As at 30th June 2007 HK\$'000	As at 31st December 2006 HK\$'000
Within one year	6,648	4,286
In the second to fifth years inclusive	23,548	15,095
After five years	15,351	2,399
	<u>45,547</u>	<u>21,780</u>

Operating leases payments represent rentals receivable by the Group for its shopping areas in the shopping mall. Leases are negotiated for a term range from one to sixteen years with fixed monthly rental income. Certain leases contain a contingent rental element.

19. Post balance sheet events

Pursuant to an ordinary resolution passed at a Special General Meeting held on 10th August 2007, the authorised share capital of the Company was increased to HK\$2,000,000,000 divided into 20,000,000,000 ordinary shares of HK\$0.1 each by the creation of additional 18,000,000,000 ordinary shares of HK\$0.1 each, ranking pari passu with the existing ordinary shares of the Company in all respects.

On 13th August 2007, 5,000,000 ordinary shares were issued as a result of the exercise of subscription rights by the Subscriber of the Warrants.

On 17th August 2007, the Company entered into a memorandum of understanding (the "MOU") with Best Mineral Resources Limited ("Best Mineral"), a substantial shareholder of the Company, pursuant to which, among other matters, Best Mineral agreed to procure Ginwa Investment, which is a joint-stock company established in the PRC owned as to 60% by Mr. Wu Yijian, being the Chairman of the Company, and other shareholders of Century Ginwa to enter into the definitive agreement for the acquisition of not less than 76.43% interest in Century Ginwa by Xian Century, a wholly-owned subsidiary of the Company established in the PRC (the "Acquisition Agreement"). The Company and Best Mineral will also enter into a formal agreement in relation to the procurement by Best Mineral of the entering into of the Acquisition Agreement by the respective parties (the "BM Agreement"). The Company has a right but not the obligation to enter into the Acquisition Agreement and/or the BM Agreement.

On 20th August 2007, three Subscription Agreements were signed by which 49,100,000 ordinary shares are to be issued at HK\$0.55 per share.

On 23rd August 2007, 2,000,000 ordinary shares were issued under the Share Option Scheme at HK\$0.45 per share.

On 25th August 2007, five Subscription Agreements were signed by which 48,872,727 ordinary shares are to be issued at HK\$0.55 per share.

MANAGEMENT DISCUSSION AND ANALYSIS

Results

This year the Group has one more department store in Xian since May 2007, hence:

- i) The turnover of the Group for the six months ended 30th June 2007 increased to approximately HK\$139.9 million compared to approximately HK\$24.4 million for the corresponding period last year, an increase of approximately 473.4%.
- ii) The gross profit of the Group for the six months ended 30th June 2007 increased to approximately HK\$25.1 million compared to approximately HK\$4.1 million for the corresponding period last year due to increase in turnover. The gross profit margin of the Group for the six months ended 30th June 2007 slightly increased from approximately 16.8% to 17.9% due to more careful cost control.
- iii) The operating, general and administrative expenses for the six months ended 30th June 2007 increased to approximately HK\$30.8 million compared to approximately HK\$17.6 million for the corresponding period last year.

The finance costs for the six months ended 30th June 2007 decreased by approximately 65.7% to approximately HK\$0.7 million compared to approximately HK\$2.0 million for the corresponding period last year. The drop in the finance costs was mainly attributable to the decrease in the borrowing activities and bank charges during the period.

Loss attributable to equity holders of the Company for the six months ended 30th June 2007 was recorded at approximately HK\$2.5 million compared with the loss of approximately HK\$15.4 million reported in the corresponding period of last year. The loss situation for the continuing operation has improved as we successfully increased the source of income and controlled the increase in expenses of the reported period.

Business Review

It was mentioned in the 2005 and 2006 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

As already mentioned in our 2006 Annual Report, on 10th November 2006, Xian Century Ginwa Property Investments Company Limited (“Xian Century”), the newly acquired wholly-owned subsidiary of the Group, as purchaser entered into an Assets Acquisition Agreement with Ginwa Hi-Tech as vendor, in relation to the purchase of certain assets owned by Ginwa Hi-Tech, for the operation of department store business at the 1st to 4th floors of Shu Ma Da Sha of International Commercial Centre in Xian, the PRC. After the completion, Xian Century can start its department store business in Xian, the PRC. Approval was granted by the government authorities. The registration procedures and transfer of assets were also completed in May 2007. This shop has started its contributions to the Group.

Century Ginwa

Since the commencement of business in Year 1998, “Century Ginwa” branded department store has established its unique style in the operation of department stores. With the vision “By maintaining a Simple Structure and High Efficiency in operation, and stimulating Team Spirits and Staff Morale, we can deliver the Best Quality of Services to our Customers”, Century Ginwa mainly focuses on five strategies:

- 1) Stronger Customer Relationship Management
- 2) Chain Store Development and Expansion
- 3) Larger Variety of Services
- 4) Emphasis on Creditability
- 5) Better Market Positioning

Future Plan and Prospect

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

LIQUIDITY AND FINANCIAL RESOURCES

As at 30th June 2007, net current liabilities and total assets less current liabilities of the Group amounted to approximately HK\$15.5 million (31st December 2006: net current assets of approximately HK\$11.6 million) and approximately HK\$65.0 million (31st December 2006: HK\$86.2 million) respectively. As at 30th June 2007, the Group had cash and cash equivalents amounted to approximately HK\$8.9 million (31st December 2006: HK\$17.6 million). The current ratio of the Group as at 30th June 2007 was 0.8 (31st December 2006: 1.28).

On 29th June 2007, a Warrant Subscription Agreement was entered into between the Company and the Subscriber by which 98,200,000 Warrants were subscribed and issued at HK\$0.025 per Warrant, and the Subscriber is entitled to subscribe for new ordinary shares at an initial Exercise Price of HK\$0.49 per share within two years from the date of issue of Warrants. Each Warrant carries the right to subscribe for one new ordinary share. On 13th August 2007, 5,000,000 ordinary shares were issued as a result of the exercise of subscription rights by the warrants-holder.

On 20th August 2007, three Subscription Agreements were signed by which 49,100,000 ordinary shares are to be issued at HK\$0.55 per share.

On 23rd August 2007, 2,000,000 ordinary shares were issued under the Share Option Scheme at HK\$0.45 per share.

On 25th August 2007, five Subscription Agreements were signed by which 48,872,727 ordinary shares are to be issued at HK\$0.55 per share.

The gearing ratio, being the bank loan divided by the shareholders' equity, as at 30th June 2007, was nil (31st December 2006: nil).

EMPLOYEES

As at 30th June 2007, the Group employed 624 (31st December 2006: 363) full time employees, of which 618 (31st December 2006: 357) were based in Mainland China. The headcount of the Group increases significantly as the Group has acquired operations of department stores in the PRC. The remuneration of the employees is based on work performance and years of experience.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30th June 2007, the interests and short positions of the directors and chief executives of the Company in shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO") which were required to be entered into the register required to be kept under section 352 of the SFO or otherwise were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) and/or the Model Code for Securities Transactions by Directors of Listed issuers in the Listing Rules (the "Model Code"), were as follows:

Aggregate long position in shares of HK\$0.10 each ("Shares") of the Company and the underlying shares:

Name of Director	Nature of interest	Number of Shares held	Approximately Percentage of the issued share capital of the Company
Mr. Leung Siu Kuen	Personal	2,000	0.0004 %

Save as disclosed above, as at 30th June 2007, none of the directors or chief executives of the Company had, under Divisions 7 and 8 of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO"), nor were they taken to or deemed to have under such provisions of the SFO, any interests or short positions in the shares of HK\$0.10 each of the Company, underlying Shares or debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) or any interests which are required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers in the Listing Rules or any interests which are required to be entered into the register kept by the Company pursuant to section 352 of the SFO.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

As at 30th June 2007, details of the share option granted to the directors of the Company are as follows:

Name of grantee	Date of grant	Number of shares	Exercise price	Exercise period
Mr. Hu Yangxiong	25th May 2006	4,000,000	HK\$0.45	25th May 2006 to 25th May 2008
Mr. Lam Chung Fai (Note)	25th May 2006	2,000,000	HK\$0.45	25th May 2006 to 25th May 2008

Note:

Mr. Lam Chung Fai resigned as Executive Director with effect from 27th April 2007.

No share options were granted to the directors of the Company, exercised or cancelled during the six months ended 30th June 2007.

Save as disclosed above, as at 30th June 2007, none of the directors or their spouses or children under 18 years of age were granted or exercised any rights to subscribe for any equity or debt securities (including debentures) of the Company or any of its associated corporations.

SUBSTANTIAL SHAREHOLDERS

Interests of shareholders discloseable pursuant to the SFO

The register of substantial shareholders required to be kept under section 336 of the SFO shows that as at 30th June 2007, the Company had been notified of the following substantial shareholders' interests and short positions, being interests of 5% or more of the Company's issued share capital. These interests are in addition to those disclosed above in respect of the directors of the Company.

Name of shareholder	Long position/ short position	Nature of interest	Number of shares held	Approximately % of the issued share capital of the Company
Best Mineral Resources Limited	Long position	Personal interest	149,100,000 (Note 1)	30.36%
Ms. Chen Jing	Long position	Family interest	149,100,000 (Note 1)	30.36%
Mr. Li Peng	Short position	Personal interest	98,200,000 (Note 2)	19.99%

Note:

- (1) Ms. Chen Jing is the spouse of Mr. Sean Liu and is deemed to be interested in 149,100,000 Shares.
- (2) Mr. Li Peng is entitled to subscribe for 98,200,000 new ordinary shares as a result of the issue of Warrants according to the Warrant Subscription Agreement dated 29th June 2007 disclosed under the heading "Liquidity and Financial Resources" above. 5,000,000 ordinary shares were issued therefore on 13th August 2007.

Save as disclosed above, the directors and chief executives of the Company are not aware that there is any person who, as at 30th June 2007, had an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any other member of the Group.

SHARE OPTION SCHEME

In accordance with the terms of the share option scheme adopted by the Company on 6th November 2001 (the "Share Option Scheme"), the Company may grant options to executive directors, employees and consultants of the Company to subscribe for shares in the Company, subject to a maximum of 30% of the issued share capital of the Company from time to time excluding for this purpose shares issued in the exercise of options. The subscription price will be determined by the directors of the Company by reference to (i) the nominal value of the shares, (ii) the closing price per share as stated in the Stock Exchange, and (iii) the average closing price of the shares quoted on the Stock Exchange on the five trading days immediately preceding the date of the grant of the options, whichever is higher.

The share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

No share options were granted, exercised, cancelled or forfeited during the six months ended 30th June 2007.

As at 30th June 2007, the Company had 57,291,150 share options outstanding under the Scheme which represented approximately 11.67 % of the Company's ordinary shares in issue as at that date. The exercise in full of these remaining share options would, under the present capital structure of the Company, result in the increase of 57,291,150 additional ordinary shares of the Company and additional share capital of HK\$ 5,729,115 and share premium of approximately HK\$ 20,579,800 (before issue expenses).

On 23rd August 2007, 2,000,000 ordinary shares were issued under the Shares Option Scheme at HK\$0.45 per share.

SIGNIFICANT SUBSEQUENT EVENTS

Please refer to Note 19 – Post Balance Sheet Events of the Notes to the Condensed Interim Financial Statements and the Contingent Liabilities as set out below.

FOREIGN EXCHANGE EXPOSURE

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

CONTINGENT LIABILITIES

As at 30th June 2007, the Group and the Company had no contingent liabilities.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30th June 2007.

CORPORATE GOVERNANCE

The Board considers that the Company has complied throughout the six months ended 30th June 2007 with the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 of the Listing Rules stated as follows:

Board of Directors

Reasonable notices were given to all directors an opportunity to attend board meetings, although not all notices were issued for at least 14 days. The board reviewed the situation and resolved to give at least 14 days notice to all directors for regular board meetings in future. Mr. Wu Yijian is the Chairman, and Mr. Hu Yangxiong is the Vice Chairman and Chief Executive and Executive Director to handle the Company's strategy and the day-to day management. The board believes that this structure helps maintain strong leadership which results in efficient decision making process and the separation of duties between the Chairman and Vice Chairman could ensure a balance of power and authority, so that power is not concentrated on any one individual.

Code Provision 4.1

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

Nomination Committee

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

Remuneration Committee

The Board has set up a remuneration committee and has adopted terms of reference on 10th March 2006. The remuneration committee is responsible for reviewing the remuneration packages of Executive Director and Senior Management, including bonuses and options granted under the Share Option Scheme, to ensure that such remuneration is reasonable and not excessive. The committee shall consist of not less than 2 members. Currently, the remuneration committee is consisted of three Independent Non-Executive Directors: Mr. Xiao Ming, Mr. Chan Wai Kwong, Peter, and Mr. Fu Wing Kwok, Ewing and one Executive Director, Mr. Hu Yangxiong.

Others

As the Chairman of the Board was engaged in business outside Hong Kong, he did not attend the annual general meeting of the Company for the year 2006 held on 27th June 2007, which is deviated from the requirements set out in Code Provision E.1.2. However, due to the present advance communication technology, we have started to arrange tele-conference with those Directors who are not in Hong Kong when there is a meeting which requires their attendance. Hence, in the future, the communication and attendance of the Directors will not be a problem to the Group.

Audit Committee

The revised terms of reference of the audit committee has been adopted on 10th March 2006. The primary objective of the committee is to review the financial reporting process of the Group and its internal control system, oversee the audit process and to perform other duties assigned by the Board and make recommendations to the Company to improve the quality of financial information to be disclosed. The audit committee shall consist of not less than 3 members. Currently, the audit committee is consisted of three Independent Non-Executive Directors: Mr. Xiao Ming, Mr. Chan Wai Kwong, Peter, and Mr. Fu Wing Kwok, Ewing and one Executive Director, Mr. Hu Yangxiong.

The audit committee has reviewed with management and PKF, Certified Public Accountant the accounting principles and practices adopted by the Group, and discussed auditing, internal control and financial reporting matters including the review of the unaudited interim results for the six months ended 30th June 2007.

MODEL CODE FOR SECURITIES TRANSACTION BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules. Having made specific enquiry of all the directors, all the directors confirmed that they have complied with the required standards set out in the Model Code throughout the six months ended 30th June 2007.

Wu Yijian
Chairman

Hong Kong, 29th August 2007



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**REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION
TO THE BOARD OF DIRECTORS OF CHINA GOLDEN DEVELOPMENT HOLDINGS LIMITED**
(incorporated in Bermuda with limited liability)

Introduction

We have reviewed the interim financial information set out on pages 3 to 17, which comprises the condensed consolidated balance sheet of China Golden Development Holdings Limited as of 30th June 2007 and the related condensed consolidated income statement, statement of changes in equity and cash flow statement for the six-month period then ended and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making enquires, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

PKF

Certified Public Accountants
Hong Kong
29th August 2007