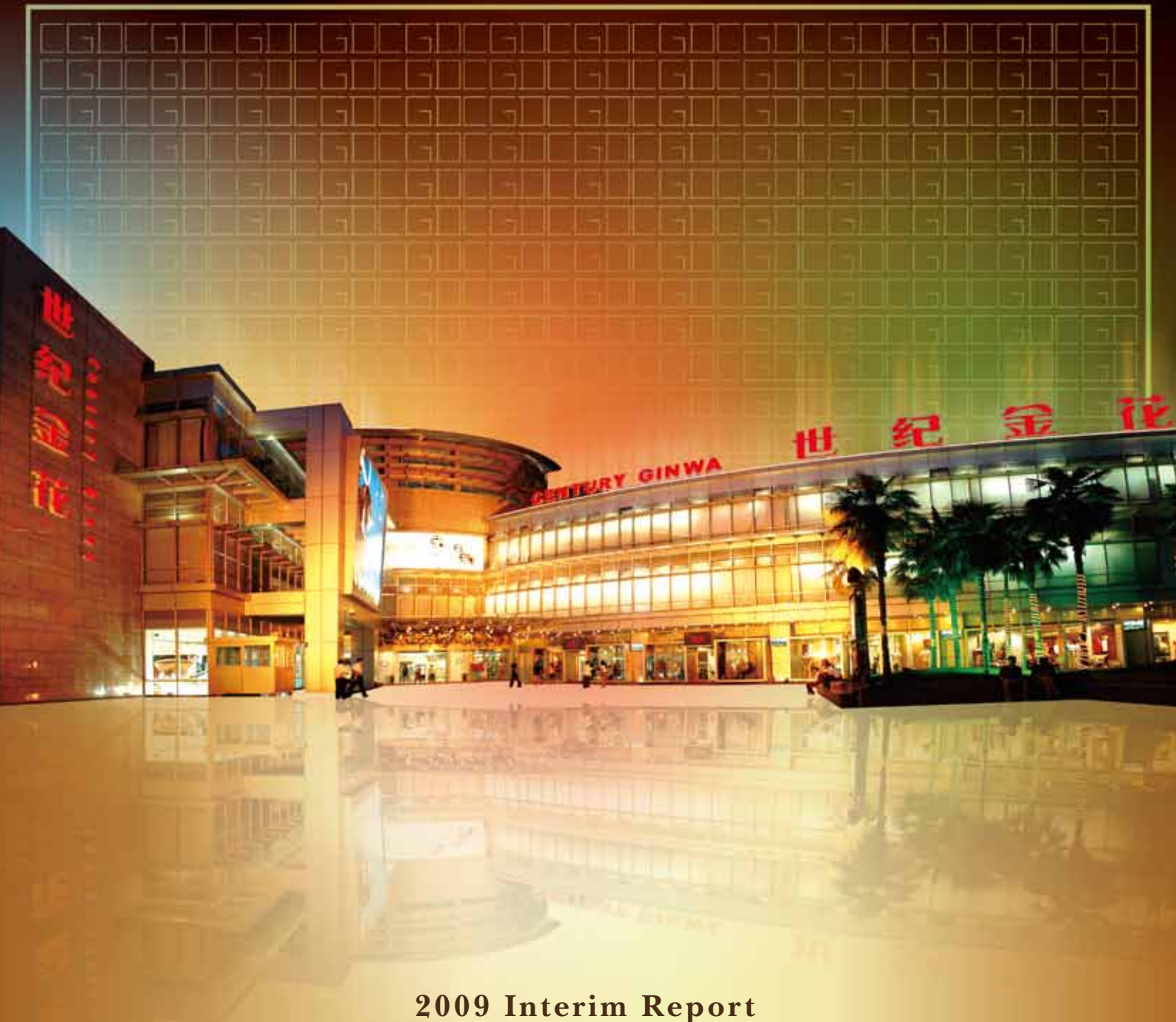




**CGD**

中國金展控股有限公司  
China Golden Development Holdings Limited  
Stock Code: 0162



**2009 Interim Report**

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## CORPORATE INFORMATION

### BOARD OF DIRECTORS

#### *Executive Directors*

Mr. Hu Yangxiong (*Vice Chairman and Chief Executive Officer*)

Mr. Qu Jiaqi

Mr. Li Haogang

Mr. Sha Yingjie

Ms. Lu Xiaoling

#### *Independent Non-executive Directors*

Mr. Chan Wai Kwong, Peter

Mr. Fu Wing Kwok, Ewing

Mr. Tsang Kwok Wai

### COMPANY SECRETARY AND QUALIFIED ACCOUNTANT

Mr. Un Kwok Kee, John

### HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Unit 1801, 18th Floor, Tai Yau Building,  
181 Johnston 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  
Bank of China

### REGISTERED OFFICE

Clarendon House  
2 Church Street  
Hamilton HM 11  
Bermuda

### COMPANY WEBSITE

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

### HONG KONG BRANCH SHARE REGISTRAR AND 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

Baker Tilly Hong Kong Limited  
*Certified Public Accountants*  
12/F, China Merchants Tower  
Shun Tak Centre  
168 – 200 Connaught Road Central  
Hong Kong

### AUDIT COMMITTEE MEMBERS

Mr. Fu Wing Kwok, Ewing (*Chairman*)

Mr. Chan Wai Kwong, Peter

Mr. Tsang Kwok Wai

Mr. Sha Yingjie

Ms. Lu Xiaoling

### REMUNERATION COMMITTEE MEMBERS

Mr. Chan Wai Kwong, Peter (*Chairman*)

Mr. Fu Wing Kwok, Ewing

Mr. Tsang Kwok Wai

Mr. Hu Yangxiong

### BERMUDA PRINCIPAL SHARE REGISTRAR

Butterfield Fulcrum Group (Bermuda)  
Limited  
Rosebank Centre  
11 Bermudiana Road, Pembroke HM 08  
Bermuda

### STOCK CODE

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**CONDENSED CONSOLIDATED INCOME STATEMENT***For the six months ended 30 June 2009*

	Note	<b>(Unaudited)</b>	
		<b>Six months ended 30 June</b>	
		<b>2009</b>	2008
		<b>HK\$'000</b>	HK\$'000
			(restated)
<b>Turnover</b>	3	<b>262,694</b>	88,345
Cost of sales		<b>(80,666)</b>	(24,658)
<b>Gross profit</b>		<b>182,028</b>	63,687
Other revenue		<b>41,950</b>	8,300
Selling and distribution expenses		<b>(18,863)</b>	(9,751)
General and administrative expenses		<b>(125,244)</b>	(44,050)
Equity settled share-based payment expense for share options granted	4	<b>(1,276)</b>	(1,170)
<b>Operating profit</b>		<b>78,595</b>	17,016
Finance costs	5(a)	<b>(69,179)</b>	(2,084)
<b>Profit before taxation</b>	5	<b>9,416</b>	14,932
Income tax	6	<b>(19,746)</b>	(4,323)
<b>(Loss)/profit for the period</b>		<b>(10,330)</b>	10,609
<b>Attributable to:</b>			
– Equity shareholders of the Company		<b>(20,127)</b>	10,609
– Minority interests		<b>9,797</b>	–
<b>(Loss)/profit for the period</b>		<b>(10,330)</b>	10,609
<b>(Loss)/earnings per share (HK cents)</b>	7		
– basic		<b>(1.74)</b>	1.11
– diluted		<b>N/A</b>	1.08

The notes on pages 8 to 24 form part of this condensed consolidated interim financial information.

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME***For the six months ended 30 June 2009*

	<b>(Unaudited)</b>	
	<b>Six months ended</b>	
	<b>30 June</b>	
	<b>2009</b>	2008
	<b>HK\$'000</b>	HK\$'000
<b>(Loss)/profit for the period</b>	<b>(10,330)</b>	10,609
<b>Other comprehensive (loss)/income</b>		
Exchange differences on translation of financial statements of overseas subsidiaries	<u>(726)</u>	<u>10,905</u>
<b>Total comprehensive (loss)/income for the period</b>	<b><u>(11,056)</u></b>	<b><u>21,514</u></b>
<b>Attributable to:</b>		
– Equity shareholders of the Company	<b>(20,853)</b>	21,514
– Minority interests	<u>9,797</u>	<u>–</u>
<b>Total comprehensive (loss)/income for the period</b>	<b><u>(11,056)</u></b>	<b><u>21,514</u></b>

The notes on pages 8 to 24 form part of this condensed consolidated interim financial information.

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

At 30 June 2009

		(Unaudited) At 30 June 2009 HK\$'000	(Audited) At 31 December 2008 HK\$'000
	<i>Note</i>		
<b>Non-current assets</b>			
Fixed assets	9	155,351	158,534
Goodwill		226,579	226,579
Loan receivables	10	1,365,947	1,343,644
Deferred tax assets		3,650	3,655
		<u>1,751,527</u>	<u>1,732,412</u>
<b>Current assets</b>			
Inventories		24,164	32,372
Trade and other receivables	11	86,841	60,216
Loan receivables	10	13,975	20,979
Amount due from a director	19(c)	130	78
Cash and cash equivalents	12	84,100	90,371
		<u>209,210</u>	<u>204,016</u>
<b>Current liabilities</b>			
Trade and other payables	13	858,321	853,555
Amount due to a related company	19(c)	–	2,502
Bank loans, secured	14	329,204	358,575
Obligations under finance leases		31	154
Current taxation		37,246	26,030
		<u>1,224,802</u>	<u>1,240,816</u>
<b>Net current liabilities</b>		<u>(1,015,592)</u>	<u>(1,036,800)</u>
<b>Total assets less current liabilities</b>		<b>735,935</b>	695,612
<b>Non-current liabilities</b>			
Convertible bonds	15	757,016	706,913
<b>NET LIABILITIES</b>		<u>(21,081)</u>	<u>(11,301)</u>
<b>CAPITAL AND RESERVES</b>			
Share capital	16	115,824	115,824
Reserves		(217,710)	(198,133)
<b>Total deficit attributable to equity shareholders of the Company</b>		<b>(101,886)</b>	(82,309)
<b>Minority interests</b>		<b>80,805</b>	71,008
<b>TOTAL DEFICIT</b>		<u>(21,081)</u>	<u>(11,301)</u>

The notes on pages 8 to 24 form part of this condensed consolidated interim financial information.

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY***For the six months ended 30 June 2009*

	Attributable to equity shareholders of the Company									Minority interests HK\$'000	Total equity/ (deficit) HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	Share-based payment reserve HK\$'000	Warrant reserve HK\$'000	Statutory surplus reserve HK\$'000	Exchange reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000		
At 1 January 2008 (audited)	94,842	307,872	49,886	2,032	2,285	804	7,908	(107,788)	357,841	-	357,841
Shares issued for exercise of warrants	200	772	-	-	(50)	-	-	-	922	-	922
Shares issued for exercise of share options	2,292	9,878	-	(1,869)	-	-	-	-	10,301	-	10,301
Equity settled share-based transactions											
- Amount recognised during the period	-	-	-	1,170	-	-	-	-	1,170	-	1,170
- Forfeiture of share options	-	-	-	(163)	-	-	-	163	-	-	-
Total comprehensive income for the period	-	-	-	-	-	-	10,905	10,609	21,514	-	21,514
At 30 June 2008 (unaudited)	<u>97,334</u>	<u>318,522</u>	<u>49,886</u>	<u>1,170</u>	<u>2,235</u>	<u>804</u>	<u>18,813</u>	<u>(97,016)</u>	<u>391,748</u>	<u>-</u>	<u>391,748</u>
At 1 January 2009 (audited)	115,824	386,673	49,886	2,447	2,235	9,148	12,619	(661,141)	(82,309)	71,008	(11,301)
Equity settled share-based transactions											
- Amount recognised during the period	-	-	-	1,276	-	-	-	-	1,276	-	1,276
Total comprehensive (loss)/income for the period	-	-	-	-	-	-	(726)	(20,127)	(20,853)	9,797	(11,056)
At 30 June 2009 (unaudited)	<u>115,824</u>	<u>386,673</u>	<u>49,886</u>	<u>3,723</u>	<u>2,235</u>	<u>9,148</u>	<u>11,893</u>	<u>(681,268)</u>	<u>(101,886)</u>	<u>80,805</u>	<u>(21,081)</u>

The notes on pages 8 to 24 form part of this condensed consolidated interim financial information.

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS***For the six months ended 30 June 2009*

	<b>(Unaudited)</b>	
	<b>Six months ended</b>	
	<b>30 June</b>	
	<b>2009</b>	<b>2008</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Net cash generated from operating activities</b>	<b>31,873</b>	21,601
<b>Net cash used in investing activities</b>	<b>(7,472)</b>	(80,672)
<b>Net cash used in financing activities</b>	<b>(41,724)</b>	(131,720)
<b>Net decrease in cash and cash equivalents</b>	<b>(17,323)</b>	(190,791)
Cash and cash equivalents at 1 January	<b>84,686</b>	238,115
<b>Effect of foreign exchange rate changes</b>	<b>(297)</b>	6,386
Cash and cash equivalents at 30 June	<b><u>67,066</u></b>	<b><u>53,710</u></b>

The notes on pages 8 to 24 form part of this condensed consolidated interim financial information.



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 1 Basis of preparation

This unaudited condensed consolidated interim financial information (the “interim financial report”) of the Group has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and in compliance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim financial reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2008 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2009 annual financial statements. Details of these changes in accounting policies are set out in note 2.

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains condensed consolidated interim financial information and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2008 annual financial statements. The condensed consolidated interim financial information and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

The interim financial report is unaudited, but has been reviewed by Baker Tilly Hong Kong Limited 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. Independent review report to the board of directors is included on pages 33 to 34.

The financial information relating to the financial year ended 31 December 2008 that is included in the interim financial report as being previously reported information does not constitute the Group’s statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 December 2008 are available from the Company’s registered office. This interim financial report should be read in conjunction with the Company’s 2008 annual financial statements.

In preparing the interim financial report, the directors have considered the future liquidity of the Group in view of its net current liabilities position as at 30 June 2009. The Group incurred a consolidated net loss attributable to equity shareholders of the Company of approximately HK\$20,127,000 for the six months ended 30 June 2009, had consolidated net current liabilities of approximately HK\$1,015,592,000 and a full impairment of issued share capital of approximately HK\$21,081,000 as at 30 June 2009. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern and therefore that it may be unable to realise its assets and discharge its liabilities in the normal course of business. Nevertheless, the directors are of the opinion that the Group will be able to finance its future working capital and financial requirements given that:

- (i) the Group has been actively discussing with prospective investors to obtain new working capital; and
- (ii) the Company's substantial shareholder has agreed to provide financial support as is necessary to enable the Group to meet its liabilities as and when they fall due.

In the opinion of the directors, in light of the measures taken to date and on the basis of the above-mentioned major assumptions, the Group will have sufficient working capital to finance and maintain operations in the foreseeable future. Accordingly, the directors are satisfied that it is appropriate to prepare the interim financial report on a going concern basis.

## 2 Changes in accounting policies

The HKICPA has issued one new HKFRS, a number of amendments to HKFRSs and new Interpretations that are first effective for the current accounting period of the Group and the Company.

In the current interim period, the Group initially applied the following HKFRSs:

HKFRSs (Amendments)	Improvements to HKFRSs
HKAS 1 (Revised)	Presentation of financial statements
HKAS 23 (Revised)	Borrowing costs
HKAS 32 & HKAS 1 (Amendments)	Puttable financial instruments and obligations arising on liquidation
HKFRS 1 & HKAS 27 (Amendments)	Cost of an investment in a subsidiary, jointly controlled entity or associate
HKFRS 2 (Amendments)	Vesting conditions and cancellations
HKFRS 7 (Amendments)	Improving disclosures about financial instruments
HKFRS 8	Operating segments
HK(IFRIC)-Int 9 & HKAS 39 (Amendments)	Embedded derivatives
HK(IFRIC)-Int 13	Customer loyalty programmes
HK(IFRIC)-Int 15	Agreements for the construction of real estate
HK(IFRIC)-Int 16	Hedges of a net investment in a foreign operation

The adoption of the above HKFRSs has had no material effect on the accounting policies of the Group and the methods of computation in the Group's interim financial report.

The Group has not early applied the following new and revised HKFRSs that have been issued but not yet effective, in the interim financial report.

HKFRSs (Amendments)	Improvements to HKFRSs 2009 <sup>1</sup>
HKAS 27 (Revised)	Consolidated and separate financial statements <sup>2</sup>
HKAS 39 (Amendments)	Eligible hedged items <sup>2</sup>
HKFRS 1 (Revised)	First-time adoption of Hong Kong Financial Reporting Standards <sup>2</sup>
HKFRS 2 (Amendments)	Share-based payment – group cash-settled share-based payment transactions <sup>1</sup>
HKFRS 3 (Revised)	Business combinations <sup>2</sup>
HK(IFRIC)-Int 17	Distribution of non-cash assets to owners <sup>2</sup>
HK(IFRIC)-Int 18	Transfers of assets from customers <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2010

<sup>2</sup> Effective for annual periods beginning on or after 1 July 2009

The Group is assessing the impact of these amendments and new standards and has so far concluded that they are not in a position to state whether their adoption will have a significant impact on the Group's results of operations and financial position.

### 3 Turnover and segment reporting

The Group's revenue and loss for the six months ended 30 June 2009 are mainly derived from the operation of shopping malls 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 People's Republic of China (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 six months ended 30 June 2009.

### 4 Equity settled share-based payment expense for share options granted

On 15 January 2008, 49,106,000 share options were granted at an exercise price of HK\$0.74 per share. The exercise period is from 16 January 2008 to 15 January 2010. The fair value of the services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). The estimate of the fair value of the share options granted is measured based on Black-Scholes option pricing model. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable.

No options were exercised during the six months ended 30 June 2009 (six months ended 30 June 2008: 22,922,250 options were exercised).

## 5 Profit before taxation

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

	<b>(Unaudited)</b>	
	<b>Six months ended</b>	
	<b>30 June</b>	
	<b>2009</b>	2008
	<b>HK\$'000</b>	HK\$'000
<b>(a) Finance costs</b>		
Bank charges	<b>82</b>	26
Credit card expenses	<b>6,351</b>	29
Finance charges on obligations under finance leases	<b>19</b>	–
Interest on bank loans wholly repayable within five years	<b>12,624</b>	2,029
Interest on convertible bonds ( <i>note 15</i> )	<b>50,103</b>	–
	<u><b>69,179</b></u>	<u>2,084</u>
<b>(b) Other items</b>		
Auditors' remuneration	<b>280</b>	90
Amortisation of intangible assets	–	1,079
Depreciation	<b>8,140</b>	3,088
Interest income	<b>(26,069)</b>	(1,699)
Loss on disposal of fixed assets	<b>193</b>	107
Net exchange loss	<b>68</b>	209
	<u><b>68</b></u>	<u>209</u>

## 6 Income tax

	<b>(Unaudited)</b>	
	<b>Six months ended</b>	
	<b>30 June</b>	
	<b>2009</b>	2008
	<b>HK\$'000</b>	HK\$'000
Current tax – PRC	<b>19,746</b>	<u>4,323</u>

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.

No provision for Hong Kong profits tax has been made as the Group's income neither arises in, nor is derived from Hong Kong during the period.

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

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

- Xian Century Ginwa Property Investments Company Limited (“Xian Century Ginwa”) enjoys a preferential tax treatment as being a foreign investment enterprise located in the western region of the PRC, including a reduction in PRC Enterprise Income Tax rate to 15% until 2010.
- Century Ginwa Urumqi Shopping Mall Company Limited (“Century Ginwa Urumqi”) and Century Ginwa Joint Stock Company Limited (“Century Ginwa”) are subject to the standard PRC Enterprise Income Tax rate of 25%.

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

## 7 (Loss)/earnings per share

### (a) Basic (loss)/earnings per share

The calculation of basic (loss)/earnings per share is based on the loss attributable to equity shareholders of the Company of HK\$20,127,000 (six months ended 30 June 2008: profit of HK\$10,609,000) and the weighted average number of 1,158,241,000 ordinary shares (six months ended 30 June 2008: 959,012,000 ordinary shares) in issue during the interim period, calculated as follows:

Weighted average number of ordinary shares:

	<b>(Unaudited)</b>	
	<b>Six months ended</b>	
	<b>30 June</b>	
	<b>2009</b>	<b>2008</b>
	<b>'000</b>	<b>'000</b>
Issued ordinary shares at 1 January	<b>1,158,241</b>	948,419
Effect of share options exercised	–	10,362
Effect of exercise of warrants	–	231
	<hr/>	<hr/>
Weighted average number of ordinary shares at 30 June	<b><u>1,158,241</u></b>	<b><u>959,012</u></b>

### (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)

	<b>(Unaudited)</b>	
	<b>Six months ended</b>	
	<b>30 June</b>	
	<b>2009</b>	<b>2008</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
(Loss)/profit attributable to ordinary equity shareholders	<b>(20,127)</b>	10,609
After tax effect of effective interest on the liability component of convertible bonds	<b>41,836</b>	–
	<hr/>	<hr/>
Profit attributable to ordinary equity shareholders (diluted)	<b><u>21,709</u></b>	<b><u>10,609</u></b>

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

	<b>(Unaudited)</b>	
	<b>Six months ended</b>	
	<b>30 June</b>	
	<b>2009</b>	2008
	<b>'000</b>	<b>'000</b>
Weighted average number of ordinary shares at 30 June	<b>1,158,241</b>	959,012
Effect of deemed issue of shares under the Company's share option scheme for nil consideration	-	7,115
Effect of warrants	-	19,933
Weighted average number of ordinary shares at 30 June (diluted)	<b><u>1,158,241</u></b>	<b><u>986,060</u></b>

The exercise of the outstanding share options and warrants has no dilutive effect for the six months ended 30 June 2009 because the exercise price of the Company's share options and warrants were higher than the average market price of the shares during the period.

The convertible bonds have no dilutive effect for the six months ended 30 June 2009.

**8 Dividends**

The Board has resolved not to declare any interim dividend in respect of the six months ended 30 June 2009 (six months ended 30 June 2008: HK\$Nil).

**9 Fixed assets**

During the six months ended 30 June 2009, the Group acquired items of fixed assets with a cost of HK\$5,518,000.

## 10 Loan receivables

(a) On 25 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 31 December 2009.

(b) *Loans to Ginwa Investments*

In September 2008, the Group’s subsidiary, Century Ginwa, entered into an unsecured loan agreement with Ginwa Investments Company Limited (“Ginwa Investments”) for its advances of RMB1,165,348,000 to be repayable by 31 August 2013. The interest bearing loan portion carries interest at the five-year lending rate published by the People’s Bank of China, the PRC.

(c) *Other loan receivables*

The Group’s wholly owned subsidiary, Xian Century Ginwa, signed loan agreements with independent third parties, for unsecured loans of RMB3,500,000, which bear interest at 7.83% per annum and are repayable by 25 March 2009. In March 2009, the loan period was extended to 31 December 2009.

(d) The directors consider that the carrying amounts of loan receivables approximate their fair values.



## 11 Trade and other receivables

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

	<b>(Unaudited)</b>	(Audited)
	<b>At</b>	At
	<b>30 June</b>	31 December
	<b>2009</b>	2008
	<b>HK\$'000</b>	HK\$'000
0-30 days	<b>8,870</b>	4,073
31-60 days	<b>4,826</b>	175
61-90 days	<b>369</b>	107
Over 90 days	<b>1,282</b>	1,028
	<b>15,347</b>	5,383

The Group's retail sales to customers are mainly on cash basis, either in cash, debit card or credit card payment. The Group does not have a defined fixed credit policy as its major trade receivables arise from debit and credit card sales.

Based on past experience, the directors believe that no impairment allowance is necessary in respect of these trade receivables arise from debit and credit card sales as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

**12 Cash and cash equivalents**

	<b>(Unaudited)</b>	(Audited)
	<b>At</b>	At
	<b>30 June</b>	31 December
	<b>2009</b>	2008
	<b>HK\$'000</b>	HK\$'000
Time deposits	45,424	5,685
Cash at bank and in hand	38,676	84,686
	<b>84,100</b>	90,371
Less: time deposits with original maturity over three months	<b>(17,034)</b>	(5,685)
Cash and cash equivalents in the condensed consolidated statement of cash flows	<b>67,066</b>	84,686

**13 Trade and other payables**

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

	<b>(Unaudited)</b>	(Audited)
	<b>At</b>	At
	<b>30 June</b>	31 December
	<b>2009</b>	2008
	<b>HK\$'000</b>	HK\$'000
0-30 days	13,785	19,291
31-90 days	3,102	4,803
Over 90 days	1,656	1,212
	<b>18,543</b>	25,306

**14 Bank loans, secured**

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

The carrying amounts of bank loans are denominated in the following currencies:

	<b>(Unaudited)</b>	(Audited)
	<b>At</b>	At
	<b>30 June</b>	31 December
	<b>2009</b>	2008
	<b>HK\$'000</b>	HK\$'000
Renminbi	<b>309,770</b>	339,119
United States dollars	<b>19,434</b>	19,456
	<b>329,204</b>	358,575

## 15 Convertible bonds

On 19 September 2008, the Company issued 2.75% convertible bonds with an aggregate principal amount of approximately HK\$1,231,612,000. The five-year convertible bonds were issued with a conversion price of HK\$0.689 per share and will mature on 18 September 2013. The yield to maturity is 19.12%.

Due to several terms in the convertible bonds including price reset and cash settlement option, the conversion will not result in the exchange of a fixed number of the Company's shares. In accordance with the requirements of HKAS 32 "Financial instruments: Presentation" and HKAS 39 "Financial instruments: Recognition and measurement", the convertible bond contract must be separated into two component elements: a derivative component consisting of the conversion option and a liability component of the straight debt element of the convertible bonds.

On the issue of the convertible bonds, the fair value of the embedded conversion option was calculated using the Trinomial Tree model. The derivative component, the embedded conversion option, is carried at fair value on the statement of financial position with any changes in fair value being charged or credited to the income statement in the period when the change occurs. The remainder of the proceeds is allocated to the debt element of the convertible bonds, net of transaction costs, and is recorded as the liability component. The liability component is subsequently carried at amortised cost until extinguished on conversion or redemption. Interest expense is calculated using the effective interest method by applying the effective interest rate to the liability component through the maturity date.

If the convertible bonds are converted, the carrying amounts of the derivative and liability components are transferred to share capital and share premium as consideration for the shares issued. If the convertible bonds are redeemed, any difference between the amount paid related to the liability component and the carrying amount of the liability component is recognised in the income statement.

### Fair value of the conversion option

The embedded conversion option has been separated from the host debt contract and accounted for as a derivative liability carried at fair value through profit or loss. The fair value of this conversion option which is not traded in an active market is determined by using valuation techniques. The Group uses its judgement to select an appropriate valuation method and makes assumptions that are mainly based on market conditions existing at end of the reporting period. The valuation model requires the input of subjective assumptions, such as the volatility of the share price, stock closing price, dividend yield, risk-free rate, and expected option life. Changes in subjective input assumptions can materially affect the fair value estimate.

No change in fair value of the conversion option was recognised during the period.

The carrying values of the derivative component and liability component of the convertible bonds at 30 June 2009 are as follows:

	<b>Liability component</b> HK\$'000	<b>Derivative component</b> HK\$'000	<b>Total</b> HK\$'000
At 31 December 2008 and 1 January 2009	645,773	61,140	706,913
Interest expense ( <i>note 5(a)</i> )	50,103	–	50,103
<b>At 30 June 2009</b>	<b>695,876</b>	<b>61,140</b>	<b>757,016</b>

No conversion of the convertible bonds occurred during the period.

**16 Share capital**

	<b>Number of ordinary shares of HK\$0.1 each '000</b>	<b>HK\$'000</b>
Authorised:		
At 31 December 2008, 1 January 2009 and 30 June 2009	<u>20,000,000</u>	<u>2,000,000</u>
Issued and fully paid:		
At 31 December 2008, 1 January 2009 and 30 June 2009	<u>1,158,241</u>	<u>115,824</u>

**17 Capital commitments outstanding not provided in the interim financial report**

	<b>(Unaudited) At 30 June 2009 HK\$'000</b>	<b>(Audited) At 31 December 2008 HK\$'000</b>
Contracted but not provided for: – in respect of purchases of fixed assets	<u>5,974</u>	<u>6,804</u>

**18 Contingent liabilities***(a) Litigation*

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

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

(b) *Financial guarantees issued*

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

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

On 23 April 2008, the Borrower II negotiated with the bank for another loan of RMB4,500,000, which was interest bearing at 7.227% per annum, for a further eighteen months until 22 October 2008 to repay the Second Bank Loan. Under the new loan agreement, the guarantee period given by the Guarantor II was extended for a further eighteen months until 23 October 2010. On 31 August 2008, Ginwa Investments entered into a counter-indemnity agreement with Century Ginwa to indemnify it against any loss that may arise from this guarantee. On 30 June 2009, the outstanding balance of the bank loan was approximately RMB2,497,000.

At 30 June 2009, the directors consider that the Borrower II will settle the amount in the near future and any claim made by the bank to Century Ginwa is unlikely. In addition, Ginwa Investments has agreed to indemnify Century Ginwa against any loss that may arise from this guarantee and therefore, a provision for penalty interest or other damages has not been made in the interim financial report.

- (ii) On 30 June 2008, Century Ginwa, together with Ginwa Investments (collectively known as the "Guarantor III"), entered into guarantee contracts with a bank to provide guarantees to secure a bank loan of RMB90,000,000, which was interest bearing at 9.486% per annum, granted to 陝西新世界醫藥有限公司 (the "Borrower III") for a period from 30 June 2008 to 31 July 2008. The guarantee period given by the Guarantor III was two years starting from 31 July 2008. Ginwa Investments has equity interests in 陝西新世界醫藥有限公司. On 31 August 2008, Ginwa Investments entered into a counter-indemnity agreement with Century Ginwa to indemnify it against any loss that may arise from this guarantee.
- (iii) On 29 September 2007, Century Ginwa entered into guarantee contracts with a bank to provide guarantees to secure a bank loan of RMB18,900,000, which was interest bearing at 9.534% per annum, granted to Ginwa Investments for a period from 29 September 2007 to 28 September 2008. The guarantee period given by Century Ginwa was two years starting from 28 September 2008. On 31 August 2008, Ginwa Investments entered into a counter-indemnity agreement with Century Ginwa to indemnify it against any loss that may arise from this guarantee. On 29 September 2008, Ginwa Investments negotiated with the bank to extend the loan period for eleven months until 28 August 2009, with interest bearing at 15.3421% per annum. The guarantee period given by Century Ginwa was extended for eleven months until 28 August 2011.

## 19 Material connected and related party transactions

- (a) Key management personnel compensation:

All key management personnel are directors of the Company and their remuneration is as follows:

	<b>(Unaudited)</b>	
	<b>Six months ended</b>	
	<b>30 June</b>	
	<b>2009</b>	2008
	<b>HK\$'000</b>	HK\$'000
Salaries, wages and other benefits	<b>1,224</b>	1,997
Pension scheme contributions	<b>35</b>	12
Share-based payment expenses	<b>580</b>	618
	<b>1,839</b>	2,627

- (b) Saved as disclosed elsewhere in the interim financial report, the Group had the following significant connected transactions during the period:

	<b>(Unaudited)</b>	
	<b>Six months ended</b>	
	<b>30 June</b>	
	<b>2009</b>	<b>2008</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Interest receivable from Ginwa Investments	<b>25,000</b>	–
Rent paid to Ginwa Hi-Tech	–	4,977
Repairs and maintenance fee paid to Ginwa Hi-Tech	–	664
Rent receivable from 西安世紀金花宜品生活 用品有限公司 (“Xian Yipin”)	<b>3,470</b>	–

Ginwa Investments, Ginwa Hi-Tech and Xian Yipin are connected persons to the Group by virtue of Mr. Wu Yijian’s equity interests in them. Mr. Wu Yijian resigned as the chairman and director of the Company on 28 May 2008.

- (c) Details of balances with related parties are as follows:

	<b>(Unaudited)</b>	(Audited)
	<b>At</b>	At
	<b>30 June</b>	31 December
	<b>2009</b>	2008
	<b>HK\$'000</b>	HK\$'000
Amount due from a director		
– Mr. Li Haogang	<b>130</b>	78
Amount due to a related company		
– Ginwa Hi-Tech	–	2,502

The amounts are unsecured, interest free and have no fixed terms of repayment. The directors consider the carrying amounts of the accounts with related parties approximate their fair values.



## 20 Non-adjusting post balance sheet events

- (a) Subsequent to end of the reporting period, the 89,398,156 warrants issued on 20 July 2007 were expired.
- (b) Subsequent to end of the reporting period, 231,600,000 warrants at an issue price of HK\$0.011 each were issued on 17 August 2009 to an independent third party. Each of the warrants confers rights to the registered holder to subscribe for one new share of the Company in cash at an initial subscription price of HK\$0.29 per share, subject to adjustments, up to the amount of HK\$67,164,000 at any time during the period of two years from the date of issue. On 8 September 2009, 10,000,000 new shares were issued at HK\$0.29 per share upon exercise of 10,000,000 warrants by the registered holder.

## 21 Comparative figures, restatement and reclassifications

- (a) As a result of the application of HKAS 1 (Revised) "Presentation of financial statements", certain comparative figures have been adjusted to conform to current period's presentation and to provide comparative amounts in respect of items disclosed for the first time in 2009. Further details of these developments are disclosed in note 2.

- (b) *Revenue recognition*

In previous periods, gross proceeds from concessionaire 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 period, 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.

- (c) *Comparative figures*

Certain comparative amounts have been reclassified and adjusted to conform to the current period's presentation.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Results

The turnover of the Group for the six months ended 30 June 2009 increased to approximately HK\$263 million compared to approximately HK\$88 million for the corresponding period last year, an increase of approximately 199%.

The gross profit of the Group for the six months ended 30 June 2009 increased to approximately HK\$182 million compared to approximately HK\$63.7 million for the corresponding period last year due to better control on sales mix and the increase in turnover. The gross profit margin of the Group for the six months ended 30 June 2009 slightly decreased from approximately 72% to 69% due to the migration of new acquired business.

The operating, general and administrative expenses for the six months ended 30 June 2009 increased to approximately HK\$145.4 million compared to approximately HK\$55 million for the corresponding period last year.

The finance costs for the six months ended 30 June 2009 increased by approximately 3,220% to approximately HK\$69 million compared to approximately HK\$2.1 million for the corresponding period last year. The rise in the finance costs was mainly attributable to the accrued interest on the convertible bonds during the period.

Loss attributable to equity shareholders of the Company for the six months ended 30 June 2009 was recorded at approximately HK\$20 million compared with the profit of approximately HK\$10.6 million reported in the corresponding period of last year.

### Business Review

Since 2006, the Group has been continuing to explore other business opportunities so as to diversify its business interests. With the huge population of the People's Republic of China (the "PRC"), the 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, Xian Hi-Tech store in May 2007, and Xian Bell Tower store in August 2008.

## **Merger and Acquisition**

Regarding the acquisition of 76.43% equity interest in Century Ginwa, the Xian Bell Tower store, approvals have been granted by related PRC government authorities and the acquisition was completed in August 2008. The store has started its contributions to the Group.

## **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 the 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 stores operators in the PRC.

## **LIQUIDITY AND FINANCIAL RESOURCES**

As at 30 June 2009, net current liabilities and total assets less current liabilities of the Group amounted to approximately HK\$1,016 million (31 December 2008: HK\$1,037 million) and approximately HK\$736 million (31 December 2008: HK\$695.6 million) respectively. As at 30 June 2009, the Group had cash and bank balances amounted to approximately HK\$84 million (31 December 2008: HK\$90.4 million). The current ratio of the Group as at 30 June 2009 was 0.17 (31 December 2008: 0.16).

The gearing ratio, being the bank loan divided by the shareholders' equity, as at 30 June 2009, was nil (31 December 2008: nil).

## **HUMAN RESOURCES**

As at 30 June 2009, the Group employed 1,114 (31 December 2008: 1,196) full time employees including management and administrative staff. Most of the employees are employed 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.

## DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

As at 30 June 2009, 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:

### Long positions in the shares of HK\$0.10 each

Name of director	Nature of interests	Number of issued ordinary shares held	Approximate percentage of the issued share capital of the Company
Mr. Hu Yangxiong	Personal interests	6,154,000	0.53%
Mr. Qu Jiaqi	Personal interests	2,000,000	0.17%
Mr. Li Haogang	Personal interests	2,000,000	0.17%
Mr. Sha Yingjie	Personal interests	2,000,000	0.17%

Save as disclosed above, as at 30 June 2009, 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 30 June 2009, details of the share options granted to the directors of the Company are as follows:

### Long positions in underlying shares

Name of grantee	Date of grant	Exercise price	Vesting and exercise period	Number of share options			Outstanding as at 30 June 2009
				Outstanding as at 1 January 2009	Granted during the period	Exercised during the period	
Mr. Hu Yangxiong	15 Jan 2008	HK\$0.74	16 Jan 2008 to 15 Jan 2010	3,154,000	-	-	3,154,000
Mr. Sha Yingjie	15 Jan 2008	HK\$0.74	16 Jan 2008 to 15 Jan 2010	2,000,000	-	-	2,000,000
Mr. Qu Jiaqi	15 Jan 2008	HK\$0.74	16 Jan 2008 to 15 Jan 2010	2,000,000	-	-	2,000,000
Mr. Li Haogang	15 Jan 2008	HK\$0.74	16 Jan 2008 to 15 Jan 2010	2,000,000	-	-	2,000,000
				9,154,000	-	-	9,154,000

All the interests stated above represents long positions. No short positions were recorded in the register maintained by the Company under Section 352 of the SFO as at 30 June 2009.

Save as disclosed above, as at 30 June 2009, none of the directors or chief executives of the Company had, under Divisions 7 and 8 of the SFO, nor were they taken to or deemed to have under such provisions of the SFO, any interests and short positions in the shares, underlying shares and debentures of the Company or any of its 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 or any interests which are required to be entered into the register kept by the Company pursuant to Section 352 of the SFO or are required pursuant to the Model Code.

## 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 30 June 2009, 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 positions/ short positions	Nature of interests	Number of issued ordinary shares held	Approximate percentage of the issued share capital of the Company
Best Mineral Resources Limited ("BMRL")	Long positions	Personal interests	317,464,072 (Note 1)	27.41%
Mr. Chen Jian	Long positions	Corporate interests	317,464,072 (Note 1)	27.41%
Mr. Li Peng	Long positions	Personal interests	89,398,156 (Note 2)	7.72%

*Notes:*

- (1) BMRL held 317,464,072 shares under its own name as at 30 June 2009. Mr. Chen Jian held 100% of the issued share capital of BMRL. As such, Mr. Chen Jian was deemed to be interested in 317,464,072 shares by virtue of his shareholding in BMRL.
- (2) Subsequent to end of the reporting period, the 89,398,156 warrants issued on 20 July 2007 were expired.

Subsequent to end of the reporting period, 231,600,000 warrants at an issue price of HK\$0.011 each were issued on 17 August 2009 to an independent third party. Each of the warrants confers rights to the registered holder to subscribe for one new share of the Company in cash at an initial subscription price of HK\$0.29 per share, subject to adjustments, up to the amount of HK\$67,164,000 at any time during the period of two years from the date of issue. On 8 September 2009, 10,000,000 new shares were issued at HK\$0.29 per share upon exercise of 10,000,000 warrants by the registered holder.

Save as disclosed above, the directors and chief executives of the Company are not aware that there is any person who, as at 30 June 2009, 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 6 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 proceeding 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.

On 15 January 2008, 49,106,000 share options were granted.

During the six months ended 30 June 2009, no share options were exercised and 16,368,900 share options were cancelled on the expiration of the option period.

As at 30 June 2009, the Company had 20,138,000 share options outstanding under the Share Option Scheme which represented approximately 1.74% of the Company's ordinary shares in issue as at that date.

### **SIGNIFICANT SUBSEQUENT EVENTS**

Please refer to Note 20 – Non-adjusting post balance sheet events of the Notes to the Condensed Consolidated Interim Financial Information.

### **FOREIGN EXCHANGE EXPOSURE**

During the six months ended 30 June 2009, 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**

Please refer to Note 18 – Contingent liabilities of the Notes to the Condensed Consolidated Interim Financial Information.

## **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 30 June 2009.

## **CORPORATE GOVERNANCE**

The Board considers that the Company has complied throughout the six months ended 30 June 2009 with the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 of the Listing Rules, except for certain deviations. The corporate governance of the Company for the period is stated as follows:

### **Board of Directors**

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. Mr. Hu Yangxiong is the Vice Chairman & Chief Executive Officer of the Company. The Board considers that this structure will not impair the balance of power and authority between the Board and the Management of the Company. The balance of power and authority is ensured by the operations of the Board, which comprises experienced and high calibre individuals and meets regularly to discuss issues affecting operations of the Company. The Board believes that the current structure is conducive to strong and consistent leadership, enabling the Company to make and implement decisions promptly and efficiently. The Board believes that Mr. Hu's appointment to the posts of Vice Chairman and Chief Executive Officer is beneficial to the business prospects and management of the Company. The Vice Chairman ensures that all directors are properly briefed on issues arising at Board meetings. The Vice Chairman is responsible for ensuring that directors receive adequate, complete and reliable information, in a timely manner.

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

### **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 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 consists of three Independent Non-executive Directors: Mr. Chan Wai Kwong, Peter, Mr. Fu Wing Kwok, Ewing and Mr. Tsang Kwok Wai 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 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 consists of three Independent Non-executive Directors: Mr. Fu Wing Kwok, Ewing, Mr. Chan Wai Kwong, Peter 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 Hong Kong Limited 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 30 June 2009.

### **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 30 June 2009.

### **SUFFICIENCY OF PUBLIC FLOAT**

Based on the information that is publicly available to the Company and within the knowledge of the directors, the directors confirmed that the Company has maintained the amounts of public float as required under the Listing Rules throughout the six months ended 30 June 2009.

By order of the Board

**Hu Yangxiong**

*Vice Chairman and Chief Executive Officer*

Hong Kong, 11 September 2009



**BAKER TILLY**

**HONG KONG LIMITED**

CERTIFIED PUBLIC ACCOUNTANTS

香港天華會計師事務所有限公司

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**REVIEW REPORT 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 24, which comprises the condensed consolidated statement of financial position of China Golden Development Holdings Limited (the "Company") as of 30 June 2009 and the related condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended and certain explanatory notes. The 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 of the Company are responsible for the preparation and presentation of the interim financial information in accordance with HKAS 34.

Our responsibility is to form a conclusion, based on our review, on this interim financial information 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 enquiries, 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.

## **Emphasis of matter**

Without qualifying our conclusion, we draw attention to note 1 to the condensed consolidated interim financial information which indicates that the Group incurred a consolidated net loss attributable to the equity shareholders of the Company of approximately HK\$20,127,000 for the six months ended 30 June 2009, had consolidated net current liabilities of approximately HK\$1,015,592,000 and a full impairment of issued share capital of approximately HK\$21,081,000 as at 30 June 2009. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. The condensed consolidated interim financial information has been prepared on a going concern basis, the validity of which is dependent on the continuing financial support from the substantial shareholder in order to finance the Group's future working capital and financial requirements and the Group's ability to obtain new working capital from prospective investors. These conditions, along with other matters as set forth in note 1, indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern.

## **Baker Tilly Hong Kong Limited**

*Certified Public Accountants*

Hong Kong, 11 September 2009

**Andrew David Ross**

Practising certificate number P01183