
HISTORY AND DEVELOPMENT

GENERAL

Our Company was incorporated in the Cayman Islands on January 8, 2007 under the name Tiger Power Investments Limited and changed its name to PCD Stores (Group) Limited on August 15, 2007. As a result of the Reorganization it became the holding company of our Group. See the sections headed “Background” and “Reorganization” under “Appendix VII — Statutory and General Information” to this document for more information relating to our corporate structure and the Reorganization.

BACKGROUND

In 1989, Alfred Chan and Edward Tan, our ultimate Controlling Shareholders, acquired PORTS, a high-end fashion label and retail apparel business, which was originally established in the 1960’s in Toronto, Canada. After acquiring the PORTS label and retail apparel business, Alfred Chan and Edward Tan opened the first PORTS boutique in China in 1993 and gradually expanded the PORTS business in China.

Alfred Chan and Edward Tan initially acquired an interest in the PORTS label in 1989 through the purchase of Etac Sales Limited (“ESL”), a company incorporated in Canada which at that time owned the PORTS label. By way of acquisitions in May and November 1994, Alfred Chan and Edward Tan subsequently acquired the PORTS label from, among other parties, ESL’s receiver. Further details of the liquidation of ESL are contained in the “Directors and Senior Management — Executive Directors” section of this document.

Today, the PORTS network in China extends to over 370 stores and outlets across more than 60 cities in the PRC, with a majority of these stores and outlets located in department stores. The PORTS business is now owned and operated by PDL, the shares of which are listed on the Stock Exchange under the stock code (00589) and which was listed by Forbes Asia as one of “Asia’s 200 Best Under A Billion” in 2006, 2007 and 2008.

As a result of building up the PORTS business in China over the last 16 years, Alfred Chan and Edward Tan have well-established relationships within the PRC retail industry, and a well-developed knowledge of Chinese cities. They also have well-established relationships with owners and operators of department stores and shopping malls in certain major cities in China.

Ke Xiude, the mother of Alfred Chan and Edward Tan, funded and established PCD Zhongshan Lu and PCD World Trade in 1998 and 2001, respectively, and these were the first two PCD department stores to be owned and operated by the Chan Family. We commenced operations of PCD Zhongshan Lu on January 1, 2004. PCD Zhongshan Lu was operated by PCD Retail Management from January 1, 2004 to December 31, 2004 and by PCD World Trade (Xiamen) from January 1, 2005 to December 31, 2005. Thereafter, Zhongshan PCD Stores (Xiamen), an entity established in October 2005, assumed operations of PCD Zhongshan Lu. PCD World Trade was previously operated by PCD Stores (Xiamen) under a store cooperation and management agreement with the owner of the premises where PCD World Trade is located. On January 1, 2004, we commenced operations of PCD World Trade after PCD Stores (Xiamen) assigned to PCD World Trade (Xiamen) its rights and obligations under the agreement for a term of 10 years commencing on March 28, 2002 and ending on March 27, 2012. Ke Xiude was involved in the textile and rice trading business throughout the 1960’s and 1970’s, and she brought into her

HISTORY AND DEVELOPMENT

business the experience that she attained during this period. She relied on the management skills and knowledge of her sons Alfred Chan and Edward Tan as well as Stephen Doe, her grandson-in-law, for the management of the two PCD department stores. In addition, experienced staff members have been recruited over the years to assist in the management of the department stores business of our Group.

In March 2005, our Group began operating its first store outside of Xiamen, PCD Taiyuan, in Taiyuan. Later that year, in August 2005, we acquired a 95% equity interest in PCD Songbai Department Stores (formerly known as Laiya Department Stores Co. Ltd) and part of the premises of PCD Jiahe in an auction. PCD Jiahe subsequently commenced operations in January 2006.

In August 2005, we obtained a lease from Xiamen Jiutian Real Estate Development Co. Ltd. to lease the premises of PCD Continental. In August 2005, we established PCD Continental Department Stores to manage PCD Continental, and PCD Continental subsequently commenced operations in September 2005.

During the Track Record Period, we embarked on a rapid expansion plan which resulted in the acquisition of the property on which PCD Qingdao is located in October 2006. We have also opened four new stores including PCD Qingdao, PCD Changchun, Scitech Plaza and PCD Nanning since January 1, 2006. PCD Qingdao commenced operations on October 9, 2006, and PCD Changchun commenced operations on December 1, 2006. Scitech Plaza, a well-known shopping center in Beijing and a primary generator of our revenue and net profit during the Track Record Period, commenced operations on July 1, 2007. PCD Nanning commenced full operations in January 2008.

On August 10, 2007, as part of our strategy of adding new stores in prime locations to our network, we acquired the entire equity interest in Xian Century Changan Property Investment, which holds title to certain parts of the Xian Changan Metropolis Center, a prime department store property located on Nanguanzheng Street in Xian and the premises where PCD Xian is now located. We then granted a lease to Mei Mei on the above premises and entered into a cooperation agreement to provide management consultancy services in relation to PCD Xian. On January 13, 2008, we acquired the land use rights in respect of a parcel of land located adjacent to PCD Xian and subsequently entered into an agreement to arrange for the development and construction of a retail complex with a building area of no less than 45,000 sq.m. located on the acquired parcel of land. For further details, please refer to “Our Business — Our Managed Store Operations — Xian Phase II”.

In addition, we commenced the provision of management consultancy services to five new stores in Guizhou province, namely, Zunyi Guomao and Guizhou Guochen in October 2008, and Guiyang Guomao, Guiyang Nanguo Huajin and Guomao Liupanshui on January 1, 2009. We also expanded into the outlet mall business and began to provide management consultancy services to the Beijing Scitech Premium Outlet Mall on July 1, 2009, an outdoor mall located within the prestigious villa area along Xiangjiang Bei Road in Chaoyang district of Beijing. Currently, we are studying plans to enter into the outlet mall business in other cities in China. As of June 30, 2009, we carried over 1,600 brands in our self-owned department stores.

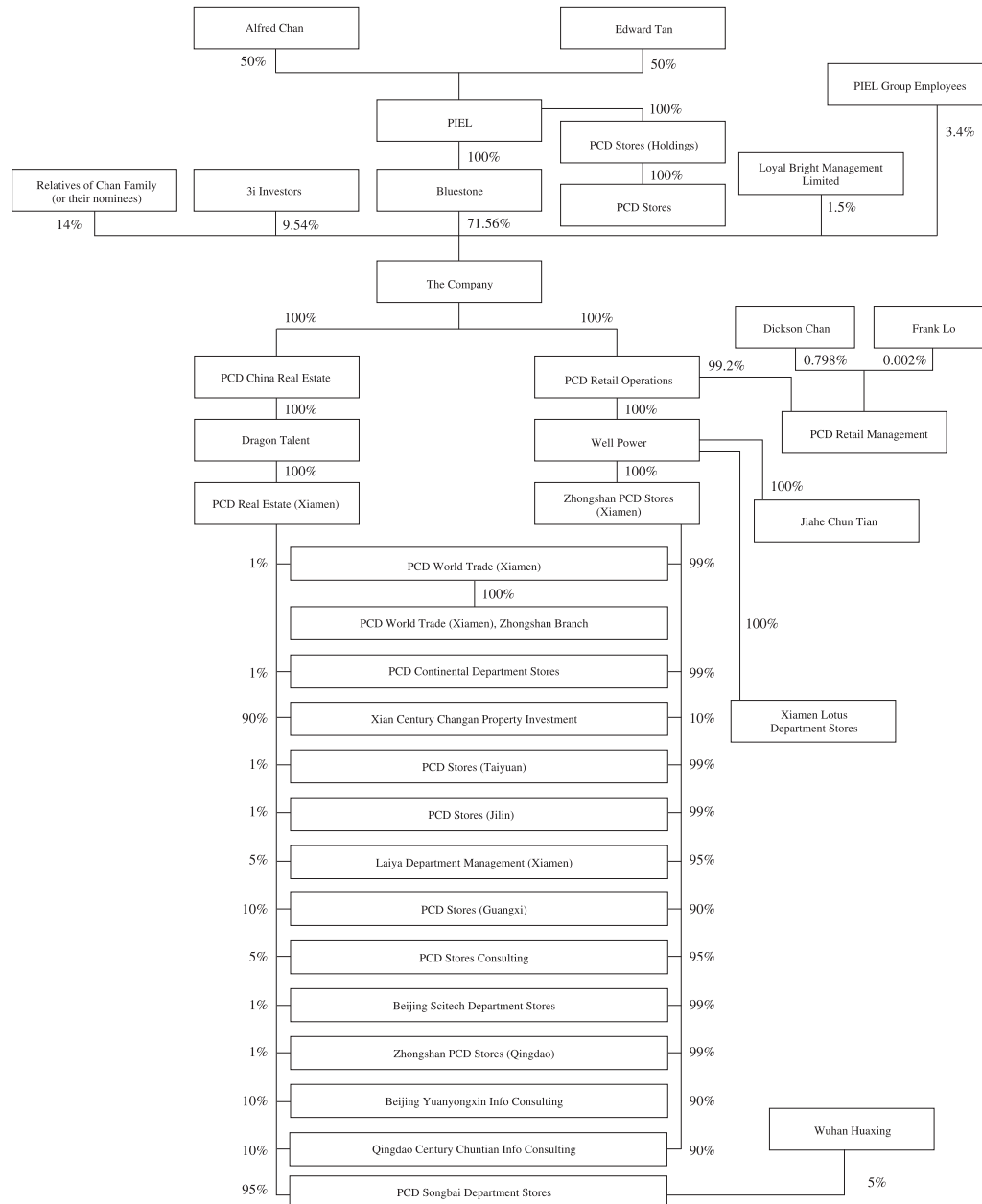
HISTORY AND DEVELOPMENT

As at the Latest Practicable Date, we operate or provide management consultancy services to sixteen stores and one outlet mall in Beijing and seven provinces in China. Among these, nine are our self-owned stores and we provide management consultancy services to the remaining seven department stores and one outlet mall. Our self-owned store operations include eight “PCD” branded department stores and one “Scitech” branded department store. Our managed store operations include one store in Xiamen, one store in Xian, five in the Guizhou province and one outlet mall in Beijing. Our managed stores in Xiamen and Xian are “PCD” branded stores that use the “Fleur de Lys” logo. The Beijing Scitech Premium Outlet Mall also uses the “Fleur de Lys” logo. Guiyang Guomao and Guiyang Nanguo Huajin are in the process of rebranding and we expect these stores to start using the “Fleur de Lys” logo. Our other managed stores do not use the “Fleur de Lys” logo. Four of the seven department stores and one outlet mall to which we provide management consultancy services are operated by connected persons of our Group and the remaining three managed stores are operated by Independent Third Parties.

Full details of the Background and the Reorganization are set out under their respective headings in Appendix VII to this document.

HISTORY AND DEVELOPMENT

The corporate structure of our Group as at the Latest Practicable Date was as follows:



- (1) Loyal Bright Management Limited is a company held as to 100% by Liu Zhi Hui, a former employee of the PIEL Group. Liu Zhi Hui, who resigned in February 2009, has continued to provide consultancy services to the PIEL Group as well as other companies controlled by our Controlling Shareholders. On November 15, 2007 and February 7, 2009, Bluestone transferred Shares that it owned in our Company to Loyal Bright Management Limited for nil consideration in acknowledgement of the former employee’s previous contribution to the PIEL Group.

HISTORY AND DEVELOPMENT

- (2) On November 5, 2009, Bluestone transferred Shares that it owned in our Company to Milmore Investments Limited and Sandoval International Limited, companies which are owned by the PIEL Group Employees.
- (3) Save for their shareholding in PCD Retail Management, Dickson Chan and Frank Lo are Independent Third Parties unrelated to our Group, its directors, senior management, shareholders and their respective associates.