
RELATIONSHIP WITH OUR ULTIMATE CONTROLLING SHAREHOLDERS AND CONNECTED TRANSACTIONS

BACKGROUND OF OUR CONTROLLING SHAREHOLDER GROUP

Our Controlling Shareholders engage in a wide range of businesses. Alfred Chan and Edward Tan together have a controlling interest in PDL, which is a vertically integrated international fashion and luxury goods company with its own design, manufacturing, marketing, distribution and retail capabilities. The shares of PDL are listed on the Stock Exchange. Alfred Chan and Edward Tan and their respective immediate family members are the owners of 85% of the equity interest in Scitech Group, which is the owner of Scitech Plaza and Scitech Complex, and is in the business of the operation of hotels, office towers, shopping centre (excluding Scitech Plaza), amusement facilities, clubs and conferences located at the Scitech Complex. Other businesses engaged by our Controlling Shareholder Group include the investment and ownership of properties and property development.

As part of our Controlling Shareholders are interested in business which are involved in property investment and development, pursuant to a pre-emptive right agreement dated November 29, 2009, our Controlling Shareholders have granted us a right of first refusal to lease to us retail properties owned by them or which are intended to be acquired by them (whether through Beijing Chuntian Real Estate) which are available and suitable for the operation of department stores on terms which are at or no less favourable than the prevailing market rate and terms. The exercise or non-exercise of the right of first refusal will be subject to the approval of our independent non-executive Directors and our compliance with the requirements under Chapter 14A of the Listing Rules.

Our Controlling Shareholders will continue to operate four department stores and one outlet mall as described in this section and continue to hold the interests as set out in this section. The reasons for our Controlling Shareholder Group’s operation of the four department stores and the outlet mall and holding of other interests in projects relating to the operation and development of department stores and outlet malls are further described in the section headed “— Our Excluded Stores and Projects”.

OUR EXCLUDED STORES AND PROJECTS

Bund Project

Summary

PCD China Ventures is a company incorporated in the British Virgin Islands on May 13, 2008 and is a wholly-owned subsidiary of Double Eight Enterprises Limited, a company indirectly wholly-owned by the Chan Family. Other than its interest in PCD China Ventures, Double Eight Enterprises Limited does not have any interest in other companies or businesses. PCD China Ventures is an investment holding company. Pursuant to a joint venture agreement on July 5, 2008, PCD China Ventures holds a 51% interest in Roosevelt PCD, a company which is proposed to provide management and consultancy services to RSR WFOE for an agreed management fee in relation to a department store, which is proposed to be situated at No. 27 Zhongshan Dongyi Road, Shanghai and No. 31-91, Beijing East Road, Shanghai (the “Bund Project”). The remaining 49% interest in Roosevelt PCD is held by RCI, an entity controlled by RCC, which is party to the joint venture agreement. PCD China Ventures also holds a 10%

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interest in RCC. RCI is the controlling shareholder of RSR, which in turn is the 100% shareholder of RSR WFOE, the proposed operator of the Bund Project, who will assume the profits and losses of the department store. The remaining 90% interest in RCC is held equally as to 45% by such two Independent Third Parties. PCD China Ventures’ investment in RCC is only passive and PCD China Ventures does not actively participate in the business of RCC. RSR is expected to provide the premises at which the department store will be operated (whether through ownership or leasing). The premises at which the department store will be operated is in the process of extensive renovation in order to convert it into a high-end and luxury department store.

Reasons for exclusion

Although terms relating to the establishment of RSR, Roosevelt PCD and RSR WFOE have been settled, the parties are still involved in negotiations in relation to the terms over the development of the Bund Project, which include but are not limited to the naming rights of the Bund Project, the proposed allocation of costs to between the parties involved, the brands to be used in relation to the Bund Project, and the relevant terms of the lease for the store premises. We commenced such negotiations with various Independent Third Parties around the third quarter of 2008. As the process requires participation from and agreement among a number of Independent Third Parties, the progress of finalizing the definitive agreement has been complex and, in part due to the economic conditions in 2008 and 2009, involved lengthy and protracted discussions between the parties. The definitive agreements will need to be entered into by all stakeholders, which include RCI, RCC, the Chan Family, the state-owned or controlled corporations that own the property where the Bund Project is proposed to be situated. Accordingly, as of the Latest Practicable Date, no agreement has been reached by the parties on these aspects. Accordingly, the interest in PCD China Ventures has not been included in our Group. Finalization of the remaining terms of the Bund Project requires further negotiation and agreement among a number of Independent Third Parties and there is no assurance that such terms can be settled on the Bund Project.

Bund Option

Pursuant to an option agreement dated November 29, 2009, Double Eight Enterprises Limited has granted us an option to acquire all of its shares in PCD China Ventures for a consideration that equals the lower of (i) the cost of investment incurred by our Controlling Shareholders in PCD China Ventures and (ii) the prevailing fair market value of PCD China Ventures as determined by an independent firm of international valuers (the “Bund Option”).

We will exercise the Bund Option as soon as practicable upon the finalisation of all the definitive agreements relating to the Bund Project and, in any event, prior to the commencement of the proposed operation of the department store at the premises of the Bund Project. Upon the finalization of all definitive agreements relating to the Bund Project, Double Eight Enterprises Limited will serve us a notice (the “Bund Notice”). Our exercise will also be subject to the approval by our independent non-executive Directors and our compliance with the provisions of Chapter 14A of the Listing Rules. In order to assist our independent non-executive Directors in making an informed decision, upon receiving the Bund Notice, we will appoint an independent financial adviser to advise our independent non-executive Directors in relation to whether to

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exercise the Bund Option. In addition, Double Eight Enterprises Limited has agreed to keep us informed every six months as regards the progress of the finalization of the definitive agreements. We will include such progress in our interim report and annual report in order to keep our shareholders fully and timely informed.

As at the Latest Practicable Date, the Bund Project is at a preliminary stage and operations have not commenced. Our Group is currently in discussion with various Independent Third Parties in relation to the Bund Project and there remains outstanding terms to be agreed by all parties involved. As the parties are still involved in negotiations in relation to the Bund Project, it is therefore difficult to predict the length of time required to complete the negotiations and finalize the terms of the Bund Project, and accordingly, the commencement date of the Bund Project by our Group. As our Group currently does not operate or manage any department stores in Shanghai, our Directors believe that there is currently no direct competition between the Bund Project and the business of our Group and given that we will, subject to the approval of our independent non-executive Directors and our compliance with the requirements of the Listing Rules, exercise the Bund Option prior to the commencement of the department store to be situated at the premises of the Bund Project, our Directors believe that there will be no actual competition arising from the project. In the event that the Bund Option has not been exercised upon the expiry of its term, such non-exercise will constitute a connected transaction of our Company pursuant to Rule 14A.70(3) of the Listing Rules. Accordingly, our Company will comply with the relevant requirements under Chapter 14A of the Listing Rules.

Beijing Scitech Premium Outlet Mall

Summary

Even Time is a company incorporated in the British Virgin Islands on July 6, 2009 and is 100% held by Jenny Tan, daughter of Edward Tan, on trust for and on behalf of LDP Management Limited, a company held as to 50% each by Alfred Chan and Edward Tan, our Controlling Shareholders. All funding in relation to Even Time has been provided by our Controlling Shareholders. Even Time’s only investment is its 100% indirect interest in Beijing Scitech Outlet Commerce through its wholly-owned subsidiary, Prime Wave Limited, a company incorporated in Hong Kong. Beijing Scitech Outlet Commerce, which was incorporated on February 13, 2009 by our Controlling Shareholders, is the operator of the Beijing Scitech Premium Outlet Mall, which has commenced trial operations in relation to part of its premises in July 2009. Even Time is engaged in the investment in the operation of outlet malls in the PRC. Our Controlling Shareholders have undertaken to procure Even Time and each of its subsidiaries not to engage in any business other than the investment in the operation of Beijing Scitech Premium Outlet Mall. Even Time has also engaged us to provide general outlet services for the payment of RMB3 million per month. Please see section entitled “— Continuing Connected Transactions” for further details.

Pursuant to a sub-lease agreement dated November 12, 2009 entered into by Beijing Chuntian Real Estate and Beijing Scitech Outlet Commerce, Beijing Scitech Outlet Commerce sub-leased the relevant property from Beijing Chuntian Real Estate to operate the Beijing Scitech Premium Outlet Mall for a term of ten years commencing from July 25, 2009. Although Beijing

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Scitech Premium Outlet Mall is targeting a different market segment and offers products which are off-season and thus are different from those offered by Scitech Plaza, the customer-base of these two stores may overlap. Accordingly, our Directors believe there is an element of competition between the Beijing Scitech Premium Outlet Mall and Scitech Plaza. Notwithstanding this, our Directors are of the view that any potential future competition issues will be minimized by virtue of the existence of the management agreement and the grant of the Outlet Mall Option to our Company on the terms described below.

In order to allow us to monitor and assess the operation and performance of the Beijing Scitech Premium Outlet Mall and to facilitate future integration in the event we decide to exercise the option as described below, Even Time entered into a management agreement with us on November 29, 2009, pursuant to which we have agreed to provide management consultancy services to the Beijing Scitech Premium Outlet Mall. Please refer to the section headed “— Continuing Connected Transactions — Management Agreement with Even Time” for further details.

Reasons for exclusion

The interest in Even Time has not been included in our Group because the operation of an outlet mall involves a new business initiative. Our principal business is the operation of department stores in the PRC which have an emphasis on high-end and luxury products. We also provide management consultancy services to various managed stores. Generally, the self-owned stores and the managed stores of the Group are located in prime business districts or shopping areas of the relevant cities.

The Beijing Scitech Premium Outlet Mall is located at Xiangjiang Bei Road in Chaoyang district of Beijing, which, although a prestigious residential area, is located in the suburbs of Beijing, approximately 45 minutes to one hour out of the city centre by car. The Beijing Scitech Premium Outlet Mall is an outlet mall which principally offers off-season merchandise at prices which are typically discounted to the normal retail price of current season merchandise. As a result of the above factors and due to the limited trading history of the Beijing Scitech Premium Outlet Mall, our Directors believe that the operation of the Beijing Scitech Premium Outlet Mall involves a higher level of risk in terms of the success of its operation and business and should be excluded.

Our Controlling Shareholders intend to allow our Group to acquire the interest in Even Time or its 100% intermediate holding company through an option once the operation of Beijing Scitech Premium Outlet Mall is well established. Even Time’s only investment is its 100% indirect interest in Beijing Scitech Outlet Commerce. This, we believe, would allow us to be equipped with the relevant experience in the operation and management of an outlet mall and minimise the operating and financial risks that Beijing Scitech Premium Outlet Mall would otherwise have on our Group during the early stage of the operation of Beijing Scitech Premium Outlet Mall. Beijing Scitech Premium Outlet Mall commenced trial operations in relation to part of its premises in July 2009 and is expected to commence full operations on or around February 2010.

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Outlet Mall Option

Pursuant to an option agreement dated November 29, 2009, LDP Management Limited has granted us an option to acquire its interest in Even Time for a consideration equal to the lower of (i) the costs of investment incurred by our Controlling Shareholders in Even Time and (ii) the prevailing market value of Even Time as determined by an independent firm of international valuers (the “Outlet Mall Option”). Our Company will exercise the Outlet Mall Option as soon as practicable upon verification that Even Time has achieved a net profit for two consecutive financial years as shown in its audited financial statements at which time, Even Time will serve us a notice (the “Outlet Mall Notice”). Our exercise will be subject to the approval by our independent non-executive Directors and our compliance with the provisions of Chapter 14A of the Listing Rules. We will also be entitled to exercise the Outlet Mall Option at any time during the term of the option even if the above profit requirement has not been satisfied through our right to waive such profit requirement. We will do so if our Directors believe that it is in our interests, subject to the approval by our independent non-executive Directors and our compliance with the provisions of Chapter 14A of the Listing Rules. In order to assist our independent non-executive Directors in making an informed decision, upon receiving the Outlet Mall Notice, we will appoint an independent financial adviser to advise our independent non-executive Directors in relation to whether to exercise the Outlet Mall Option.

Subject to the success of the Beijing Scitech Premium Outlet Mall and the Shenyang Outlet Mall, it is our intention to become the operator of future outlet mall businesses and our Controlling Shareholders will focus on the real estate development and ownership aspects of outlet mall projects. Please refer to the section “— (ii) General outlet services agreement with LDP Management Limited” for further details relating to the services provided by our Group and the collaboration between our Group and our Controlling Shareholders Group in respect of new outlet mall projects.

Guiyang Guomao, Guomao Liupanshui and Guiyang Nanguo Huajin

Summary

Guangchang is a company incorporated in the PRC on December 14, 2001 and is held as to 51% by Gain Win Limited, and 49% by five individuals, namely Tang Ya, Huang Zheng Wu, Wang Run Sheng, Xie Xiang Chun and Zhang Chong Xin, all of whom are Independent Third Parties. Gain Win Limited is a wholly-owned subsidiary of Goal Gain Investments Limited, which is held as to 100% by Jacqueline Tan, daughter of Edward Tan, on trust for and on behalf of LDP Management Limited, a company held as to 50% each by Alfred Chan and Edward Tan, our Controlling Shareholders. Our Controlling Shareholders acquired its interest in Guangchang in April 2007. As at the Latest Practicable Date, all funding in relation to Goal Gain Investments Limited was provided by our Controlling Shareholders. The Controlling Shareholders also provide funding to Guangchang for establishing, and as working capital for, Guiyang Nanguo Huajin and Guomao Liupanshui, which were acquired in May 2009 and March 2009, respectively. Guiyang Nanguo Huajin and Guomao Liupanshui commenced operations in September 2008 and January 2008 respectively. Gain Win Limited also directly holds 25% interest in each of Guiyang Nanguo Huajin Department Stores Limited, the operator of Guiyang Nanguo Huajin, and Liupanshui

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Guomao Guangchang Chun Tian Department Stores Limited, the operator of Guomao Liupanshui. We commenced the provision of management consultancy services to Guiyang Guomao, Guiyang Nanguo Huajin and Guomao Liupanshui on January 1, 2009.

As at the Latest Practicable Date, Guangchang is the operator of Guiyang Guomao, which commenced operations in 2002 and remained in operation when our Controlling Shareholders acquired its interest in Guangchang in April 2007. Guangchang holds the title to part of the property on which Guiyang Guomao is situated and leases from an Independent Third Party the remaining part of the property. In addition, Guangchang also holds 51% interest in each of Guiyang Nanguo Huajin Department Stores Limited and Liupanshui Guomao Guangchang Chun Tian Department Stores Limited. As our Group has no self-owned store in the Guizhou province, we do not believe such stores compete directly with any of our self-owned stores.

In respect of the two independently managed stores which are situated in Guiyang, namely Guizhou Guochen and Zunyi Guomao, although we believe that these two stores target a different segment of customers compared to the customers of Guiyang Guomao, Guiyang Nanguo Huajin and Guomao Liupanshui, there may exist competition between Guiyang Guomao, Guiyang Nanguo Huajin and Guomao Liupanshui and Guizhou Guochen and Zunyi Guomao.

In order to minimize any potential future competition issues and to protect the interests of our Group, Guangchang entered into a master management agreement with us on November 29, 2009, pursuant to which we have agreed to provide management consultancy services in respect of Guiyang Guomao, Guiyang Nanguo Huajin and Guomao Liupanshui, and granted the Guangchang Option to us on the terms described below. We believe the master management agreement will allow us to monitor and assess the operation and performance of Guiyang Guomao, Guiyang Nanguo Huajin and Guomao Liupanshui, and also facilitate future integration of the operation of such stores into our Group in the event we decide to exercise the Guangchang Option as described below. Please refer to the section headed “— Continuing Connected Transactions — Master Management Agreement with Guangchang” for further details.

Reasons for exclusion

Our Controlling Shareholders’ interest in Guangchang and Gain Win Limited’s interest in Guiyang Nanguo Huajin Department Stores Limited and Liupanshui Guomao Guangchang Chun Tian Department Stores Limited have not been included in our Group because Guangchang, Guiyang Nanguo Huajin Department Stores Limited and Liupanshui Guomao Guangchang Chun Tian Department Stores Limited (collectively, the “Guangchang Group”) carry on other businesses which are not related to those carried on by our Group, including construction and media advertising. As such, our Controlling Shareholders do not believe that inclusion of their interest in Guangchang, Gain Win Limited and Goal Gain Investments Limited in our Group is appropriate.

In that regard, as part of the arrangement with the remaining equity holders of Guangchang in 2007 which are reflected in the sino-foreign joint venture agreement entered into on May 10, 2007 in respect of Guiyang Guomao PCD, it was agreed that a sino-foreign joint venture, to be named “Guiyang Guomao PCD”, would be established by Zhongshan PCD Stores (Xiamen), our Company’s indirect wholly-owned subsidiary, and Guangchang. Pursuant to the joint venture

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agreement, Zhongshan PCD Stores (Xiamen) shall contribute 51% of the registered capital of Guiyang Guomao PCD, which amounts to RMB8.16 million, and Guangchang shall contribute the remaining 49% which amounts to RMB7.84 million. The joint venture agreement provides that the term of the joint venture shall be 40 years from the date of the joint venture agreement, the renewal of which shall be reviewed six months prior to the expiry of the term. The joint venture agreement further provides for the powers and responsibilities of the board, the supervisory committee and the operation management team of Guiyang Guomao PCD. According to the joint venture agreement, the board of Guiyang Guomao PCD shall be comprised of 7 directors, 4 of which shall be nominated by Zhongshan PCD Stores (Xiamen) and 3 of which shall be nominated by Guangchang. In addition, the joint venture agreement stipulates that each equity holder shall be granted a right of first refusal to purchase the interest of the other equity holder in Guiyang Guomao PCD in the event a transfer to a third party is contemplated. Each equity holder also has pre-emptive rights over third parties in relation to any future capital injection into Guiyang Guomao PCD.

Upon the incorporation of Guiyang Guomao PCD, Zhongshan PCD Stores (Xiamen) will own 51% interest in Guiyang Guomao PCD and Guangchang will own the remaining 49%. As Gain Win Limited, a connected person of our Company, currently holds 51% equity interest in Guangchang, Guiyang Guomao PCD will be a connected person of our Company. Accordingly, our Company will comply with the relevant requirements under Chapter 14A of the Listing Rules in respect of any transaction between our Company and Guiyang Guomao PCD. We have made an application regarding the establishment of Guiyang Guomao PCD and the relevant PRC regulatory approvals for it to operate the three stores in November 2009 and we are in the process of obtaining such approvals. Please refer to “Our Business — Our Managed Store Operations — Guizhou stores — Guiyang Guomao” for further information.

Upon the establishment of Guiyang Guomao PCD and the obtaining of the necessary PRC regulatory approvals for it to operate department stores in the PRC, including the approval of the provincial level of the Ministry of Commerce (“MOC”) under Measures of Administrations of Foreign Investment in Commercial Sector (外商投資商業領域管理辦法) which took effect from June 1, 2004 (the “New Commercial Enterprise Measures”), it is the intention of our Controlling Shareholders and our Group for Guiyang Guomao PCD to become the operator of Guiyang Guomao, Guiyang Nanguo Huajin and Guomao Liupanshui. This arrangement will allow us to segregate the department store operations of Guiyang Guomao, Guiyang Nanguo Huajin and Guomao Liupanshui from the remaining businesses and assets of Guangchang, Guiyang Nanguo Huajin Department Stores Limited and Liupanshui Guomao Guangchang Chun Tian Department Stores Limited, such as construction and media advertising, which are neither complimentary nor related to the businesses of our Group, and enable the five minority equity holders of Guangchang to retain an indirect interest in Guiyang Guomao PCD. Our Group is unable to operate Guiyang Guomao, Guiyang Nanguo Huajin and Guomao Liupanshui until the approval of the provincial level of the MOC issued under the New Commercial Enterprise Measures is obtained.

The operations of Guiyang Guomao, Guiyang Nanguo Huajin and Guomao Liupanshui have been excluded from the Group pending the establishment of Guiyang Guomao PCD and the obtaining of the relevant PRC regulatory approvals, including the approval of the provincial level of the MOC. Our PRC legal advisers have opined that there exists no legal impediment in the

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obtaining of the above approval of the provincial level of the MOC. Although we do not have control over the regulatory process, our Directors estimate that we should be able to obtain the approval of the provincial level of the MOC by no later than 3 years from the date of this document based on the Company’s past experience. We will use our reasonable endeavours to obtain the approval of the provincial level of the MOC within the 3 year time frame.

Guangchang Option

We intend to operate Guiyang Guomao, Guiyang Nanguo Huajin and Guomao Liupanshui through the establishment of new department store operations by Guiyang Guomao PCD at the premises which are currently occupied by the three stores (the “**Guangchang Premises**”). To facilitate this, we intend to secure the occupation of the Guangchang Premises by entering into leases in respect thereof. We will also recruit suitable employees, including both new staff and existing employees of the Guangchang Group, for the operation of the three stores. We will enter into new concessionaire agreements with concessionaires which are commensurate with the marketing position of the stores. This will also allow us to exclude other businesses of the Guangchang Group, such as construction and media advertising, which are neither complimentary nor related to the businesses of our Group, as such businesses will be retained by the Guangchang Group. We further believe that this will allow Guiyang Guomao PCD to assume the operation of the department stores at the Guangchang Premises in a quick manner.

In that regard, on November 29, 2009, Guangchang has granted us an option (the “**Guangchang Option**”). The Guangchang Option gives us the right to:

- require Guangchang to grant us a lease for a term of 10 years at no more than prevailing market rate in relation to the part of the premises which are occupied by Guiyang Guomao and in relation to the store premises on which Guiyang Nanguo Huajin operates, both of which are owned by Guangchang; and
- require the Guangchang Group to sub-lease or procure the sub-leasing to us for terms no less favourable to the relevant existing head leases or assign their rights under such head leases in respect of the remaining part of the premises which are occupied by Guiyang Guomao and the premises which are occupied by Guomao Liupanshui, both of which the Guangchang Group leases from Independent Third Parties.

The exercise of the Guangchang Option will be at the payment of prevailing fair market value of the leases or sub-leases as determined by an independent firm of international valuers. The Group will be required to pay rent according to the terms of the relevant leases and sub-leases.

In addition, the Guangchang Option also gives us the right to, if we find it appropriate for the operation of the three stores:

- require the Guangchang Group to sell to us fixtures and fittings at the Guangchang Premises at prevailing fair market value;

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- require the Guangchang Group to use reasonable endeavours to assign to us their operating rights and their rights under the concessionaire agreements in relation to the three stores at nil consideration; and
- require the Guangchang Group to sell to us all or part of the inventories owned by the Guangchang Group at prevailing fair market value.

If any of the employees of the Guangchang Group will be employed by us, it is our intention to enter into new employment contracts directly with them. Apart from the above, we do not require the transfer from the Guangchang Group any other assets for our operation of the three stores.

We will exercise the Guangchang Option as soon as practicable upon the establishment of Guiyang Guomao PCD and the obtaining by it the relevant PRC regulatory approvals, including the approval of the provincial MOC, to operate Guiyang Guomao, Guiyang Nanguo Huajin and Guomao Liupanshui at which time, Guangchang will serve us a notice (the “Guangchang Notice”). In addition, Guangchang has agreed to inform us every six months on the progress of the approvals. We will include such progress in our interim report and annual report in order to keep our shareholders fully and timely informed. Our exercise will also be subject to the approval by our independent non-executive Directors and our compliance with the provisions of Chapter 14A of the Listing Rules. In order to assist our independent non-executive Directors in making an informed decision, upon receiving the Guangchang Notice, we will appoint an independent financial adviser to advise our independent non-executive Directors in relation to whether to exercise the Guangchang Option.

Guangchang Second Option

After the exercise of the Guangchang Option, Guiyang Guomao PCD is expected to be the operator of Guiyang Guomao, Guiyang Nanguo Huajin and Guomao Liupanshui. Guiyang Guomao PCD will be held as to 49% by Guangchang, which will in turn be held indirectly and beneficially as to 51% by our Controlling Shareholders. It is the intention of our Controlling Shareholders to cease to retain an indirect interest in Guiyang Guomao PCD.

In that regard, on November 29, 2009, LDP Management Limited has granted us the right, on or after our exercise of the Guangchang Option and the completion of the Guangchang Group Restructuring described below, to acquire all of its interest in Goal Gain Investments Limited, the 51% indirect equity holder of Guangchang for a consideration that equals the lower of (i) the cost of investment incurred by LDP Management Limited in relation to Guiyang Guomao PCD; and (ii) the prevailing fair market value of the interest being transferred as determined by an independent firm of international valuers assuming the Guangchang Group Restructuring mentioned below is completed (the “Guangchang Second Option”). As the Guangchang Group carries on other businesses, the Guangchang Group will transfer to other members of the Controlling Shareholder Group all of its businesses and assets other than its interest in Guiyang Guomao PCD (the “Guangchang Group Restructuring”).

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We will exercise the Guangchang Second Option as soon as practicable upon the completion of the Guangchang Group Restructuring subject to the approval by our independent non-executive Directors and our compliance with the provisions of Chapter 14A of the Listing Rules. Based on our experience, we estimate that the Guangchang Group Restructuring will be completed by no later than three years from the date of this document. Upon completion of the Guangchang Group Restructuring, LDP Management Limited will serve us a notice (the “Guangchang Second Notice”). In addition, LDP Management has agreed to inform us every six months from our exercise of the Guangchang Option on the progress of the Guangchang Group Restructuring. We will include such progress in our interim report and annual report in order to keep our shareholders fully and timely informed.

After the exercise of the Guangchang Second Option, Guiyang Guomao PCD will become 100% controlled by our Group (through our indirect wholly-owned subsidiary, Zhongshan PCD Stores (Xiamen)) and our then 51% equity interest in Guangchang. Our aggregate attributable beneficial interest in Guiyang Guomao PCD, however, will be approximately 76% as the 49% equity interest in Guangchang will be retained by the five individuals shareholders of Guangchang, namely Tang Ya, Huang Zheng Wu, Wang Run Sheng, Xie Xiang Chun and Zhang Chong Xin.

PCD Ruijing

Summary

Xiamen Ruijing Chun Tian is a company incorporated in the PRC on July 18, 2007 and is held as to 100% by PCD Stores (Xiamen), the interest of which it acquired from an Independent Third Party in August 2009. Xiamen Ruijing Chun Tian is the operator of PCD Ruijing, which commenced trial operation in September 2007 under the brand of Laiya. It was converted into a “PCD” branded department store in March 2009. Although PCD Ruijing is located approximately 9.7 to 17.1 kilometres away from our other department stores in Xiamen and its main target clientele are local residents who reside in close vicinity of the district in which PCD Ruijing is located, the customer-base between PCD Ruijing and our Group’s stores in Xiamen may overlap. Accordingly, our Directors believe there maybe an element of competition between PCD Ruijing and our Group’s stores in Xiamen. Notwithstanding this, our Directors are of the view that any potential future competition issues will be minimised by virtue of the existence of the management agreement and the grant of the Ruijing Option to our Company on the terms described below. Please refer to the section headed “Our Business — Our Managed Stores — PCD Ruijing” for further details in relation to the management agreement.

Reasons for exclusion

PCD Stores (Xiamen) only acquired 100% interest in Xiamen Ruijing Chun Tian from an Independent Third Party in August 2009, which transfer is subject to the approval of the provincial level of the MOC, the application of which was submitted to the relevant MOC authorities on November 25, 2009. The transfer of PCD Stores (Xiamen)’s 100% interest in Xiamen Ruijing Chun Tian by PCD Stores (Xiamen) to our Group also requires the approval of the provincial level of the MOC. The operation of PCD Ruijing has been excluded from our Group pending the obtaining of such approvals. The interest in Xiamen Ruijing Chun Tian has

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not been included in our Group because without such approvals the Group will not be able to acquire the interest in Xiamen Ruijing Chun Tian. Our PRC legal advisers have opined that no legal impediment was observed by them in connection with the obtaining of the approvals of the provincial level of the MOC. Although we do not have control over the regulatory process, our Directors estimate that, based on our Company’s past experience, the above approvals of the provincial level of the MOC should be obtained by no later than 3 years from the date of this document. Both PCD Stores (Xiamen) and we will use our respective reasonable endeavours to obtain the approvals of the provincial level of the MOC within the 3 year time frame.

Ruijing Option

Pursuant to an option agreement dated November 29, 2009, PCD Stores (Xiamen) has granted us an option to acquire all of their equity interests in Xiamen Ruijing Chun Tian for a consideration that equals the lower of (i) the cost of investment incurred by our Controlling Shareholders in Xiamen Ruijing Chun Tian and (ii) the prevailing fair market value of Xiamen Ruijing Chun Tian as determined by an independent firm of international valuers.

We will exercise the Ruijing Option as soon as practicable upon the obtaining of the approval of the provincial level of the MOC for the transfer of the equity interests in Xiamen Ruijing Chun Tian to our Group at which time, PCD Stores (Xiamen) will serve us a notice (the “Ruijing Notice”). In addition, PCD Stores (Xiamen) has agreed to inform us every six months on the progress of the approvals. Our exercise will also be subject to the approval by our independent non-executive Directors and our compliance with the provisions of Chapter 14A of the Listing Rules. In order to assist our independent non-executive Directors in making an informed decision, upon receiving the Ruijing Notice, we will appoint an independent financial adviser to advise our independent non-executive Directors in relation to whether to exercise the Ruijing Option. In addition, PCD Stores (Xiamen) has agreed to keep us informed every six months as regards the progress of obtaining the relevant approvals in the PRC. We will include such progress in our interim report and annual report in order to keep our shareholders fully and timely informed.

RECENT DEVELOPMENT OF OUR CONTROLLING SHAREHOLDERS

Shenyang Outlet Mall

Our Controlling Shareholders are currently in preliminary discussions with an Independent Third Party in relation to the operation of an outlet mall in Shenyang. Under the proposal being discussed, the project involves the Independent Third Party appointing our Controlling Shareholders or a company controlled by them to operate an outlet mall to be developed in Shenyang (the “Shenyang Outlet Mall”). The Independent Third Party will be responsible for the development and construction of the outlet mall.

If the project materializes, our Controlling Shareholders will first offer the opportunity to operate the outlet mall to us pursuant to the Non-Competition Deed. Any decision on whether or not to accept the offer will be decided by our independent non-executive Directors and in accordance with the provisions of the Listing Rules. If we decide not to accept the offer and our Controlling Shareholders or a company controlled by them proceed to accept the engagement as

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operator, our Controlling Shareholders have undertaken that they will grant or procure an entity controlled by them to grant us an option to, at any time, acquire all the shares of the operator of the outlet mall or its holding company for a consideration that equals the lower of (i) the cost of investment incurred by our Controlling Shareholders in the operator of the outlet mall and (ii) the prevailing fair market value of the operator of the outlet mall as determined by an independent firm of international valuers. Our Company will exercise this outlet mall option as soon as practicable upon verification that the operator of the Shenyang Outlet Mall has achieved a net profit for two consecutive financial years as shown in its audited financial statements, which exercise will be subject to the approval by our independent non-executive Directors and our compliance with the provisions of Chapter 14A of the Listing Rules. We will also be entitled to exercise this option at any time during the term of the option even if the above profit requirement has not been satisfied through our right to waive such profit requirement.

In addition, to avoid potential competition, our Controlling Shareholders have undertaken to engage us to provide management consultancy services to the outlet mall for the entire term of the option for a percentage of the GSP to be agreed. Any grant of the option and the engagement of us as manager will be subject to our compliance with the provisions of the Listing Rules. For further information relating to the Non-Competition Deed, please refer to “— Non-Competition Undertaking”.

INDEPENDENCE FROM OUR ULTIMATE CONTROLLING SHAREHOLDERS

Having considered the following factors, we are satisfied that we can carry on our business independently of the companies controlled by our ultimate Controlling Shareholders (other than our Group).

Clear delineation of businesses

Following our Reorganization, other than in relation to the interest in PCD China Ventures, Xiamen Ruijing Chun Tian, Even Time, Goal Gain Investments Limited and their respective subsidiaries, we assumed the entire business of operating and managing department stores previously operated by companies controlled by Alfred Chan and Edward Tan.

Alfred Chan and Edward Tan, through PIEL, on the other hand, has exclusive effective ownership of, and continue to participate in, the Excluded Business, the principal business activities of which include manufacture and retail of fashion garments and accessories, investment holding and property holding, and, other than in relation to PCD China Ventures, Xiamen Ruijing Chun Tian, Even Time, Goal Gain Investments Limited and their respective subsidiaries, do not involve operation and management of department stores.

We are therefore of the view that the nature of the business activities carried on by us on the one hand and those carried on by the Excluded Business on the other, other than in relation to PCD China Ventures, Xiamen Ruijing Chun Tian, Even Time, Goal Gain Investments Limited and their respective subsidiaries, are clearly distinct and that there is a clear delineation of our core business from that of the Excluded Business.

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Further, we are of the view that the Excluded Business, other than in relation to the interest in PCD China Ventures, Xiamen Ruijing Chun Tian, Even Time, Goal Gain Investments Limited and Guangchang, do not, and are not reasonably likely to, compete (directly or indirectly) with our business. In addition, in relation to the interest of the Controlling Shareholders in PCD China Ventures, Xiamen Ruijing Chun Tian, Even Time, Goal Gain Investments Limited and Guangchang, we are of the view that the measures in place, such as (i) the management agreements that we have entered into with the relevant parties in relation to the provision of management consultancy services for Beijing Scitech Premium Outlet Mall, Guiyang Guomao, Guiyong Nanguo Huajin, Guomao Liupanshui and PCD Ruijing; and (ii) the options granted to us by our Controlling Shareholders, in the form of the Bund Option, the Outlet Mall Option, the Ruijing Option, the Guangchang Option and the Guangchang Second Option, are sufficient to safeguard our interest against any competition issues or potential competition issues.

Independence of our operations from the Excluded Businesses

We do not have any relationships or arrangements with the Excluded Business in the ordinary course of our business, other than that described in the section headed “— Continuing Connected Transactions”.

In particular, our Company considers that the only relevant connected transaction during the Track Record Period is the concessionaire agreements with the PDL Group, the lease agreement with Scitech Group, the master management agreement with Guangchang, the management agreement with Xiamen Ruijing Chun Tian, the management agreement with Even Time and the general outlet services agreement with LDP Management Limited. Commissions generated pursuant to concessionaire agreements with PDL Group during the Track Record Period generated 2.6%, 2.0%, 2.5% and 2.4% of the total revenue of our Group for the financial years ended December 31, 2006, 2007, 2008, and six month ended June 30, 2009 respectively. Based on our Group’s internal projections for the financial year ending December 31, 2009, and the financial year ending December 31, 2010, the estimated commissions generated pursuant to concessionaire agreements with PDL Group are less than 3.1% and 5.7% respectively of the total revenue of our Group based on the revenue figure of our Group for the financial year ended December 31, 2008. Rentals payable by our Group to Scitech Group pursuant to which the Scitech Plaza and offices are leased by Beijing Scitech Department Stores during the Track Record Period are 4.9%, 6.8% and 6.6% of the total revenue of our Group for the financial years ended December 31, 2007, 2008 and the six months ended June 30, 2009 respectively. Based on our Group’s internal projections for the financial year ending December 31, 2009, and the financial year ending December 31, 2010, the rental payment pursuant to lease with Scitech Group are 6.6% and 6.6% respectively of the total revenue of our Group based on the revenue figure of our Group for the year ended December 31, 2008. Management fees receivable by our Group from Guangchang pursuant to the master management agreement with Guangchang during the Track Record Period are 2.1% of the total revenue of our Group for the six months ended June 30, 2009. Based on our Group’s internal projections for the financial year ending December 31, 2009, and the financial year ending December 31, 2010, the management fees receivable by us are 2.1% and 2.6% respectively of the total revenue of our Group based on the revenue figure of our Group for the year ended December 31, 2008. Management fees receivable by our Group from Xiamen Ruijing Chun Tian pursuant to the master management agreement with Xiamen Ruijing Chun Tian during

RELATIONSHIP WITH OUR ULTIMATE CONTROLLING SHAREHOLDERS AND CONNECTED TRANSACTIONS

the Track Record Period are 0.5% and 0.4% of the total revenue of our Group for the financial year ended December 31, 2008 and the six months ended June 30, 2009 respectively. Based on Group's internal projections for the financial year ending December 31, 2009, and the financial year ending December 31, 2010, the management fees receivable by us are 0.3% and 0.4%, respectively, of the total revenue of our Group based on the revenue figure of our Group for the year ended December 31, 2008. The aggregate annual management fees receivable by our Group from all connected parties during the Track Record Period and were approximately RMB7.7 million for the six months ended June 30, 2009. As we were not engaged to provide management consultancy services to any connected parties in the two financial years ended December 31, 2007, we did not receive any management fees in that period. Due to the low percentage levels, our Company does not consider the aforementioned connected transactions to be particularly significant or crucial to the business and operations of our Group.

All our bank financing has been arranged, independent of guarantees and security provided by our Controlling Shareholders and without reliance there upon. Accordingly, we are able to obtain financing independent of our Controlling Shareholders.

We therefore consider that we are capable of carrying out our business and obtaining finance independently of our Controlling Shareholders and their associates, and that the above transactions would not affect our ability to do so.

Independent management of our Company

Our Board of Directors comprises three executive Directors and three independent non-executive Directors. Alfred Chan is the Chairman and an executive Director, Edward Tan is an executive Director and Mr. Tony Lau is our President.

Alfred Chan and Edward Tan also hold executive directorships in the Excluded Businesses. They currently spend approximately 50% of their working time on the management of our Company and the remaining 50% of their working time on the management of the Excluded Businesses. Apart from Alfred Chan and Edward Tan, there are teams of senior management within the Excluded Businesses that are mainly responsible for the daily management of the Excluded Businesses.

Alfred Chan and Edward Tan are expected to spend the necessary time and attention required as Chairman and executive Director respectively of our Company to formulate the corporate strategy and oversee the overall development of our Group. Further, all of our senior management, are our full-time employees and do not have senior executive positions in the daily management and operation of any of the companies comprising the Excluded Businesses and all major management decisions will be made by our Board of Directors as a whole, including our independent non-executive Directors, and not at the sole discretion of Alfred Chan and Edward Tan. Our daily operations will be managed by our senior management team, all the members of which are independent from those of the Excluded Businesses. Therefore, notwithstanding the fact that Alfred Chan and Edward Tan will hold dual positions in our Company and in the Excluded Businesses, our Directors are of the view that we will be able to operate independently of the

RELATIONSHIP WITH OUR ULTIMATE CONTROLLING SHAREHOLDERS AND CONNECTED TRANSACTIONS

Excluded Businesses. Save as disclosed in this section and the section headed “Directors and Senior Management”, Alfred Chan, Edward Tan and our senior management have no other material role in other companies.

The decision-making mechanism of our Board of Directors set out in our Articles of Association also includes provisions to avoid conflicts of interest by providing, among other things, that (i) each Director will be entitled to one vote at our meeting of Board of Directors and decisions of our Board of Directors shall be passed by majority vote and (ii) in the event of a conflict of interest, the relevant Director(s) shall abstain from voting and shall not be present in the relevant Board meeting and be excluded from Board deliberations. Each of Alfred Chan and Edward Tan has confirmed that, if a conflict of interest situation arises in respect of either of them, they will respectively abstain from voting, and refrain from attending the relevant Board meeting and therefore play no part in the decision making process of the Board. Examples of circumstances under which Alfred Chan and Edward Tan would be considered to have a conflict of interest include concessionaire agreements between the PDL Group and our Group. Given the professional knowledge and experience of the remaining Directors and senior management (see the section headed “Directors and Senior Management”), in particular that of Tony Lau in relation to decision making and the operation of the business of our Group, the Directors are of the view that the Board can function effectively in the event that the Chan Family is unable to partake in the decision making process of the Board due to a conflict of interest as described above.

Our Company has adopted the Code of Corporate Governance Practices (the “Code”) in Appendix 14 of the Listing Rules. The Code sets out principles of good corporate governance in relation to, amongst other matters, Directors, the chairman and chief executive officer, Board composition, the appointment, re-election and removal of Directors, their responsibilities and remuneration and communications with shareholders. Our Company will state in its interim and annual report whether it has complied with the Code, and will provide details of, and reasons for, any deviations from it in the Corporate Governance Report which will be included in its annual report. Our Company is also required to comply with the Model Code for Securities Transactions by Directors of Listed Issuers which provides, amongst other matters, prohibitions on Directors’ dealings in securities and protections of minority shareholders’ rights. Our Board of Directors is therefore satisfied that sufficient corporate governance measures have been put in place to manage conflicts of interest between our Group and each of its Controlling Shareholders, and to protect minority shareholders’ rights.

Our Board of Directors will be required to comply with provisions under the Listing Rules and certain matters, such as connected transactions, are required to be reviewed by our independent non-executive Directors. Our Directors are of the view that the significant proportion of independent non-executive Directors comprising our Board of Directors should enhance our overall corporate governance standards. None of our Directors is interested in any business that competes with our business other than Alfred Chan and Edward Tan, who have the interests in the Excluded Business.

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In addition to the safeguards mentioned above, an annual review will be performed by the independent non-executive Directors with regards to the information provided by the Controlling Shareholders, and the options (including the Bund Option, Outlet Mall Option, Guangchang Option and Ruijing Option), pre-emptive rights or first rights of refusals provided by the Controlling Shareholders over its existing or future competing businesses (“the Annual Review”). After the Annual Review, the independent non-executive Directors will decide whether to exercise these rights in respect of the compliance and enforcement of the non-competition undertaking. Our Company will disclose all decisions on the matters pertaining to the Annual Review either through the annual report, or by way of announcements to the public. The Controlling Shareholders will provide all information necessary for the Annual Review, after which they will make a declaration on compliance and the manner of compliance with the non-competition undertaking in the annual report of our Company.

Based on the above, our Directors are satisfied that our Board of Directors as a whole together with our management team are able to manage our Company independently.

NON-COMPETITION UNDERTAKING

Alfred Chan, Edward Tan, Bluestone and PIEL (together, the “Covenantors”) have jointly and severally, entered into a deed of non-competition (the “Non-Competition Deed”) dated November 29, 2009 in our favour, pursuant to which each of the Covenantors has undertaken to us that, during the Non-Compete Period (as defined below), he or it will not, other than in relation to the Excluded Business, whether as principal or agent and whether undertaken directly or indirectly (including through any associate (as defined in Chapter 1 of the Listing Rules from time to time), subsidiary, partnership, joint venture or other contractual arrangement of his or its) and whether for profit or otherwise, carry on, engage, invest, participate or otherwise be interested in any business of operating and managing department stores or outlet malls in the PRC (the “Restricted Business”). The geographical scope of the Non-Competition Deed is limited to PRC, as all of our Group’s businesses are located in PRC, and the Directors are of the view that similar business outside PRC will not directly or indirectly compete with our Group’s business, given the nature of department store’s business, which targets primarily local clientele in the PRC. In addition, our Group has no intention to open new stores outside the PRC.

Notwithstanding the foregoing, each of the Covenantors may:

- (a) carry on, engage in, invest in, participate in or otherwise be interested in such Restricted Business where the opportunity to carry on, engage in, invest in, participate in or otherwise be interested in such Restricted Business has first been offered or made available to us, and our Company, after review and approval by our independent non-executive Directors or shareholders as required under relevant laws and regulations, has declined such opportunity to carry on, engage in, invest in, participate in or otherwise be interested in such Restricted Business, provided that the principal terms by which any Covenantor (or his or its relevant associate(s)) subsequently engages in, invests in, participates in or otherwise is interested in such Restricted Business are not more favourable in any material aspect than those disclosed to us;

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- (b) have interests in shares or other securities (whether or not listed on any stock exchange) of a company conducting any Restricted Business, provided that:
- (i) the Covenantors taken together are not so interested as to be able to exercise or control the exercise of 5% or more of the voting power at general meetings of such company or control the composition of a majority of the board of directors of such company; and
 - (ii) at all times there is another independent shareholder who either alone is, or together with its or its associates taken together are, directly or indirectly interested so as to be able to exercise or control the exercise of a greater amount of voting power at general meetings of such company than the Covenantors are able, or control the composition of a majority of the board of directors of such company.

The Directors consider that the exception stated in (a) above is commercially reasonable and fair. Furthermore, Alfred Chan and Edward Tan confirm that, as at the Latest Practicable Date, they have no intention of being interested in any Restricted Business. In relation to their interest in any Restricted Business acquired pursuant to the exception in (a) above, Alfred Chan and Edward Tan confirm that they:

- will treat their investments in the Restricted Business and us on an equal footing and will not take advantage of their status as a holder of our Shares or take advantage of the information obtained by virtue of such status to make decisions or judgement against us and in favour of the Restricted Business;
- will fulfil their fiduciary duties as our Directors, in particular, will consider the interests of our Group in preference over the Restricted Business at all times; and
- will disregard the interest of the Restricted Business when exercising their voting rights as our shareholders.

The “Non-Compete Period” stated in the Non-Competition Deed refers to the period ending on the earlier of:

- (a) the date on which the relevant Covenantor, individually or collectively, ceases to be a controlling shareholder of our Company within the meaning of the Listing Rules; and
- (b) the date on which the Shares cease to be listed on the Stock Exchange.

Under the Non-Competition Deed, in the event that, during the Non-Compete Period, any of the Covenantors intends to dispose of any Restricted Business or any interest in any Restricted Business, the Covenantors shall first offer to us the right to acquire such business or interest and the Covenantors may only proceed with such disposal to any third party, on terms not more favorable than those offered to us, following the rejection of such offer by us (the “Right of First Refusal”).

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CONTINUING CONNECTED TRANSACTIONS

We have entered into various transactions which will continue from time to time with various of our connected persons. Set out below is further information on such continuing connected transactions.

Category I — Continuing connected transactions exempt from independent shareholders’ approval requirements

	Nature of Transaction	Applicable Listing Rule	Waiver Sought	Annual Cap
(A)	Management agreement with Xiamen Ruijing Chun Tian	14A.34	Waiver from compliance with the announcement requirement under Rule 14A.47	December 31, 2009: RMB2.84 million December 31, 2010: RMB3 million December 31, 2011: RMB3 million

Category II — Non-exempt continuing connected transactions

No.	Nature of Transaction	Applicable Listing Rule	Waiver Sought	Annual Cap
(B)	Master management agreement with Guangchang	14A.35	Waiver from compliance with the announcement and independent shareholders’ approval requirements under Rule 14A.47 to 14A.54	December 31, 2009: RMB15.2 million December 31, 2010: RMB18.7 million December 31, 2011: RMB21.7 million
(C)	Concessionaire arrangement with PDL Group	14A.35	Waiver from compliance with the announcement and independent shareholder’s approval requirements under Rules 14A.47 to 14A.54	December 31, 2009: RMB21.9 million December 31, 2010: RMB40.8 million December 31, 2011: RMB63.0 million
(D)	Properties leased by Scitech Group	14A.35	Waiver from compliance with the announcement and independent shareholders’ approval requirements under Rules 14A.47 to 14A.54	December 31, 2009: RMB48.48 million December 31, 2010: RMB48.48 million December 31, 2011: RMB48.48 million
(E)	Management agreement with Even Time	14A.35	Waiver from compliance with the announcement and independent shareholders’ approval requirements under Rule 14A.47 to 14A.54	December 31, 2009: RMB8 million December 31, 2010: RMB20 million December 31, 2011: RMB24 million
(F)	General outlet services agreement with LDP Management Limited	14A.35	Waiver from compliance with the announcement and independent shareholders’ approval requirements under Rule 14A.47 to 14A.54	December 31, 2009: RMB18 million December 31, 2010: RMB36 million December 31, 2011: RMB36 million

Category I — Continuing connected transactions exempt from independent shareholders’ approval requirements

(A) Management agreement with Xiamen Ruijing Chun Tian

On February 26, 2009, we and Xiamen Ruijing Chun Tian, a company wholly-owned by PCD Stores (Xiamen), which in turn is a company controlled by Alfred Chan and Edward Tan, both our indirect Controlling Shareholders, entered into a management agreement (the “Ruijing Management Agreement”).

RELATIONSHIP WITH OUR ULTIMATE CONTROLLING SHAREHOLDERS AND CONNECTED TRANSACTIONS

Pursuant to the Ruijing Management Agreement, we agreed to provide management consultancy services to Xiamen Ruijing Chun Tian in return for an annual management fee of 2.5% of the GSP of PCD Ruijing with a minimum management fee at RMB3 million per year (the “Ruijing Minimum Fee”). The amount of the management fee under each management contract is based on the circumstances of the relevant department store, including the size, location, profitability, the level of resources needed from our Group. The management fees under the Ruijing Management Agreement is based on normal commercial terms and are comparable to those under our management agreements with independent third parties. During the Track Record Period, the management fee receivable by us from our other managed stores in respect of which we provide management consultancy services for Independent Third Parties typically ranges from 1.5% to 3.9% of the GSP of the relevant department store. The management fee under the Ruijing Management Agreement is within this range. The amount of the Ruijing Minimum Fee represents approximately 7.7% of the GSP of PCD Ruijing for the year ended December 31, 2008, which is higher than the range of management fees receivable by us under management contracts which we entered into with Independent Third Parties during the Track Record Period. PCD Ruijing was formerly known as Laiya Ruijing and was subject to a management contract with our Group commencing from December 2007 to February 2009. The store was rebranded as PCD Ruijing in March 2009 and a new management contract was entered into from such date. The Ruijing Minimum Fee is higher because the rebranding of PCD Ruijing requires a substantial amount of the Group’s resources to promote and improve its operation. In addition, the Group anticipates that the GSP will grow in the next two years after the rebranding. As such, the Ruijing Minimum Fee is anticipated to represent a smaller percentage of the GSP of PCD Ruijing in the future. Pursuant to the Ruijing Management Agreement, we agreed to advise Xiamen Ruijing Chun Tian and to provide management consultancy services to it in relation to the management and operation of PCD Ruijing, including but not limited to advising on management, marketing and merchandising and the assistance on the implementation of such advice.

The Ruijing Management Agreement shall take effect for a period from March 1, 2009 and end on December 31, 2011. The Ruijing Management Agreement will be automatically renewed every three years subject to compliance with Chapter 14A of the Listing Rules by the Company on substantially the same terms, except that the Ruijing Minimum Fee will not be applicable upon renewal. The Ruijing Minimum Fee will not be renewed in the additional terms because PCD Ruijing will have been under our Group’s management as a “PCD” branded store for three years, and it should be able to generate stable GSP thereafter. In addition, the Ruijing Management Agreement will be terminated upon (i) completion of the acquisition pursuant to the Ruijing Option or (ii) cessation of operation of PCD Ruijing for a period of three months or longer. Please refer to the section titled “Relationship with our ultimate Controlling Shareholders and Connected Transactions — Xiamen Ruijing Chun Tian” for further details on the Ruijing Option.

Historical amounts

Given that we entered into a management agreement on December 1, 2007 to provide management consultancy services to Xiamen Ruijing Chun Tian, the operator of the Laiya Ruijing store which was rebranded as PCD Ruijing in March 2009, the only historical amount for this connected transaction is for the period between December 1, 2007 to June

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30, 2009. The aggregate management fees paid or payable to us by Xiamen Ruijing Chun Tian for the financial year ended December 31, 2008 and the six months ended June 30, 2009 were approximately RMB3.4 million and RMB1.4 million.

Proposed cap and basis of cap

It is expected that the aggregate management fees to be paid by Xiamen Ruijing Chun Tian to us pursuant to the Ruijing Management Agreement for the three financial years ending December 31, 2009, December 31, 2010 and December 31, 2011 will not exceed RMB2.84 million, RMB3 million and RMB3 million, respectively.

The proposed caps are determined by reference to the historical value of this transaction and the projected GSP of PCD Ruijing.

Category II — Non-exempt continuing connected transactions

(B) Master Management Agreement with Guangchang

On November 29, 2009, we and Guangchang, a company owned indirectly as to 51% by Goal Gain Investments Limited, which in turn is held as to 100% by Jacqueline Tan, the daughter of Edward Tan, on trust for and on behalf of LDP Management Limited, a company held as to 50% by each of Alfred Chan and Edward Tan, our Controlling Shareholders, entered into a master management agreement (the “Guangchang Master Management Agreement”). Pursuant to the Guangchang Master Management Agreement, Guangchang agreed to enter into, or procure its subsidiaries from time to time to enter into, various management agreements with us. Under the terms of the management agreements entered into pursuant to the Guangchang Master Management Agreement, we agreed to provide consulting and management consultancy services, including but not limited to advice on logistics infrastructure, management, marketing, merchandising and business plans and assistance on the implementation of such advice, to Guangchang or its subsidiaries in relation to the relevant department stores, such as Guiyang Guomao, Guiyang Nanguo Huajin and Guomao Liupanshui, for an annual management fee of 2.5% of the GSP of the relevant department stores with a minimum management fee at an agreed figure (the “Guangchang Minimum Fee”). The amount of the management fee under each management contract is based on the circumstances of the relevant department store, including the size, location, profitability, the level of resources needed from our Group. The management fees under the various management agreements entered into pursuant to the Guangchang Master Management Agreement are based on normal commercial terms and are comparable to those under our management agreements with independent third parties. During the Track Record Period, the management fee receivable by us from our other managed stores which we manage for Independent Third Parties typically ranges from 1.5% to 3.9% of the GSP of the relevant department store. The management fee under the management contracts entered into pursuant to the Guangchang Master Management Agreement is within this range. The amount of the total Guangchang Minimum Fee is RMB15.24 million per year, which represents approximately 2.8% of the GSP of the department stores operated by the Guangchang Group for the year ended December 31, 2008, which is within the range of management fee receivable by us under management contracts which we entered into with Independent Third Parties during the Track Record Period.

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The Guangchang Master Management Agreement shall take effect from November 29, 2009 for a period of three years and end on December 31, 2011. The Guangchang Master Management Agreement will be automatically renewed every three years subject to compliance with Chapter 14A of the Listing Rules by the Company on substantially the same terms, except that the Guangchang Minimum Fee will not be applicable upon renewal. The Guangchang Minimum Fee will not be renewed in the additional terms because the relevant department stores will have been under our Group’s management for three years, and they should be able to generate stable GSP thereafter. In addition, management agreements entered into pursuant to the Guangchang Master Management Agreement will terminate upon (i) completion of the assumption of business pursuant to the Guangchang Option or (ii) cessation of operation of the relevant department store for a period of three months or longer. Please refer to the section titled “Relationship with Our Ultimate Controlling Shareholders and Connected Transactions — Guiyang Guomao, Guomao Liupanshui and Guiyang Nanguo Huajin” for further details on the Guangchang Option.

Historical amounts

Given that we began providing management consultancy services to Guiyang Guomao, Guiyang Nanguo Huajin and Guomao Liupanshui on January 1, 2009, the only historical amounts for these transactions are for the period between January 1, 2009 to June 30, 2009. The aggregate management fees paid by the Guangchang Group to us for the six months ended June 30, 2009 were approximately RMB7.62 million.

Proposed cap and basis of cap

It is expected that the aggregate management fees to be paid by the Guangchang Group to us pursuant to the Guangchang Master Management Agreement for the three financial years ending December 31, 2009, December 31, 2010 and December 31, 2011 will not exceed RMB15.2 million, RMB18.7 million and RMB21.7 million, respectively.

The proposed caps are determined by reference to the historical value of this connected transaction and the projected GSP of the department stores operated by the Guangchang Group.

(C) Concessionaire Arrangement with PDL Group

On November 29, 2009, we and PDL, a company which PIEL (which is in turn wholly owned by Alfred Chan and Edward Tan, is its controlling shareholder (as defined in the Listing Rules), entered into a master concessionaire agreement (the “Master PDL Agreement”), pursuant to which PDL agreed to procure their subsidiaries, and we agreed to procure our subsidiaries to enter into various concessionaire agreements with PDL Group, which primarily engages in the design, manufacture, distribution and retail of ladies’ and men’s fashion garments and the sale of accessories such as shoes, handbags, scarves and fragrances in China and, more recently, in Hong Kong, under the brand name PORTS. In accordance with the concessionaire agreements, some of which are existing and currently in effect, we agree to provide certain designated counters within our various department stores to PDL Group for sale of their clothing, accessories and apparels.

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The Master PDL Agreement shall take effect for a period from November 29, 2009 and ending on December 31, 2011, subject to compliance with Chapter 14A of the Listing Rules by PDL. Under concessionaire agreements entered into pursuant to the Master PDL Agreement, we will collect the payment from the customers of PDL Group when they purchase PDL Group’s goods in our stores, and we will pay the total to PDL Group after deducting 15–25% of the revenue as our fee for managing the relevant stores as well as 1–2% of the revenue as our fee for promotions and marketing (the “Department Store Fees”). The Department Store Fees is based on normal commercial terms and are comparable to those under our concessionaire agreements with Independent Third Parties. Under our concessionaire agreements with independent third parties, our fee for managing the relevant stores typically ranges from 6% to 33% of the revenue deriving from the sale of the products of the relevant concessionaire, depending on the brand positioning of the concessionaire, the location of the counter within the department store, the location of the department store and the type of product. Under the concessionary agreements entered into pursuant to the Master PDL Agreement, we will be responsible for all operating costs of the relevant department stores, including expenses, advertising costs, store management and maintenance fee, credit card charges, water and electricity costs and training costs for personnel of the department stores.

Historical amounts

The Department Store Fees paid by PDL Group to us for the three financial years ended December 31, 2008 and the six months ended June 30, 2009 were approximately RMB4.5 million, RMB9.8 million, RMB17.7 million and RMB8.6 million, respectively. The increase in commission generated from PDL during these years was due to an increase in the number of stores operating under the Master PDL Agreement.

Proposed cap and basis of cap

It is expected that the Department Stores Fees to be paid by PDL Group to us pursuant to the Master PDL Agreement for the three financial years ending December 31, 2009, December 31, 2010 and December 31, 2011 will not exceed RMB21.9 million, RMB40.8 million and RMB63.0 million, respectively (applying the basis of charge consistently with that applied throughout the Track Record Period (see Historical Amounts, above)).

The proposed caps are determined by reference to the historical value of such transactions after accounting for projected growth and expansion of our Company, and the projected increase in the number of our stores and the growth of the consumer markets in the relevant cities where our stores are located. In particular, we have assumed a 20% growth rate in revenue generated by our concessionaire transactions with PDL Group on a per department store basis, which is consistent with the previous growth rate during the Track Record Period. There is, however, no assurance from us or from the PDL Group that the actual growth rate will be 20%. In 2008, PDL Group operated a total of 26 outlets in all of our self-owned department stores. The PDL Group had been expanding their outlets in department stores during the Track Record Period (such as PCD Jiahe, PCD Qingdao, PCD Changchun and Scitech Plaza) that have higher revenue per outlet. In addition, we expect that in the future the Group will expand its store network by establishing other department

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stores in suitable locations in the PRC based on the previous growth rate of the number of our self-owned stores and that PDL Group intends to operate outlets in these new stores. Furthermore, since the beginning of 2009, PDL Group has expanded its brand portfolio, as a result of which we expect that PDL Group will increase the number of outlets in our stores as the number of brands carried by PDL Group increases in the future.

(D) Properties leased by Scitech Group

(i) *Department store leased by Scitech Group*

On August 17, 2007, Scitech Group, a company owned as to 85% by Alfred Chan, Edward Tan and their respective immediate family, entered into a lease, as subsequently amended by various supplemental agreements, with us (the “Department Store Lease”), pursuant to which Scitech Group agreed to grant us a lease with effect from July 1, 2007 for the Scitech Plaza at the monthly rent of RMB3.9 million (inclusive of building management fees), which is not subject to any periodic review until the end of the term of twelve years. Under the Department Store Lease, Scitech Group further agreed to grant to us the right to use and/or sub-licence the “Scitech” trademark in connection with Scitech Plaza and any outlet malls in the PRC operated or managed by us. Scitech Group is the owner of the Scitech Complex, consisting of an office, hotel, restaurants and retail complex, which includes Scitech Plaza. Scitech Group has not been included as part of our Group as its business is not in line with the business of our Group. Scitech Group’s business is the management and holding of Scitech Complex, and the department store business within Scitech Complex, namely Scitech Plaza, which was included as part of our Group through the Department Store Lease. DTZ Debenham Tie Leung Limited, an independent property valuer, has confirmed that the rental payable by us to Scitech Group of RMB3.9 million per month and the other terms (including the twelve-year lease term) are on normal commercial terms is based on prevailing market rates and conditions.

The Department Store Lease shall be valid for a term of twelve years from July 1, 2007 to June 30, 2019. Under the Department Store Lease, we are authorised to use the premises for the purposes of operating department stores. We are authorised to carry out any renovation or structural work to the premises at our own cost. We have the right to sub-lease part of the premises to third parties and to authorise a third party to manage the store on our behalf and assign our rights to any third party under the Department Store Lease. Scitech Group is responsible for the provision of utilities, insurance of the premises and maintenance of the premises. The Department Store Lease can be terminated by agreement of both parties, by either party upon the occurrence of a force majeure event, or by us, unilaterally, in the event that Scitech Group does not fulfil its obligations to maintain and repair the property or fails to ensure a normal power supply resulting in the suspension of our operations on the premises, in the event that Scitech Group is in breach of any of its obligations pursuant to the Department Store Lease, or in the event that Scitech Group fails to ensure our rights under the Department Store Lease against any valid third party rights in respect thereof. In any of the aforementioned circumstances the Department Store Lease shall be terminated upon receipt by Scitech Group of our written notice thereof. The Department Store Lease also provides that we may give a 30-day advance notice to renew

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the Department Store Lease, failing which the Department Store Lease shall terminate automatically upon expiration of its term. The Department Store Lease does not contain any provisions in relation to rent review.

Our Directors have confirmed that a term of twelve years is necessary in view of the intended use of Scitech Plaza for retail purposes, the nature of the business of our Group, and the expected growth of the business throughout that period. Having considered the financial and operating stabilities of our Group's operations and based on observation of market practice in the PRC department stores industry, our Directors are of the view that it is normal business practice for contracts of this type to be of such duration. Our Company confirms that it will comply with the applicable requirements under Chapter 14A of the Listing Rules upon the expiry of the three financial years ending December 31, 2011.

(ii) *Office space leased by Scitech Group*

Scitech Group entered into a lease with us (the "Office Lease"), pursuant to which Scitech Group agreed to grant to us a lease with effect from July 5, 2007 for office space within the Scitech Complex with a total area of 1,056 sq.m. for an aggregate yearly rent of approximately RMB1.68 million. DTZ Debenham Tie Leung Limited, an independent property valuer, has confirmed that the rental payable by us to Scitech Group of approximately RMB1.68 million per annum is based on prevailing market rates and the other terms of the Office Lease are on normal commercial terms and conditions.

The Office Lease shall be valid from July 5, 2007 to December 31, 2011. Under the Office Lease, we are authorised to use the premises for office use. We have the rights to sub-lease part of the premises to third parties subject to written approval from Scitech Group. The Scitech Group is responsible for provision of utilities, insurance of the premises and maintenance of the premises.

Historical amounts

(i) Department store leased by Scitech Group

Given that we only commenced leasing the Scitech Plaza on July 1, 2007, the only historical amounts for this connected transaction is for the period between July 1, 2007 to June 30, 2009. The rental fees paid by us to Scitech Group in relation to the lease of Scitech Plaza for the six months ended December 31, 2007, the financial year ended December 31, 2008 and the six months ended June 30, 2009 were approximately RMB23.6 million, RMB46.9 million and RMB23.0 million, respectively. The historical amounts were based on the actual rental fees paid under the Department Store Lease during the Track Record Period.

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(ii) Office space leased by Scitech Group

Given that we only commenced leasing the office space on July 5, 2007, the only historical amounts for this connected transaction is for the period between July 5, 2007 to June 30, 2009. The rental fees paid by us to Scitech Group in relation to the lease of the office space for the six months ended December 31, 2007, the financial year ended December 31, 2008 and the six months ended June 30, 2009 were approximately RMB0.8 million, RMB1.7 million and RMB0.8 million, respectively. The historical amounts were based on the actual rental fees paid under the Office Lease during the Track Record Period.

Proposed cap and basis of cap

It is expected that the aggregate rental fees to be paid by us to Scitech Group under the Department Store Lease and the Office Lease for the three financial years ending December 31, 2009, December 31, 2010 and December 31, 2011 will not exceed RMB48.48 million, RMB48.48 million and RMB48.48 million, respectively.

The proposed caps are determined by reference to the actual rental fees payable by us to Scitech Group under the Department Store Lease and the Office Lease.

(E) Management Agreement with Even Time

On November 29, 2009, we entered into a management agreement (the "Outlet Mall Management Agreement") with Even Time, which is directly held as to 100% by Jenny Tan, the daughter of Edward Tan, on trust for and on behalf of LDP Management Limited, a company held as to 50% by each of Alfred Chan and Edward Tan, our Controlling Shareholders. Pursuant to the Outlet Mall Management Agreement, we agreed to provide management consultancy services to Even Time or its subsidiary in return for an annual management fee calculated on the basis of 2% of the GSP of Beijing Scitech Premium Outlet Mall in each financial year. The management fee is based on normal commercial terms and are comparable to our other management agreements with Independent Third Parties. The amount of the management fee under each management contract is based on the circumstances of the relevant outlet mall, including the stage of development of the outlet mall, the range of services provided and the strategic intentions of the parties. During the Track Record Period, the management fee received by us from our other managed stores in respect of which we provide management consultancy services for Independent Third Parties typically ranges from 1.5% to 3.9% of the GSP of the relevant store. Pursuant to the Outlet Mall Management Agreement, we agreed to advise Even Time and to provide management consultancy services to it in relation to the management and operation of Beijing Scitech Premium Outlet Mall, including but not limited to the management of logistics infrastructure, marketing, staff, merchandising, business plans and architectural planning.

The Outlet Mall Management Agreement shall take effect for a period from July 1, 2009 and end on December 31, 2011. The Outlet Mall Management Agreement will be automatically renewed every three years on substantially the same terms subject to compliance with Chapter 14A of the Listing Rules by the Company. In addition, the Outlet Mall Management Agreement will terminate upon (i) completion of the acquisition pursuant to the Outlet Mall Option or (ii) cessation of operation of the Beijing Scitech Premium Outlet Mall for a period of three months or

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longer. Please refer to the section titled “Relationship with our ultimate Controlling Shareholders and Connected Transactions — Beijing Scitech Premium Outlet Mall” for further details on the Outlet Mall Option.

Historical amounts

Given that the Outlet Mall Management Agreement had only taken effect from July 1, 2009, there are no historical amounts for this connected transaction.

Proposed cap and basis of cap

It is expected that the aggregate management fees to be paid to us by Even Time pursuant to the Outlet Mall Management Agreement for the three financial years ending December 31, 2009, December 31, 2010 and December 31, 2011 will not exceed RMB8 million, RMB20 million and RMB24 million, respectively.

The proposed caps are determined by reference to the projected gross sales proceeds of Beijing Scitech Premium Outlet Mall. The projected gross sales proceeds are determined by benchmarking against the productivity (gross sales per square meter) of other similar outlet operations in Beijing and Shanghai. The estimation is based on market intelligence gathered from various concessionaires that are currently operating in such other outlet operations as well as informal market studies and research conducted by our Group. Further, as Beijing Scitech Premium Outlet Mall has only commenced trial operation in relation to part of the outlet mall since July 2009 and intends to commence full operation around February 2010, we expect a substantial increase in the management fees to be paid by Even Time to us under the Outlet Mall Management Agreement once it commences full operation.

(F) General Outlet Services Agreement with LDP Management Limited

Outlet malls are generally situated at areas outside central business and shopping districts in suburban or rural areas due to, among other factors, the availability of larger sites at more optimal costs for outlet mall operations. The locations of these sites are typically less accessible by consumers and are not typically existing popular shopping destinations. Our Controlling Shareholders intend to engage in the development and ownership of real estate properties used for the operation of outlet malls. Our Controlling Shareholders believe that a key to the success of any outlet mall real estate project is the sourcing of a suitable site at optimal cost. Factors affecting the selection of a suitable site include the potential for transforming the suburban or rural location to a popular shopping destination, recruiting an experienced operator to operate the mall to be developed and engaging a suitable mix of brands and concessionaires for the location chosen. The process of the development of outlet mall real estate projects mainly involves (i) the identification and sourcing of a site which has all the physical attributes conducive to the establishment of successful outlet mall operations and which is available or potentially available for sale or long term lease; (ii) the research and study which is conducted in relation to assessing the commercial viability of an outlet mall operation at the target property, taking into account, amongst many other factors, local governmental support, location and transportation access, the property size and available retail floor area, spending power and preferences of consumers in adjacent areas and weather and climate conditions. Among other things, potential concessionaires

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which are suitable for the outlet mall will be consulted with regard to their interest in the future participation as a concessionaire in the proposed outlet mall, and feasibility studies and other reports would be prepared to document the analysis; (iii) the preparation of the design and retail layout of the outlet mall, taking into account factors such as local consumer preferences, mall image and available area. Agreements will need to be negotiated with relevant brands to secure their participation in the outlet mall as concessionaires when it opens; and (iv) negotiation with the land owner and local government in order to secure a sale or the long term usage of the target outlet mall property. Based on the above, the potential success of an outlet mall will be reliant on the accumulated judgment, knowledge, skills and experience of the party to whom its establishment is entrusted. Accordingly, LDP Management Limited has engaged us to provide general outlet services in connection with its potential outlet mall real estate projects. Being in the business of real estate development and investment, our Controlling Shareholders believe that, by securing land at suburban or distanced locations at a cost effective price, there will be ample opportunity for gain in the value of the property if it could be turned into a successful outlet mall.

We entered into a general outlet services agreement (the “General Outlet Services Agreement”) with LDP Management Limited, which took effect as of July 1, 2009, pursuant to which we agreed to provide various services to LDP Management Limited in return for a service fee of RMB36 million per year. During the Track Record Period, our Group had been providing the type of services that are envisaged under the General Outlet Services Agreement to our Controlling Shareholders free of charge, as our Controlling Shareholders and the companies controlled by them and our Group belonged to the same group of companies. Pursuant to the General Outlet Services Agreement, we would provide services to LDP Management Limited, which includes, among other things, identifying and advising on no less than two potential opportunities on average per year in relation to acquisition of properties suitable for the operation of outlet malls in the PRC, preparing feasibility reports and coordinating detailed proposals in relation to such opportunities, preparing financial and business projections in relation to the acquisition of such properties, and providing general consultancy services in these respect. Any proposed operation of outlet malls by our Controlling Shareholders will be subject to their compliance with the provisions of the Non-competition Undertaking. The service fee payable by LDP Management Limited are based on normal commercial terms. The fee payable to us under the General Outlet Services Agreement was negotiated on an arm’s length basis by the parties taking into account factors including: (i) the commission rates and fees typically charged by property agents and property investment managers in the PRC in connection with the sourcing of similar properties; (ii) the nature of the services (including sourcing, identifying, evaluating potential properties for outlet mall projects as well as assisting with negotiating with the relevant parties in relation to these potential real estate projects) we will provide which we believe will provide unique value to LDP Management Limited; (iii) the amount of the investment costs which LDP Management Limited would have been required to make in relation to potential outlet mall properties; (iv) the costs to be incurred by us in providing our services; and (v) the potential significant capital gains which LDP Management Limited may achieve as a result of its investment in outlet mall properties sourced and serviced by us pursuant to the General Outlet Services Agreement. It is currently expected, based on LDP Management Limited’s business plan, that approximately 2–3 outlet mall projects will be sourced through us for evaluation each year,

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although there is no guarantee that we would be able to source such properties which are suitable to LDP Management Limited or that LDP Management Limited would acquire any such properties so sourced by us.

In addition, as we are proposing to engage in the business of operating outlet malls in the PRC, if we are able to source suitable sites for outlet mall real estate development for our Controlling Shareholders, we would also, at our election, collaborate with them and seek to become the operator of the relevant outlet malls. Our Controlling Shareholders have granted us a pre-emptive right to lease from them such retail properties. Please refer to the section headed “—Background of our Controlling Shareholders Group”.

The Directors believe that it is in the best interest of the Group to enter into the General Outlet Services Agreement given that, apart from the fee our Group is expected to generate from this transaction (which is attributable to the value creation arising from our services and contribution in establishing outlet malls for LDP Management Limited), the Group will be able to collaborate with our Controlling Shareholders on our operation of future outlet malls in the PRC. As disclosed in the section headed “Our Business”, our Group is studying plans to engage in the operation of outlet malls in the PRC in the future. However, to the knowledge of our Directors, there exists a very limited supply of constructed buildings which are suitable for the operation of outlet malls. Accordingly, any such operation will require the development and construction of new outlet mall buildings. As the development and construction of new outlet mall properties are capital intensive and investment in real estates involves a different degree of risk, it is beneficial to our Group to have the option to, in appropriate circumstances, cooperate with real estate developers and investors to secure the operation rights of outlet malls. Further, given that our Controlling Shareholders have granted a pre-emptive right to our Group to lease properties acquired by them which are suitable for the operations of an outlet mall, we are able to, at our discretion, secure usage of outlet mall buildings which are developed and constructed by our Controlling Shareholders or companies controlled by them. Accordingly, it is also beneficial for our Group to enter into the General Outlet Services Agreement in terms of expanding its outlet mall business to identify suitable properties for our Controlling Shareholders with a view to operating outlet malls on such properties.

The General Outlet Services Agreement shall take effect for a period from July 1, 2009 and end on December 31, 2011. The General Outlet Services Agreement will be automatically renewed upon the expiry of its term for an additional two terms of three years subject to compliance with Chapter 14A of the Listing Rules by the Company on substantially the same terms, except that the service fee shall be amended to RMB1.5 million per month plus 1.5% of the GSP of the outlet malls the property of which are owned by LDP Management Limited or its subsidiaries. The amendment of the service fee for the additional terms is because the Company believes that the Group should be able to participate in the successful operation of the outlet malls which it has assisted LDP Management Limited to establish during the first term of the General Outlet Services Agreement. The General Outlet Services Agreement may be terminated by either party giving one year notice to the other.

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Historical Amounts

Given that the General Outlet Services Agreement had only taken effect from July 1, 2009, there are no historical amounts for this connected transaction.

Proposed cap and basis of cap

It is expected that the aggregate service fees to be paid to us by LDP Management Limited pursuant to the General Outlet Services Agreement for the three financial years ending December 31, 2009, December 31, 2010 and December 31, 2011 will not exceed RMB18 million, RMB36 million and RMB36 million, respectively.

The proposed caps are determined by reference to the actual service fees payable to us by LDP Management Limited under the General Outlet Services Agreement. The service fees were negotiated at arms' length and are based on the projected increase in value of any property which we may identify for LDP Management Limited pursuant to the General Outlet Services Agreement. Our Directors believe that the General Outlet Services Agreement is on normal commercial terms.

LISTING RULES IMPLICATIONS

Category I — Continuing connected transactions exempt from independent shareholders' approval requirements

(A) Management Agreement with Xiamen Ruijing Chun Tian

As each of the relevant applicable percentage ratios set out in the Listing Rules for determining the value of connected transactions (that is, excluding the profits ratio and the equity capital ratio which are not applicable) for the continuing connected transaction in paragraph (A) above is expected to be less than 2.5% on an annual basis or, each of the relevant applicable percentage ratios is expected to be higher than 2.5% but less than 25% on an annual basis and the annual consideration of each such transaction is expected to be less than HK\$10,000,000, such transaction is exempt from the independent shareholders' approval requirements under the Listing Rules but is subject to the reporting and announcement requirements under the Listing Rules.

Category II — Non-exempt continuing connected transactions

(B) Master Management Agreement with Guangchang;

(C) Concessionnaire Agreement with PDL Group;

(D) Properties leased by Scitech Group;

(E) Management Agreement with Even Time; and

(F) General Outlet Services Agreement with LDP Management Limited.

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As one or more of the relevant applicable percentage ratios set out in the Listing Rules for determining the value of connected transactions (excluding the profits ratio and the equity capital ratio which are not applicable) for each of the non-exempt continuing connected transactions in paragraphs (B) to (F) above is expected to be 2.5% or above on an annual basis or, each of the relevant applicable percentage ratios is expected to be equal to or higher than 2.5% but less than 25% on an annual basis and the annual consideration of each such transaction is expected to be HK\$10,000,000 or more, each such transaction is subject to the reporting, announcement and independent shareholders’ approval requirements under the Listing Rules.

Directors’ View on the continuing connected transactions

Our Directors (including our independent non-executive Directors) are of the view that all the continuing connected transactions have been conducted on normal commercial terms or more in favour of our Group, were entered into in the ordinary and usual course of business of our Group, are fair and reasonable and in the interests of our Company and our shareholders as a whole, and that the maximum annual value of each of the relevant continuing connected transactions as disclosed in this section is fair and reasonable to our Group.

Continuing connected transactions — Application for Waivers

We will continue to enter into or carry out the transactions set out in this section and these transactions will constitute continuing connected transactions for us under the Listing Rules. According to the Listing Rules, such transactions may, depending on the nature and value of the transactions, require disclosure and prior approval by our independent shareholders.

Scope of Waiver

Under the Listing Rules, the continuing connected transactions under paragraphs (B) to (F) above are considered to be non-exempt continuing connected transactions under Rule 14A.35 and would require compliance with the reporting and announcement requirements set out in Rules 14A.45 to 14A.47 of the Listing Rules and the prior independent shareholders’ approval requirements set out in Rules 14A.48 to 14A.54 of the Listing Rules.

For the continuing connected transactions under paragraph (A) above, each of the applicable percentage ratios set out in Rule 14.07 of the Listing Rules, where applicable, under the respective agreements are, on an annual basis, expected to be less than 2.5% under Rule 14A.34 of the Listing Rules. This transaction is therefore exempt from the independent shareholders’ approval requirements but is subject to the reporting and announcement requirements set out in Rules 14A.45 to 14A.47 of the Listing Rules.

As the above continuing connected transactions are expected to continue on a recurring basis, our Directors consider that compliance with the announcement and/or the independent shareholders’ approval requirements would be unduly burdensome, impractical and would add additional administrative costs to our Company. Accordingly, our Directors have requested the Stock Exchange to grant a waiver from compliance with the requirements under Rule 14A.42(3) of the Listing Rules. We have requested the Stock Exchange, and the Stock Exchange has agreed, to grant a waiver to our Company from compliance with the announcement and/or the

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independent shareholders’ approval requirements relating to the above continuing connected transactions under the Listing Rules. In addition, we will comply with the applicable provisions under Rules 14A.35(1), 14A.35(2), 14A.36, 14A.37, 14A.38, 14A.39 and 14A.40 of the Listing Rules.

Exempt continuing connected transactions

In addition to the continuing connected transactions described above for which waivers from strict compliance with the requirements under Chapter 14A of the Listing Rules have been granted by the Stock Exchange, we have certain other continuing connected transactions which constitute exempt continuing connected transactions under the Listing Rules: (1) the authorization letters issued by PCD Stores to our Group for the right to use certain trademarks for nil consideration (further details are set out in the section titled “Intellectual Property Rights” in Appendix VII to this document); and (2) the authorization letter issued by Scitech Group to our Group for the use of the “Scitech” trademark for a fee of RMB100,000 annually (further details are set out in the section titled “Intellectual Property Rights” in Appendix VII to this document). In each of these cases, the relevant percentage ratios under the Listing Rules on an annual basis will be less than 0.1% and accordingly such transactions are exempted from compliance with the reporting, announcement and independent shareholders’ approval requirements of the Listing Rules.