The following is the text of a report, prepared for inclusion in this document, received from the reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong.

Deloitte.
德勤

德勤・關黃陳方會計師行
香港金鐘道88號
太古廣場一座35樓

Deloitte Touche Tohmatsu
35/F One Pacific Place
88 Queensway
Hong Kong

[December 2,] 2009

The Directors
PCD Stores (Group) Limited

Dear Sirs,

We set out below our report on the financial information (the "Financial Information") relating to PCD Stores (Group) Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") for each of the three years ended December 31, 2008 and the six months ended June 30, 2009 (the "Track Record Period").

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law (2004 Revision) of the Cayman Islands on January 8, 2007 under the name of Tiger Power Investments Limited and subsequently changed its name to PCD Stores (Group) Limited on August 15, 2007. Pursuant to a group reorganisation, as more fully explained in the section headed "The Reorganisation" in Appendix VII to this document (the "Reorganisation"), the Company became the holding company of the companies now comprising the Group on November 14, 2007.

As at the date of this report, the Company had the following subsidiaries:

Name of subsidiary	Place and date of incorporation/establishment	Issued and fully paid-up share capital/registered capital	Equity interest attributable to the Company as at: December 31, 2006 Direct	December 31, 2006 Indirect	December 31, 2007 Direct	December 31, 2007 Indirect	December 31, 2008 Direct	December 31, 2008 Indirect	June 30, 2009 Direct	June 30, 2009 Indirect	Date of this report Direct	Date of this report Indirect	Principal activities
			%	%	%	%	%	%	%	%	%	%	
PCD China Real Estate Limited.	The British Virgin Islands (the "BVI") September 14, 2005	US$1	—	100	100	—	100	—	100	—	100	—	Investment holding
Zhongshan PCD (Xiamen) Department Stores Co., Ltd. ("Zhongshan PCD Stores (Xiamen)") 中山巴黎春天(廈門)百貨有限公司	The People's Republic of China (the "PRC") October 28, 2005	US$5,000,000	—	100	—	100	—	100	—	100	—	100	Retailing business
Printemps Real Estate (Xiamen) Limited. ("PCD Real Estate (Xiamen)") 巴黎春天房地產(廈門)有限公司 .	The PRC April 28, 2002	US$19,000,000	—	100	—	100	—	100	—	100	—	100	Property leasing
PCD World Trade (Xiamen) Co., Ltd. ("PCD World Trade (Xiamen)") *(Note xi)* 廈門世貿巴黎春天百貨有限公司 .	The PRC August 29, 2001	RMB3,000,000	—	100	—	100	—	100	—	100	—	100	Retailing business
PCD Continental Department Stores (Xiamen) Co., Ltd. ("PCD Continental") *(Note xi)* 廈門大陸春天百貨有限公司 (Formerly known as "廈門大陸來雅百貨有限公司")	The PRC August 23, 2005	RMB1,000,000	—	100	—	100	—	100	—	100	—	100	Retailing business
PCD Department Stores (Taiyuan) Co., Ltd. ("PCD Stores (Taiyuan)") *(Note xi)* 太原巴黎春天百貨有限公司	The PRC March 9, 2005	RMB5,000,000	—	100	—	100	—	100	—	100	—	100	Retailing business
PCD Department Stores (Jilin) Co., Ltd ("PCD Stores (Jilin)") *(Note xi)* 吉林省巴黎春天百貨有限公司. . .	The PRC November 28, 2006	RMB10,000,000	—	100	—	100	—	100	—	100	—	100	Retailing business
Zhongshan PCD Stores (Qingdao) Limited ("Zhongshan PCD Stores (Qingdao)") *(Note xi)* 青島中山巴黎春天百貨有限公司 .	The PRC October 9, 2006	RMB5,000,000	—	100	—	100	—	100	—	100	—	100	Retailing business

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid-up share capital/registered capital	Equity interest attributable to the Company as at										Principal activities
			December 31, 2006		December 31, 2007		December 31, 2008		June 30, 2009		Date of this report		
			Direct	Indirect	Direct	Indirect	Direct	Indirect	Direct	Indirect	Direct	Indirect	
			%	%	%	%	%	%	%	%	%	%	
Laiya Department Management (Xiamen) Co., Ltd. ("Laiya Department Management (Xiamen)") *(Note xi)* 廈門來雅百貨管理有限公司 . . .	The PRC January 4, 2006	RMB1,000,000	—	100	—	100	—	100	—	100	—	100	Operation and management of department stores
PCD Department Stores (Guangxi) Co., Ltd. ("PCD Stores (Guangxi)"*(Note xi)* 廣西巴黎春天百貨有限公司). . .	The PRC September 26, 2006	RMB5,000,000	—	100	—	100	—	100	—	100	—	100	Retailing business
PCD Songbai Department Stores (Xiamen) Co., Ltd. ("PCD Songbai") *(Note xi)* 廈門松柏春天百貨有限公司 (Formerly known as "廈門來雅百貨有限公司").	The PRC May 29, 1998	RMB11,000,000	—	95	—	95	—	95	—	95	—	95	Retailing business
PCD Retail Management Inc. ("PCD Retail Management")	The BVI August 24, 1998	— *(Note i)*	—	99.2	—	99.2	—	99.2	—	99.2	—	99.2	Operation and management of department stores
Beijing Scitech Department Stores Co., Ltd. ("Beijing Scitech Department Stores") *(Note xi)* 北京賽特百貨有限公司 (Formerly known as "北京中山春天百貨有限公司")	The PRC April 26, 2007	RMB10,000,000	N/A	N/A	—	100	—	100	—	100	—	100	Retailing business
PCD Retail Operations Limited ("PCD Retail Operations")	The BVI May 18, 2007	— *(Note ii)*	N/A	N/A	100	—	100	—	100	—	100	—	Investment holding
Xian Century Changan Property Investment Limited ("Xian Century Changan Property Investment") *(Note xi)* 西安世紀長安物業投資管理有限公司	The PRC September 12, 1995	RMB126,000,000	—	—	—	100	—	100	—	100	—	100	Property investment and management of department stores

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid-up share capital/registered capital	Equity interest attributable to the Company as at: December 31, 2006 Direct	December 31, 2006 Indirect	December 31, 2007 Direct	December 31, 2007 Indirect	December 31, 2008 Direct	December 31, 2008 Indirect	June 30, 2009 Direct	June 30, 2009 Indirect	Date of this report Direct	Date of this report Indirect	Principal activities
			%	%	%	%	%	%	%	%	%	%	
PCD Stores Information Consulting (Xiamen) Limited ("PCD Stores Information Consulting (Xiamen)") *(Note xi)* 廈門巴黎春天百貨信息諮詢有限公司	The PRC August 27, 2007	RMB2,000,000	N/A	N/A	—	100	—	100	—	100	—	100	Information consulting
Dragon Talent Development Limited ("Dragon Talent")	Hong Kong May 11, 2007	— *(Note iii)*	N/A	N/A	—	100	—	100	—	100	—	100	Investment holding
Well Power Enterprise Limited ("Well Power")	Hong Kong June 1, 2007	— *(Note iv)*	N/A	N/A	—	100	—	100	—	100	—	100	Investment holding
PCD Roosevelt China Ventures Limited ("PCD Roosevelt")	The BVI April 22, 2008	— *(Note v)*	N/A	N/A	N/A	N/A	—	51	—	51	—	— *(Note xii)*	Provision of management consultancy services for department stores
PCD China Ventures Limited ("PCD China Ventures")	The BVI May 3, 2008	— *(Note vi)*	N/A	N/A	N/A	N/A	—	100	—	100	—	— *(Note xii)*	Investment holding
PCD Jiahe Trading and Commerce (Xiamen) Company Limited ("Jiahe Chun Tian") 嘉禾春天商貿(廈門)有限公司	The PRC July 9, 2008	HK$750,000 *(Note vii)*	N/A	N/A	N/A	N/A	—	100	—	100	—	100	Retailing business
Qingdao Century Chuntian Information Consulting Co., Ltd. ("Qingdao Chuntian") *(Note xi)* 青島世紀春天信息諮詢有限公司	The PRC March 8, 2009	RMB200,000 *(Note viii)*	N/A	N/A	N/A	N/A	N/A	N/A	—	100	—	100	Information consulting
Beijing Yuanyongxin Information Consulting Company Limited ("Beijing Yuanyongxin") *(Note xi)* 北京源永信信息諮詢有限公司	The PRC March 25, 2009	RMB200,000 *(Note ix)*	N/A	N/A	N/A	N/A	N/A	N/A	—	100	—	100	Information consulting
Xiamen Lotus Department Stores Company Limited ("Xiamen Lotus") 廈門蓮花百貨有限公司	The PRC September 4, 2009	HK$2,000,000 *(Note x)*	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	—	100	Retailing business

Note:

(i) The authorised share capital of PCD Retail Management is US$50,000. No capital has been contributed by the Group up to the date of this report.

(ii) The authorised share capital of PCD Retail Operations is US$1. No capital has been contributed by the Group up to the date of this report.

(iii) The authorised share capital of Dragon Talent is HK$10,000. No capital has been contributed by the Group up to the date of this report.

(iv) The authorised share capital of Well Power is HK$10,000. No capital has been contributed by the Group up to the date of this report.

(v) The authorised share capital of PCD Roosevelt is US$50,000. No capital has been contributed by the Group up to November 11, 2009, the date of disposal. *(Note xii).*

(vi) The authorised share capital of PCD China Ventures is US$50,000. No capital has been contributed by the Group up to November 11, 2009, the date of disposal. *(Note xii).*

(vii) The registered capital of Jiahe Chun Tian is HK$5,000,000. The capital amounted to HK$750,000 has been contributed by the Group up to the date of this report.

(viii) The registered capital of Qingdao Chuntian is RMB1,000,000. The capital amounted to RMB200,000 has been contributed by the Group up to the date of this report.

(ix) The registered capital of Beijing Yuanyongxin is RMB1,000,000. The capital amounted to RMB200,000 has been contributed by the Group up to the date of this report.

(x) The registered capital of Xiamen Lotus is HK$10,000,000. The capital amounted to HK$2,000,000 has been contributed by the Group up to date of this report.

(xi) English names for the PRC established entities are for identification purpose only.

(xii) On November 11, 2009, pursuant to an instrument of transfer and bough and sold notes, PCD Retail Operations transferred its shareholdings in PCD China Ventures to Double Eight Enterprises Limited, a company indirectly wholly-owned by Alfred Chan and his brother, Edward Tan (the "Chan Family"), for nil consideration. Accordingly, the Group's interests in PCD Roosevelt, the subsidiary of PCD China Ventures, also was transferred to Double Eight Enterprises Limited.

The financial year end date of all the companies now comprising the Group is December 31.

No audited financial statements have been prepared for the Company, PCD China Real Estate Limited, PCD Retail Management, PCD Retail Operations, PCD Roosevelt and PCD China Ventures since their incorporation as there is no statutory audit requirement in their respective places of incorporation. No audited financial statements have been prepared for Dragon Talent and Well Power as no annual general meeting has been held since their incorporation. For the purpose of this report, we have, however, reviewed all the relevant transactions of the Company, PCD China Real Estate Limited, PCD Retail Management, PCD Retail Operations, PCD Roosevelt, PCD China Ventures, Dragon Talent and Well Power since their respective dates of incorporation and carried out such procedures as we considered necessary for inclusion of their financial information. No audited financial statements have been prepared for Qingdao Chuntian and Beijing Yuanyongxin for the period from their respective dates of establishment to June 30, 2009, or all other entities of the Group for the six months ended June 30, 2009 as there is no statutory reporting requirement for the relevant periods.

The statutory financial statements of the Company's subsidiaries established in the PRC were prepared in accordance with the relevant accounting principles and financial regulations in the PRC. They were audited by the following certified public accountants registered in the PRC, as appropriate:

Name of subsidiary	Financial year/period	Name of auditor
Zhongshan PCD Stores (Xiamen)	Financial year ended December 31, 2006	廈門華永聯合會計師事務所 Xiamen Huayong Lianhe Certified Public Accountants Firm *(Note i)*
	Financial year ended December 31, 2007 and 2008	廈門業華會計師事務所有限公司 Xiamen Yehua Certified Public Accountants Co., Ltd *(Note i)*
PCD Real Estate (Xiamen)	Financial year ended December 31, 2006 and 2007	廈門集友會計師事務所有限公司 Xiamen Chiyu Certified Public Accountants Co., Ltd
	Financial year ended December 31, 2008	廈門中友會計師事務所有限公司 Xiamen Zhongyou Certified Public Accountant Firm
PCD World Trade (Xiamen)	Financial year ended December 31, 2006	廈門華永聯合會計師事務所 Xiamen Huayong Lianhe Certified Public Accountants Firm *(Note i)*
	Financial year ended December 31, 2007 and 2008	廈門業華會計師事務所有限公司 Xiamen Yehua Certified Public Accountants Co., Ltd *(Note i)*
PCD Continental	Financial year ended December 31, 2006 and 2007	廈門利安達普和會計師事務所有限公司 Xiamen Reanda Certified Public Accountants
	Financial year ended December 31, 2008	廈門普和會計師事務所有限公司 Xiamen PuHe Certified Public Accountants Co., Ltd
PCD Stores (Taiyuan) . . .	Financial year ended December 31, 2006 and 2007	山西正裕會計師事務所有限公司 Shanxi Zhengyu Certified Public Accountants
	Financial year ended December 31, 2008	山西華泰會計師事務所有限公司 Shanxi Huatai Certified Public Accountant Development Ltd
PCD Stores (Jilin)	Period from November 28, 2006 to December 31, 2006	吉林新華會計師事務所有限公司 Jilin Xinhua Certified Public Accountants Co., Ltd
	Financial year ended December 31, 2007 and 2008	北京中瑞誠聯合會計師事務所吉林分所 Beijing CRC United Certified Public Accountants
Zhongshan PCD Stores (Qingdao).	Period from October 9, 2006 to December 31, 2006	青島振青會計師事務所有限公司 Qingdao Zhenqing Certified Public Accountants Co., Ltd
	Financial year ended December 31, 2007 and 2008	青島振青會計師事務所有限公司 Qingdao Zhenqing Certified Public Accountants Co., Ltd

Name of subsidiary	Financial year/period	Name of auditor
Laiya Department Management (Xiamen)	Period from January 4, 2006 to December 31, 2006	廈門利安達普和會計師事務所有限公司 Xiamen Reanda Certified Public Accountants
	Financial year ended December 31, 2007	廈門利安達普和會計師事務所有限公司 Xiamen Reanda Certified Public Accountants
	Financial year ended December 31, 2008	廈門普和會計師事務所有限公司 Xiamen PuHe Certified Public Accountants Co., Ltd
PCD Stores (Guangxi)	Period from September 26, 2006 to December 31, 2006	廈門華永聯合會計師事務所 Xiamen Huayong Lianhe Certified Public Accountants Firm *(Note i)*
	Financial year ended December 31, 2007	廣西興瑞聯合會計師事務所 Guangxi Xingrui United Certified Public Accountants
	Financial year ended December 31, 2008	廣西信天祥會計師事務所有限公司 Guangxi Xintianxiang Certified Public Accountants Firm
PCD Songbai	Financial year ended December 31, 2006	廈門利安達普和會計師事務所有限公司 Xiamen Reanda Certified Public Accountants
	Financial year ended December 31, 2007	廈門利安達普和會計師事務所有限公司 Xiamen Reanda Certified Public Accountants
	Financial year ended December 31, 2008	廈門普和會計師事務所有限公司 Xiamen PuHe Certified Public Accountants Co., Ltd
Beijing Scitech Department Stores	Period from April 26, 2007 to December 31, 2007	中和正信會計師事務所有限公司 Zhonghe Zhengxin Certified Public Accountants
	Financial year ended December 31, 2008	中和正信會計師事務所有限公司 Zhonghe Zhengxin Certified Public Accountants
Xian Century Changan Property Investment	Financial year ended December 31, 2007	西安華鑫會計師事務所有限責任公司 Xian Huaxin Certified Public Accountants Co., Ltd
	Financial year ended December 31, 2008	陝西同源會計師事務所有限責任公司 Shanxi Tongyuan Certified Public Accounts Co., Ltd *(Note i)*
PCD Stores Information Consulting (Xiamen)	Period from August 27, 2007 to December 31, 2007	廈門利安達普和會計師事務所有限公司 Xiamen Reanda Certified Public Accountants
	Financial year ended December 31, 2008	廈門普和會計師事務所有限公司 Xiamen PuHe Certified Public Accountants Co., Ltd
Jiahe Chun Tian	Period from July 9, 2008 to December 31, 2008	廈門業華會計師事務所有限公司 Xiamen Yehua Certified Public Accountants Co., Ltd *(Note i)*

Note:

(i) The English names are for identification purpose only.

For the purpose of this report, the directors of the Company have prepared the Financial Information of the Group for the Track Record Period (the "Underlying Financial Statements") in accordance with International Financial Reporting Standards ("IFRSs"). We have carried out an independent audit on the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

The financial statements of Xian Century Changan Property Investment prepared in accordance with IFRS for the year ended December 31, 2006 and the period from January 1, 2007 to August 9, 2007 (the "Pre-Acquisition Period") (the "Pre-Acquisition Underlying Financial Statements") were audited by Edward Lau & Co., Certified Public Accountants, Hong Kong, in accordance with the Hong Kong Standards on Auditing issued by the HKICPA.

We have examined the Underlying Financial Statements and the Pre-Acquisition Underlying Financial Statements in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" as recommended by the HKICPA.

The Financial Information of the Group for the Track Record Period as set out in this report has been prepared from the Underlying Financial Statements, on the basis set out in Note 1 to the Financial Information. No adjustments are considered necessary to the Underlying Financial Statements for the preparation of the Financial Information.

The Underlying Financial Statements are the responsibility of the directors of the Company who approved their issue. The directors of the Company are also responsible for the contents of the document in which this report is included. It is our responsibility to compile the Financial Information set out in this report from the Underlying Financial Statements, to form an opinion on the Financial Information and to report our opinion to you.

In our opinion, on the basis of presentation set out in Note 1 to the Financial Information, the Financial Information gives, for the purpose of this report, a true and fair view of the state of affairs of the Group as of December 31, 2006, 2007 and 2008 and June 30, 2009 and the Company as of December 31, 2007, 2008 and June 30, 2009 and of the consolidated results and consolidated cash flows of the Group for the Track Record Period.

The comparative consolidated statement of comprehensive income, statement of cash flows and statement of changes in equity of the Group for the six months ended June 30, 2008 together with the notes thereon have been extracted from the Group's unaudited consolidated financial information for the same period (the "June 30, 2008 Financial Information") which was prepared by the directors of the Company solely for the purpose of this report. We have reviewed the June 30, 2008 Financial Information in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. Our review of the June 30, 2008 Financial Information consists of making enquiries, primarily of persons responsible for the financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion on the June 30, 2008 Financial Information. Based on our review, nothing has come to our attention that causes us to believe that the June 30, 2008 Financial Information is not prepared, in all material respects, in accordance with the accounting policies consistent with those used in the preparation of the Financial Information which conform with IFRSs.

A. CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Notes	Year ended December 31, 2006	2007	2008	Six months ended June 30, 2008	2009
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Revenue	5	171,066	500,930	717,831	353,944	358,876
Other income	6	22,065	63,984	80,735	40,226	43,244
Change in fair value of investment property	16	—	20,771	10,000	20,000	20,000
Purchase of and changes in inventories		(29,925)	(82,368)	(127,215)	(58,503)	(63,637)
Employee benefits expense	7	(23,480)	(86,995)	(115,936)	(61,827)	(47,524)
Depreciation and amortisation		(14,895)	(22,105)	(30,457)	(14,203)	(16,140)
Operating lease rental expense	29	(25,142)	(71,901)	(96,163)	(47,877)	(47,644)
Other operating expenses	8	(42,590)	(139,422)	(141,152)	(67,663)	(61,133)
Finance costs	9	(2,962)	(26,378)	(49,359)	(24,351)	(23,667)
Profit before taxation		54,137	156,516	248,284	139,746	162,375
Income tax charge	10	(8,024)	(21,018)	(74,188)	(43,891)	(38,256)
Profit and total comprehensive income for the year/period		46,113	135,498	174,096	95,855	124,119
Profit and total comprehensive income attributable to:						
Owners of the Company		45,536	135,053	173,815	95,783	123,834
Minority interests		577	445	281	72	285
		46,113	135,498	174,096	95,855	124,119
Earnings per share (in RMB cents)						
Basic	13	1.51	4.38	5.79	3.19	4.13
Diluted	13	1.51	4.38	5.79	3.19	4.13

B. CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Notes	At December 31, 2006	At December 31, 2007	At December 31, 2008	At June 30, 2009
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
NON-CURRENT ASSETS					
Property, plant and equipment	15	498,527	593,171	588,761	576,219
Investment property	16	—	480,000	490,000	510,000
Land use rights	17	20,343	19,583	66,430	65,424
Goodwill	18	2,008	2,008	2,008	2,008
Long-term prepaid rentals	21	14,637	63,675	43,353	39,078
Deferred tax assets	19	—	1,930	1,762	3,598
Restricted bank balances	27	—	12,000	12,000	12,000
		535,515	1,172,367	1,204,314	1,208,327
CURRENT ASSETS					
Inventories	20	12,568	23,724	34,043	32,913
Prepayments, trade and other receivables	21	13,181	33,349	104,520	90,936
Land use rights	17	760	760	2,013	2,013
Amounts due from related parties	30(c)	58,137	10,165	200,249	628,705
Restricted bank balances	27	—	—	11,500	11,500
Bank balances and cash	27	50,679	268,291	110,277	93,994
		135,325	336,289	462,602	860,061
CURRENT LIABILITIES					
Trade and other payables	23	162,396	657,080	630,471	481,859
Tax payable		4,422	7,594	19,139	8,043
Dividend payables	26	—	78,348	1,250	1,250
Bank borrowings - due within one year	24	73,000	124,316	394,780	519,395
Amounts due to related parties	30(c)	27,868	158,682	87,317	21,284
		267,686	1,026,020	1,132,957	1,031,831
NET CURRENT LIABILITIES		(132,361)	(689,731)	(670,355)	(171,770)
TOTAL ASSETS LESS CURRENT LIABILITIES		403,154	482,636	533,959	1,036,557
NON-CURRENT LIABILITIES					
Bank borrowings — due after one year	24	105,000	430,391	300,659	671,126
Deferred tax liabilities	19	—	71,557	79,766	87,778
		105,000	501,948	380,425	758,904
TOTAL ASSETS LESS TOTAL LIABILITIES		298,154	(19,312)	153,534	277,653
CAPITAL AND RESERVES					
Paid-in capital/share capital	25	42,343	382	382	382
Reserve		254,339	(21,611)	152,204	276,038
Equity attributable to owners of the Company		296,682	(21,229)	152,586	276,420
Minority interests		1,472	1,917	948	1,233
		298,154	(19,312)	153,534	277,653

C. STATEMENTS OF FINANCIAL POSITION

	Notes	At December 31, 2007	At December 31, 2008	At June 30, 2009
		RMB'000	*RMB'000*	*RMB'000*
NON-CURRENT ASSET				
Investment in subsidiaries	31	372,998	372,998	372,998
CURRENT ASSETS				
Prepayments, trade and other receivables	21	—	37	—
Amounts due from subsidiaries	32	7,000	2	2
Bank balances and cash	27	27,118	2,445	10,229
		34,118	2,484	10,231
CURRENT LIABILITIES				
Trade and other payables	23	282	113	32
Dividend payables		78,348	—	—
Bank borrowings — due within one year	24	28,092	35,276	24,241
Amounts due to subsidiaries	32	149,616	344,029	364,302
Amount due to a fellow subsidiary	32	150,000	—	—
		406,338	379,418	388,575
NET CURRENT LIABILITIES		(372,220)	(376,934)	(378,344)
TOTAL ASSETS LESS CURRENT LIABILITIES		778	(3,936)	(5,346)
CAPITAL AND RESERVE				
Share capital	25	382	382	382
Reserve	33	396	(4,318)	(5,728)
		778	(3,936)	(5,346)

D. CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Paid-in capital/ share capital	Capital reserve	Other reserve	Statutory surplus reserve	Retained earnings	Attributable to owners of the Company	Minority interests	Total
	RMB'000 (*Note i*)	*RMB'000* (*Note v*)	*RMB'000*	*RMB'000* (*Note iii*)	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance at January 1, 2006	10,356	185,932	—	2,225	20,646	219,159	512	219,671
Profit and total comprehensive income for the year	—	—	—	—	45,536	45,536	577	46,113
Appropriations	—	—	—	3,624	(3,624)	—	—	—
Contributions from the owners (*Note i*)	36,287	—	—	—	—	36,287	—	36,287
Distributions to the owners (*Note ii*)	(4,300)	—	—	—	—	(4,300)	—	(4,300)
Acquisition of a subsidiary	—	—	—	—	—	—	383	383
Balance at December 31, 2006	42,343	185,932	—	5,849	62,558	296,682	1,472	298,154
Profit and total comprehensive income for the year	—	—	—	—	135,053	135,053	445	135,498
Appropriations	—	—	—	16,348	(16,348)	—	—	—
Contributions from the owners (*Note i*)	10,282	—	—	—	—	10,282	—	10,282
Group reorganisation (*Note iv*)	(52,243)	(185,932)	(146,723)	—	—	(384,898)	—	(384,898)
Contributions from minority interests	—	—	—	—	—	—	100	100
Dividends declared	—	—	—	—	(78,348)	(78,348)	—	(78,348)
Purchase of additional interest in a subsidiary	—	—	—	—	—	—	(100)	(100)
Balance at December 31, 2007	382	—	(146,723)	22,197	102,915	(21,229)	1,917	(19,312)
Profit and total comprehensive income for the year	—	—	—	—	173,815	173,815	281	174,096
Appropriations	—	—	—	34,899	(34,899)	—	—	—
Dividends declared	—	—	—	—	—	—	(1,250)	(1,250)
Balance at December 31, 2008	382	—	(146,723)	57,096	241,831	152,586	948	153,534
Profit and total comprehensive income for the period	—	—	—	—	123,834	123,834	285	124,119
Appropriations	—	—	—	11,309	(11,309)	—	—	—
Balance at June 30, 2009	382	—	(146,723)	68,405	354,356	276,420	1,233	277,653
(Unaudited)								
Balance at January 1, 2008	382	—	(146,723)	22,197	102,915	(21,229)	1,917	(19,312)
Profit and total comprehensive income for the period	—	—	—	—	95,783	95,783	72	95,855
Appropriations	—	—	—	11,100	(11,100)	—	—	—
Balance at June 30, 2008 (unaudited)	382	—	(146,723)	33,297	187,598	74,554	1,989	76,543

Notes:

(i) The amounts of paid-in capital/share capital as at January 1, 2006 and December 31, 2006 represent the combined capital of the companies comprising the Group as at the respective reporting dates. Contributions from the owners during each of the two years ended December 31, 2007 represent the aggregate amounts of capital contributed by the owners to the group companies.

(ii) Distributions to the owners during the year ended December 31, 2006 arose from (i) the transfer of the 30% equity interest in PCD Continental and 20% equity interest in PCD Stores (Taiyuan) from PCD Department Stores (Xiamen) Limited ("PCD Stores (Xiamen)"), a fellow subsidiary of the Company, to Zhongshan PCD Stores (Xiamen) for considerations of RMB300,000 and RMB1,000,000 respectively; and (ii) the transfer of the entire equity interest in PCD World Trade (Xiamen) from Ke Xiude and Ge Weiying to Zhongshan PCD Stores (Xiamen) and PCD Real Estate (Xiamen) for an aggregate consideration of RMB3,000,000.

(iii) The statutory surplus reserve is non-distributable and the transfer to the reserve is determined by board of directors in accordance with the Articles of Association of the subsidiaries. Statutory surplus reserve can be used to make up for previous years' losses or converted into additional capital of the Group's subsidiaries in the PRC.

(iv) The amounts represent deemed distribution to the owners pursuant to the Reorganisation (please refer to Note 1 for details).

(v) Capital reserve represents additional capital contributed by owners.

E. CONSOLIDATED STATEMENTS OF CASH FLOWS

	Note	Year ended December 31, 2006	Year ended December 31, 2007	Year ended December 31, 2008	Six months ended June 30, 2008	Six months ended June 30, 2009
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (Unaudited)*	*RMB'000*
OPERATING ACTIVITIES						
Profit before taxation		54,137	156,516	248,284	139,746	162,375
Adjustments for:						
Depreciation of property, plant and equipment		14,135	21,345	28,757	13,510	15,134
Amortisation of land use rights		760	760	1,700	693	1,006
Interest income		(2,494)	(7,229)	(2,348)	(1,416)	(3,013)
Finance costs		2,962	26,378	49,359	24,351	23,667
Write-off of bad debt		—	—	1,164	—	—
Loss on disposal of property, plant and equipment		—	36	2	2	—
Foreign exchange loss (gain)		203	226	(717)	(560)	(41)
Change in fair value of investment property		—	(20,771)	(10,000)	(20,000)	(20,000)
Operating cash flows before movements in working capital		69,703	177,261	316,201	156,326	179,128
(Increase) decrease in inventories		(6,948)	(11,156)	(10,319)	(3,347)	1,130
Decrease (increase) in prepayments, trade and other receivables		35,979	(68,366)	(52,013)	1,578	17,859
(Increase) decrease in amounts due from related parties		—	(7,615)	7,615	7,585	(3,810)
Increase (decrease) in trade and other payables		36,987	354,637	107,796	(81,230)	(146,951)
Increase (decrease) in amounts due to related parties		2,918	5,203	78,823	2,314	(66,033)
Cash generated from (used in) operations		138,639	449,964	448,103	83,226	(18,677)
Income taxes paid		(4,701)	(13,988)	(54,266)	(27,892)	(43,176)
NET CASH FROM (USED IN) OPERATING ACTIVITIES		133,938	435,976	393,837	55,334	(61,853)
INVESTING ACTIVITIES						
Interest received		2,494	4,613	2,348	1,416	563
Purchases of property, plant and equipment		(285,462)	(44,009)	(96,288)	(7,232)	(4,253)
Advance to related parties		(99,921)	(220,413)	(197,699)	(931)	(422,197)
Repayment from related parties		49,921	56,000	—	—	—
Purchases of land use rights		(1,815)	—	(49,800)	(39,800)	—
Acquisition of subsidiaries	34	(7,788)	(75,000)	(62,016)	(39,946)	—
Proceeds from disposal of property, plant and equipment		—	110	—	—	—
Purchase of additional interest in a subsidiary		—	(100)	—	—	—
Increase in restricted bank balances		—	—	(11,500)	—	—
NET CASH USED IN INVESTING ACTIVITIES		(342,571)	(278,799)	(414,955)	(86,493)	(425,887)

	Note	Year ended December 31,			Six months ended June 30,	
		2006	2007	2008	2008	2009
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (*Unaudited*)	*RMB'000*
FINANCING ACTIVITIES						
Interest paid		(2,962)	(25,928)	(49,809)	(24,801)	(23,667)
Payment of dividends		—	—	(78,348)	(78,348)	—
Payments of reorganisation consideration		(4,300)	(11,900)	(150,000)	(28,608)	—
Loans from related parties		24,110	—	—	—	—
Repayment to related parties		(35,926)	(24,191)	(188)	—	—
New bank borrowings raised		429,500	256,882	277,966	177,966	770,750
Repayment of bank borrowings		(255,501)	(143,216)	(135,471)	(86,974)	(275,644)
Contributions from the owners		36,287	9,900	—	—	—
Contribution from minority interests		—	100	—	—	—
NET CASH FROM (USED IN) FINANCING ACTIVITIES		191,208	61,647	(135,850)	(40,765)	471,439
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		(17,425)	218,824	(156,968)	(71,924)	(16,301)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR/PERIOD		68,991	50,679	268,291	268,291	110,277
Effect of foreign exchange rate changes		(887)	(1,212)	(1,046)	(1,311)	18
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD, represented by bank balances and cash		50,679	268,291	110,277	195,056	93,994

F. NOTES TO THE FINANCIAL INFORMATION

1. GENERAL INFORMATION AND BASIS OF PRESENTATION OF FINANCIAL INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law (2004 Revision) of the Cayman Islands on January 8, 2007 under the name of Tiger Power Investments Limited and subsequently changed its name to PCD Stores (Group) Limited on August 15, 2007. The registered office of the Company is situated at Clifton House, 75 Fort Street, P.O. Box 1350, Grand Cayman, KY1-1108, Cayman Islands. The principal place of business of the Company is situated at No. 76–132 Zhongshan Road, Siming District, Xiamen 361000, the PRC. The Company is an investment holding company.

Pursuant to the Reorganisation, the Company became the holding company of the companies now comprising the Group on November 14, 2007. The Group comprising the Company and its subsidiaries resulting from the Reorganisation is regarded as a continuing entity. The Group is considered to be under the control of the Chan Family throughout the years ended December 31, 2006 and 2007 prior to and after the Reorganisation. The Reorganisation principally included:

(i) In 2006, according to two share transfer agreements, PCD Stores (Xiamen), a company controlled by the Chan Family, transferred its 30% equity interest in PCD Continental and 20% equity interest in PCD Stores (Taiyuan) to Zhongshan PCD Stores (Xiamen) for considerations of RMB300,000 and RMB1,000,000 respectively; and Ke Xiude, the mother of Alfred Chan and Edward Tan and Ge Weiying, an employee of the Group, both of whom are nominee shareholders on behalf of the Chan Family, transferred their entire equity interest in PCD World Trade (Xiamen) to Zhongshan PCD Stores (Xiamen) and PCD Real Estate (Xiamen) for an aggregate consideration of RMB3,000,000.

(ii) By way of two share transfer agreements both dated March 15, 2007, PCD Stores (Xiamen) and Liu Qinhua, a member of the Group's senior management, as a nominee shareholder on behalf of the Chan Family, agreed to transfer the entire equity interest in Zhongshan PCD Stores (Qingdao), which had a paid up registered capital of RMB5 million held as to 99% by PCD Stores (Xiamen) and as to 1% by Liu Qinhua respectively, to Zhongshan PCD Stores (Xiamen) and PCD Real Estate (Xiamen) respectively (for respective considerations of RMB4,950,000 and RMB50,000);

(iii) On May 8, 2007, 49,600 shares in PCD Retail Management held by Ports International Enterprises Limited ("PIEL"), a company controlled by the Chan Family, representing 99.2% of share capital of PCD Retail Management, were transferred to PCD Retail Operations for a nominal consideration;

(iv) By way of two share transfer agreements both dated July 7, 2007, PCD Stores (Xiamen) and Xiamen Jiazhong Software Development Co., Ltd. ("Xiamen Jiazhong"), a third party, agreed to transfer the entire equity interest in Beijing Scitech Department Stores, which had a paid-up registered capital of RMB10,000,000 held as to 99% by PCD Stores (Xiamen) and as to 1% by Xiamen Jiazhong respectively, to Zhongshan PCD Stores (Xiamen) and PCD Real Estate (Xiamen) respectively (for respective considerations of RMB9,900,000 and RMB100,000);

(v) By way of share transfer agreements all dated July 20, 2007, the entire equity interest of Laiya Department Management (Xiamen) held by Lin Xiuhua and Lin Keqin, both employees of the Group, as nominee shareholders on behalf of the Chan Family, in equal shares were transferred to Zhongshan PCD Stores (Xiamen) and PCD Real Estate (Xiamen) for a consideration of RMB1,000,000 to be held by them in the proportion of 95% and 5% respectively (for respective considerations of RMB950,000 and RMB50,000). The transfer of equity interest in Laiya Department Management (Xiamen) was registered on August 17, 2007;

(vi) On October 11, 2007, the entire equity interests in Zhongshan PCD Stores (Xiamen) were transferred from PCD Stores Limited ("PCD Stores"), a company controlled by the Chan Family, to Well Power in return for a consideration of US$0.01 pursuant to a share transfer agreement dated July 7, 2007 and a supplementary share transfer agreement dated November 30, 2007; and

(vii) On November 14, 2007, pursuant to a reorganisation agreement entered into between the Company and PCD Stores, the entire issued share capital in PCD China Real Estate Limited and PCD Retail Operations was transferred by PCD Stores to the Company. By way of consideration, the Company (i) assumed a debt of

RMB222,616,000 owed by PCD Stores to PCD China Real Estate Limited; (ii) agreed to paid RMB150,000,000 in cash to PCD Stores; and (iii) issued 40,000 shares of US$1.00 each to PCD Stores, credited as fully paid.

The consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years ended December 31, 2006 and 2007 include the results, changes in equity and cash flows of the companies now comprising the Group as if the Company had always been the holding company of the Group and the current group structure had been in existence throughout the years ended December 31, 2006 and 2007, or since their respective dates of incorporation/establishment or acquisition where this is a shorter period. The consolidated statement of financial position of the Group as at December 31, 2006 has been prepared to present the assets and liabilities of the companies now comprising the Group as at the December 31, 2006 as if the current group structure had been in existence at that date, taking into account the effective date of acquisitions of entity from outsiders.

Acquisitions of subsidiaries other than those of the Reorganisation during Track Record Period are accounted for from their respective dates of acquisitions by the purchase method of accounting. Details of the acquisitions of subsidiaries during Track Record Period are set out in Note 34.

The Financial Information is presented in Renminbi ("RMB"), the currency of the primary economic environment in which the principal subsidiaries of the Group operate (its functional currency).

The immediate holding company of the Company is Bluestone Global Holdings Limited ("Bluestone", incorporated in the BVI) and its ultimate holding company is PIEL (incorporated in the BVI).

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

For the purpose of preparing and presenting the Financial Information for the Track Record Period, the Group has consistently adopted International Accounting Standards ("IASs"), International Financial Reporting Standards ("IFRSs"), amendments and the related Interpretations ("IFRICs"), which are effective for the accounting period beginning on January 1, 2009 except for IAS 39 & IFRS 7 (Amendments) Reclassification of Financial Assets, which are effective from July 1, 2008 but should not be applied before July 1, 2008, throughout the Track Record Period.

At the date of this report, the following new and revised standards, amendments and interpretations have been issued which are not yet effective:

IFRSs (Amendments)	Amendments to IFRS 5 as part of Improvements to IFRSs issued in 2008[1]
IFRSs (Amendments)	Improvements to IFRSs issued in 2009[2]
IAS 24 (Revised)	Related Party Disclosures[6]
IAS 27 (Revised)	Consolidated and Separate Financial Statements[1]
IAS 32 (Amendment)	Classification of Right Issues[5]
IAS 39 (Amendment)	Eligible Hedged Items[1]
IFRS 1 (Amendment)	Additional Exemptions for First-time Adopters[4]
IFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions[4]
IFRS 3 (Revised)	Business Combinations[1]
IFRS 9	Financial Instruments[7]
IFRIC 14 (Amendment)	Prepayments of a Minimum Funding Requirement[6]
IFRIC 17	Distributions of Non-cash Assets to Owners[1]
IFRIC 18	Transfers of Assets from Customers[3]
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments[8]

1 Effective for annual periods beginning on or after July 1, 2009

2 Amendments that are effective for annual periods beginning on or after July 1, 2009 or January 1, 2010, as appropriate.

3 Effective for transfers on or after July 1, 2009

4 Effective for annual periods beginning on or after January 1, 2010

[5] Effective for annual periods beginning on or after February 1, 2010

[6] Effective for annual periods beginning on or after January 1, 2011

[7] Effective for annual periods beginning on or after January 1, 2013

[8] Effective for annual periods beginning on or after July 1, 2010

The Group has not early adopted these new and revised standards, amendments and interpretations in the preparation of the Financial Information. The application of IFRS 3 (Revised) may affect the Group's accounting for business combination for which the acquisition date is on or after January 1, 2010. IAS 27 (Revised) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary. The directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

The Financial Information has been prepared under the historical cost basis except for certain properties, which are measured at fair values, as explained in the accounting policies set out below.

The Financial Information has been prepared in accordance with the following accounting policies which conform with IFRSs. These policies have been consistently applied throughout the Track Record Period. In addition, the Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Companies Ordinance.

Basis of consolidation

The Financial Information incorporates the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year/period are included in the consolidated statements of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Minority interests in the net assets of subsidiaries are identified separately from the Company's equity therein. Minority interests consist of the amount of those interests at the date of the original business combination and the minority shareholders' share of changes in equity since the date of the combination. Losses applicable to the minority shareholders in excess of the minority shareholders' interest in the subsidiary's equity are allocated against the interests of the Company except to the extent that the minority shareholders has a binding obligation and is able to make an additional investment to cover the losses.

Business combinations under common control

The Financial Information incorporates the financial statement items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are combined using the existing book values from the controlling parties' perspective. No amount is recognised in respect of goodwill or excess of acquirers' interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The consolidated statement of comprehensive income includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

The comparative amounts in the Financial Information are presented as if the entities or businesses had been combined at the previous reporting date or when they first came under common control, whichever is shorter.

Business combinations other than common control combinations

The acquisition of subsidiaries, other than common control combinations, is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, and liabilities incurred or assumed by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities are recognised at their fair values at the acquisition date.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

The interest of minority shareholders in the acquiree is initially measured at the minority shareholders' proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

Goodwill

Goodwill arising on an acquisition of a business represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of the relevant business at the date of acquisition. Such goodwill is carried at cost less any accumulated impairment losses.

Capitalised goodwill arising on an acquisition of a business is presented separately in the consolidated statements of financial position.

For the purposes of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in the consolidated statements of comprehensive income. An impairment loss for goodwill is not reversed in subsequent periods.

On subsequent disposal of the relevant cash-generating unit, the attributable amount of goodwill capitalised is included in the determination of the amount of profit or loss on disposal.

Investments in subsidiaries

Investments in subsidiaries are included in the Company's statement of financial position at cost less any identified impairment loss.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business, net of value added tax, estimated customer returns, rebates and other similar allowances.

Commission revenue from concessionaire sales is recognised upon the sale of goods by the relevant stores.

Revenue from sales of goods are recognised when goods are delivered and title has passed. Sales of goods that result in award credits for customers under the Group's customer loyalty programme, are accounted for as multiple element revenue transactions and the fair value of the consideration received or receivable is allocated between the goods sold and the award credits granted. The consideration allocated to the award credits is measured by reference to their fair value. Such consideration is not recognised as revenue at the time of the initial sale transaction, but is deferred and recognised as revenue when the award credits are redeemed and the Group's obligations have been fulfilled.

Rental income and display space leasing income are recognised on a straight-line basis over the terms of the respective leases.

Service income including management consultancy services income, property management income, and credit card handling income is recognised in the accounting period in which the relevant services are rendered.

Advertisement and promotion administration income are recognised according to the underlying contract terms with concessionaires and as the services are provided accordingly.

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Contingent rental income is recognised in the period in which they are earned. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

The Group as lessee

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Contingent rental expenses are charged as expenses in the periods in which they are incurred. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expenses on a straight-line basis over the lease term.

Leasehold land and building

The land and building elements of a lease of land and building are considered separately for the purpose of lease classification, unless the lease payments cannot be allocated reliably between the land and building elements, in which case, the entire lease is generally treated as a finance lease and accounted for as property, plant and equipment. To the extent the allocation of the lease payments can be made reliably, leasehold interests in land are accounted for as operating leases except for those that are classified and accounted for as investment properties under the fair value model.

Foreign currencies

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency, i.e. RMB).

In preparing the financial statements of individual entities, transactions in currencies other than the entity's functional currency (foreign currency) are recorded at the rates of exchange prevailing on the dates of the transactions. At the reporting date, monetary items denominated in foreign currencies are re-translated at the rates prevailing on the reporting date.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise.

Borrowing costs

Borrowing costs directly attributed to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing cost eligible for capitalisation.

All other borrowing costs are recognised in profit and loss in the period in which they are incurred.

Retirement benefit costs

Payments to the defined contribution retirement benefits scheme under the state-managed retirement benefit schemes in PRC are charged as an expense when employees have rendered service entitling them to the contribution.

Taxation

Income tax expenses represent the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year/period. Taxable profit differs from net profit as reported in the consolidated statements of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the Financial Information and the corresponding tax basis used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled. Deferred tax is charged or credited in consolidated statements of comprehensive income, except when it relates to items credited or charged directly to equity, in which case the deferred tax is also dealt with in equity.

Property, plant and equipment

Property, plant and equipment including buildings held for use in the production or supply of goods or services, or for administrative purposes other than construction in progress are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost of items of property, plant and equipment other than construction in progress over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method. Construction in progress includes property, plant and equipment in the course of construction for production or for its own use purposes.

Construction in progress is carried at cost less any recognised impairment loss. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated statements of comprehensive income in the year/period in which the item is derecognised.

Investment property

Investment property, which is property held to earn rentals and/or for capital appreciation, is measured initially at its cost, including transaction costs. Subsequent to initial recognition, investment property is measured at fair value. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use or no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statements of comprehensive income in the year/period in which the item is derecognised.

Land use rights

Land use rights are stated at cost and amortised on a straight-line basis over the lease terms. Land use rights which are to be amortised in the next twelve months or less are classified as current assets.

Impairment of tangible assets

At each reporting date, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using weighted average method.

Financial instruments

Financial assets and financial liabilities are recognised on the consolidated statements of financial position when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

The Group's financial assets represent loans and receivables.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

Interest income is recognised on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each reporting date subsequent to initial recognition, loans and receivables (including trade and other receivables, amounts due from related parties/subsidiaries, restricted bank balances, and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Impairment of loans and receivables

Loans and receivables are assessed for indicators of impairment at each reporting date. Loans and receivables are impaired where there is objective evidence that, as a result of one or more events that occurred after its initial recognition, the estimated future cash flows have been impacted.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade or other receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest expense is recognised on an effective interest basis.

Financial liabilities

Financial liabilities including bank borrowings, trade and other payables, dividend payables, and amounts due to related parties/subsidiaries/fellow subsidiaries are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

Equity instruments issued by Company are recorded at the proceeds received, net of direct issue costs.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

The key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are disclosed below.

Fair value of investment property

As described in Note 16, the valuation of investment property was arrived at on the basis of capitalization of net rental income derived from the existing tenancy agreements with allowance for the reversionary income potential of the property and by making reference to comparable sales evidence as available in the relevant market.

Certain assumptions including estimated reversionary income potential and yield were also made in arriving at the valuation. As at December 31, 2006, 2007, 2008 and June 30, 2009, the carrying amount of the Group's investment property was nil, RMB480,000,000, RMB490,000,000 and RMB510,000,000 respectively.

Impairment of property, plant and equipment

If there is any indication of impairment, determining the extent to which property, plant and equipment are impaired requires an estimation of the value in use of the cash-generating units to which they have been allocated. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value.

At each of reporting date, the directors of the Company were satisfied that there was no indication that property, plant and equipment had suffered an impairment loss. As at December 31, 2006, 2007, 2008 and June 30, 2009, the carrying amounts of property, plant and equipment were RMB498,527,000, RMB593,171,000, RMB588,761,000 and RMB576,219,000 respectively.

5. REVENUE AND SEGMENT INFORMATION

Revenue includes commission income from concessionaire sales, sales of goods, rental income, management consultancy services income, and is analysed as follows:

	Year ended December 31,			Six months ended June 30,	
	2006	**2007**	**2008**	**2008**	**2009**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000 (Unaudited)***	***RMB'000***
Commissions from concessionaire sales *(Note)*	113,875	364,276	500,751	253,470	232,558
Sales of goods	37,794	105,364	164,482	76,260	82,680
Rental income	9,299	18,779	28,342	13,672	14,787
Management consultancy services income	10,098	12,511	24,256	10,542	28,851
	171,066	500,930	717,831	353,944	358,876

Note:

The commissions from concessionaire sales are analysed as follows:

	Year ended December 31,			Six months ended June 30,	
	2006	**2007**	**2008**	**2008**	**2009**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000 (Unaudited)***	***RMB'000***
Gross revenue from concessionaire sales	599,365	1,818,587	2,443,740	1,221,314	1,117,722
Commissions from concessionaire sales	113,875	364,276	500,751	253,470	232,558

IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to segments and to assess their performance. The information reported to the president of the Company, who is the Group's chief operating decision maker for the purpose of resource allocation and assessment of performance is prepared under IFRSs, based on the overall operation of department stores, which is the only operating segment reported internally. Accordingly, no operating segment is presented.

All external revenues of the Group during the Track Record Period are contributable to customers established in the PRC, the place of domicile of the Group's operating entities. Meanwhile, the Group's non-current assets other than deferred tax assets are all located in the PRC.

No revenues from a single external customer amount to 10 percent or more of the Group's revenue.

6. OTHER INCOME

	Year ended December 31,			Six months ended June 30,	
	2006	**2007**	**2008**	**2008**	**2009**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000 (Unaudited)***	***RMB'000***
Property management income	3,852	14,786	15,854	8,137	7,716
Advertisement and promotion administration income	2,950	15,934	26,563	11,092	17,305
Display space leasing income	2,533	7,098	8,602	5,177	2,842
Interest income from a related party *(Note 30(b))*	—	5,692	—	—	2,450
Net foreign exchange gains	3,824	—	598	775	15
Bank interest income	2,494	1,537	2,348	1,416	563
Credit card handling income	291	6,111	12,958	6,599	6,072
Others	6,121	12,826	13,812	7,030	6,281
	22,065	63,984	80,735	40,226	43,244

7. EMPLOYEE BENEFITS EXPENSE

	Year ended December 31,			Six months ended June 30,	
	2006	**2007**	**2008**	**2008**	**2009**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000 (Unaudited)***	***RMB'000***
Salaries, bonuses and allowances	21,222	72,659	91,267	49,152	36,323
Contributions to retirement benefit schemes	2,258	14,336	24,669	12,675	11,201
	23,480	86,995	115,936	61,827	47,524

The employees of the Group's PRC subsidiaries are members of the state-managed retirement benefit schemes operated by the local government. The subsidiaries in the PRC are required to contribute a specified percentage of their basic payroll costs to the retirement benefit schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefit schemes is to make the specified contributions.

8. OTHER OPERATING EXPENSES

Other operating expenses are analysed as follows:

	Year ended December 31,			Six months ended June 30,	
	2006	2007	2008	2008	2009
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Auditors' remuneration	35	117	131	85	71
Professional service fee	112	23,360	12,584	8,504	2,014
Promotion, advertising and related expenses	9,818	22,688	27,089	11,605	10,236
Water, electricity and heating	13,299	28,737	28,661	13,824	13,933
Other taxes	8,625	23,836	27,517	12,191	13,716
Bank charges	2,931	14,157	17,890	8,998	8,795
Write-off of bad debt	—	—	1,164	—	—
Others	7,770	26,527	26,116	12,456	12,368
	42,590	139,422	141,152	67,663	61,133

9. FINANCE COSTS

	Year ended December 31,			Six months ended June 30,	
	2006	2007	2008	2008	2009
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Interest expenses on:					
Bank borrowings, wholly repayable within five years	1,792	12,203	17,264	6,692	11,679
Bank borrowings, not wholly repayable within five years	—	13,472	29,395	14,959	11,988
Loan from a related party *(Note 30(b))*	1,170	253	—	—	—
Deferred payment for purchase of property, plant and equipment *(Note 23(i))*	—	450	2,700	2,700	—
	2,962	26,378	49,359	24,351	23,667

10. INCOME TAX CHARGE

	Year ended December 31,			Six months ended June 30,	
	2006	**2007**	**2008**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
The charge comprises:					
PRC income tax	8,024	17,160	65,811	35,740	32,080
Deferred tax *(Note 19)* . . .	—	3,858	8,377	8,151	6,176
	8,024	21,018	74,188	43,891	38,256

The tax charge for the Track Record Period represents income tax in the PRC which is calculated at the prevailing tax rate on the taxable income of subsidiaries established in the PRC.

Those subsidiaries incorporated in Hong Kong have had no assessable profits since their incorporation.

On March 16, 2007, the National People's Congress promulgated the Law of the People's Republic of China on Enterprise Income Tax (the "New EIT Law") by order No. 63 of the President of the PRC which is effective from January 1, 2008.

On December 6, 2007, the State Council issued Implementation Regulation of the New EIT Law. Pursuant to the New EIT Law and Implementation Regulation, a uniform income tax rate of 25% was imposed for both domestic and foreign-invested enterprises. Prior to the New EIT Law, the subsidiaries in the PRC are subject to statutory income tax rate of 33% before taking into account the entitled concessionary tax rates and exemption. The change in statutory tax rate has no material impact on the deferred tax of the Group since no deferred tax has been recognised before the change.

On December 26, 2007, the New EIT Law's Detailed Implementation Rules and the details of the transitional arrangement were promulgated, respectively. They contemplate various transition periods and measures for existing preferential tax policies, including a grace period of a maximum of 5 years until 2012 for the enterprises which are currently entitled to a lower income tax rate under the previous tax law and continued implementation of preferential tax treatment with a fixed term until the expiration of such fixed term. In addition, the New EIT Law provides that qualified dividend income between two "resident enterprises" that have a direct investment relationship is exempted from income tax. Otherwise, such dividends will be subject to a 5% or 10% withholding tax under the tax treaty or the domestic law.

The income tax rates applicable to the subsidiaries established in the PRC are as follows:

	Year ended December 31,			Six months ended June 30,	
	2006	**2007**	**2008**	**2008**	**2009**
	%	%	%	%	%
Zhongshan PCD Stores (Xiamen) *(Note i)*	15	15	18	18	20
PCD Real Estate (Xiamen) *(Note i)*	15	15	18	18	20
PCD World Trade (Xiamen) *(Note i)*	15	15	18	18	20
PCD Continental *(Notes i)*	15	15	18	18	20
PCD Songbai *(Note i)*	15	15	18	18	20
PCD Stores Information Consulting (Xiamen) *(Note i)*	N/A	15	18	18	20
Laiya Department Management (Xiamen) *(Notes i and iii)*	Exempted	Exempted	18	18	20
PCD Stores (Jilin) *(Note ii)*	33	Exempted	25	25	25
PCD Stores (Guangxi) *(Note v)*	33	Exempted	25	25	25
Beijing Scitech Department Stores *(Note iv)*	N/A	Exempted	25	25	25
PCD Stores (Taiyuan)	33	33	25	25	25
Zhongshan PCD Stores (Qingdao)	33	33	25	25	25
Xian Century Changan Property Investment	N/A	33	25	25	25
Jiahe Chun Tian	N/A	N/A	25	N/A	25
Qingdao Chuntian	N/A	N/A	N/A	N/A	25
Beijing Yuanyongxin	N/A	N/A	N/A	N/A	25

Notes:

(i) According to the Approval for Matters Related to Income Tax on Domestic Enterprises in Xiamen Special Economic Zone (Caishuizhi [88] No. 039) (財稅字[88]第39號《關於廈門經濟特區內資企業徵收所得稅有關問題的批復》) issued by the Ministry of Finance of the People's Republic of China and Article 7(1) of the Income Tax Law of the People's Republic of China for Enterprises with Foreign Investment and Foreign Enterprises, these subsidiaries are entitled to enjoy a 50% reduction in state income tax and 100% tax relief for local income tax. Thus the charge of PRC enterprise income tax of these subsidiaries during each of the two years ended December 31, 2006 and 2007 has been provided for at a rate of 15%. Pursuant to Notice of the State Council Concerning Implementation of Transitional Rules for Enterprise Income Tax Incentives (Guofa [2007] No. 39), the preferential tax rates of the enterprises established in Xiamen Special Economic Zone gradually will be phased out and increased to the new statutory tax rate of 25% over the five-year period beginning January 1, 2008. The enterprise income tax rates for year 2008, 2009, 2010, 2011 and 2012 are 18%, 20%, 22%, 24% and 25% respectively.

(ii) According to the approval from the Changchun Municipal Office (Chao Yang District) of the State Administration of Taxation (Chang Chao Guo Jian [2007] No. 111) in accordance with the Circular on Certain Preferential Policies of Corporate Income Tax (Caishuizhi [94] No. 001) (財稅字[94] 001號《關於企業所得稅若干優惠政策的通知》) issued by the Ministry of Finance and the State Administration of Taxation, PCD Stores (Jilin) was exempted from income tax for the period from January 1, 2007 to December 31, 2007.

(iii) According to the approval from the Xiamen Municipal Office (Siming District) of the State Administration of Taxation (Xia Guo Shui Si Suo Mian Zi [2007] No. 096) in accordance with the Circular on Certain Preferential Policies of Corporate Income Tax (Caishuizhi [94] No. 001) (財稅字[94] 001號《關於企業所得稅若干優惠政策的通知》) issued by the Ministry of Finance and the State Administration of Taxation, Laiya Department Management (Xiamen) was exempted from income tax for the period from January 1, 2006 to December 31, 2007.

(iv) According to the approval from the Beijing Municipal Office (Chao Yang District) of the State Administration of Taxation (Chao Guo Shui Pi Fu [2007] No. 300871) in accordance with the Circular on Certain Preferential policies of Corporate Income Tax (Caishuizhi [94] No. 001) (財稅字[94] 001號《關於企業所得稅若干優惠政策的通知》) issued by the Ministry of Finance and the State Administration of Taxation, Beijing Scitech Department Stores was exempted from income tax for the period from April 26, 2007, date of establishment, to December 31, 2007.

(v) According to the approval from Nanning Municipal Office of the State Administration of Taxation (Nan Qing Guo Shui Han [2007] No. 952) in accordance with the Circular On Certain Preferential policies of Corporate Income Tax (Caishuizhi [94] No. 001) (財稅字[94] 001號《關於企業所得稅若干優惠政策的通知》) issued by the Ministry of Finance and the State Administration of Taxation, PCD Stores (Guangxi) was exempted from income tax for the period from January 1, 2007 to December 31, 2010. Pursuant to the New EIT Law effective from 2008, PCD Stores (Guangxi) was required to obtain the formal approval from the local tax authority to continue to benefit from the EIT exemption. PCD Stores (Guangxi) has been generating losses since its establishment. No income taxes were payable, accordingly the management has not applied for the EIT exemption approval up to the date of this report.

The tax charge for the Track Record Period can be reconciled to the profit per the consolidated statements of comprehensive income as follows:

	Year ended December 31,			Six months ended June 30,	
	2006	2007	2008	2008	2009
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Profit before taxation	54,137	156,516	248,284	139,746	162,375
Tax at applicable income tax rate (2006 and 2007: 33%, 2008 and six months ended June 30, 2009: 25%)	17,865	51,650	62,071	34,937	40,594
Tax effect of income that are not taxable *(Note i)*	(2,215)	(3,669)	(895)	(1,067)	(3,860)
Tax effect of expenses that are not deductible in determining taxable profit *(Note ii)*	565	11,835	6,235	5,571	760
Tax effect of deductible temporary differences not recognised as deferred tax assets	55	741	—	—	—
Utilisation of deductible temporary differences previously not recognised	—	(40)	(120)	(60)	(60)
Effect of income tax on concessionary tax rate *(Note iii)*	(5,399)	(4,535)	(2,259)	(1,408)	(728)
Effect of income tax exemption of subsidiaries	(2,847)	(37,484)	—	—	—
Tax effect of tax losses not recognised	—	2,520	4,979	3,617	198
Utilisation of tax losses previously not recognised	—	—	—	—	(894)
Deferred tax on withholding tax arising from undistributed profits of PRC subsidiaries *(Note 19)*	—	—	4,177	2,301	2,246
Income tax charge	8,024	21,018	74,188	43,891	38,256

Notes:

(i) The income that are not taxable mainly represent the revenue/income earned by BVI and Cayman Islands incorporated subsidiaries.

(ii) The expenses that are not deductible mainly represent expenses incurred by BVI and Cayman Islands incorporated subsidiaries and payroll expenses exceeding the limits set by relevant tax laws in the PRC established subsidiaries.

(iii) Certain subsidiaries of the Group established in the PRC are entitled to concessionary tax rate during the Track Record period, as disclosed above.

11. DIRECTORS' EMOLUMENTS

No emoluments were paid to the directors of the Company during the Track Record Period and no directors waived or agreed to waive any emoluments during the Track Record Period.

12. EMOLUMENTS OF THE FIVE HIGHEST PAID INDIVIDUALS

The emoluments of the five individuals with the highest emoluments during the years ended December 31, 2006, 2007 and 2008 and six months ended June 30, 2008 and 2009 respectively are as follows:

	Year ended December 31,			Six months ended June 30,	
	2006	2007	2008	2008	2009
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (Unaudited)*	*RMB'000*
Salaries and other benefits	1,087	1,501	1,608	768	885
Performance related incentive payments *(Note)*	62	196	47	43	75
Retirement benefit schemes contributions	34	66	88	45	50
	1,183	1,763	1,743	856	1,010

Note: The performance related incentive payment is determined based on evaluation of each individual annually.

No emoluments were paid by the Group to the directors or the five highest paid individuals as inducement to join or upon joining the Group or as compensation for loss of office.

The emoluments of each of the five highest paid individuals during the Track Record Period were below HK$1,000,000.

13. EARNINGS PER SHARE

The calculation of basic earnings per share attributable to owners of the Company for the Track Record Period is based on the following data:

	Year ended December 31,			Six months ended June 30,	
	2006	2007	2008	2008	2009
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (Unaudited)*	*RMB'000*
Profit for the year/period attributable to owners of the Company	45,536	135,053	173,815	95,783	123,834

	Year ended December 31,			Six months ended June 30,	
	2006	2007	2008	2008	2009
	'000	*'000*	*'000*	*'000 (Unaudited)*	*'000*
Weighted average number of shares	3,023,823	3,085,799	3,000,000	3,000,000	3,000,000

The weighted average number of ordinary shares for the purpose of calculating basic earnings per share for the Track Record Period has been retrospectively adjusted for the capitalisation issue as disclosed in Note 35, and the assumption that the Reorganisation had been effective on January 1, 2006.

No diluted earnings per share is presented as the Company did not have potential ordinary shares outstanding during the Track Record Period.

14. DIVIDENDS

On October 31, 2007, the Company declared a dividend of RMB7,834.80 per share, or RMB78,348,000 in total, to its shareholders. The dividends were paid on January 9, 2008 and April 3, 2008 respectively. No other dividends were declared or paid by the Company during the Track Record Period.

The rates of distribution and the number of shares ranking for distribution are not presented as such information is not meaningful for the purpose of this report.

15. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Leasehold improvements	Motor vehicles	Office equipment	Others	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
COST							
At January 1, 2006	292,015	4,123	6	1,329	125	—	297,598
Additions	206,062	13,597	770	1,117	680	1,489	223,715
Acquisition of a subsidiary	—	—	103	448	—	—	551
Transfer	—	1,333	—	—	—	(1,333)	—
At December 31, 2006	498,077	19,053	879	2,894	805	156	521,864
Additions	79,652	6,327	1,195	7,034	2,120	19,807	116,135
Transfer	3,240	1,284	—	—	—	(4,524)	—
Disposals	—	—	—	(76)	(89)	—	(165)
At December 31, 2007	580,969	26,664	2,074	9,852	2,836	15,439	637,834
Additions	2,377	7,364	—	1,229	787	12,592	24,349
Transfer	—	23,717	—	—	428	(24,145)	—
Disposals	—	—	—	(87)	—	—	(87)
At December 31, 2008	583,346	57,745	2,074	10,994	4,051	3,886	662,096
Additions	—	121	128	399	179	1,765	2,592
Transfer	—	3,137	—	15	—	(3,152)	—
At June 30, 2009	583,346	61,003	2,202	11,408	4,230	2,499	664,688
ACCUMULATED DEPRECIATION							
At January 1, 2006	8,441	637	—	118	6	—	9,202
Charge for the year	9,668	3,519	139	575	234	—	14,135
At December 31, 2006	18,109	4,156	139	693	240	—	23,337
Charge for the year	15,370	3,991	245	1,433	306	—	21,345
Eliminated on disposals	—	—	—	(8)	(11)	—	(19)
At December 31, 2007	33,479	8,147	384	2,118	535	—	44,663
Charge for the year	17,170	8,515	327	2,215	530	—	28,757
Eliminated on disposals	—	—	—	(85)	—	—	(85)
At December 31, 2008	50,649	16,662	711	4,248	1,065	—	73,335
Charge for the period	8,161	5,388	183	1,084	318	—	15,134
At June 30, 2009	58,810	22,050	894	5,332	1,383	—	88,469
CARRYING AMOUNT							
At December 31, 2006	479,968	14,897	740	2,201	565	156	498,527
At December 31, 2007	547,490	18,517	1,690	7,734	2,301	15,439	593,171
At December 31, 2008	532,697	41,083	1,363	6,746	2,986	3,886	588,761
At June 30, 2009	524,536	38,953	1,308	6,076	2,847	2,499	576,219

As at December 31, 2006, 2007, 2008 and June 30, 2009, certain of the Group's buildings with an aggregate carrying amount of RMB250,963,000, RMB320,076,000, RMB387,763,000 and RMB421,438,000 respectively were pledged as security for bank loans of the Group (Note 24). In addition, a building with a carrying amount of RMB74,734,000 as at December 31, 2007 was pledged as security for the bank loan of the former owner of the building. This pledge for the bank loan of the former owner of the building was released in July 2008.

As at December 31, 2006, 2007 and 2008 and June 30, 2009, the Group is in the process of obtaining the building ownership certificates of a building with a carrying amount of RMB98,577,000, RMB95,423,000, RMB92,269,000 and RMB90,692,000.

Depreciation is charged using straight-line method on the following basis:

Buildings	27–37 years
Leasehold improvements	2–5 years
Motor vehicles	5–10 years
Office equipment	5 years
Others	2–5 years

16. INVESTMENT PROPERTY

	RMB'000
FAIR VALUE	
At 1 January and December 31, 2006	—
Acquired on acquisition of a subsidiary	459,229
Change in fair value	20,771
At December 31, 2007	480,000
Change in fair value	10,000
At December 31, 2008	490,000
Change in fair value	20,000
At June 30, 2009	510,000

The fair value of the Group's investment property at Xian, the PRC at December 31, 2007, 2008 and June 30, 2009 has been arrived at on the basis of a valuation carried out at that date by DTZ Debenham Tie Leung Limited, 16th Floor Jardine House, Connaught Place Central, Hong Kong, ("DTZ"), independent qualified professional valuers not connected with the Group. DTZ are members of the Hong Kong Institute of Valuers, and have appropriate qualifications and recent experiences in the valuation of similar properties in the relevant location. The valuation was arrived at on the basis of capitalisation of net rental income derived from the existing tenancy agreements with allowance for the reversionary income potential of the property and by making reference to comparable sales evidence as available in the relevant market.

The carrying value of investment property shown above includes corresponding land in the PRC under a medium-term lease. As at December 31, 2007, 2008 and June 30, 2009, the investment property was pledged as security for bank loans of the Group (Note 24).

17. LAND USE RIGHTS

	RMB'000
At January 1, 2006	21,863
Amortisation	(760)
At December 31, 2006	21,103
Amortisation	(760)
At December 31, 2007	20,343
Addition	49,800
Amortisation	(1,700)
At December 31, 2008	68,443
Amortisation	(1,006)
At June 30, 2009	67,437

	At December 31,			At June 30,
	2006	**2007**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Analysed for reporting purpose as:				
— Current assets	760	760	2,013	2,013
— Non-current assets	20,343	19,583	66,430	65,424
	21,103	20,343	68,443	67,437

The amount represents the prepayment of rentals for land use rights situated in the PRC. The leasehold land has lease terms ranging from 29 to 40 years.

As at December 31, 2006, 2007, 2008 and June 30, 2009, land use rights with carrying amount of RMB1,725,000, RMB10,097,000, RMB11,318,000 and RMB11,098,000, respectively were pledged against certain bank facilities granted to the Group (Note 24).

18. GOODWILL

	RMB'000
COST	
Acquisition of a subsidiary during the year ended December 31, 2006 and balance at December 31, 2006, 2007, 2008 and June 30, 2009	2,008

Impairment testing of goodwill

Goodwill has been allocated to the cash-generating unit of PCD Songbai.

The recoverable amounts have been determined based on the value in use calculation of PCD Songbai.

Key assumptions used in the value in use calculation

The following describe each key assumption on which management has based its cash flow projections when undertaking the impairment testing of goodwill.

Cash flow projections are based on financial budgets approved by management covering a three-year period. No growth has been projected beyond the related period.

Revenue and other income - the bases used to determine the future earning potential are historical sales and population growth, taking into account economy outlook.

Operating cost - the bases used to determine the values assigned are cost of merchandise purchased for resale, employee benefit expenses, operating lease rental expenses and other operating expenses. Value assigned to the key assumption reflects past experience and management commitment to maintain its cost of sales and operating expenses to an acceptance level.

The discount rate applied to the cash flow projections is approximately 6%, 6%, 8% and 8% at December 31, 2006, 2007, 2008 and June 30, 2009, respectively.

Management believes that any reasonably possible change in any of these assumptions would not cause impairment loss for goodwill.

19. DEFERRED TAXATION

The deferred tax assets/liabilities recognised by the Group, and the movements thereon, during the Track Record Period are as follows:

	Accruals	Undistributed profits	Investment Properties	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At January 1, 2006 and December 31, 2006	—	—	—	—
Acquired on acquisition of a subsidiary *(Note 34(b))*	—	—	(65,769)	(65,769)
Credit (charge) to consolidated statement of comprehensive income	1,930	—	(5,788)	(3,858)
At December 31, 2007	1,930	—	(71,557)	(69,627)
Credit to consolidated statement of comprehensive income	(168)	(4,177)	(4,032)	(8,377)
At December 31, 2008	1,762	(4,177)	(75,589)	(78,004)
Charge to consolidated statement of comprehensive income	1,836	(2,246)	(5,766)	(6,176)
At June 30, 2009	3,598	(6,423)	(81,355)	(84,180)

The following is the analysis of the deferred tax balances for financial reporting purposes:

	At December 31,			At June 30,
	2006	2007	2008	2009
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Deferred tax assets	—	1,930	1,762	3,598
Deferred tax liabilities	—	(71,557)	(79,766)	(87,778)
	—	(69,627)	(78,004)	(84,180)

At December 31, 2006, 2007, 2008 and June 30, 2009, the Group had unused tax losses of nil, RMB7,636,000, RMB27,552,000 and RMB24,768,000 respectively. No deferred tax asset has been recognized in respect of these tax losses due to the unpredictability of future profit streams. The unrecognised tax losses will be expired as follows:

	At December 31,			At June 30,
	2006	2007	2008	2009
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
2012	—	7,636	7,636	5,384
2013	—	—	19,916	18,592
2014	—	—	—	792
	—	7,636	27,552	24,768

Under the new EIT Law, withholding tax is imposed on dividends declared to foreign investors in respect of profit earned by PRC subsidiaries from January 1, 2008 onward. Deferred taxation has been provided for in the Financial Information in respect of undistributed profits of relevant PRC subsidiaries by applying the expected dividend declaration rate of the relevant PRC subsidiaries estimated by the directors of the Company. Accordingly, deferred tax liabilities on the remaining undistributed profit of the PRC subsidiaries of RMB83,540,000 and RMB128,460,000 was not recognised as at December 31, 2008 and June 30, 2009, respectively.

20. INVENTORIES

	At December 31,			At June 30,
	2006	2007	2008	2009
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Merchandise held for resale	11,674	22,323	32,235	31,200
Others	894	1,401	1,808	1,713
	12,568	23,724	34,043	32,913

21. PREPAYMENTS, TRADE AND OTHER RECEIVABLES

The Group

The following is an analysis of trade and other receivables at the respective reporting dates:

	At December 31,			At June 30,
	2006	2007	2008	2009
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables within 60 days	591	13,112	57,726	29,545
Prepaid rentals	17,637	66,676	61,293	57,258
Advances to suppliers	2,218	2,580	953	504
Prepaid value-added tax	3,338	2,581	7,936	23,090
Others	4,034	12,075	19,965	19,617
	27,818	97,024	147,873	130,014
Less: Long-term prepaid rentals, under non-current assets	(14,637)	(63,675)	(43,353)	(39,078)
	13,181	33,349	104,520	90,936

Retail sales to individual consumers are usually settled in cash or by debit card or credit card. Certain of the Group's corporate customers also issue debit cards to other consumers ("shopping card") who use such shopping cards to shop in the Group's department stores (that is, retail sales on corporate accounts). The Group has a policy of allowing an average credit period 60 days to its customers of management consultancy services and 30 days to issuers of shopping cards and certain retail customers.

Trade receivables at the respective reporting dates principally represent receivables from non-related parties of management consultancy fees, issuers of shopping cards and certain retail customers. Trade receivables are neither past due nor impaired at respective reporting dates.

The Group does not hold any collateral over these trade and other receivables. The trade and other receivables are non-interest bearing and repayable on demand.

Trade receivables are all denominated in RMB as at respective reporting dates, except for RMB15,426,000 as at June 30, 2009, which are denominated in Hong Kong Dollars.

The Company

	At December 31,		At June 30,
	2007	2008	2009
	RMB'000	*RMB'000*	*RMB'000*
Prepaid expenses	—	37	—

22. FINANCIAL INSTRUMENTS

Categories of financial instruments

	At December 31,			At June 30,
	2006	**2007**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
The Group				
Financial assets:				
Loans and receivables (including cash and cash equivalents)	112,536	312,320	406,825	792,379
Financial liabilities:				
Amortised cost	325,614	1,255,420	1,217,752	1,516,841
The Company				
Loans and receivables (including cash and cash equivalents)	—	34,118	2,447	10,231
Financial liabilities:				
Amortised cost	—	406,056	379,305	388,543

Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, trade and other payables, amounts due from/to related parties, dividend payables, bank borrowings, restricted bank balances and bank balances and cash. The Company's major financial instruments include amounts due from/to subsidiaries, amount due to a fellow subsidiary, dividend payables, bank borrowings and bank balances and cash. Details of these financial instruments are disclosed in the respective notes.

The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner. The Group's objectives, policies and processes managing the risk and the methods used to measure the risk remains unchanged during the Track Record Period.

Credit risk

The Group and the Company's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statements of financial position at the respective reporting dates.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. The amounts presented in the consolidated statements of financial position are net of allowances for doubtful receivables, if any, estimated by the Company's management based on prior experience and the current economic environment. The Group reviews the recoverable amount of each individual debt at each reporting date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the majority of the counterparties are state-owned banks.

The Group has no significant concentration of credit risk for receivables from non-related parties, with exposure spread over a large number of counterparties and customers. The Group have concentration of credit risk on amounts due from PIEL at December 31, 2006 and PCD Stores (Xiamen) at December 31, 2008 and June 30, 2009. The directors of the Company closely monitor the financial positions of PIEL and PCD Stores (Xiamen), and the credit risk being considered to be low.

Interest rate risk

The Group and the Company are exposed to cash flow interest rate risk due to fluctuations in the prevailing market interest rates on bank balances and bank borrowings which carry interest at market interest rates.

The Group's fair value interest rate risk relates primarily to fixed-rate bank borrowings and amounts due from/to related parties. The Company's fair value interest rate risk related primarily to fixed-rate bank borrowings. The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arises.

Interest rate sensitivity

The sensitivity analyses below have been determined based on the exposure to market lending interest rates for non-derivative instruments at the respective reporting dates. The sensitivity analyses below have been determined based on the exposure to interest rates for variable interest rate bank borrowings. Bank balances are excluded from the sensitivity analyses since they are not sensitive to fluctuation in interest rate. The analysis is prepared assuming the variable interest rate bank borrowings outstanding at the respective reporting dates were outstanding for the whole year/period. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

At the respective reporting dates, if interest rates had been increased/decreased by 50 basis points and all other variables were held constant, the Group's net profit would decrease/increase by RMB430,000, RMB1,160,000, RMB1,709,000 and RMB3,809,000 for each of the year ended December 31, 2006, 2007, 2008 and the six months ended June 30, 2009 respectively.

Liquidity risk

The Group's net current liabilities position as at December 31, 2006, 2007, 2008 and June 30, 2009 was primarily attributable to (i) the conversion of its current assets (such as cash) into long-term assets (such as real estate properties) as it expanded its store network; and (ii) its taking advantage of the suppliers' credit period to partly finance its operation and utilizing short-term borrowings for expanding its business through establishment of new stores. The nature of the Group's business of operating department stores is such that the majority of its liabilities are short-term, consisting mainly of trade and other payables, amounts due to related parties and short-term bank borrowings, giving rise to its net current liabilities position. The Group also carries little inventory as a majority of its department stores generate revenue by concessionaires. The Group also has limited receivables as it first collects the cash and credit card payments from shoppers for most concessionaire and direct sales. The general practice in the department store industry in China is for department stores to pay for goods only after they are sold. The Group returns goods that are not sold to its direct sales suppliers after three to four months after the date on which it receives the merchandise.

Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements.

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The Group relies on cash generated from operating activities as a significant source of liquidity. For each of the three years ended December 31, 2008 and the six months ended June 30, 2009, the Group have cash generated from (used in) operating activities of approximately RMB133,938,000, RMB435,976,000, RMB393,837,000 and RMB(61,853,000). Other than the cash generated from operating activities, the Group's management is responsible for obtaining funding from bank loans and the management also monitors the utilisation of bank loans and ensures compliance with loan covenants. As of June 30, 2009, the Group had unutilised short-term credit facilities of RMB249,250,000. The directors believe that the Group will have sufficient funds available to meet its financial obligations in the foreseeable future based on management's working capital forecast to operate as going concern.

The following table details the Group and the Company's contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and the Company can be required to pay. The table includes both interest and principal.

	Weighted average interest rates	Within 1 year	1-2 years	2-5 years	Over 5 years	Total undiscounted cash flows	Carrying amount
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
The Group							
As at December 31, 2006							
Non-interest bearing.		123,037	—	—	—	123,037	123,037
Fixed interest rate instruments. .	5.541	48,150	—	—	—	48,150	47,577
Variable interest rate instruments	5.670	59,639	62,551	47,417	—	169,607	155,000
		230,826	62,551	47,417	—	340,794	325,614
As at December 31, 2007							
Non-interest bearing.		700,713	—	—	—	700,713	700,713
Fixed interest rate instruments. .	5.200	29,017	—	—	—	29,017	28,092
Variable interest rate instruments	7.026	126,944	159,314	186,837	200,892	673,987	526,615
		856,674	159,314	186,837	200,892	1,403,717	1,255,420
As at December 31, 2008							
Non-interest bearing.		522,313	—	—	—	522,313	522,313
Fixed interest rate instruments. .	6.291	200,326	—	—	—	200,326	195,276
Variable interest rate instruments	7.025	233,392	63,791	184,776	139,009	620,968	500,163
		956,031	63,791	184,776	139,009	1,343,607	1,217,752
As at June 30, 2009							
Non-interest bearing.		326,320	—	—	—	326,320	326,320
Fixed interest rate instruments. .	4.2735	71,711	—	—	—	71,711	69,991
Variable interest rate instruments	5.6015	504,754	177,752	448,794	142,741	1,274,041	1,120,530
		902,785	177,752	448,794	142,741	1,672,072	1,516,841
The Company							
As at December 31, 2007							
Non-interest bearing.		377,964	—	—	—	377,964	377,964
Fixed interest rate instruments. .	5.200	29,016	—	—	—	29,016	28,092
		406,980	—	—	—	406,980	406,056
As at December 31, 2008							
Non-interest bearing.		344,029	—	—	—	344,029	344,029
Fixed interest rate instruments. .	3.561	35,991	—	—	—	35,991	35,276
		380,020	—	—	—	380,020	379,305
As at June 30, 2009							
Non-interest bearing.		364,302	—	—	—	364,302	364,302
Fixed interest rate instruments. .	3.109	24,388	—	—	—	24,388	24,241
		388,690	—	—	—	388,690	388,543

Foreign currency risk

The Group and the Company undertakes certain transactions denominated in foreign currencies, hence, exposures to exchange rate fluctuations arises. The Group currently does not have a foreign currency hedging policy. The Group manages its foreign currency risk by closely monitoring the movement of foreign currency rates.

The carrying amount of the Group's and the Company's foreign currency denominated monetary assets and monetary liabilities at the respective reporting dates are as follows:

	At December 31,			At June 30,
	2006	2007	2008	2009
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
The Group				
Assets				
US$	2,101	440	771	639
HK$	1,186	29,846	4,428	25,637
Liabilities				
US$	24.577	—	—	—
HK$	—	28,092	35,276	24,241
The Company				
Assets				
US$	—	—	334	229
HK$	—	27,118	2,111	10,000
Liabilities				
HK$	—	28,092	35,276	24,241

Foreign currency sensitivity

The following table details the Group and the Company's sensitivity to a 5% change in the RMB against the US$ and HK$ respectively. The rate represent management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items at each reporting date and adjusts their translation at the period end for a change in foreign currency rates. A positive number below indicates an increase in profit and a negative number an decrease in profit when the RMB strengthens against the relevant currency. For a weakening of the RMB against the relevant currency, there would be an equal and opposite impact on profit.

	At December 31,			At June 30,
	2006	2007	2008	2009
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
The Group				
US$				
Increase (decrease) in profit for the year/period	1,100	(22)	(38)	(32)
HK$				
Increase (decrease) in profit for the year/period	(59)	(86)	1,529	(68)
The Company				
US$				
Decrease in profit for the year/period	—	—	(17)	(12)
HK$				
Increase in profit for the year/period	—	49	1,658	712

Fair value

The fair value of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis or using prices from observable current market transactions.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the Financial Information approximate their fair values.

23. TRADE AND OTHER PAYABLES

The Group

The average credit period taken for the settlement of concessionaire sales and trade purchases is 30 to 60 days. The following is an aged analysis of trade payables at the respective reporting dates:

	At December 31,			At June 30,
	2006	2007	2008	2009
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables				
Within 60 days	91,318	258,298	351,974	234,614
61 days to 120 days	2,739	3,994	16,994	14,741
121 days to 1 year	768	1,626	15,127	7,588
Over 1 year	94	576	1,067	1,407
	94,919	264,494	385,162	258,350
Payable for purchase of property, plant and equipment *(Note i)*	3,275	75,401	3,462	1,801
Accruals	6,336	10,103	5,185	7,277
Accrued staff costs	4,367	25,455	21,536	11,471
Deposits from concessionaire suppliers *(Note ii)*	5,625	20,336	21,539	23,321
Customer prepaid gift cards *(Note iii)*	25,853	128,444	147,555	152,449
Payable for acquisition of a subsidiary *(Note iv)*	—	62,016	—	—
Other PRC tax payable	6,094	29,395	22,449	6,876
Others	15,927	41,436	23,583	20,314
	67,477	392,586	245,309	223,509
	162,396	657,080	630,471	481,859

Notes:

(i) Pursuant to an agreement and a supplementary agreement both dated April 27, 2007, the Group agreed to acquire certain properties from Xiamen Zhongbo Real Estate Co., Ltd. ("Xiamen Zhongbo"), an independent third party. The agreements provided that, inter alia,

- RMB6,000,000 of the consideration were to be settled in cash;
- RMB60,000,000 of the consideration was unsecured and to be settled by the Group providing shares in the Company when they were listed on the Stock Exchange. The Company at the time was applying to the Stock Exchange for a share listing; and
- If the listing was not to be completed by December 1, 2007, the Company would be charged a fee of RMB450,000 per month from December 1, 2007 to June 30, 2008. If the listing was not to be completed by June 30, 2008, the Company would make a one-off payment of RMB73,600,000 to Xiamen Zhongbo by July 7, 2008.

Since the proposed listing had not materialised, the Group finally settled the outstanding balance of RMB73,600,000 in July 2008.

(ii) The deposits from concessionaire suppliers are refundable upon satisfaction of the relevant conditions as stipulated in the concessionaire agreements.

(iii) Customer prepaid gift cards represent the prepayment made by the customers of the department stores for purchase of merchandise in the future.

(iv) The outstanding balance for the acquisition of a subsidiary (Note 34(b)) was unsecured, interest free and repayable on demand.

The Company

	At December 31,		At June 30,
	2007	2008	2009
	RMB'000	*RMB'000*	*RMB'000*
Accruals	282	113	32

24. BANK BORROWINGS

The Group

	At December 31,			At June 30,
	2006	2007	2008	2009
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Secured bank borrowings *(Note i)*	178,000	554,707	695,439	1,190,521
Carrying amount repayable:				
Within one year	73,000	124,316	394,780	519,395
Between one to two years	60,000	128,183	40,462	142,820
Between two to five years	45,000	127,820	135,883	431,878
Over five years	—	174,388	124,314	96,428
	178,000	554,707	695,439	1,190,521
Less: Amounts due within one year shown under current liabilities	(73,000)	(124,316)	(394,780)	(519,395)
	105,000	430,391	300,659	671,126

The bank borrowings comprise:

	At December 31,			At June 30,
	2006	2007	2008	2009
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Fixed-rate borrowings	23,000	28,092	195,276	69,991
Variable-rate borrowings	155,000	526,615	500,163	1,120,530

The effective interest rates, which are also equal to contracted interest rates, per annum at the respective reporting dates are as follows:

	At December 31,			At June 30,
	2006	2007	2008	2009
	%	%	%	%
Short-term loans	5.103–5.670	5.200–8.848	2.950–8.217	2.320–5.103
Long-term loans	5.670	5.670–8.848	6.712–8.136	5.184–6.712

For variable-rate borrowings, the RMB-denominated loans carried interest at rates ranging from 90% to 113% of the market rates set by the People's Bank of China, whereas HK$-denominated loans carried interest at a rate ranging from 1% to 1.15% over the Hong Kong Interbank Offer Rate. HK$-denominated loans amounted to nil, RMB28,092,000, RMB35,276,000 and RMB24,241,000 as at December 31, 2006, 2007, 2008 and June 30, 2009 respectively.

Note:

(i) The loans were secured by certain property, plant and equipment, investment property, land use rights and bank balances owned by the Group as set out in Notes 15, 16, 17 and 27 and certain buildings owned by a third party, and guaranteed by related parties (Note 30(e)), former shareholders of Xian Century Changan Property Investment and third parties. All these third party guarantees and collateral relate to the bank borrowings were assumed by the Group upon acquisition of Xian Century Changan Property Investment (Note 34(b)). The building pledged by the third party's building was released in July 2008.

The Company

	At December 31,		At June 30,
	2007	2008	2009
	RMB'000	*RMB'000*	*RMB'000*
Secured bank borrowings, repayable within one year . . .	28,092	35,276	24,241

At December 31, 2007, 2008 and June 30, 2009, the bank borrowings were HK$-denominated and carried interest at a rate ranging from 1% to 1.15% over Hong Kong Interbank Offer Rate and were secured by a pledged bank deposit placed by a subsidiary of nil, RMB11,500,000 and RMB11,500,000 respectively.

25. PAID-IN CAPITAL/SHARE CAPITAL

The Company and the Group

The details of the Company's share capital are as follows:

	Number of shares	Share capital
		US$'000
Authorised		
Ordinary shares of US$1.00 each		
At date of incorporation	50,000	50
Increase on November 13, 2007	24,950,000	24,950
Increase on subdivision of shares on December 3, 2007	4,975,000,000	—
Ordinary shares of US$0.005 each		
At December 31, 2007, December 31, 2008 and June 30, 2009	5,000,000,000	25,000
Issued and fully paid		
Ordinary shares of US$1.00 each		
At date of incorporation	1	—
Issue of new shares on March 28, 2007	9,999	10
Issue of new shares on November 13, 2007	1,000	1
Issue of new shares on November 14, 2007	40,000	40
Increase on subdivision of shares on December 3, 2007	10,149,000	—
Ordinary shares of US$0.005 each		
At December 31, 2007, December 31, 2008 and June 30, 2009	10,200,000	51
		RMB'000
Presented as		382

The Group

The paid-in capital/share capital shown on the consolidated statements of financial position is as follows:

	At December 31,			At June 30,
	2006	2007	2008	2009
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Paid-in capital/share capital	42,343	382	382	382

For the purpose of Financial Information, the paid-in capital/share capital in the consolidated statements of financial position as at December 31, 2006 represents the combined paid-in capital of then group entities.

On January 8, 2007, the Company was incorporated as an exempted company with limited liability in the Cayman Islands. As at the date of incorporation, the Company's initial authorised share capital was US$50,000, divided into 50,000 ordinary shares of par value of US$1.00 each, of which 1 subscriber share was allotted and issued to Offshore Incorporations (Cayman) Limited as the sole subscriber. On March 28, 2007, one share was transferred from Offshore Incorporations (Cayman) Limited to Alfred Chan. On March 28, 2007, one share and 9,998 shares were allotted and issued to Edward Tan and PIEL, a company controlled by the Chan Family, respectively. On September 17, 2007, Alfred Chan and Edward Tan transferred their respective shareholdings in the Company to PIEL for a nominal consideration. PIEL transferred its entire interest in the Company to Bluestone, a company wholly owned by PIEL on September 19, 2007.

On November 13, 2007, the authorised share capital of the Company was increased from US$50,000 to US$25,000,000 by the creation of 24,950,000 new shares pursuant to a resolution in writing of the shareholders passed on November 13, 2007. On November 13, 2007, the Company allotted and issued 1,000 shares of US$1.00 each to Bluestone at par value.

On November 14, 2007, the Company allotted and issued 40,000 shares of US$1.00 each to PCD Stores, a company controlled by PIEL, credited as fully paid, and assumed a debt of RMB222,616,000 owed by PCD Stores to PCD China Real Estate Limited in consideration for PCD Stores transferring the entire equity interest in PCD China Real Estate Limited and PCD Retail Operations to the Company. Of these 40,000 shares, 32,000 shares were transferred by PCD stores to Bluestone in November 2007. On January 5, 2008, the Company agreed to pay an additional sum of RMB150,000,000 to PCD Stores within 12 months from November 14, 2007 as part of the consideration for the transfer of the entire issued share capital in PCD China Real Estate Limited and PCD Retail Operations from PCD Stores to the Company.

On December 3, 2007, the par value of the share of US$1.00 each was subdivided into 200 ordinary shares of US$0.005 each, resulting in the Company having an issued share capital of 10,200,000 ordinary shares of US$0.005 each.

26. DIVIDEND PAYABLES

	At December 31,			At June 30,
	2006	2007	2008	2009
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Dividend payable to owners of the Company	—	78,348	—	—
Dividend payable to minority shareholder . .	—	—	1,250	1,250
	—	78,348	1,250	1,250

The dividend payables are unsecured, interest free and repayable on demand. The dividend payables was settled in November 2009.

27. BANK BALANCES AND CASH AND RESTRICTED BANK BALANCES

Bank balances and cash

Bank balances and cash comprise cash and short-term deposits with an original maturity of three months or less which are held with financial institutions and carry interest at prevailing market rates ranging from 0.72% to 4.67%, 0.36% to 3.33%, 0.00% to 3.33% and 0.00% to 0.36% per annum as at December 31, 2006, 2007, 2008 and June 30, 2009 respectively.

Bank balances and cash at December 31, 2006, 2007, 2008 and June 30, 2009 were mainly denominated in RMB which is not a freely convertible currency in the international market. The exchange rate of RMB is determined by the Government of the PRC and the remittance of these funds out of the PRC is subject to exchange restrictions imposed by the Government of the PRC.

Bank balances and cash that are denominated in currencies other than the functional currency are set out below:

	At December 31,			At June 30,
	2006	2007	2008	2009
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
The Group				
HK$	1,186	29,846	4,428	10,211
US$	2,101	440	771	639
	3,287	30,286	5,199	10,850
The Company				
HK$	—	27,118	2,111	10,000
US$	—	—	334	229
	—	27,118	2,445	10,229

Restricted bank balances

The restricted bank balances as at December 31, 2007, 2008 and June 30, 2009 represent deposits pledged for bank borrowings. The restricted bank balances carry interest at prevailing market rates at 0.72%, 0.36% and 0.36% per annum respectively. As at December 31, 2006, 2007 and 2008 and June 30, 2009, restricted bank balances of nil, RMB12,000,000, RMB12,000,000 and RMB12,000,000, were pledged to secure long-term bank borrowings (Note 24) and presented as non-current assets accordingly.

28. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged during the Track Record Period.

The capital structure of the Group consists of net debt, comprising bank borrowings as disclosed in Note 24, cash and cash equivalents and equity attributable to owners of the Company, comprising issued capital, reserves and retained earnings as disclosed in Note 25 and the consolidated statements of changes in equity.

The Group's management reviews the capital structure on a regular basis. As part of the review, the management considers the cost of capital and the risks associated with each class of capital. The Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt or the redemption of existing debt.

29. OPERATING LEASE COMMITMENTS

The Group as Lessee

Operating leases relate to the stores and office premises leased with lease terms ranging from three to fifteen years.

Lease payment recognised as an expense:

	Year ended December 31,			Six months ended June 30,	
	2006	2007	2008	2008	2009
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Minimum lease payments	12,492	50,539	74,460	36,528	36,555
Contingent rentals	12,650	21,362	21,703	11,349	11,089
	25,142	71,901	96,163	47,877	47,644

Contingent rentals are calculated based on a certain percentage of gross revenue from concessionaire sales of the Group pursuant to the terms of the relevant rental agreements.

At the respective reporting dates, the Group was committed to making future minimum lease payments in respect of land and buildings rented under non-cancellable operating leases which fall due as follows:

	At December 31,			At June 30,
	2006	2007	2008	2009
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within one year	13,020	72,382	71,782	73,833
In the second to fifth year inclusive	48,060	279,438	275,528	272,387
Over five years	31,859	334,803	267,797	239,901
	92,939	686,623	615,107	586,121

The Group as Lessor

Operating leases relate to the stores owned or leased by the Group being rented out with lease terms ranging from six months to five years.

Rental income recognised:

	Year ended December 31,			Six months ended June 30,	
	2006	2007	2008	2008	2009
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Minimum lease payments	3,884	15,760	22,849	12,153	13,168
Contingent rentals	5,415	3,019	5,493	1,519	1,619
	9,299	18,779	28,342	13,672	14,787

Contingent rentals are calculated based on a certain percentage of gross revenue of the tenants pursuant to the terms of the relevant rental agreements.

At the respective reporting dates, the Group has contracted with tenants for the following future minimum lease payments in respect of properties rented out:

	At December 31,			At June 30,
	2006	2007	2008	2009
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within one year	3,005	20,357	18,711	18,557
In the second to fifth year inclusive	3,229	36,741	18,898	12,752
	6,234	57,098	37,609	31,309

30. RELATED PARTY TRANSACTIONS

(a) Names and relationships with related parties are as follows:

Name	Relationship
PIEL	Ultimate holding company
Etac Fashion (Xiamen) Co., Ltd	Company controlled by PIEL
Century Ports Apparel (Xiamen) Ltd.	Company controlled by PIEL
PCD Stores (Xiamen)	Company controlled by the Chan Family
PCD Stores	Holding company of the entire business of the Group prior to the Reorganisation; Company controlled by PIEL
Scitech Group Company Limited	Company controlled by Alfred Chan and Edward Tan's immediate family members(the "broader Chan family")
Beijing Chun Tian Real Estate Development Co., Ltd. ("Beijing Chun Tian Real Estate") 北京春天房地產開發有限公司	Company controlled by the Chan family
Ports International Marketing (Xiamen) Ltd 廈門寶姿服飾有限公司	Company controlled by the broader Chan family
Ports Fashion (Xiamen) Ltd 黛美服飾(廈門)有限公司	Company controlled by the broader Chan family
Beijing Scitech Outlet Commerce & Trading Co., Ltd. ("Beijing Scitech Outlet Commerce & Trading") 北京奧特萊斯商貿有限公司	Company controlled by the broader Chan family
Vivienne Tam Fashion (Xiamen) Limited 韋薇服飾(廈門)有限公司	Company controlled by the broader Chan family
Guiyang Guomao Guangchang Commercial Trading Co., Ltd ("Guiyang Guomao") 貴陽國貿廣場商貿有限公司	Company controlled by the broader Chan family
Guiyang Nanguo Huajin Department Chun Tian Stores Limited ("Guiyang Nanguo Huajin") 貴陽南國花錦春天百貨有限公司	Company controlled by the broader Chan family
Liupanshui Guomao Guangchang Chun Tian Department Stores Limited ("Liupanshui Guomao") 六盤水國貿廣場春天百貨有限公司	Company controlled by the broader Chan family

(b) During the Track Record Period, apart from the equity transfers described in the notes to the consolidated statements of changes in equity and Note 1, the Group entered into the following significant transactions with related parties:

	Year ended December 31,			Six months ended June 30,	
	2006	2007	2008	2008	2009
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Continuing transactions *(Note i)*					
Commission income					
Etac Fashion (Xiamen) Co., Ltd	2,555	2,158	—	—	—
Ports International Marketing (Xiamen) Ltd	363	—	—	—	—
Ports Fashion (Xiamen) Ltd	—	—	227	—	548
Century Ports Apparel (Xiamen) Ltd.	1,576	7,653	17,490	6,940	7,982
Vivienne Tam Fashion (Xiamen) Limited	—	—	—	—	23
	4,494	9,811	17,717	6,940	8,553
Management consultancy services income					
Guiyang Guomao	—	—	—	—	5,900
Guiyang Nanguo Huajin	—	—	—	—	1,660
Liupanshui Guomao	—	—	—	—	60
	—	—	—	—	7,620
Rental expense					
Scitech Group Company Limited *(Note ii)*	—	24,407	48,605	24,174	23,792

	Year ended December 31,			Six months ended June 30,	
	2006	2007	2008	2008	2009
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (Unaudited)*	*RMB'000*
Discontinued transactions *(Note i)*					
Interest expense *(Note iii)*					
PCD Stores	1,170	253	—	—	—
Interest income *(Note iii)*					
PCD Stores	—	5,692	—	—	—
PCD Stores (Xiamen)	—	—	—	—	2,450
	—	5,692	—	—	2,450
Purchase of goods					
PCD Stores (Xiamen)	—	8,883	—	—	—
Purchase of equipment					
Scitech Group Company Limited	—	6,837	—	—	—

Note:

(i) In the opinion of the directors, the above continuing transactions will continue, while the discontinued transactions will discontinue.

(ii) Pursuant to a lease entered into by Scitech Group Company Limited and the Group, Scitech Group Company Limited agreed to grant the Group a lease with effect from July 1, 2007 for the Scitech Plaza, which is not subject to any periodic review until the end of the term of 12 years. Scitech Group Company Limited is the majority property holder of the Scitech Complex, consisting of an office, hotel, restaurants and retail complex, which includes Scitech Plaza.

Moreover, pursuant to another lease entered into by Scitech Group Company Limited and the Group, Scitech Group Company Limited agreed to grant the Group a lease with effect from July 1, 2007 for office space within the Scitech Complex for a term of three years.

(iii) The interest expenses during the year ended December 31, 2006 and 2007 and interest income during the year ended December 31, 2007 were calculated at an interest rate of 6% per annum based on the borrowing contracts entered into between the Group and PCD Stores.

The interest income during the six months ended June 30, 2009 was calculated at an interest rate of 6.3% per annum based on the borrowing contract entered into between the Group and PCD stores (Xiamen).

(c) At the respective reporting dates, the Group had the following balances with related parties:

	At December 31,			At June 30,
	2006	**2007**	**2008**	**2009**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***
Amounts due from related parties				
Trade nature				
Scitech Group Company Limited	—	7,615	—	—
Guiyang Guomao	—	—	—	2,950
Guiyang Nanguo Huajin	—	—	—	830
Liupanshui Guomao	—	—	—	30
	—	7,615	—	3,810
Non-trade nature				
PIEL	52,687	—	—	—
PCD Stores (Xiamen) *(Note i)*	5,450	—	197,758	618,364
Beijing Scitech Outlet Commerce &Trading	—	550	2,452	6,489
Beijing Chun Tian Real Estate	—	—	39	32
Scitech Group Company Limited	—	2,000	—	—
Etac Fashion (Xiamen) Co., Ltd	—	—	—	10
	58,137	2,550	200,249	624,895
	58,137	10,165	200,249	628,705

Note:

(i) As at June 30, 2009, the amount include unsecured loans amounting to RMB400,000,000 advanced to PCD Stores (Xiamen) at an interest rate of 6.3% per annum which is denominated in RMB, unsecured and to be settled within one year. The remaining amounts at June 30, 2009 are unsecured, interest free and repayable on demand. The amounts were fully settled up to October 2009.

The average trade credit period granted to related parties is 60 days. All amounts due from related parties that are trade nature are aged within 60 days and neither overdue nor impaired and are considered recoverable.

Except for the amount in Note (i) above, all amounts due from related parties were denominated in RMB, unsecured and interest free. The amounts due from related parties were recovered in full up to October 2009.

Amounts due to related parties

	At December 31,			At June 30,
	2006	2007	2008	2009
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade nature				
Etac Fashion (Xiamen) Co., Limited *(Note i)*	2,158	—	—	—
Century Ports Apparel (Xiamen) Limited *(Note i)*	1,133	8,494	46,841	15,125
Ports Fashion (Xiamen) Limited *(Note i)*	—	—	1,984	800
Scitech Group Company Limited	—	—	38,492	5,214
Vivienne Tam Fashion (Xiamen) Ltd. *(Note i)*	—	—	—	145
	3,291	8,494	87,317	21,284
Non-trade nature				
PCD Stores *(Note ii)*	24,577	150,188	—	—
	27,868	158,682	87,317	21,284

All amounts due to related parties that are trade nature are aged within 60 days at each reporting date.

Except for the amount due to PCD Stores as explained in note (ii) below, all other amounts due to related parties are unsecured, non-interest bearing and to be settled in accordance with agreed credit term or payable on demand.

Notes:

(i) Etac Fashion (Xiamen) Co., Limited, Century Ports Apparel (Xiamen) Limited, Ports Fashion (Xiamen) Limited and Vivienne Tam Fashion (Xiamen) Ltd. supply the goods for the concessionaire sales through the group entities and the balances that are trade nature at respective reporting dates represent the outstanding balance between cash receipts from ultimate customers and the concessionaire sales income of the group entities.

(ii) During the year ended December 31, 2006, PCD Stores granted unsecured loans amounting to US$3,000,000 (equivalent to RMB23,426,000) to the Group at an interest rate of 6% per annum. The loans were fully repaid in 2007.

The Company agreed to pay an additional sum of RMB150,000,000 to PCD Stores repayable within 12 months from November 14, 2007 as part of the consideration for the transfer of the entire issued share capital in PCD China Real Estate Limited and PCD Retail Operations from PCD Stores to the Company in relation to the Reorganization (Note 1). The amount was repayable before November 13, 2008 and settled in 2008.

In the opinion of the directors, the above amounts due from/to related parties of trade nature will continue, while the non-trade amounts due from/to related parties will discontinue.

(d) Compensation of key management personnel

The emoluments of key management during Track Record Period except for the directors disclosed in Note 11 were as follows:

	Year ended December 31,			Six months ended June 30,	
	2006	2007	2008	2008	2009
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Short-term employees benefits	1,149	2,166	1,901	938	1,077
Post-employment benefits	34	76	109	55	60
	1,183	2,241	2,010	993	1,137

(e) Other related party transactions

At December 31, 2006, 2007, 2008 and June 30, 2009, the Group's bank borrowings of nil, RMB28,092,000, RMB65,276,000 and RMB54,241,000 respectively were guaranteed by PIEL. The directors of the Company confirmed that the guarantee will be released.

At June 30, 2009, the Group's bank borrowings of RMB500,000,000 was guaranteed by Scitech Group Company Limited. The guarantee was subsequently released in October 2009.

31. INVESTMENT IN SUBSIDIARIES

	At December 31,		At June 30,
	2007	2008	2009
	RMB'000	*RMB'000*	*RMB'000*
Unlisted equity investment, at cost	372,998	372,998	372,998

32. AMOUNTS DUE FROM/TO SUBSIDIARIES AND AMOUNT DUE TO A FELLOW SUBSIDIARY

The amounts due from/to subsidiaries and amount due to a fellow subsidiary are unsecured, non-interest bearing and repayable on demand.

33. RESERVE

The Company

	Retained earnings/ (Accumulated losses)
	RMB'000
At date of incorporation	—
Profit for the period	78,744
Dividend declared	(78,348)
At December 31, 2007	396
Loss for the year	(4,714)
At December 31, 2008	(4,318)
Loss for the period	(1,410)
At June 30, 2009	(5,728)

34. ACQUISITIONS OF SUBSIDIARIES

(a) Acquisition of PCD Songbai

On January 16, 2006, the date on which the Group obtained the power to govern the financial and operating policies of PCD Songbai, the Group acquired a 95% interest in PCD Songbai for a consideration of approximately RMB9,279,000 from an independent third party. The amount of goodwill arising as a result of acquisition of approximately RMB2,008,000 has been recognised in the consolidated statement of financial position. PCD Songbai is mainly engaged in retail business.

Details of the net assets acquired and the goodwill arising on acquisition are set out as below:

	Acquiree's carrying amount before combination	Fair value adjustments	Fair value
	RMB'000	*RMB'000*	*RMB'000*
Net assets acquired:			
Property, plant and equipment	749	(198)	551
Prepayments, trade and other receivables	28,551	—	28,551
Inventories	4,437	97	4,534
Bank balances and cash	1,491	—	1,491
Trade and other payables	(26,214)	—	(26,214)
Tax payable	(1,259)	—	(1,259)
	7,755	(101)	7,654
Minority interests			(383)
Goodwill arising on acquisition			2,008
Total consideration, satisfied by cash			9,279
Net cash outflow arising on acquisition:			
Cash consideration paid			(9,279)
Cash and cash equivalents acquired			1,491
			(7,788)

PCD Songbai contributed approximately RMB10,972,000 to the Group's profit for the period between the date of acquisition and December 31, 2006.

If the acquisition had been completed on January 1, 2006, the Group's revenue for the year ended December 31, 2006 would have been approximately RMB173,765,000 and profit for the year ended December 31, 2006 would have been approximately RMB46,494,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on January 1, 2006, nor is it intended to be a projection of future results.

(b) Acquisition of Xian Century Changan Property Investment

On August 10, 2007, the Group acquired a 100% interest in and obtained the power to govern the financial and operating policies of Xian Century Changan Property Investment from a third party. The consideration includes cash payments of RMB137,016,000 and the assuming amounts due from outgoing equity holders of RMB156,941,000. Xian Century Changan Property Investment is mainly engaged in property investment and management of department stores.

The acquisition has been accounted for acquisition of assets and liabilities. Details of the net assets acquired and liabilities assumed are set out as follows:

	RMB'000
Assets acquired and liabilities assumed:	
Investment property	459,229
Amounts due from outgoing equity holders	156,941
Prepayments, trade and other receivables	840
Restricted bank balances	12,000
Trade and other payables	(5,455)
Bank borrowings — due within one year	(20,541)
Bank borrowings — due after one year	(243,288)
Deferred tax liabilities	(65,769)
	293,957
Less: Assumption of amounts due from outgoing equity holders by the Group	(156,941)
	137,016
Total consideration, satisfied by:	
Cash	75,000
Payment deferred *(Note)*	62,016
	137,016
Net cash outflow arising on acquisition:	
Cash consideration paid	(75,000)
Cash and cash equivalents acquired	—
	(75,000)

Note: The remaining consideration of RMB62,016,000 was repayable on demand and settled in 2008.

The financial information of Xian Century Changan Property Investment for the Pre-Acquisition Periods is set out in section G of this report.

35. SUBSEQUENT EVENTS

Subsequent to June 30, 2009, the Group had the following subsequent events,

i. On November 11, 2009, pursuant to an instrument of transfer and bought and sold notes, PCD Retail Operations transferred its shareholdings in PCD China Ventures to Double Eight Enterprises Limited, a company indirectly wholly-owned by the Chan Family, for nil consideration.

G. PRE-ACQUISITION FINANCIAL INFORMATION OF XIAN CENTURY CHANGAN PROPERTY INVESTMENT

Xian Century Changan Property Investment was established in the PRC on September 12, 1995 as a limited liability company. The principal activity of Xian Century Changan Property Investment is properties investment.

The pre-acquisition financial information of Xian Century Changan Property Investment for the Pre-Acquisition Period has been prepared in accordance with the accounting policies set out in Note 3 to the Financial Information of the Group set out in Section F of this report. The financial information includes applicable disclosure required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Hong Kong Companies Ordinance.

Basis of preparation

The Pre-Acquisition Underlying Financial Statements of Xian Century Changan Property Investment are prepared in accordance with IFRS. The pre-acquisition financial information of Xian Century Changan Property Investment includes statements of comprehensive income, statements of cash flows and statements of changes in equity of Xian Century Changan Property Investment for the Pre-Acquisition Period and the statements of financial position of Xian Century Changan Property Investment as at December 31, 2006 and August 9, 2007, together with the notes thereto. The pre-acquisition financial information of Xian Century Changan Property Investment has been prepared from the Pre-Acquisition Underlying Financial Statements after making such adjustments as are appropriate for incorporation into this report.

(a) *Statements of Comprehensive Income*

	Notes	**For the year ended December 31, 2006**	**Period from January 1, 2007 to August 9, 2007**
		RMB'000	***RMB'000***
Revenue	1	181	1,697
Changes in fair value of investment property	7	387,618	(3,761)
Other operating income	1	114	308
Direct costs		(31)	(311)
Distribution costs		(185)	(248)
General and administrative expenses		(1,546)	(2,811)
Loss on disposal of investment property		—	(129,265)
Other expense		(2)	(1)
Finance costs	2	(7,816)	(10,087)
Profit (loss) before taxation	3	378,333	(144,479)
Income tax (charge) credit	5	(129,295)	63,526
Profit (loss) and total comprehensive income for the year/period		249,038	(80,953)

(b) *Statements of Financial Position*

	Notes	As at December 31, 2006	As at August 9, 2007
		RMB'000	*RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment	6	1,549	—
Investment property	7	610,000	459,229
Restricted bank balances	8	7,000	12,000
		618,549	471,229
CURRENT ASSETS			
Trade receivables		181	840
Other receivables		311,169	—
Amounts due from shareholders		—	156,941
Bank balances and cash		4,422	—
		315,772	157,781
CURRENT LIABILITIES			
Other payables		252,763	—
Accrued expenses		389	1,184
Rental deposits		85	—
Amount due to a director/shareholder	13	4,903	—
Provision for deed tax		4,271	4,271
Bank borrowings — due within one year	11	15,216	20,541
		277,627	25,996
NET CURRENT ASSETS		38,145	131,785
TOTAL ASSETS LESS CURRENT LIABILITIES		656,694	603,014
NON-CURRENT LIABILITIES			
Bank borrowings — due after one year	11	192,489	243,288
Deferred tax liabilities	5	129,295	65,769
		321,784	309,057
TOTAL ASSETS LESS TOTAL LIABILITIES		334,910	293,957
Capital and reserve			
Paid-in capital	10	86,000	126,000
Retained earnings		248,910	167,957
		334,910	293,957

(c) *Statements of Changes in Equity*

	Paid-in capital	Retained earnings/ (accumulated losses)	Total
	RMB'000	*RMB'000*	*RMB'000*
Balance at January 1, 2006	46,000	(128)	45,872
Capital contribution	40,000	—	40,000
Profit for the year	—	249,038	249,038
Balance at December 31, 2006	86,000	248,910	334,910
Capital contribution	40,000	—	40,000
Loss for the period	—	(80,953)	(80,953)
Balance at August 9, 2007	126,000	167,957	293,957

(d) *Statements of Cash Flows*

	For the year ended December 31, 2006	Period from January 1, 2007 to August 9, 2007
	RMB'000	*RMB'000*
Operating activities		
Profit (loss) before taxation	378,333	(144,479)
Adjustments for:		
Finance costs	7,816	10,087
Depreciation of property, plant and equipment	41	238
Gain on disposal of property, plant and equipment	—	(272)
Loss on disposal of investment property	—	129,265
Changes in fair value of investment property	(387,618)	3,761
Operating cash flows before movement in working capital	(1,428)	(1,400)
Increase in trade receivables	(181)	(659)
Increase in accrued expenses	364	795
Increase in rental deposits	85	(85)
Increase in provision for deed tax	4,271	—
Cash generated from (used in) operations and net cash generated from (used in) operating activities	3,111	(1,349)
Investing activities		
Purchase of investment properties	(222,382)	—
Purchase of property, plant and equipment	(1,590)	(26)
Proceeds from disposal of property, plant and equipment	—	1,609
Proceeds from disposal of investment properties	—	17,745
Increase in restricted bank balances	(7,000)	(5,000)
Increase in other receivables	(154,381)	(98,428)
Net cash used in investing activities	(385,353)	(84,100)
Financing activities		
Proceeds from capital contribution	40,000	40,000
New bank borrowings raised	215,000	65,000
Repayment of bank borrowings	(7,295)	(8,876)
Increase (decrease) in other payables	148,494	(5,010)
Interest paid	(7,816)	(10,087)
Decrease in due to a director/shareholder	(1,746)	—
Net cash generated from financing activities	386,637	81,027
Net increase in cash and cash equivalents	4,395	(4,422)
Cash and cash equivalents at beginning of the year/period	27	4,422
Cash and cash equivalent at end of the year/period	4,422	—

Notes:

1. REVENUE AND OTHER OPERATING INCOME

Revenue, which is also Xian Century Changan Property Investment's turnover, represents rental income from property leasing.

An analysis of Xian Century Changan Property Investment's revenue and other operating income is as follows:

	For the year ended December 31, 2006	Period from January 1, 2007 to August 9, 2007
	RMB'000	*RMB'000*
Revenue		
Rental income	181	1,697
Other operating income		
Bank interest	114	36
Gain on disposal of property, plant and equipment	—	272
	114	308

Xian Century Changan Property Investment is a property investment company engaged in a single business of leasing an investment property located in Xian, the PRC, its place of domicile. Its non-current assets are all located in the PRC. The information reported to chief operating decision maker for the purpose of resource allocation and assessment of performance is based on the overall operation reported under PRC GAAP, which does not include the fair value change of investment property and resulting tax impact.

2. FINANCE COSTS

	For the year ended December 31, 2006	Period from January 1, 2007 to August 9, 2007
	RMB'000	*RMB'000*
Interest expenses on bank borrowings not wholly repayable within five years	7,816	10,087

3. PROFIT (LOSS) BEFORE TAXATION

Profit (loss) before taxation has been arrived at after charging:

	For the year ended December 31, 2006	Period from January 1, 2007 to August 9, 2007
	RMB'000	*RMB'000*
Auditors' remuneration	48	124
Depreciation of property, plant and equipment	41	238
Staff costs, excluding director's remuneration *(Note 4)*	1,264	625

4. DIRECTOR'S REMUNERATION

No director received any fees or emoluments in respect of his services to Xian Century Changan Property Investment during the Pre-Acquisition Period.

5. TAXATION

	For the year ended December 31, 2006	Period from January 1, 2007 to August 9, 2007
	RMB'000	*RMB'000*
Current tax	—	—
Deferred tax		
Current year	129,295	(42,480)
Attributable to a change in tax rate	—	(21,046)
	129,295	(63,526)

No provision for PRC Income Tax has been made as Xian Century Changan Property Investment has sustained a tax loss for the year/period.

The tax charge for the year/period can be reconciled to the profit (loss) before taxation per the statements of comprehensive income as follows:

	For the year ended December 31, 2006	Period from January 1, 2007 to August 9, 2007
	RMB'000	*RMB'000*
Profit (loss) before taxation	378,333	(144,479)
Tax at PRC Enterprise Income Tax ("EIT") rate of 33%	124,850	(47,678)
Effect of change in the EIT rate	—	(21,046)
Tax effect of tax losses not recognized	4,445	5,198
	129,295	(63,526)

Deferred tax balances

Deferred tax liabilities arise from the following:

	Revaluation of investment properties
	RMB'000
At January 1, 2006	—
Charge to statement of comprehensive income	129,295
At December 31, 2006	129,295
Credit to statement of comprehensive income	(42,480)
Effect of change in the EIT rate	(21,046)
At August 9, 2007	65,769

At August 9, 2007, Xian Century Changan Property Investment had unused tax losses of RMB29,349,000 (December 31, 2006: RMB13,597,000) available for offset against future profits that may be carried forward for five years until 2012. No deferred tax asset has been recognised in respect of the tax losses due to the unpredictability of future profit streams.

6. PROPERTY, PLANT AND EQUIPMENT

	Computers & office equipment	Motor vehicle	Total
	RMB'000	*RMB'000*	*RMB'000*
Cost			
As at January 1, 2006	—	—	—
Additions	42	1,548	1,590
As at December 31, 2006	42	1,548	1,590
Additions	26	—	26
Disposal	(68)	(1,548)	(1,616)
As at August 9, 2007	—	—	—
Accumulated depreciation and impairment			
As at January 1, 2006	—	—	—
Charge for the year	2	39	41
As at December 31, 2006	2	39	41
Charge for the period	6	232	238
Eliminated on disposal	(8)	(271)	(279)
As at August 9, 2007	—	—	—
Carrying amount			
As at December 31, 2006	40	1,509	1,549
As at August 9, 2007	—	—	—

As at August 9, 2007, the Company disposed all the property, plant and equipment at a total consideration of RMB1,609,000.

7. INVESTMENT PROPERTY

	RMB'000
As at January 1, 2006	—
Additions	222,382
Increase in fair value	387,618
As at December 31, 2006	610,000
Disposal	(147,010)
Decrease in fair value	(3,761)
As at August 9, 2007	459,229

Notes:

(i) The fair values of the investment properties as at December 31, 2006 have been arrived at on the basis of a valuation carried out at that date by Debenham Tie Leung Limited, 16th Floor Jardine House, 1 Connaught Place Central, Hong Kong, independent professionally qualified valuers, on the basis of capitalisation of net rental income derived from the existing tenancies agreements with allowance for reversionary income potential of the property and by reference to comparable sales evidence as available in the relevant market. The investment properties are leased to a third party under operating leases, further summary details of which are included in note 12. The fair value of the investment properties as at August 9, 2007 was determined based on the sales contract to acquire Xian Century Changan Property Investment by the Group.

(ii) On June 28, 2007, Xian Century Changan Property Investment has returned part of its properties (6,824.96 m^2) to the developer for a consideration of RMB17,745,000. According to the valuation report on June 27, 2007, the market value of the disposed properties was approximately RMB147,010,000.

(iii) The investment properties have been mortgaged to a bank as security for bank loans granted to Xian Century Changan Property Investment (Note 11).

(iv) The land on which this investment property is situated is held on a medium-term lease in the PRC.

8. BANK BALANCES AND CASH AND RESTRICTED BANK BALANCES

The bank balances and cash and restricted bank balances are denominated in Renminbi.

The restricted bank balances represents the amount pledged to a bank to secure long-term banking facilities granted to Xian Century Changan Property Investment.

9. FINANCIAL INSTRUMENTS

Categories of financial instruments

	As at December 31, 2006	As at August 9, 2007
	RMB'000	*RMB'000*
Financial assets:		
Loans and receivables (including cash and cash equivalents)	322,772	169,781
Financial liabilities:		
Amortised cost	465,456	263,829

Financial risk management objectives and policies

Xian Century Changan Property Investment's major financial instruments include trade and other receivables, other payables, rental deposits, amounts due from shareholders, amount due to a director/ shareholder, bank borrowings, restricted bank balances and bank balances and cash.

The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner. Xian Century Changan Property Investment's objectives, policies and processes managing the risk and the methods used to measure the risk remains unchanged during the Pre-Acquisition Period.

Credit risk

Xian Century Changan Property Investment's maximum exposure to credit risk which will cause a financial loss to Xian Century Changan Property Investment due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the statements of financial position at the respective reporting dates.

Xian Century Changan Property Investment reviews the recoverable amount of each individual debt at each reporting date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of Xian Century Changan Property Investment consider that Xian Century Changan Property Investment's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the main counterparty is bank with high credit-ratings assigned by international credit-rating agencies.

Xian Century Changan Property Investment has no significant concentration of credit risk for receivables from customers as the balances of trade receivables are insignificant. Xian Century Changan Property Investment has concentration of credit risk on amounts due from Shaanxi Changan Construction Investment Limited, and Shaanxi PCD Stores Co., Limited(formerly known as Shaanxi Mei Mei Changan Department Store Co., Ltd.) at December 31, 2006 and shareholders at August 9, 2007. The directors of Xian Century Changan Property Investment closely monitor their financial positions, and the credit risk being considered to be low.

Interest rate risk

Xian Century Changan Property Investment is exposed to cash flow interest rate risk due to fluctuations in the prevailing market interest rates on bank balances and bank borrowings which carry interest at market interest rates.

Interest rate sensitivity

The sensitivity analyses below have been determined based on the exposure to market lending interest rates for non-derivative instruments at the respective reporting dates. The sensitivity analyses below have been determined based on the exposure to interest rates for variable interest rate bank borrowings. Bank balances are excluded from the sensitivity analyses since they are not sensitive to fluctuation in interest rate. The analysis is prepared assuming the variable interest rate bank borrowings outstanding at the respective reporting dates were outstanding for the whole year/period. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

At the respective reporting dates, if interest rates had been increased/decreased by 50 basis points and all other variables were held constant, Xian Century Changan Property Investment's net profit would decrease/increase by RMB1,039,000 and RMB769,000 for the year ended December 31, 2006 and the period from January 1, 2007 to August 9, 2007, respectively.

Liquidity risk

In the management of the liquidity risk, Xian Century Changan Property Investment monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance its operations and mitigate the effects of fluctuations in cash flows. Xian Century Changan Property Investment relies on bank borrowings as a significant source of liquidity. The management monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

The following table details Xian Century Changan Property Investment's contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which Xian Century Changan Property Investment can be required to pay. The table includes both interest and principal.

	Weighted average interest rates	Within 1 year	1–2 years	2–5 years	Over 5 years	Total undiscounted cash flows	Carrying amount
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 31 December 2006							
Non-interest bearing		257,751	—	—	—	257,751	257,751
Variable interest rate instruments	7.73	30,910	30,910	92,729	139,455	294,004	207,705
		288,661	30,910	92,729	139,455	551,755	465,456
As at August 9, 2007							
Variable interest rate instruments	8.18	41,374	41,374	124,123	167,382	374,253	263,829
		41,374	41,374	124,123	167,382	374,253	263,829

Fair value

The fair value of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis or using prices from observable current market transactions.

The directors of Xian Century Changan Property Investment consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost approximate their fair values.

10. PAID-IN CAPITAL

	As at December 31, 2006	As at August 9, 2007
	RMB'000	*RMB'000*
Paid-in capital	46,000	86,000
Capital contribution during the year/period	40,000	40,000
	86,000	126,000

11. BANK BORROWINGS

	As at December 31, 2006	As at August 9, 2007
	RMB'000	*RMB'000*
Carrying amount repayable:		
Within one year	15,216	20,541
More than one year, but not more than five years	74,208	101,252
More than five years	118,281	142,036
Secured bank borrowings	207,705	263,829
Less: Amounts due within one year shown under current liabilities	(15,216)	(20,541)
	192,489	243,288

At August 9, 2007, Xian Century Changan Property Investment has two principal bank loans:

(i) Bank borrowings of outstanding amount RMB165,298,000 (December 31, 2006: RMB172,705,000) was drawn down on May 25, 2006. Repayment commenced from June 25, 2006 and will end on May 25, 2016. The effective interest rate on the bank loan is 8.14% per annum at August 9, 2007 (December 31, 2006: 7.73%);

(ii) Bank borrowings of outstanding amount RMB98,531,000 (December 31, 2006: RMB35,000,000) was drawn down on December 26, 2006. Repayment commenced from January 26, 2007 and will end on December 26, 2016. The effective interest rate on the bank loan is 8.24% per annum at August 9, 2007 (December 31, 2006: 7.73%).

According to the agreements, the above bank borrowings are secured, *inter alia*, by the followings:

(i) Mortgage over Xian Century Changan Property Investment's investment properties with carrying amount of RMB459,229,000 at August 9, 2007 (December 31, 2006: RMB610,000,000);

(ii) Personal guarantees by the shareholders and Mr. Jiang Shi Hao, a third party;

(iii) Corporate guarantees by Shaanxi Alin Catering Management Limited (陝西阿林餐飲管理有限公司) and Shaanxi Changan Construction Investment Limited (陝西長安建築投資有限責任公司), both third parties; and

(iv) A minimum bank balance of RMB12,000,000 (December 31, 2006: RMB7,000,000).

12. COMMITMENTS

Commitments under operating leases as lessor

At the respective reporting dates, Xian Century Changan Property Investment had contracted with tenants for the following future minimum lease payments in respect of properties rented out:

	As at December 31, 2006	As at August 9, 2007
	RMB'000	*RMB'000*
Not later than one year	1,038	7,810
Later than one year and not later than five years	—	18,873
	1,038	26,683

The investment property is leased to a third party under non-cancellable operating leases. Leases typically run for an initial period of three years.

13. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances detailed elsewhere in this section, Xian Century Changan Property Investment had the following related party balances:

		As at December 31, 2006	As at August 9, 2007
		RMB'000	*RMB'000*
Key management personnel of Xian Century Changan Property Investment			
Mr. Yang Hu 楊虎先生	Due to a director/shareholder	4,903	—
Shareholder of Xian Century Changan Property Investment			
Yang Hu, Feng Ying and Wang Ke	Due from shareholders	—	156,941

The amount due to a director/shareholder was unsecured, interest free and repayable on demand.

The amounts due from shareholders were unsecured, interest free and receivable on demand.

14. CONTINGENT LIABILITIES

On May 20, 2007, Shaanxi Litian Economic and Trade Co Ltd ("Shaanxi Litian") (陝西利天經濟貿易有限公司) launched a claim against Xian Century Changan Property Investment seeking compensation for economic loss of RMB1,815,000 and costs of litigation.

On May 15, 2006, Shaanxi Litian entered into a lease agreement with Xian Century Changan Property Investment for the leasing of restaurant premises within Xian Changan Metropolis Center for a period of 5 years from May 30, 2006 to April 29, 2011. Shaanxi Litian claimed that Xian Century Changan Property Investment was in breach of the lease by failing to promptly allow Shaanxi Litian to start renovation works thus causing a delay in the commencement of Shaanxi Litian's restaurant business.

The parties have been actively engaged in settlement discussions. No provision has been made against this claim. The original shareholders — Mr. Yang Hu, Ms. Feng Ying and Mr. Wang Ke have agreed to indemnify the new shareholder — PCD Real Estate (Xiamen) against any and all losses arising from this claim.

H. DIRECTORS' REMUNERATION

As disclosed in this report, no remuneration has been paid or is payable in respect of the Track Record Period by the Company or any of its subsidiaries to the Company's directors during the Track Record Period.

Under the arrangement presently in force, the aggregate amount of the directors' fees and emoluments for the year ending December 31, 2009 paid or payable by the Company or any of its subsidiaries to the Company's proposed directors, is estimated to be approximately RMB320,000.

I. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by any companies comprising the Group in respect of any period subsequent to June 30, 2009.

Yours faithfully,
Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong