中國春天百貨
集團有限公司
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年 度 報 告

中国春天百货
PCD STORES

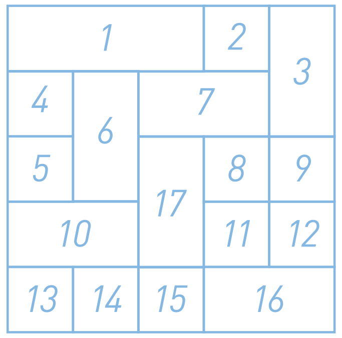
PCD STORES (GROUP) LTD
ANNUAL REPORT
2009

中国春天百货
PCD STORES

CONTENTS

As of 31 December 2009, our network consists of 16 Department Stores and 1 Outlet Mall.

1. Scitech Premium Outlet Mall, Beijing
2. Guomao Liupanshui, Liupanshui
3. Scitech Plaza, Beijing
4. PCD Nanning, Nanning
5. PCD Taiyuan, Taiyuan
6. Guiyang Guomao, Guiyang
7. PCD Continental, Xiamen
8. PCD Jiahe, Xiamen
9. PCD World Trade, Xiamen
10. Guizhou Guocheng, Guiyang
11. PCD Qingdao, Qingdao
12. Guiyang Nanguo Huajin, Guiyang
13. PCD Zhongshan Lu, Xiamen
14. Zunyi Guomao, Zunyi
15. PCD Changchun, Changchun
16. PCD Xi'an, Xi'an
17. PCD Ruijing, Xiamen



CORPORATE PROFILE

PCD STORES (GROUP) LIMITED (the "Company") operates and manages a rapidly-growing department store group in China, with an emphasis on **high-end** and **luxury products**, generally targeting **high-income earners**. We operate department stores throughout China under the PCD and SCITECH brands.

FINANCIAL HIGHLIGHTS

39.3% ▲

PROFIT ATTRIBUTABLE TO THE GROUP INCREASED BY 39.3% TO RMB 242.1 MILLION

Operating Result (RMB'000)	*2006*	*2007*	*2008*	*2009*
Gross sales proceeds	**637,159**	**1,923,951**	**2,608,222**	**2,533,921**
Concession rate	19.0%	20.0%	20.5%	20.6%
Sales of goods (direct sales) margin	20.8%	21.8%	22.7%	23.2%
Revenue	**171,066**	**500,930**	**717,831**	**766,305**
Profit attributable to owners of the Company	**45,536**	**135,053**	**173,815**	**242,079**
Earnings per Share (RMB cents)	**1.51**	**4.38**	**5.79**	**7.95**

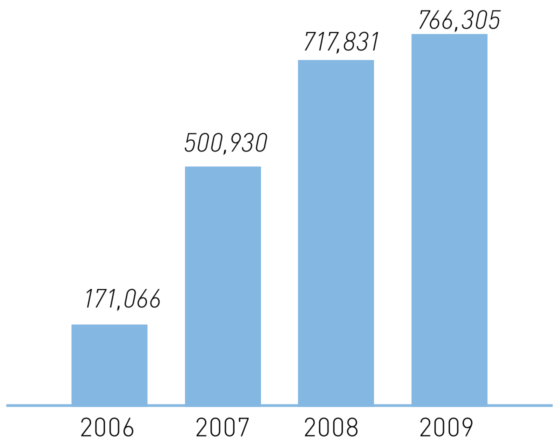
Notes:

1. Gross sales proceeds ("GSP") represent the sum of gross revenue from concessionaire sales and sales of goods.

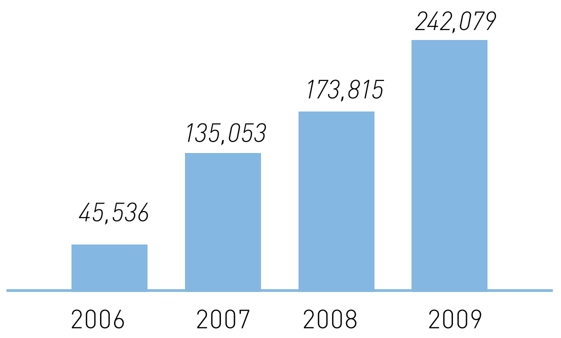
2. Basic earnings per Share for the year ended 31 December 2009 is calculated based on profit attributable to the owners of the Company for the year of approximately RMB 242,079,000 and the weighted average number of 3,046,575,000 Shares in issue during that year.

   Basic earnings per Share for the year ended 31 December 2008 is calculated based on profit attributable to the owners of the Company for the year of approximately RMB 173,815,000 and the weighted average number of 3,000,000,000 Shares in issue during that year.

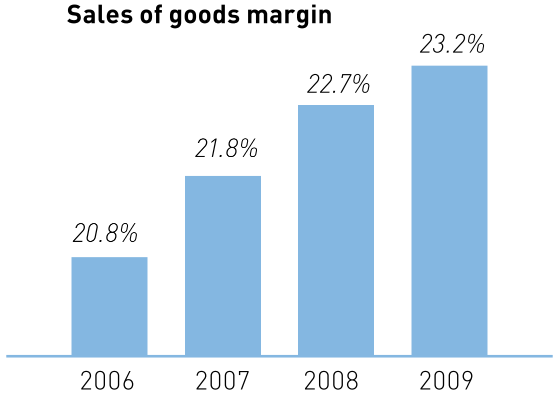
Revenue (RMB'000)



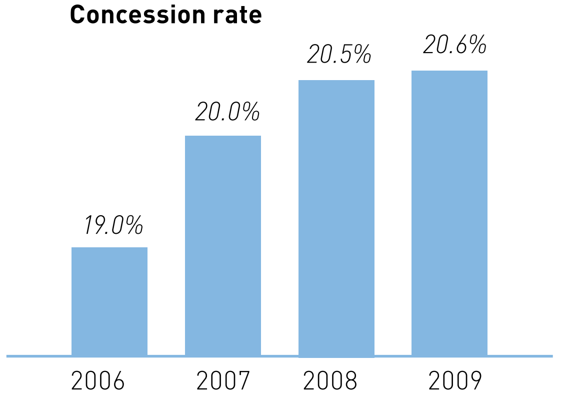
Profit attributable to the Group (RMB'000)



Sales of goods margin



Concession rate



SALES OF GOODS MARGIN WAS UP BY NEARLY 60 BASIS POINTS TO 23.2%

CONCESSION RATE IMPROVED BY 10 BASIS POINTS TO 20.6%

Balance Sheet Summary (RMB'000)	*2006*	*2007*	*2008*	*2009*
Non-current assets	535,515	1,172,367	1,204,314	1,330,766
Current assets	135,325	336,289	462,602	2,085,008
Current liabilities	267,686	1,026,020	1,132,957	1,013,086
Net current assets/ (liabilities)	(132,361)	(689,731)	(670,355)	1,071,922
Total assets less current liabilities	403,154	482,636	533,959	2,402,688
Non-current liabilities	105,000	501,948	380,425	346,756
Net assets	**298,154**	**(19,312)**	**153,534**	**2,055,932**

CHAIRMAN'S STATEMENT

REVIEW OF 2009

2009 was generally a challenging year for China's retail industry – while overall consumer sentiment started the year in a very difficult environment, conditions improved towards the last quarter of 2009. In this environment, our Group continued to focus on serving the high-income consumer market with a clear objective on driving sustainable and profitable growth, rather than grow through aggressive promotions. We are pleased to announce that our revenue grew by 6.8%, reaching RMB 766.3 million in 2009 compared with that of 2008 , however GSP saw a slight decline of 2.8% compared with that of 2008. Our continual focus on profitable growth and high margins paid off in 2009, bringing a net profit of RMB 242.6 million to the Group, an increase of 39.4% compared with that of 2008. Excluding one off expenses related to the initial public offering of our Shares on the Main Board of the Hong Kong Stock Exchange Limited in 2009, our net profit increased 48.8% to RMB 259.1 million compared with that of 2008. Our after tax net profit to shareholders was RMB 242.1 million, representing a growth of 39.3% compared with that of 2008.

During 2009, our Group continued to grow our network in PRC. In addition to the already established store networks in the Xiamen area and Northern China (Beijing, Qingdao, Taiyuan and Changchun), the Group actively expanded into the fast-growing Western China market. The Group committed a significant amount of capital and resources to construct an up-scale and modern retail space with over 65,000 square meters in Xi'an, the provincial capital of Shanxi province. With the right opportunity, the Group will seek to continue to expand into additional retail space at this prime site to ensure we can command a dominant position in high-end retail in this important city.

At the same time, our Group also entered Guizhou province, providing management services to five department stores. Leveraging the Group's expertise, the stores were renovated, top international brands were successfully introduced and customer service was improved. We are happy to see a very healthy growth of more than 15% in gross sales proceeds for these stores in 2009 compared with that of 2008.

Our Group also entered the outlet mall industry in China, unveiling our first premium outlet mall in July 2009 in Beijing. Located just 35 minutes from downtown Beijing and 10 minutes away from the Beijing Capital International Airport, the Beijing Scitech Premium Outlet Mall ("Beijing Outlet") offers more than 45,000 square meters of retail space, featuring top international brands in an open-air environment. With the expected opening of a subway exit directly into our site in the near future, we believe our Beijing Outlet will continue to enjoy many years of growth ahead.

The Company was also successfully listed on the Main Board of the Hong Kong Stock Exchange on 15 December 2009 and raised over HKD 1.8 billion. This marked an important chapter for our Group and we are committed to continue expanding in the fast-growing retail industry in China. With the newly raised capital for our store expansion plans, we are striving to become the leader in the high-end department store and premium outlet mall market in China. We are also actively looking for acquisition and knowledge of the retail industry in China, our Group is uniquely positioned to benefit from the consolidation of the department store industry as well as the underlying growth in consumer spending in China.

OUTLOOK

Management is cautiously optimistic about the retail market in 2010, expecting an improvement of the Company from 2009.

As our core strategy, the Group will continue to focus on the high-end market, which we believe offers the greatest financial reward as well as higher barriers to entry. This means a continual upgrade of our store positioning in their respective market through renovation, introduction of new brands and improvements in customer services. In the meantime, we continue to evaluate potential acquisition targets and greenfield opportunities to further enlarge the Group's footprint in the PRC.

In relation to the managed stores, the Group has closely monitored each of its performance. The outstanding performance of the Guizhou managed stores led the Group to actively engage in discussions with relevant parties relating to the assumption by the Group of the operation of the 3 stores as anticipated.

Our parent company and us have entered discussions and arrangements with property owners, developers, municipal and city governments in relation to potential outlet mall development in selected cities, like Shenyang, Xiamen and Hangzhou. We will keep our shareholders timely informed of the progress of all such initiatives as required.

In addition to network expansion, the management team is actively implementing operational improvement initiatives, such as VIP program enhancement and cost control programs, to continue improving existing store performance. We believe all these initiatives will greatly enhance our customer experience and have a positive impact on our financial performance in 2010.

Our Group will continue to invest in developing its team and improving the Group's overall operating capabilities to ensure we capture these growth opportunities.

Chan Kai Tai Alfred
Chairman

29 March 2010
Xiamen, China

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

In the challenging year of 2009, the Group generated total GSP of RMB 2,533.9 million, representing a decline of 2.8% compared with RMB 2,608.2 million in 2008.

Concessionaire sales contributed approximately 93.4% of the total GSP and direct sales accounted for the remaining 6.6%.

Management was able to improve concession rate and direct sales margin from 20.5% to 20.6% and from 22.7% to 23.2% respectively compared with the same period last year.

BUSINESS REVIEW

Self-owned stores

During FY2009, the Group operated 9 department stores, with 4 of them in Xiamen, and the remaining in Beijing, Changchun, Nanning, Qingdao, and Taiyuan, Beijng Scitech Plaza remained as the Group's largest profit and revenue contributor.

Managed Stores

During FY2009, there was an increase in the number of stores that the Group provided management services to. Apart from the 4 existing management contracts in FY2008, we added another 3 department stores to our managed store portfolio that were operated by the Group's connected persons. This move was strategic and allowed the Group to be well-positioned for further expansion into Guizhou Province.

The entry of the outlet mall market was also a new initiative for the Group. In July 2009, the Group's controlling shareholder commenced trial operations of Beijing Outlet. At the same time, Beijing Outlet operator entered into a management and option agreement with the Group. This again was a strategic arrangement and positioned the Group to assume operation of the Beijing Outlet when appropriate which shall not be in the too distant future. The Board firmly believes the outlet mall market will deliver sustainable and long-term returns.

Acquisition Options

Pursuant to the Bund Option, Outlet Mall Option, Guangchang Option and Ruijing Option, the controlling shareholders and their associates have granted the Group options to (i) acquire their interests in various companies which are the operators of department stores or outlet mall, and (ii) require them to assign the existing lease or grant new lease to the Group for operation of department stores.

As of 31 December 2009, the Group had not exercised any of such options. However, the Independent Non-Executive Directors will review the options from time to time, and will disclose the reasons for their decision to exercise the options by way of public announcement.

FINANCIAL REVIEW

Revenue

The Group managed to increase revenue by RMB 48.5 million or 6.8% to RMB 766.3 million as compared with same period last year. This increase was primarily driven by an increase in management service income from new projects, including Beijing Outlet and managed stores in the Guizhou province.

Other Income

Other income increased by RMB 13.6 million or 16.8% to 94.3 million as compared with 2008 due to interest income from an unsecured loan to a related party which was fully settled during the year and an increase in advertisement and promotion

MANAGEMENT DISCUSSION AND ANALYSIS - CONTINUED

administration income as a result of more support from vendors.

As a percentage to revenue, other income, excluding interest income from a related party, decreased from 11.2% to 10.9% for the same period of last year.

Purchase of Goods & Changes in Inventories

The purchase of goods and changes in inventories includes costs incurred for direct sales and changes in such inventory. Purchase of and changes in inventories were up by RMB 1.3 million or 1.1%, to RMB 128.6 million, which is in line with increase in direct sales.

Employee Benefits Expense

Employee benefits expense decreased by RMB 22.2 million or 19.1%, to RMB 93.7 million when compared with 2008. The decrease was primarily attributable to changes in the Group's compensation structure.

As a percentage to revenue, the employee benefit expenses decreased from 16.2% to 12.2% for the same period of last year.

Depreciation and Amortization

Depreciation and amortisation rose by RMB 2.4 million or 7.7%, to RMB 32.8 million compared with the same period of last year. This was mainly attributable to the depreciation of leasehold improvement in relation to the properties on which Scitech Plaza and PCD Changchun are located.

Operating Lease Rental Expense

Operating lease rental expense slightly decreased by 0.4% to RMB 95.7 million which is generally in line with GSP compared with the same period last year. As a percentage to revenue, operating lease rental expenses increased by 0.9% to 12.5% over the same period of last year.

Other Operating Expenses

Other operating expenses increased by RMB 15.7 million or 11.1%, to RMB 156.9 million. This was mainly attributable to professional fees incurred for listing purpose and higher other tax payments.

Finance Costs

Finance costs increased by 2.9% to RMB 50.8 million. This was mainly due to additional bank borrowing during the year.

Income Tax Charge

The Group's income tax expense increased by RMB 5.3 million or 7.1%, to RMB 79.4 million when compared with 2008. The effective tax rate was 24.7%, lower than that of 29.9% in 2008.

Profit for the Year

As a result of improvement in revenue and better cost structure, the profit for the year reached RMB 242.6 million, representing an improvement of RMB 68.5 million or 39.4%.

As a percentage to revenue, excluding change in fair value of investment property and its respective deferred tax impact, profit for the year improved from 24.0% to 30.0% as compared with same period of last year.

Profit Attributable to the owners of the Company

Profit attributable to the owners of the Company increased by RMB 68.3 million from RMB 173.8 million, to RMB 242.1 million, or 39.3%. It is in line with profit for the year.

Liquidity and Financial Resources

Bank balances and the cash balance of the Group significantly increased to RMB 1,963.9 million due to proceeds received from the initial public offering. The financial resources are sufficient for the operation and development of the Group.

The Group had bank borrowings of RMB 520.2 million as at 31 December 2009. The decrease in bank borrowings by 25.2% was mainly due to repayments made during the year.

Capital commitments

The capital commitments of the Group as at 31 December 2009 were RMB 603.5 million

Net current assets and net assets

The Group's net current assets as at 31 December 2009 were approximately RMB 1,071.9 million as compared with a net current liabilities of RMB 670.4 million in the previous year. Net assets reached RMB 2,055.9 million in the current year after improvement in profit and proceeds received from listing.

Pledge of Assets

As at 31 December 2009, certain of the Group's buildings with an aggregate carrying amount of RMB 408.6 million (2008: RMB 387.8 million) were pledged as security for bank loans, property, plant and equipment of the Group.

Segment Information

Over 90% of the Group's turnover and contribution to the operating profit is attributable to the operation and management of department stores, over 90% of the Group's turnover and contribution to the operating profit is attributable to customers in the PRC and over 90% of the Group's assets are located in the PRC. Accordingly, no analysis of segment information is presented.

Employees

As at 31 December 2009, the total number of employees for the Group was approximately 1,900.

The Group's remuneration policies are formulated according to market practices, experiences, skills and performance of individual employees and are reviewed annually.

Contingent liabilities

As at 31 December 2009, the Group did not have any significant contingent liabilities.

Treasury Policies

The Group mainly operates in PRC with most of its business transactions denominated in Renminbi. The Group is exposed to foreign exchange translation risk, arising from the exposure of Hong Kong dollars against Renminbi. The Group has not used any forward contracts or currency borrowings to hedge its foreign exchange risk.

Use of Proceeds

On 15 December 2009, the Shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited. Up to 31 December 2009, the Company has yet to utilise any of the net proceeds of HKD 1,883.8 million from the initial public offering. There has been no change of intended use of proceeds stated in the IPO prospectus dated 3 December 2009.

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE PRACTICES

The Group is committed to maintaining good corporate governance within the Group. The Company's corporate governance practices are based on the principles and code provisions set out in the Code on Corporate Governance Practices ("CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules").

In the opinion of the Directors, the Group was in compliance with the CG Code throughout FY2009.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Group has adopted the Model Code for securities transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules. The Company has made specific inquiry of all Directors for the period ended 31 December 2009, and they each have confirmed their compliance of the required standard set out in the Model Code and its code of conduct regarding Directors' security transactions.

BOARD OF DIRECTORS

As of 31 December 2009, the Company had one Chairman, two Executive Directors and three Independent Non-Executive Directors. Details of the Directors are set out on pages 39-41 of this report.

The Board is responsible for the oversight of the Company's performance and formulating strategies in view to protect, maximize and deliver sustainable and long-term shareholders value.

During FY2009, only one Board meeting was held as the Board was only constituted and approved on 24 November 2009. All Directors understand their duty to represent the interests of shareholders and were all present at that meeting.

To ensure compliance with all procedures of the meetings, all Directors have access to the advice and services of the Company Secretary. The Company Secretary keeps detailed minutes of each meeting of the Board and the Board committees, which are available to all Directors for review anytime.

CORPORATE GOVERNANCE - CONTINUED

Role of Chairman

The Chairman is responsible for managing and providing leadership to the Board. He ensures that the Group establishes sound corporate governance practices and procedures and encourages the Directors to make full and active contributions to the affairs of the Board. The Chairman is also responsible for approving the agenda for each Board meeting taking into account, where appropriate, any matters proposed by other Directors for inclusion in the agenda.

Independent Non-Executive Directors

The Board considers all of its Independent Non-Executive Directors to be independent in character and judgment and where each of them bring independent judgment, knowledge and experience to the Board's deliberations. No Independent Non-Executive Director:

- Has been an employee of the Group within the last five years;
- Has, or has had within the last three years, a material business relationship with the Group;
- Receives remuneration other than a Director's fee;
- Has close family ties with any of the Group's advisors, Directors or senior employees;
- Holds cross-directorships or has significant links with other Directors through involvement in other companies or bodies;
- Represents a significant shareholder; or
- Has served on the Board for more than nine years.

The Company has received annual confirmation of independence from each of the Independent Non-Executive Director.

Audit Committee

The Audit Committee consists of three Independent Non-Executive Directors - Mr. Li Chang Qing (Chairman), Mr. Ainsley Tai and Mr. Randolph Yu. All committee members possess appropriate business and financial experience. The Audit Committee is authorized to obtain outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise where it considers this necessary.

The Audit Committee is responsible for monitoring the integrity of financial statements of the Group. In addition to the review of financial information of the Group, the Committee's other primary duties are monitoring the relationship with the Group's external auditors and overseeing the Group's financial reporting system, internal control and risk management procedures.

Given the Audit Committee was only constituted with effect upon listing of the Shares of the Company, which was 15 December 2009 ("IPO Date"), no Audit Committee meeting was held between IPO date and 31 December 2009.

With respect to the Group's financial results for FY2009, the Audit Committee has reviewed with senior management and the external auditors their respective audit findings, the accounting principles and practices adopted by the Group and the internal control, risk management and financial reporting matters.

Remuneration Committee

Pursuant to the CG Code requirements, the Remuneration Committee consists of three members, Mr. Ainsley Tai (Chairman), Mr. Li Chang Qing and Mr. Chan Kai Tai Alfred.

The Remuneration Committee is responsible for assisting the Board in achieving its objective of attracting, retaining and motivating people of the highest caliber and experience who are needed to develop and implement the Group's strategy. The Committee is also responsible for the development and administration of fair and transparent procedures for setting policies on the remuneration of Directors and senior management of the Company and for determining their remuneration packages. Executive Directors however, do not participate in the determination of their own remuneration.

Given the Remuneration Committee was only constituted with effect upon listing of the Shares of the Company, no Remuneration Committee meeting was held between IPO Date and 31 December 2009.

Appointment, Re-Election and Removal

The Board has the power to appoint a Director to fill a casual vacancy on the board. Vacant seats are discussed at Board level and appropriate candidates are considered based on prior experience and qualifications. The Board selects and recommends candidates for directorship having regard to the balance of skills and experience appropriate to the Group's business.

Pursuant to the Articles of the Company, all Directors shall retire by rotation in the forthcoming annual general meeting and all, being eligible, offer themselves for re-election.

INTERNAL CONTROL

The Board of Directors has overall responsibility for establishing and maintaining the Group's internal control systems and approval procedures. Together with the internal audit team, and senior management of the Group, the Audit Committee reviews and monitors such internal control and approval procedures with a view to ensuring their effectiveness. The Group also maintains procedures designed to ensure that information required to be disclosed by the Group is adequately recorded, processed, and communicated to the Group's management to allow timely decisions regarding disclosure in annual and interim reports, or as appropriate.

The financial controller has established guidelines and procedures for the approval and control of expenditures. Operating expenditures are further controlled by setting approval levels for such expenditures, by reference to the level of responsibilities of the relevant executives and officers. Capital expenditures (including material expenditures within the approved budget, and also unbudgeted expenditures) are subject to specific approval prior to commitment.

In addition, controls have been implemented in relation to business practices such as issue of pre-paid gift cards and intra-group loan arrangements, ensuring compliance of rules and regulations.

CORPORATE GOVERNANCE - CONTINUED

The Directors confirm that they have reviewed the effectiveness of the system of internal controls of the Group and its subsidiaries and that they consider that such system is reasonably effective and adequate although they cannot provide absolute assurance that all material risks are appropriately identified, evaluated and managed. The review covered all material controls including financial, operational and compliance controls and the risk management function. Whilst the various procedures described above are designed to identify and manage risks that could potentially adversely affect the Group's ability to meet its business objectives and to properly record and report financial information, they do not provide absolute assurance against material misstatement or loss.

RESPONSIBILITY STATEMENT

The Directors acknowledge their responsibilities in keeping proper accounting records and the preparation of financial statements of each financial year which give a true and fair view of the operation and state of affairs of the Company. When preparing the financial statements, the Directors have selected appropriate accounting policies and applied them consistently, and have made judgments that are prudent and reasonable.

The statement of the auditors of the Company about their reporting responsibilities on the financial statements is set out in "Independent Auditor's Report" on pages 44 to 45.

COMMUNICATION WITH SHAREHOLDERS & INVESTORS

The Board views communication and transparent reporting by the Company as a key component in allowing both shareholders and investors to gain a better insight into the Group's current and past performance as well as future strategy. The Group's website, www.pcds.com.cn, is a platform from which the business is able to distribute financial information and updates and through which shareholders and investors can communicate directly with the Group.

Shareholders and investors may also write directly to the Group's principal place of business in Hong Kong at Room 3310–11, Tower One, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong . Enquiries are dealt with in an effective and timely manner.

The Board considers that general meetings of the Company are key opportunities for shareholders to exchange views with the Board. The Chairman of the Board as well as the Chairman and/or other members of the Audit Committee and Remuneration Committee will normally attend the annual general meetings and other shareholders' meetings of the Company to answer questions raised. The Company continues to enhance communication and relationship with its investors. A designated investor relations department exists within the Group to facilitate regular and frequent dialogue between senior management, shareholders and stakeholders to keep them informed of the Group's developments.

AUDITOR'S REMUNERATION

The amount of fees charged by the Company's auditors in respect of their audit and non-audit services is disclosed in the notes to the financial statements of the Company. The Audit Committee is responsible for approving the remuneration and terms of engagement of the external auditors and for making recommendations to the Board regarding any non-audit services to be provided to the Company by the external auditors. In FY2009, the fees paid to the Company's auditors were primarily for audit services as no significant non-audit service assignments have been undertaken by them.

DIRECTORS' REPORT

The following section, which sets out the responsibilities of the Directors in relation to the financial statements, should be read in conjunction with, but be distinguished from, the Independent Auditor's Reaport on pages 44 to 45 which states the reporting responsibilities of the Group's auditors.

Annual Report and Accounts

The Directors acknowledge their responsibility to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Group.

Accounting Policies

The Directors consider that in preparing the financial statements the Group has used appropriate accounting policies that are consistently applied, and that all applicable accounting standards have been followed.

Accounting Records

The Directors are responsible for ensuring that the Group keeps accounting records which disclose with reasonable accuracy the financial position of the Group and which enable the preparation of financial statements in accordance with the Hong Kong Companies Ordinance and the applicable accounting standards.

Safeguarding Assets

The Directors are responsible for taking all reasonable and necessary steps to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Principal Activities

The Company was incorporated in the Cayman Islands on January 8, 2007 under the name Tiger Power Investments Limited and changed its name to PCD Stores (Group) Limited on 15 August 2007, which is now the investment and holding company of the Group. The principal activities of the Group are the operation and management of a network of department stores and outlet malls in the PRC.

Issue and Listing of Shares

On 15 December 2009, the Shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited. 4,225,000,000 Shares of the Company, including the Shares issued upon exercise of the Over-allotment Option, were offered and issued at an offer price of HK$1.95 per Share through Hong Kong public offering and international placing.

Results & Appropriations

The results of the Group for the year ended 31 December 2009 are set out in the consolidated statement of comprehensive income on page 46.

Property, Plant and Equipment

Details of the movements in property, plant and equipment during the year are set out in Note 15 to the financial statements.

DIRECTORS' REPORT - CONTINUED

Dividends
No dividend was declared by the Group during the year ended 31 December 2009.

Share Capital & Purchase, Redemption or Sale of Listed Securities of the Company
The Company did not redeem, and neither the Company nor any of its subsidiaries purchased or sold, any of the Company's listed securities during the year.

Distributable Reserves
Details of the movements in distributable reserves during the year are set out in the consolidated statement of changes in equity on page 49.

Directors' Service Contracts
The Company has entered into letters of appointment with each of its Directors, pursuant to which each Director is appointed for a term of three years with effect from 24 November 2009 (with the exception of Mr. Chan Kai Tai Alfred and Mr. Tan Han Kiat Edward who were appointed on 28 March 2007), subject to re-election in accordance with the Company's Articles of Association at its general meetings, or by termination by either the Company or such Director by giving to the other party sixty days' notice in writing.

Mr. Chan Kai Tai Alfred and Mr. Tan Han Kiat Edward will not be receiving any Director's emoluments. Instead, as ultimate controlling shareholders of the Company, they will solely derive financial gains from future dividend payments of the Company and the appreciation in the value of the Shares.

Mr. Lau Kim Yip Tony will be paid a salary at a level which is commensurate with his experience and competitive within the department store industry for discharging his responsibilities as a President. He will also receive a bonus based on the performance of our Group, at a rate in sole discretion of the Remuneration Committee. He will also be paid at the same rate as the Independent Non-Executive Directors for carrying out his duties as an Executive Director.

For each of the Independent Non-Executive Directors, they will receive approximately US$1,000 for each half-day meeting and approximately US$1,500 for each whole-day meeting attended. In addition, they will be paid a special engagement fee for any special projects that they may undertake on the instruction of the Board.

Directors and Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures
As of 31 December 2009, the interests or short positions of each Director or executives of the Company in the Shares, underlying shares and debentures of the Company or any associated corporations of the Company (within the meaning of Part XV of the Securities and Futures Ordinance ('SFO')), as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the 'Stock Exchange') pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the 'Model Code'), were as follows:

(i) Shares of the Company of US$ 0.005 each (the 'Shares')

Name of shareholder	*Personal interest*	*Corporate interest*	*Total*	*% of total issued interest*
Mr. Chan Kai Tai Alfred[1]	0	1,737,189,785(L)	1,737,189,785(L)	43.43(L)
Mr. Tan Han Kiat Edward[1]	0	1,737,189,785(L)	1,737,189,785(L)	43.43(L)
Mr. Lau Kim Yip Tony	0	0	0	0
Mr. Li Chang Qing	200,000 (L)[2]	0	200,000(L)	0.005% (L)
Mr. Tai Ainsley	200,000 (L)[2]	0	200,000(L)	0.005% (L)
Mr. Yu Randolph	200,000 (L)[2]	0	200,000(L)	0.005% (L)

Notes: (L) - Long Position

1. Mr. Chan's and Mr. Tan's interest in 1,594,139,851 Shares are held through Bluestone Global Holdings Limited ("Bluestone") which its issued share capital is 100% owned by Ports International Enterprises Limited, where its issued share capital is owned as to 50% by each of them respectively. The remaining 143,049,934 Shares are held through Portico Global Limited, a company ultimately controlled by the Chan family.
2. These interests represent interest in options granted by the Company under its Share Option Scheme.

(ii) Share Options

	Number of outstanding share options	*Percentage of total issued shares*
Mr. Li Chang Qing	200,000	0.005%
Mr. Tai Ainsley	200,000	0.005%
Mr. Yu Randolph	200,000	0.005%

As of 31 December 2009, other than the holdings disclosed above, none of the Directors or executives of the Company or their respective associates had any interests or short positions in the Shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Interests of Substantial Shareholders and Other Persons in the Share Capital of the Company

The Company has been notified that, as at 31 December 2009, persons (other than Directors or executives of the Company) who had interests or short positions in the Shares and underlying Shares of the Company as recorded in the register required to be kept under section 336 of the SFO were as follows:

Name of shareholder	*Capacity*	*Total number of shares held*	*Percentage of issued share capital*
Bluestone Global Holdings Limited[1]	Beneficial Owner	1,594,139,851(L)	39.85%(L)
Ports International Enterprises Limited	Interest of Controlled Corporation	1,594,139,851(L)	39.85%(L)
Credit Suisse (Hong Kong) Limited[2]	Controlled Corporation	532,736,710(L) / 225,000,000(S)	13.32%(L)/ 5.63%(S)
Schroder Investment Management (Hong Kong) Limited	Investment Manager	321,178,000(L)	8.02%(L)
JPMorgan Chase & Co.	Investment Manager	281,376,000(L) / 218,572,000(P)	7.03%(L) / 5.46%(P)

Notes:
1. PIEL is deemed to be interested in the 1,594,139, 851 Shares held by Bluestone by virtue of PIEL's interest in Bluestone.
2. Credit Suisse's interests are held through its various group companies, namely Credit Suisse (Hong Kong) Limited, Credit Suisse (International) Holding AG and Credit Suisse AG.
3. (L) - Long Position, (P) Lending pool

Save as disclosed above, the Company had not been notified of any other interests or short positions in the Shares or underlying Shares of the Company as at 31 December 2009 as recorded on the register required to be kept under section 336 of the SFO.

SHARE OPTION SCHEME

The Company adopted a Share Option Scheme (the 'Scheme') pursuant to the resolutions of the shareholders of the Company passed on 5 November 2009:

1. The purpose of the Scheme is to enable the Company to grant options to selected participants as incentives or rewards for their contributions to the Group.

2. The participants of the Scheme are (i) any employee of the Company, any of its subsidiaries or any entity in which any member of the Group holds an equity interest ('Invested Entity'), including any Executive Director of the Company, any of its subsidiaries or any Invested Entity; (ii) any Non-Executive Director (including Independent Non-Executive Directors) of the Company, any of its subsidiaries or any Invested Entity; (iii) any supplier of goods or services to any member of the Group or any Invested Entity; (iv) any customer of any member of the Group or any Invested Entity; and (v) any person or entity that provides research, development or technological support to any member of the Group or any Invested Entity.

3. As at 29 March 2010, the maximum number of Shares available for issue under the Scheme was 380,500,000 representing approximately 9.01% of the issued share capital of the Company.

4. Unless otherwise approved by shareholders in general meeting, the total number of Shares issued and which may fall to be issued upon exercise of the options granted under the Scheme to each participant in any 12-month period shall not exceed 1% of the issued share capital of the Company from time to time.

5. An option may be exercised in whole or in part in accordance with the terms of the Scheme at any time during a period to be notified by the Directors to each grantee. The period for exercise may commence on the date upon which the offer for grant of options is made ('Offer Date') but shall expire immediately preceding the tenth anniversary of the Offer Date.

6. An option may be accepted by a participant within 28 days from the Offer Date.

7. The subscription price for Shares under the Scheme, subject to any adjustment stipulated therein, shall be a price determined by the Directors, but shall be at least the highest of (i) the closing price of Shares as stated in the Stock Exchange's daily quotations on the Offer Date; (ii) the average closing price of Shares as stated in the Stock Exchange's daily quotations for the five trading days immediately preceding the Offer Date; and (iii) the nominal value of the Shares.

8. The Scheme shall be valid and effective for a period of 10 years commencing on 17 December 2009 for the initial share option grant.

DIRECTORS' REPORT - CONTINUED

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save and except as disclosed under "Connected Transactions" and "Continuing of Connection Transactions", there were no other contracts of significance in relation the Group's business to which the Company or any of its subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly, during FY2009.

DEED OF NON-COMPETITION

Mr. Chan Kai Tai Alfred, Mr. Tan Han Kiat Edward, Bluestone Global Holdings Limited ("Bluestone") and Ports International Enterprises Limited ("PIEL", each referred as a "Covenantor" or collectively as "Covenantors") have jointly and severally, entered into a deed of non-competition dated 29 November 2009 in favour of the Company. Under this deed, each of the Covenantor undertook not to carry on, engage, invest, participate or otherwise be interested in any business of operating and managing department stores or outlet malls in the PRC except for its interests in PCD China Ventures Limited ("PCD China Ventures") , Xiamen Ruijing Chun Tian Department Stores Company Limited ("Xiamen Rujing") , Even Time Investments Limited ("Even Time"), Goal Gain Investments Limited ("Goal Gain"), and Guiyang Guomao Guangchang Commercial Trading Co., Ltd. ("Guangchang").

The Directors are of the view that the measures in place, such as (i) the management agreements that the Group has entered into with the relevant parties in relation to the provision of management consultancy services for Beijing Scitech Premium Outlet Mall, Guiyang Guomao, Guiyong Nanguo Huajin, Guomao Liupanshui and PCD Ruijing; and (ii) the options granted to the Group by our controlling shareholders, in the form of the Bund Option, the Outlet Mall Option, the Ruijing Option, the Guangchang Option and the Guangchang Second Option (each option defined below), are sufficient to safeguard our interest against any competition issues or potential competition issues.

CONNECTED TRANSACTIONS

1. Option granted by PCD Stores (Xiamen) Limited ("PCD Stores (Xiamen)"): relating to Xiamen Ruijing

   Pursuant to an option agreement dated 29 November 2009, PCD Stores (Xiamen) granted the Group an option to acquire all of their equity interests in Xiamen Ruijing for a consideration that equals the lower of (i) the cost of investment incurred by the Company's controlling shareholders in Xiamen Ruijing and (ii) the prevailing fair market value of Xiamen Ruijing as determined by an independent firm of international valuers.

   The Directors are still of the opinion to exercise the Ruijing Option as soon as practicable upon the obtaining of the approval of the provincial level of the Ministry of Commerce for the transfer of the equity interests in Xiamen Ruijing to our Group. As of the date of this report, the Group has not yet received notice from PCD Stores (Xiamen) that the approval has been obtained.

2. Option granted by Guangchang: relating to Guiyang Guomao, Guiyang Nanguo Huajin, Guomao Liupanshui

   On 29 November 2009, Guangchang, a company ultimately 51% owned by LDP Management Limited ("LDP"), has granted the Group an option (the "Guangchang Option") giving the Group the right to:

   - require Guangchang to grant the Group a lease for a term of 10 years at no more than the prevailing market rate in relation to the part of the premises which is occupied by Guiyang Guomao and in relation to the store premises on which Guiyang Nanguo Huajin operates, both of which are owned by Guangchang; and

   - require the Guangchang group to sub-lease or procure the sub-leasing to us for terms no less favourable to the relevant existing head leases or assign their rights under such head leases in respect of the remaining part of the premises which are occupied by Guiyang Guomao and the premises which are occupied by Guomao Liupanshui, both of which the Guangchang group leases from independent third parties.

   The exercise of the Guangchang Option will be at the payment of prevailing fair market value of the leases or sub-leases as determined by an independent firm of international valuers. The Group will be required to pay rent according to the terms of the relevant leases and subleases. In addition, if the Group finds it appropriate, require the Guangchang group to (a) sell to the Group fixtures and fittings at the Guangchang premises at prevailing fair market value, (b) use reasonable endeavours to assign to the Group their operating rights and their rights under the concessionaire agreements in relation to the three stores at nil consideration; and (c) sell to the Group all or part of the inventories owned by the Guangchang group at the prevailing fair market value.

   An application to establish Guiyang Guomao PCD had been submitted at the time of listing. As of the date of this report, the Group has not received notice from Guangchang that the approval for the establishment of the same company has been obtained.

   On the same day, 29 November 2009, LDP has granted the Group an additional right, on or after our exercise of the Guangchang Option upon other certain conditions having been fulfilled , to acquire all of its interest in Goal Gain, the 51% indirect equity holder of Guangchang for a consideration that equals the lower of (i) the cost of investment incurred by LDP in relation to Guiyang Guomao PCD; and (ii) the prevailing fair market value of the interest being transferred as determined by an independent firm of international valuers.

DIRECTORS' REPORT - CONTINUED

Up till the date of this report, the Group has maintained active discussions with Guangchang, ensuring that the Group can assume direct operations of Guiyang Guomao, Guiyang Liupanshui and Guiyang Nanguo Huajin within the shortest possible time.

3. Option granted by Double Eight Enterprises Limited ("Double Eight"): Bund project

   The controlling shareholders commenced negotiations in relation to a Bund project (proposed to be situated at No. 27 Zhongshan Dongyi Road, Shanghai and No. 31–91, Beijing East Road, Shanghai) with various independent third parties around the third quarter of 2008. The process requires participation from and agreement among a number of independent third parties, the progress of finalizing the definitive agreement will remain complex and involve lengthy and protracted discussions between the parties.

   Pursuant to an option agreement dated 29 November 2009, Double Eight, a company indirectly owned by the Chan family, has granted the Group an option to acquire all of its shares in PCD China Ventures, a wholly-owned subsidiary of Double Eight, for a consideration that equals the lower of (i) the cost of investment incurred by the Company's controlling shareholders in PCD China Ventures and (ii) the prevailing fair market value of PCD China Ventures as determined by an independent firm of international valuers (the "Bund Option").

   As of the date of the report, the Group has not received notice that all definitive agreements relating to the Bund Project has been finalized.

CONTINUING CONNECTED TRANSACTIONS

1. Management agreement with Xiamen Ruijing

   On 26 February 2009, the Group entered into a management agreement with Xiamen Ruijing, a company ultimately controlled by Mr. Chan Kai Tai Alfred and Mr. Tan Han Kiat Edward, both the Company's indirect controlling shareholders, entered into a management agreement (the "Ruijing Management Agreement"). Pursuant to the Ruijing Management Agreement, the Group agreed to provide management consultancy services to Ruijing in return for an annual management fee of 2.5% of the GSP of PCD Ruijing with a minimum management fee of RMB 3.0 million per year.

   The Ruijing Management Agreement took effect from 1 March 2009 and will end on 31 December 2011. The Ruijing Management Agreement will be automatically renewed every three years subject to compliance with Chapter 14A of the Listing Rules by the Company on substantially the same terms, except that the minimum fee will not be applicable upon renewal.

   The total amount received by the Group under the Ruijing Management Agreement was approximately RMB 1.2 million for the year ended 31 December 2009.

2. Master Management Agreement with Guangchang

   On 29 November 2009, the Group entered into a master management agreement with Guangchang (the "Guangchang Master Management Agreement"). Under the terms of the management agreements entered into pursuant to the Guangchang Master Management Agreement, the Group agreed to provide consulting and management consultancy services, including but not limited to advice on logistics infrastructure, management, marketing, merchandising and business plans and assistance on the implementation of such advice, to Guangchang or its subsidiaries in relation to the relevant department stores, such as Guiyang Guomao, Guiyang Nanguo Huajin and Guomao Liupanshui, for an annual management fee of 2.5% of the GSP of the relevant department stores with a minimum management fee at an agreed figure.

   The Guangchang Master Management Agreement took effect from 29 November 2009 for a period of three years and will end on 31 December 2011. The Guangchang Master Management Agreement will be automatically renewed every three years subject to compliance with Chapter 14A of the Listing Rules by the Company on substantially the same terms, except that the minimum fee will not be applicable upon renewal.

   The total amount received by the Group under the Guangchang Master Management Agreement was approximately RMB 15.2 million for the year ended 31 December 2009.

DIRECTORS' REPORT - CONTINUED

3. Concessionaire Arrangement with PDL group: Commission Arrangement

   On 29 November 2009, the Company entered into a master concessionaire agreement with Ports Design Limited ("PDL"), a company which PIEL (which is in turn wholly owned by Mr. Chan Kai Tai Alfred and Mr. Tan Han Kiat Edward (the ''Master PDL Agreement''), pursuant to which PDL agreed to procure their subsidiaries, and the Group agreed to procure our subsidiaries to enter into various concessionaire agreements with PDL group, which primarily engages in the design, manufacture, distribution and retail of ladies' and men's fashion garments and the sale of accessories such as shoes, handbags, scarves and fragrances in China and, more recently, in Hong Kong, under the brand name PORTS. In accordance with the concessionaire agreements, the Group agreed to provide certain designated counters within our various department stores to PDL group for sale of their clothing, accessories and apparels.

   The Master PDL Agreement took effect from 29 November 2009 and will end on 31 December 2011, subject to compliance with Chapter 14A of the Listing Rules by PDL.

   The total amount received by the Group under the Master PDL Agreement was approximately RMB 16.0 million for the year ended 31 December 2009.

4. Lease Agreement with Scitech Group Co., Ltd. ("Scitech Group")

   (a) Department Store Lease
   On 17 August 2007, Scitech Group, a company owned as to 85% by Mr. Chan Kai Tai Alfred, Mr. Tan Han Kiat Edward and their respective immediate families, entered into a lease, as subsequently amended by various supplemental agreements, with the Group (the ''Department Store Lease''), pursuant to which Scitech Group agreed to grant the Group a lease with effect from 1 July 2007 for the Scitech Plaza at the monthly rent of RMB 3.9 million (inclusive of building management fees), which is not subject to any periodic review until the end of the term of twelve years. Under the Department Store Lease, Scitech Group further agreed to grant to the Group the right to use and/or sub-licence the ''Scitech'' trademark in connection with Scitech Plaza and any outlet malls in the PRC operated or managed by the Group.

   The total amount paid by the Group under the Department Store Lease was approximately RMB 46.1 million for the year ended 31 December 2009.

   (b) Office Lease
   Scitech Group entered into a lease with the Group (the ''Office Lease''), pursuant to which Scitech Group agreed to grant to the Group a lease with effect from 5 July 2007 for office space within the Scitech Complex for an aggregate yearly rent of approximately RMB 1.7 million. The Office Lease shall be valid from 5 July 2007 to 31 December 2011.

   The total amount paid by the Group under the Office Lease was approximately RMB 1.7 million for the year ended 31 December 2009.

5. Management Agreement with Even Time

   On 29 November 2009, the Group entered into a management agreement (the ''Outlet Mall Management Agreement'') with Even Time, which is directly held as to 100% by Ms. Jenny Tan, the daughter of Tan Han Kiat Edward, on trust for and on behalf of LDP. Pursuant to the Outlet Mall Management Agreement, we agreed to provide management consultancy services to Even Time or its subsidiary in return for an annual management fee calculated on the basis of 2% of the GSP of Beijing Outlet in each financial year.

   The Outlet Mall Management Agreement took effect for a period from 1 July 2009 and will end on 31 December 2011. The Outlet Mall Management Agreement will be automatically renewed every three years on substantially the same terms subject to compliance with Chapter 14A of the Listing Rules by the Company.

   The total amount received by the Group under the Outlet Mall Management Agreement was approximately RMB 3.6 million for the year ended 31 December 2009.

6. General Outlet Services Agreement with LDP

   The Group entered into a general outlet services agreement (the ''General Outlet Services Agreement'') with LDP, which took effect as of 1 July 2009, pursuant to which the Group agreed to provide various services to LDP in return for a service fee of RMB 36.0 million per year. Pursuant to the General Outlet Services Agreement, the Group will provide services to LDP, which includes, among other things, identifying and advising on no less than two potential opportunities on average per year in relation to acquisition of properties suitable for the operation of outlet malls in the PRC, preparing feasibility reports and coordinating detailed proposals in relation to such opportunities, preparing financial and business projections in relation to the acquisition of such properties, and providing general consultancy services in these respect.

   The General Outlet Services Agreement took effect from 1 July 2009 and will end on 31 December 2011. The General Outlet Services Agreement will be automatically renewed upon the expiry of its term for an additional two terms of three years subject to compliance with Chapter 14A of the Listing Rules by the Company on substantially the same terms, except that the service fee shall be amended to RMB 1.5 million per month plus 1.5% of the GSP of the outlet malls operated on the property of which are owned by LDP or its subsidiaries.

   The total amount received by the Group under the General Outlet Services Agreement was approximately RMB 18.0 million for the year ended 31 December 2009.

   In the opinion of the Independent Non-Executive Directors, the continuing connected transactions for the year ended 31 December 2009 were entered into by the Group:

   - in the ordinary and usual course of its business;

   - either on normal commercial terms or, where there are no sufficient comparable transactions, on terms no less favourable to the Group than terms available to or from (as appropriate) independent third parties; and

   - in accordance with the relevant agreements governing such transactions on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

DIRECTORS' REPORT - CONTINUED

Major Customers & Suppliers

None of the Group's customers and suppliers accounted for more than 5% of its GSP in year ended 31 December 2010.

Sufficiency of Public Float

As of 29 March 2010, based on the information publicly available to the Company and within the knowledge of the Directors, 56.57% of the Shares were publicly held.

Pre-Emptive Rights

There is no provision regarding pre-emptive rights under the Articles of the Company and the laws of the Cayman Islands.

Employees, Emolument Policy & Pension Scheme

As at 31 December 2009, the total number of employees for the Group was approximately 1,900. The Group has made all necessary contributions as required by relevant laws and regulations, including but not limited to statutory pension schemes and taking out insurance policies.

Post-Balance Sheet Events

On 6 January 2010, the Company announces that the Over-allotment Option as referred to in the IPO prospectus has been fully exercised by Credit Suisse (Hong Kong) Limited on behalf of the International Underwriters on 5 January 2010 in respect of an aggregate of 225,000,000 Shares (the "Over-allotment Shares"), representing approximately 15% of the Offer Shares initially available under the Global Offering (assuming no exercise of the Over-allotment Option), for the sole purpose of covering over-allocations in the International Placing. The Over-allotment Shares were issued by the Company at HKD 1.95 per Share (excluding brokerage of 1.0%, SFC transaction levy of 0.004% and Stock Exchange trading fee of 0.005%), being the Offer Price per Share in connection with the Global Offering.

The Company received an additional net proceeds of approximately HKD 425.3 million from the issue of the Over-allotment Shares and such additional proceeds will be used for implementation of the Group's expansion strategies by opening new stores, upgrading existing stores and acquiring premises for existing and new department stores.

Use of Proceeds

On 15 December 2009, the Shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited. Up to 31 December 2009, the Company has yet to utilise any of the net proceeds of HKD 1,883.8 million from the initial public offering. There has been no change of intended use of proceeds stated in the IPO prospectus dated 3 December 2009.

Auditors

A resolution for the re-appointment of Deloitte Touche Tohmatsu as auditors of the Group is to be proposed at the upcoming annual general meeting.

Chan Kai Tai Alfred
Chairman and Executive Director

29 March 2010
Xiamen, PRC

CORPORATE SOCIAL RESPONSIBILITY

As a corporation within a wider community, the Group takes seriously its social responsibility and encourages its employees to do the same. Management is keen to harness the energy of its people to make positive and sustained change to the community in which it operates, and believes it is in a position to promote positive social and environmental change.

Below are some of the many events and initiatives that the Group has initiated and supported during FY2009:

Lau Kim Yip Tony, President of PCD Stores, Auctions Vivienne Tam Dresses for "Save the Pandas" Charity Gala Dinner

On 12 January, 2009, fashion designer Vivienne Tam hosted a charity gala dinner to raise money for the plight of China's pandas. Over the course of the evening, Lau Kim Yip Tony, President of PCD Stores, auctioned off five unique, limited edition dresses from Vivienne Tam's Panda Collection and one Hewlett Packard-Vivienne Tam laptop, raising RMB 255,000 for China's Wolong National Nature Reserve.

PCD Nanning Gives Back to the Local Community during Lunar New Year

On 14 January 2009, PCD Nanning hosted a charity event, "Show That You Care & Enjoy a Happy New Year." In this staff event, participating members of PCD Nanning helped to make a difference and show that they cared by spending time with some of the less fortunate members of their local community.

CORPORATE SOCIAL RESPONSIBILITY
- CONTINUED

PCD Stores Promotes Recycling with the Launch of A New "My Little Green Bag"

Following the successful launch of "My Little Green Bag" in April 2008, PCD Stores introduced its latest "My Little Green Bag" for the year 2009. Between 27 March and 6 April 2009, all customers were encouraged to return used and empty cosmetics bottles in exchange for either a cosmetics sample or the new "My Little Green Bag" shopping bag.

PCD Qingdao Hosts a Mother's Day Charity Auction

On 9 May 2009, PCD Qingdao hosted a 'Dreams Fund' charity auction on the occasion of Mother's Day. The recipients of the auction's proceeds were a number of disadvantaged single mothers belonging to the local community. The auction was a huge success with both PCD employees and local community members participating and lending their support.

PCD Taiyuan and Local Media Remember Wenchuan One Year Later

On May 10, 2009, PCD Taiyuan and the Shanxi Channel joined forces to raise funds for the victims of the Wenchuan earthquake in Sichuan Province, China. Despite the rain, members of the local community came out in large numbers to make their donations and the event was featured and commended by the local media.

Nicholas Le Bear' Finds Homes Across The Nation

During December 2009, a specially-designed teddy bear, named 'Nicholas Le Bear' was put on sale for the Christmas period. All proceeds from sales associated with the sale of Nicholas Le Bear teddy bears were then distributed to a number of officially-recognised charitable causes across the nation.

PCD Qingdao Commemorates 11th Anniversary with a Charity Auction

On 5 December 2009, PCD Qingdao hosted a charity auction to mark its 11th Anniversary. Luxury items, offered by various international brands, were auctioned off to the many generous bidders. Proceeds from the auction and from the ticket sales of a large-scale drama performance were donated to the PCD Qingdao Dreams Fund, which in turn went to help the children of the Qingdao Center for the Deaf. To top off a successful auction, a gigantic anniversary cake was shared with all the auction participants at the end of the event.

PCD Xi'an Spreads the Christmas Spirit with a Grand Lighting Ceremony

On 11 December 2009, PCD Xi'an launched its Christmas celebrations with a grand lighting ceremony outside the department store. As part of the festivities, a children's choir sung Christmas carols and danced happily, spreading the joy of Christmas to the supportive and cheering crowd of spectators. The climax of the ceremony occurred when the General Manager of PCD Xi'an presented a check to the Xi'an Disabled Persons Federation, highlighting the true spirit of Christmas.

Primary School Students Join Beijing Scitech Premium Outlet Mall for a Christmas Party

On 12 December 2009, Beijing Outlet invited the students from Zhenxing Primary School to the Mall's first Christmas party, where children experienced the joys of baking by making their very own cookies to share with their families. Santa Claus also paid a surprise visit to the party, taking a group photo with all the young students.

CORPORATE SOCIAL RESPONSIBILITY
- CONTINUED

Chairman of the Group, Mr. Chan Kai Tai Alfred Donates HK$ 1,000,000

On 15 December 2009, Mr. Chan Kai Tai Alfred, Chairman of the Group, delivered a speech at the Hong Kong Stock Exchange on the occasion of the Group's successful listing and donated HK$ 1,000,000 to the Community Chest of Hong Kong to help those in need.

PCD Nanning Supports Red Cross

On 19 December 2009, PCD Nanning set up donation stations outside the department store in support of the local Red Cross. The department store staff expressed their support by donating blood and raising awareness for the charity.

PCD Taiyuan and Local TV Station Host a Christmas Charity Auction

On 20 December 2009, PCD Taiyuan and Taiyuan Education Television co-hosted a Christmas charity auction, inviting children from across the city to donate their favorite toys for inclusion in the auction. Besides the children's contributions, PCD Taiyuan also donated 20 Nicholas Le Bear Charity Bears to the auction. With hearts of gold and plenty of Christmas spirit to go around, the children generously bid on the toys and all proceeds raised went to the Taiyuan Red Cross Association.

Christmas Wishes Come True at Xiamen PCD Zhongshan Lu

Between 7 – 24 December 2009, PCD Zhongshan Lu invited the children, who generously donated and supported the Nicholas Le Bear event, to write down one item from their Christmas wish list. On Christmas Eve, Santa Claus selected 30 wish cards and surprised each of the 30 lucky children with their wishes, making it a most memorable Christmas for each of the 30 families.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Our board of Directors is responsible and has general powers for the management and conduct of our business. The table below shows certain information in respect of members of the board of Directors of our Company:

Name	*Age*	*Position*
Mr. Chan Kai Tai Alfred	62	Chairman and Executive Director
Mr. Tan Han Kiat Edward	67	Executive Director
Mr. Lau Kim Yip Tony	57	Executive Director and President
Mr. Yu Randolph	31	Independent Non-Executive Director
Mr. Tai Ainsley	32	Independent Non-Executive Director
Mr. Li Chang Qing	41	Independent Non-Executive Director

EXECUTIVE DIRECTORS

Chan, Kai Tai Alfred, 62, is the Chairman, an Executive Director and a founder of the Group. Mr. Chan is also a member of the remuneration committee. Mr. Chan is in charge of corporate strategy and planning and the overall development of the Group. Mr. Chan has over twenty years of experience in the management of department stores and the retailing of fashion brands both in North America and Asia, including the PRC. Mr. Chan is also the Chief Executive Officer and a Managing Director of Ports Design Limited ("PDL"), a company listed on the Hong Kong Stock Exchange, and also the Chief Executive Officer and an Executive Director of both Ports International Enterprises Limited and CFS International Inc.. Mr. Chan is also the younger brother of Mr. Tan Han Kiat Edward.

Tan, Han Kiat Edward, 67, is an Executive Director of and a founder of the Group. Mr. Tan is responsible for overseeing the general strategic implementation and development. Mr. Tan has more than 30 years of experience in the textile, garment and trading business and has extensive experience in carrying out business in both Canada and the PRC. Mr. Tan is the Chairman and a Managing Director of PDL, and also the Chief Executive Officer and an Executive Director of both Ports International Enterprises Limited and CFS International Inc. Mr. Tan is also the elder brother of Mr. Chan Kai Tai Alfred.

Lau, Kim Yip Tony, 57, is an Executive Director and the President of the Group. Mr. Lau was appointed on 24 November 2009 and is responsible for the overall daily business operations, with particular emphasis on brand recruitment and brand building of the network. He is also involved in the development of new projects. Mr. Lau has over twenty years of experience in luxury retailing business.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT - CONTINUED

INDEPENDENT NON-EXECUTIVE DIRECTORS

Yu, Randolph, 31, was appointed as an Independent Non-Executive Director of the Group in November 2009. Mr. Yu is also a member of the audit committee. Mr. Yu graduated from The Wharton School of Business of the University of Pennsylvania with a Masters of Business Administration in 2006. Mr. Yu gained extensive experience from several previous posts in corporate strategy, operations and general management. Currently, Mr. Yu works as a Managing Director and founding partner of Aegis Capital Ltd., an asset management firm based in Hong Kong, where he has developed strong corporate finance skills.

Tai, Ainsley, 32, was appointed as an Independent Non-Executive Director of the Group in November 2009. He is the Chairman of the remuneration committee and a member of the audit committee. Mr. Tai obtained his Master of Business Administration from the Wharton School of Business of the University of Pennsylvania in 2006. Mr. Tai has been Vice President of Finance and Corporate Strategy for Erie Enterprises Corporation since 8 August 2007. Mr. Tai has extensive experience in corporate strategy, operations, and general management through prior positions with Mercer Management Consulting and Salesforce.com.

Li Chang Qing, 41, was appointed as an Independent Non-Executive Director of the Group in November 2009. Mr. Li is the Chairman of the audit committee and a member of the remuneration committee. Mr. Li obtained his doctorate degree in management studies from Xiamen University in 1999 and has received high recognition in the academic field. Mr. Li is also a PRC-certified public accountant since 18 March 2002. Mr Li also serves as an Independent Non-Executive Director of several companies that are currently listed on the Shanghai Stock Exchange.

SENIOR MANAGEMENT

Danon, Laurence, 54, joined the Group as the Senior Advisor in July 2007. Mme. Danon has been a member of the Executive Board of Groupe LCF Rothschild since 1 September 2007. Previously, Mme. Danon was the Chairwoman and Chief Executive Officer of Printemps Department Store Paris in France and helped to manage the transition of the French department store group into its current luxury fashion focus. She had also assumed other key roles at Bostik Findley Adhesives, a wholly-owned subsidiary of Total Fina Elf group, New Generations Commission, at Medef is a member of the boards of Diageo Plc., and Experian Plc., both listed on the London Stock Exchange and Plastic Omnium SA, listed on the Paris Stock Exchange.

Tan, Henry, 33, is the Vice President of Corporate Development, joined the Group on 1 June 2007 and is responsible for strategic planning and development, acquisitions, investor relations, and other operations improvement. Prior to joining the Group, he was a Case Team Leader with Bain & Company (Hong Kong), serving major corporations in Asia Pacific, across a wide array of industries. He obtained a Bachelor of Arts degree from Cornell University and a Masters of Business Administration from the Sloan School of Management of the Massachusetts Institute of Technology.

Dong Gang, 35, is the Financial Controller of the Group and was appointed on 1 February 2005 and joined the Group at that time. Mr. Dong is responsible for the finance and accounting department of the Group. He graduated in July 1996 from Zhejiang Economic College, specializing in Accounting.

Zhu Jianke, 52, is the Vice President of Audit and Financial Control of our Company and was appointed on 1 April 2009, prior to which he held the position of vice manager in the Group's internal audit department since January 1999 and joined the Group at that time. Mr. Zhu is an accountant in the PRC and has been registered with the Chinese Institute of Certified Public Accountants since 31 July 1992. Prior to joining us, Mr. Zhu was internal control manager at PDL Group.

Li Lee, 37, is the Director of Government Affairs of the Group and was appointed on 1 April 2009 and joined the Group at that time. Ms. Li is responsible for handling government matters. Prior to being appointed as Director of Government Affairs of the Group, Ms. Li worked under the legal department of the PDL group from December 2005 to March 2009 and had worked at other multi-national corporation in the human resources discipline. Ms. Li graduated from Xiamen University with a bachelor's degree in law on 1 July 2002.

Liu Qinhua, 46, is the Vice President of Acquisitions of the Group and was appointed on 1 April 2009. Mr. Liu is responsible for identifying and evaluating potential targets in the PRC and leading our overall acquisitions program. Prior to his appointment as Vice President of Acquisitions, he was the Director of Government Affairs of the Group from 1 January 2004 to 31 March 2009. He joined the Group in January 2004. His past experience in the government sector equips him with the unique advantage in performing his current duties.

Lin Keqin, 38, is the Director of Human Resources of the Group and was appointed on 1 January 2004 and joined the Group at that time. Ms. Lin is responsible for coordinating the Group's recruiting activities, assessing and determining appropriate compensation and incentive systems. Ms. Lin has been with the Group for over ten years.

Doe Stephen, 43, is the General Manager for Operations of the Group and was appointed on 1 January 2004 and joined the Group at that time. Mr. Doe graduated from the University of Western Ontario, Canada in June 1989 in Bachelor of Arts. Mr. Doe worked for PIEL from 1992 to 1996 as Vice President of Operations. Mr. Doe is also the nephew-in-law of Mr. Chan Kai Tai Alfred and Mr. Tan Han Kiat Edward.

Su, Shaohua Charlotte, 33, was appointed as the Group's Company Secretary on 24 November 2009 and joined the Group at that time. She is a member of both the Hong Kong Institute of Certified Public Accountant the Chinese Institute of Certified Public Accountant. Prior to joining the Group, Ms. Su has worked in various audit and accounting firms. Ms. Su holds a bachelor's degree of economics in auditing, and MPAcc Master of Professional Accounting. She is the wife of Dong Gang, the Financial Controller of the Group.

FINANCIAL REPORT

PCD STORES (GROUP) LIMITED
Report and Consolidated Financial Statements
For the year ended 31 December 2009

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF PCD STORES (GROUP) LIMITED
(Established in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of PCD Stores (Group) Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 46 to 94, which comprise the consolidated statement of financial position as at 31 December 2009, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibilities for the consolidated financial statements

The Directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2009 and of the Group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
29 March 2010

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2009

	Notes	2009 RMB'000	2008 RMB'000
Revenue	5	766,305	717,831
Other income	6	94,298	80,735
Change in fair value of investment property	16	20,000	10,000
Purchase of and changes in inventories		(128,559)	(127,215)
Employee benefits expense	7	(93,743)	(115,936)
Depreciation and amortisation		(32,815)	(30,457)
Operating lease rental expense	28	(95,747)	(96,163)
Other operating expenses	8	(156,861)	(141,152)
Finance costs	9	(50,810)	(49,359)
Profit before tax		322,068	248,284
Income tax charge	10	(79,445)	(74,188)
Profit and total comprehensive income for the year		242,623	174,096
Profit and total comprehensive income attributable to:			
Owners of the Company		242,079	173,815
Minority interests		544	281
		242,623	174,096
Earnings per share	14		
Basic (RMB cents)		7.95	5.79
Diluted (RMB cents)		7.94	N/A

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2009

	Notes	2009 RMB'000	2008 RMB'000
Non-Current Assets			
Property, plant and equipment	15	699,482	588,761
Investment property	16	510,000	490,000
Land use rights	17	64,417	66,430
Goodwill	18	2,008	2,008
Long-term prepaid rentals	21	39,443	43,353
Deferred tax assets	19	3,416	1,762
Restricted bank balances	22	12,000	12,000
		1,330,766	1,204,314
Current Assets			
Inventories	20	33,871	34,043
Prepayments, trade and other receivables	21	67,919	104,520
Land use rights	17	2,013	2,013
Amounts due from related parties	30(c)	17,328	200,249
Restricted bank balances	22	-	11,500
Bank balances and cash	22	1,963,877	110,277
		2,085,008	462,602
Current Liabilities			
Trade and other payables	23	575,246	630,471
Tax payable		13,805	19,139
Dividend payables to minority shareholders of subsidiaries		-	1,250
Bank borrowings - due within one year	24	261,930	394,780
Amounts due to related parties	30(c)	162,105	87,317
		1,013,086	1,132,957

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 DECEMBER 2009

	Notes	2009 RMB'000	2008 RMB'000
Net Current Assets (Liabilities)		1,071,922	(670,355)
Total Assets Less Current Liabilities		2,402,688	533,959
Non-Current Liabilities			
Bank borrowings - due after one year	24	258,276	300,659
Deferred tax liabilities	19	88,480	79,766
		346,756	380,425
		2,055,932	153,534
Capital And Reserves			
Share capital	25	136,590	382
Share premium and reserves		1,917,850	152,204
Equity attributable to owners of the Company		2,054,440	152,586
Minority interests		1,492	948
		2,055,932	153,534

The consolidated financial statements on pages 46 to 94 were approved and authorised for issue by the board of directors on 29 March 2010 and are signed on its behalf by:

Chan Kai Tai Alfred
Chairman and
Executive Director

Tan Han Kiat Edward
Executive Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2009

	Attributable to the owners of the Company								
	Share capital RMB'000	Share premium RMB'000	Other reserve RMB'000 (Note i)	Statutory surplus reserve RMB'000 (Note ii)	Share options reserve RMB'000	Retained earnings RMB'000	Subtotal RMB'000	Minority interests RMB'000	Total RMB'000
Balance at 1 January 2008	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 31 December 2008	382	-	(146,723)	57,096	-	241,831	152,586	948	153,534
Profit and total comprehensive income for the year	-	-	-	-	-	242,079	242,079	544	242,623
Issue of new shares	34,139	1,683,421	-	-	-	-	1,717,560	-	1,717,560
Issue by capitalisation of the share premium	102,069	(102,069)	-	-	-	-	-	-	-
Cost of issue of new shares	-	(58,486)	-	-	-	-	(58,486)	-	(58,486)
Recognition of share-based payments	-	-	-	-	701	-	701	-	701
Appropriations	-	-	-	12,065	-	(12,065)	-	-	-
Balance at 31 December 2009	136,590	1,522,866	(146,723)	69,161	701	471,845	2,054,440	1,492	2,055,932

Notes:

(i) The amount represents deemed distribution to the owners pursuant to the Group's reorganisation.

(ii) 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 People's Republic of China (the "PRC").

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2009

	2009 RMB'000	2008 RMB'000
Operating Activities		
Profit before taxation	322,068	248,284
Adjustments for:		
Depreciation of property, plant and equipment	30,802	28,757
Amortisation of land use rights	2,013	1,700
Interest income	(12,375)	(2,348)
Finance costs	50,810	49,359
Write-off of bad debt	-	1,164
Loss on disposal of property, plant and equipment	(26)	2
Foreign Exchange loss (gain)	703	(717)
Change in fair value of investment property	(20,000)	(10,000)
Expense recognised in profit or loss in respect of equity-settled share-based payments	701	-
Operating cash flows before movements in working capital	374,696	316,201
Decrease (increase) in inventories	172	(10,319)
Decrease (increase) in prepayments, trade and other receivables	40,509	(52,013)
(Increase) decrease in amounts due from related parties	(17,328)	7,615
(Decrease) increase in trade and other payables	(55,606)	107,796
(Decrease) increase in amounts due to related parties	(48,193)	78,823
Cash generated from operations	294,250	448,103
Income taxes paid	(77,719)	(54,266)
Net Cash From Operating Activities	216,531	393,837
Investing Activities		
Interest received	12,375	2,348
Purchases of property, plant and equipment	(18,864)	(96,288)
Advance to related parties	(424,646)	(197,699)
Repayment from related parties	624,895	-
Purchases of land use rights	-	(49,800)
Acquisition of subsidiaries	-	(62,016)
Proceeds from disposal of property, plant and equipment	350	-
Decrease (increase) in restricted bank balances	11,500	(11,500)

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2009

	2009 RMB'000	2008 RMB'000
Net Cash From (Used In) Investing Activities	205,610	(414,955)
Financing Activities		
Proceeds from issue of equity shares	1,717,560	-
Payment of transaction costs attributable to issue of new shares	(58,486)	-
Interest paid	(50,429)	(49,809)
Payment of dividends to minority shareholders of subsidiaries/owner of the Company	(1,250)	(78,348)
Payments of reorganisation consideration	-	(150,000)
Repayment to related parties		(188)
New bank borrowings raised	1,367,433	277,966
Repayment of bank borrowings	(1,542,604)	(135,471)
Net Cash From (Used In) Financing Activities	1,432,224	(135,850)
Net Increase (Decrease) In Cash And Cash Equivalents	1,854,365	(156,968)
Cash And Cash Equivalents At Beginning Of Year	110,277	268,291
Effect of foreign exchange rate changes	(765)	(1,046)
Cash And Cash Equivalents At End Of Year		
Represented by bank balances and cash	1,963,877	110,277

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2009

1. GENERAL INFORMATION

PCD Stores (Group) Limited (the "Company", together with its subsidiaries are hereafter collectively referred as the "Group") is an exempted company incorporated in the Cayman Islands. Its shares are listed on the Stock Exchange of Hong Kong Limited with effect from 15 December 2009. The registered office of the Company is situated at Clifton House, 75 Fort Street, P.O. Box 1350, Grand Cayman, KY1-1108, Cayman Islands, and its principal place of business is situated at No. 193-215 Zhongshan Road, Xiamen 361000, the PRC. Its parent is Bluestone Global Holdings Limited (incorporated in the British Virgin Islands). The Company is an investment holding company and the principal business of its subsidiaries is the operation of department stores in PRC.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

In the current year, the Group has applied a number of new and revised Standards, Amendments and Interpretations ("new and revised IFRSs").

The adoption of the new and revised IFRSs has no material effect on the consolidated financial statements of the Group for the current or prior accounting periods.

The Group has not early applied the following new and revised Standards, Amendments or Interpretations that have been issued but are not effective.

IFRSs (Amendments)	Amendment 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[4]
IAS 39 (Amendment)	Eligible Hedged Items[1]
IFRS 1 (Amendment)	Additional Exemptions for First-time Adopters[3]
IFRS 1 (Amendment)	Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters[5]
IFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions[3]
IFRS 3 (Revised)	Business Combinations[1]
IFRS 9	Financial Instruments[7]
IFRIC14 (Amendment)	Prepayments of a Minimum Funding Requirement[6]
IFRIC17	Distributions of Non-cash Assets to Owners[1]
IFRIC19	Extinguishing Financial Liabilities with Equity Instruments[5]

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS - continued

1. Effective for annual periods beginning on or after 1 July 2009
2. Amendments that are effective for annual periods beginning on or after 1 July 2009 or 1 January 2010, as appropriate
3. Effective for annual periods beginning on or after 1 January 2010
4. Effective for annual periods beginning on or after 1 February 2010
5. Effective for annual periods beginning on or after 1 July 2010
6. Effective for annual periods beginning on or after 1 January 2011
7. Effective for annual periods beginning on or after 1 January 2013

The application of IFRS 3 (Revised) may affect the Group's accounting for business combination for which the acquisition date is on or after 1 January 2010. IAS 27 (Revised) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary.

IFRS 9 Financial Instruments introduces new requirements for the classification and measurement of financial assets and will be effective from 1 January 2013, with earlier application permitted. The Standard requires all recognised financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of IFRS 9 might affect the classification and measurement of the Group's financial assets.

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 consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared under the historical cost basis except for investment properties, which are measured at fair values, as explained in the accounting policies set out below.

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

Basis of consolidation

The consolidated financial statements incorporate 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 are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate.

3.SIGNIFICANT ACCOUNTING POLICIES - continued

Basis of consolidation - continued

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

The acquisition of businesses is accounted for using the purchase method except for business combination involving entities under common control. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued 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 that meet the conditions for recognition under IFRS 3 Business Combinations 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's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

Merger accounting for business combination involving entities under common control

The consolidated financial statements incorporate the financial statements items of the combining businesses in which the common control combination occurs as if they had been combined from the date when the combining businesses first came under the control of the controlling party.

The net assets of the combining businesses are consolidated using the existing book values from the controlling parties' perspective. No amount is recognised in respect of goodwill or excess of acquirer's 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 businesses from the earliest date presented or since the date when the combining businesses first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

3.SIGNIFICANT ACCOUNTING POLICIES - continued

Merger accounting for business combination involving entities under common control - continued

The comparative amounts in the consolidated financial statements are presented as if the businesses had been combined at the end of the previous reporting period or when they first came under common control, whichever is shorter.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost less any accumulated impairment losses and is presented separately in the consolidated statement 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 profit or loss. 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.

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 discounts and sales related taxes.

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

Revenue from sales of goods is 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 service 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.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Revenue recognition - continued

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 the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

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 profit and loss in the period in which the item is derecognised.

Investment property

Investment properties are properties held to earn rentals and/or for capital appreciation.

On initial recognition, investment properties are measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values using the fair value model. 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 profit or loss in the period in which the item is derecognised.

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.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Leasing - continued

The Group as lessor

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

The Group as lessee

Operating lease payments are recognised as an expense 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 and amortised over the lease term on a straight-line basis except for those that are classified and accounted for as investment properties under the fair value model.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

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. Taxable profit differs from net profit as reported in the consolidated statement 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 end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those 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 the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity respectively.

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.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Impairment of tangible assets

At the end of the reporting period, 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 statement 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 to the net carrying amount on initial recognition.

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

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Financial instruments - continued

Financial assets - continued

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. 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 the ending of the 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.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Financial instruments - continued

Financial liabilities and equity - continued

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 are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

Equity instruments issued by the 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.

Share-based payment transactions

Equity-settled share-based payment transactions

Share options granted to employees

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share options reserve).

At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the estimates during the vesting period, if any, is recognised in profit or loss, with a corresponding adjustment to share options reserve.

At the time when the share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will continue to be held in share options reserve.

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 31 December 2009, the carrying amount of the Group's investment property was RMB510,000,000 (2008: RMB490,000,000).

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 the 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 31 December 2009, the carrying amounts of property, plant and equipment were RMB699,482,000 (2008: RMB588,761,000).

5. REVENUE AND SEGMENT INFORMATION

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

	2009	*2008*
	RMB'000	*RMB'000*
Commissions from concessionaire sales (Note)	486,321	500,751
Sales of goods	167,480	164,482
Rental income	29,213	28,342
Management consultancy service income	83,291	24,256
	766,305	717,831

Note:

The commissions from concessionaire sales is analysed as follows:

	2009	*2008*
	RMB'000	*RMB'000*
Gross revenue from concessionaire sales	2,366,441	2,443,740
Commissions from concessionaire sales	486,321	500,751

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 based on the turnover of each store and the consolidated profit for the year, representing the overall operation of the Group as a whole. As there is no other discrete financial information available for each store, no operating segment information is presented.

All external revenues of the Group during the year ended 31 December 2009 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

	2009 RMB'000	2008 RMB'000
Property management income	15,720	15,854
Advertisement and promotion administration income	33,745	26,563
Display space leasing income	5,259	8,602
Interest income from a related party (Note 30(b))	10,710	-
Net foreign exchange gains	-	598
Bank interest income	1,665	2,348
Credit card handling income	12,908	12,958
Others	14,291	13,812
	94,298	80,735

7. EMPLOYEE BENEFITS EXPENSE

	2009 RMB'000	2008 RMB'000
Salaries, bonuses and allowances	70,970	91,267
Contributions to retirement benefit schemes	22,072	24,669
Equity-settled share-based payments	701	-
	93,743	115,936

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:

	2009 RMB'000	2008 RMB'000
Auditors' remuneration	1,165	131
Professional service fee	21,552	12,584
Promotion, advertising and related expenses	26,248	27,089
Water, electricity and heating	30,085	28,661
Other taxes	33,163	27,517
Bank charges	19,260	17,890
Write-off of bad debt	-	1,164
Others	25,388	26,116
	156,861	141,152

9. FINANCE COSTS

	2009 RMB'000	2008 RMB'000
Interest expenses on:		
Bank borrowings, wholly repayable within five years	29,002	17,264
Bank borrowings, not wholly repayable within five years	21,808	29,395
Deferred payment for purchase of property, plant and equipment	-	2,700
	50,810	49,359

10. INCOME TAX CHARGE

	2009 RMB'000	2008 RMB'000
The charge comprises:		
PRC Enterprise Income Tax	72,385	65,811
Deferred tax (Note 19)	7,060	8,377
	79,445	74,188

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

On 26 December 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.

10. INCOME TAX CHARGE - continued

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

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

	2009 *%*	*2008* *%*
Zhongshan PCD (Xiamen) Department Stores Co., Ltd, ("Zhongshan PCD Stores (Xiamen)") (Note i)	20	18
PCD Real Estate (Xiamen) Limited ("PCD Real Estate (Xiamen)") (Note i)	20	18
PCD World Trade (Xiamen) Co., Ltd. ("PCD World Trade (Xiamen)") (Note i)	20	18
PCD Continental Department Stores (Xiamen) Co., Ltd. ("PCD Continental") (Notes i)	20	18
PCD Songbai Department Stores Co., Ltd. ("PCD Songbai") (Note i)	20	18
PCD Stores Information Consulting (Xiamen) Limited ("PCD Stores Information Consulting (Xiamen)") (Note i)	20	18
Laiya Department Management (Xiamen) Co., Ltd. ("Laiya Department Management (Xiamen)") (Notes i)	20	18
PCD Department Stores (Jilin) Co., Ltd. ("PCD Stores (Jilin)")	25	25
PCD Department Stores (Guangxi) Co., Ltd. ("PCD Stores (Guangxi)") (Note ii)	25	25
Beijing Scitech Department Stores Co., Ltd. ("Beijing Scitech Department Stores")	25	25
PCD Department Stores (Taiyuan) Co., Ltd. ("PCD Stores (Taiyuan)")	25	25
Zhongshan PCD Stores (Qingdao) Limited ("Zhongshan PCD Stores (Qingdao)")	25	25
Xian Century Changan Property Investment Limited ("Xian Century Changan Property Investment")	25	25
PCD Jiahe Trading and Commerce (Xiamen) Company Limited ("Jiahe Chuntian")	25	25
Qingdao Century Chuntian Information Consulting Co., Ltd. ("Qingdao Chuntian")	25	Not Applicable ("N/A")
Beijing Yuanyongxin Information Consulting Company Limited ("Beijing Yuanyongxin")	25	N/A
Xiamen Lotus Department Stores Co., Ltd ("PCD Lotus")	25	N/A

10. INCOME TAX CHARGE - continued

Notes:

(i) 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 1 January 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 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 (Caishuizi [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 1 January 2007 to 31 December 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 year can be reconciled to the profit per the consolidated statement of comprehensive income as follows:

	2009 *RMB'000*	*2008* *RMB'000*
Profit before taxation	322,068	248,284
Tax at applicable income tax rate of 25% (2008: 25%)	80,517	62,071
Tax effect of income that are not taxable	(8,694)	(895)
Tax effect of expenses that are not deductible in determining taxable profit	6,366	6,235
Utilisation of deductible temporary differences previously not recognised	(121)	(120)
Effect of income tax on concessionary tax rate	(1,596)	(2,259)
Tax effect of tax losses not recognised	767	4,979
Utilisation of tax losses previously not recognised	(3,126)	-
Deferred tax on withholding tax arising from undistributed profits of PRC subsidiaries (note 19)	5,332	4,177
Income tax charge	79,445	74,188

11. DIRECTOR'S EMOLUMENTS

The emoluments paid or payable to each of the directors were as below:

	Salaries and other benefits RMB'000	Performance related incentive payments RMB'000	Retirement benefit schemes contributions RMB'000	Equity-settled share-based payments RMB'000	Total RMB'000
Chan, Kai Tai Alfred	-	-	-	-	-
Tan, Han Kiat Edward	-	-	-	-	-
Lau, Kim Yip Tony	240	-	-	-	240
Yu, Randolph	10	-	-	3	13
Tai, Ainsley	10	-	-	3	13
Li, Chang Qing	10	-	-	3	13
Total	270	-	-	9	279

No emoluments were paid to the directors of the Company in the year ended 31 December 2008 and no directors waived or agreed to waive any emoluments in the year ended 31 December 2009 and 2008.

12. EMOLUMENTS OF THE FIVE HIGHEST PAID INDIVIDUALS

No directors of the Company were included in the five highest paid individuals of the Group during the reporting period.

The emoluments of the five individuals with the highest emoluments were as follows:

	2009 RMB'000	*2008 RMB'000*
Salaries and other benefits	2,009	1,608
Performance related incentive payments (Note)	107	47
Retirement benefit schemes contributions	136	88
Equity-settled share based payments	13	-
	2,265	1,743

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 were below HK$1,000,000.

13. DIVIDENDS

No dividend was declared in the year, nor has any dividend been proposed since the end of the reporting period (2008: RMB1,250,000).

14. EARNING PER SHARE

Earnings	*2009 RMB'000*	*2008 RMB'000*
Earnings for the purpose of basic and diluted earnings per share (profit for the year attributable to owners of the company)	242,079	173,815

Number of Shares	*2009 '000*	*2008 '000*
Weighted average number of ordinary shares for the purpose of basic earnings per share	3,046,575	3,000,000
Effect of dilutive potential ordinary shares relating to outstanding Over-allotment Options	3,473	N/A
Weighted average number of ordinary shares for the purposes of calculating diluted earnings per share	3,050,048	N/A

The weighted average number of ordinary shares for the purpose of basic earnings per share has been adjusted for the capitalisation issue as disclosed in Note 25.

15. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Leasehold improvements RMB'000	Motor vehicles RMB'000	Office equipment RMB'000	Others RMB'000	Construction in progress RMB'000	Total RMB'000
Cost							
At 1 January 2008	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 31 December 2008	583,346	57,745	2,074	10,994	4,051	3,886	662,096
Additions	-	3,061	129	876	1,445	136,336	141,847
Transfer	-	5,220	-	-	-	(5,220)	-
Disposals	-	-	(190)	(256)	(7)	-	(453)
At 31 December 2009	583,346	66,026	2,013	11,614	5,489	135,002	803,490
Accumulated Depreciation							
At 1 January 2008	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 31 December 2008	50,649	16,662	711	4,248	1,065	-	73,335
Charge for the year	16,512	11,050	349	2,192	699	-	30,802
Eliminated on disposals	-	-	(30)	(99)	-	-	(129)
At 31 December 2009	67,161	27,712	1,030	6,341	1,764	-	104,008
Carrying Amount							
At 31 December 2008	532,697	41,083	1,363	6,746	2,986	3,886	588,761
At 31 December 2009	516,185	38,314	983	5,273	3,725	135,002	699,482

As at 31 December 2009, certain of the Group's buildings with an aggregate carrying amount of RMB408,582,000 (2008: RMB387,763,000) were pledged as security for bank loans of the Group (Note 24).

As at 31 December 2009, the Group is in the process of obtaining the building certificate of a building with a carrying amount of RMB89,114,000 (2008: RMB92,269,000).

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 2008	480,000
Change in fair value	10,000
At 31 December 2008	490,000
Change in fair value	20,000
At 31 December 2009	510,000

The fair value of the Group's investment property at Xian, the PRC at 31 December 2009 and 2008 has been arrived at on the basis of a valuation carried out at that date by DTZ Debenham Tie Leung Limited ("DTZ"), 16th Floor Jardine House, Connaught Place Central, Hong Kong, independent qualified professional valuers not connected with the Group. DTZ are members of the Hong Kong Institute of Valuers. 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. The investment property of the Group was pledged as security for bank loans of the Group (Note 24).

All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment property.

17. LAND USE RIGHTS

	RMB'000
At 1 January 2008	20,343
Addition	49,800
Amortisation	(1,700)
At 31 December 2008	68,443
Amortisation	(2,013)
At 31 December 2009	66,430

17. LAND USE RIGHTS - continued

	2009	*2008*
	RMB'000	*RMB'000*
Analysed for reporting purpose as:		
- Current assets	2,013	2,013
- Non-current assets	64,417	66,430
	66,430	68,443

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 31 December 2009, land use rights with carrying amount of RMB10,878,000 (2008: RMB11,318,000) was pledged against certain bank facilities granted to the Group (Note 24).

18. GOODWILL

	RMB'000
COST	
Balance at 31 December 2008 and 2009	2,008

Impairment testing of goodwill
Goodwill has been allocated to the cash-generating unit of a department store located in Xiamen.

The recoverable amounts have been determined based on the value in use calculation of the department store.

Key assumptions used in the value in use calculation
The following describe key assumptions 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 that period.

The discount rate applied to the cash flow projections is approximately 8% at 31 December 2009. (2008: 8%)

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/(libilities) recognised by the Group, and the movements thereon during the current and prior years are as follows:

	Accruals	Undistributed profits	Investment properties	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2008	1,930	-	(71,557)	(69,627)
Charge to consolidated statement of comprehensive income	(168)	(4,177)	(4,032)	(8,377)
At 31 December 2008	1,762	(4,177)	(75,589)	(78,004)
Credit (charge) to consolidated statement of comprehensive income	1,654	(5,332)	(6,532)	(10,210)
Witholding Tax Paid	-	3,150	-	3,150
At 31 December 2009	3,416	(6,359)	(82,121)	(85,064)

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

	2009	*2008*
	RMB'000	*RMB'000*
Deferred tax assets	3,416	1,762
Deferred tax libilities	(88,480)	(79,766)
	(85,064)	(78,004)

At 31 December 2009, the Group had unused tax losses of RMB17,231,000 (2008: RMB27,552,000). 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:

	2009	*2008*
	RMB'000	*RMB'000*
2012	2,874	7,636
2013	11,290	19,916
2014	3,067	-
	17,231	27,552

19. DEFERRED TAXATION - continued

Under the new EIT Law, withholding tax is imposed on dividends declared to foreign investors in respect of profit earned by PRC subsidiaries from 1 January 2008 onward. Deferred taxation has been provided for in the consolidated financial statements 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 RMB108,666,000 was not recognised as at 31 December 2009 (31 December 2008: RMB83,540,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

20. INVENTORIES

	2009 *RMB'000*	*2008* *RMB'000*
Merchandise held for resale	32,220	32,235
Low value consumables	1,651	1,808
	33,871	34,043

21. PREPAYMENTS, TRADE AND OTHER RECEIVABLES

The following is an analysis of trade and other receivables presented based on invoice date at the respective reporting dates:

	2009 *RMB'000*	*2008* *RMB'000*
Trade receivables		
within 60 days	20,656	57,726
60~120 days	3,086	-
Prepaid rentals	55,273	61,293
Advances to suppliers	335	953
Prepaid value-added tax	6,702	7,936
Others	21,310	19,965
	107,362	147,873
Less: Long-term prepaid rentals	(39,443)	(43,353)
	67,919	104,520

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 of 60 days to its customers of management consultancy service and 30 days to issuers of shopping cards and certain retail customers. Overdue balances are reviewed regularly by the Group's management.

Trade receivables at the reporting date principally represent receivables from non-related parties of management consultancy fees, issuers of shopping cards and certain retail customers.

Trade receivable with a carrying amount of RMB3,086,000 as at 31 December 2009 (31 December 2008: Nil) were overdue for which the Group has not provided for impairment loss as there has not been a significant change in credit quality and the amounts are still considered recoverable.

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 the reporting date, except for RMB7,704,000 as at 31 December 2009, which are denominated in foreign currency, Hong Kong Dollars.

22. 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 0.05% to 1.71% (2008: 0.00% to 3.33%) per annum.

Bank balances and cash were mainly denominated in RMB which is not a freely convertible currency in the international market. The exchange rate of RMB is subject to control by the Government of the PRC and the remittance of these funds out of the PRC is subject to restrictions imposed by the Government of the PRC.

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

	2009 *RMB'000*	*2008* *RMB'000*
US$	90,230	771
HK$	1,526,728	4,428
	1,616,958	5,199

Restricted bank balances

The restricted bank balances represent deposits pledged for bank borrowings. The restricted bank balances carry interest at prevailing market rates at 0.36% per annum. As at 31 December 2009, restricted bank balances of RMB12,000,000 (31 December 2008: RMB12,000,000) has been pledged to secure long-term bank borrowings (Note 24) and therefor classified as non-current assets.

23. TRADE AND OTHER PAYABLES

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 presented based on invoice date at the ending of the reporting period:

	2009 *RMB'000*	*2008* *RMB'000*
Trade payables		
Within 60 days	280,916	351,974
61 days to 120 days	22,520	16,994
121 days to 1 year	4,238	15,127
Over 1 year	2,726	1,067
	310,400	385,162
Payable for purchase of property, plant and equipment	1,801	3,462
Accruals	15,230	5,185
Accrued staff costs	12,445	21,536
Deposits from concessionaire suppliers (Note i)	26,800	21,539
Customer prepaid gift cards (Note ii)	172,567	147,555
Other PRC tax payable	13,987	22,449
Others	22,016	23,583
	264,846	245,309
	575,246	630,471

Notes:

(i) The deposits from concessionaire suppliers are refundable upon expiry of the concessionaire agreements.

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

24. BANK BORROWINGS

	2009 *RMB'000*	*2008* *RMB'000*
Secured bank borrowings (Note)	520,206	695,439
Carrying amount repayable:		
Within one year	261,930	394,780
More than one year, but not exceeding two years	43,740	40,462
More than two year, but not exceeding five years	143,371	135,883
More than five years	71,165	124,314
	520,206	695,439
Less: Amounts due within one year shown under current liabilities	(261,930)	(394,780)
	258,276	300,659

The bank borrowings comprise:

	2009 *RMB'000*	*2008* *RMB'000*
Fixed-rate borrowings	-	195,276
Variable-rate borrowings	520,206	500,163

The effective interest rates, which are also equal to contracted interest rates, per annum at the end of reporting period are as follows:

	2009 %	2008 %
Fixed-rate borrowings	-	2.950~8.217
Variable-rate borrowings	4.375~6.712	6.804~8.136

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 as at 31 December 2009 (31 December 2008: RMB35,276,000).

Note:
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 22.

25. SHARE CAPITAL

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

	Number of shares	Share capital US$'000
Authorised		
Ordinary shares of US$0.005 each		
At 1 January 2008, 31 December 2008 and 31 December 2009	5,000,000,000	25,000
Issued and fully paid		
Ordinary shares of US$0.005 each		
At 1 January 2008, 31 December 2008	10,200,000	51
Issue of new shares on 15 December 2009	1,000,000,000	5,000
Issue by capitalisation of share premium	2,989,800,000	14,949
At 31 December 2009	4,000,000,000	20,000

	2009 RMB'000	2008 RMB'000
Presented as	136,590	382

On 15 December 2009, 1,000,000,000 ordinary shares of US$0.005 each of the Company were issued at HK$1.95 by way of placing and public offer ("New Issue"). On the same date, the Company's shares were listed on the Main Board of the Stock Exchange.

Subject to the share premium account of the Company being credited as a result of the New Issue, the Company allotted and issued a total of 2,989,800,000 Shares credited as fully paid at par to the shareholders of the Company whose names appear on the register of members of the Company at the close of business on 15 December 2009 of the relevant board resolution in proportion to their then existing respective shareholdings by way of capitalisation standing to the credit of the share premium account of the Company, and the Shares be allotted and issued pursuant to this resolution rank pari passu in all respects with the existing issued shares.

26. 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 from prior year.

The capital structure of the Group consists of net debt, comprising bank borrowings as disclosed in Note 24, net of 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 statement 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.

27. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2009	*2008*
	RMB'000	*RMB'000*
Financial assets:		
Loans and receivables		
(including cash and cash equivalents)	2,035,719	406,825
Financial liabilities:		
Amortised cost	1,043,328	1,217,752

Financial risk management objectives and polices

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, bank balances and cash. Details of these financial instruments are disclosed in the respective notes.

The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk. 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 from prior year.

Market risk

(i) Currency risk

The Group undertakes certain consultancy service and has bank balances and borrowing which are denominated in various 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.

27. FINANCIAL INSTRUMENTS - continued

Financial risk management objectives and polices - continued

Market risk - continued

(i) Currency risk - continued

The carrying amount of the Group's monetary assets and monetary liabilities at the reporting date which are not denominated in RMB are as follows:

	2009	*2008*
	RMB'000	*RMB'000*
Assets		
US$	90,230	771
HK$	1,534,432	4,428
Liabilities		
HK$	-	35,276

Foreign currency sensitivity

The following table details the Group's sensitivity to a 5% change in the RMB against the US$ and HK$ respectively. The rate represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding monetary items and adjusts their translation at the year end for a change in foreign currency rates. A positive number below indicates an increase in profit for the year and a negative number indicates a 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.

	2009	*2008*
	RMB'000	*RMB'000*
US$		
Decrease in profit for the year	(4,511)	(38)
HK$		
(Decrease) increase in profit for the year	(76,552)	1,529

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

(ii) Interest rate risk

The Group 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 variable 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 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.

27. FINANCIAL INSTRUMENTS - continued

Financial risk management objectives and polices - continued

Market risk - continued

(ii) Interest rate risk - continued

Interest rate sensitivity

The sensitivity analyses below have been determined based on the exposure to interest rates for variable interest rate bank borrowings and bank balances. The analysis is prepared assuming the variable interest rate bank borrowings and bank balances outstanding at the reporting date were outstanding for the whole year. A 50 basis point for bank borrowings and 25 basis for bank balances (2008: 50 basis point for bank borrowing and 25 basis for bank balances) 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.

If interest rates had been increased (decreased) by 50 basis points for bank borrowings and 25 basis points for bank balances (2008: 50 basis point for bank borrowing and 25 basis for bank balances) and all other variables were held constant, the Group's net profit would increase (decreased) by RMB2,670,000 (2008: decrease (increase) by RMB1,709,000).

Credit risk

As at 31 December 2009, the Group'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 statement of financial position at the reporting date.

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 statement 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 the ending of the reporting period 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 Group's liquid funds are concentrated in a few banks, the credit risk of which is limited because the the counterparties are state-owned banks or banks with high credit ratings by international credit-rating agencies.

The Group's amounts due from related companies are also concentrated on a few counterparties.Other than this, the Group has no significant concentration of credit risk for receivables, with exposure spread over a large number of counterparties and customers.

27. FINANCIAL INSTRUMENTS - continued

Financial risk management objectives and polices - continued

Liquidity risk

Appropriate liquidity risk management framework has been established 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 following table details the Group'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 can be required to pay. The table includes both interest and principal.

	Weighted average interest rates %	Less than 1 month RMB'000	1-3 months RMB'000	3 months to 1 year RMB'000	1-5 years RMB'000	Over 5 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
As at 31 December 2009								
Non-interest bearing		383,011	88,317	51,794	-	-	523,122	523,122
Variable interest rate instruments	5.616	35,849	91,452	157,072	230,262	75,017	589,652	520,206
		418,860	179,769	208,866	230,262	75,017	1,112,774	1,043,328
As at 31 December 2008								
Non-interest bearing		369,834	86,881	65,598	-	-	522,313	522,313
Fixed interest rate instruments	6.291	39,848	19,590	140,888	-	-	200,326	195,276
Variable interest rate instruments	7.025	6,464	12,745	214,183	248,567	139,009	620,968	500,163
		416,146	119,216	420,669	248,567	139,009	1,343,607	1,217,752

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.

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

28. 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:

	2009 *RMB'000*	*2008* *RMB'000*
Minimum lease payments	73,027	74,460
Contingent rentals	22,720	21,703
	95,747	96,163

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 31 December 2009, 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:

	2009 *RMB'000*	*2008* *RMB'000*
Within one year	78,530	71,782
In the second to fifth year inclusive	271,269	275,528
Over five years	235,395	267,797
	585,194	615,107

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:

	2009 *RMB'000*	*2008* *RMB'000*
Minimum lease payments	23,648	22,849
Contingent rentals	5,565	5,493
	29,213	28,342

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

28. OPERATING LEASE COMMITMENTS - continues

At 31 December 2009, the Group has contracted with tenants for the following future minimum lease payments in respect of properties rented out:

	2009 *RMB'000*	*2008* *RMB'000*
Within one year	17,533	18,711
In the second to fifth year inclusive	6,307	18,898
	23,840	37,609

29. SHARE-BASED PAYMENT TRANSACTIONS

(a) Equity-settled share option scheme

The board of directors (the "Board") of the Company announces that on 17 December 2009, the Company offered share options to certain directors and employees to subscribe for a total of 42,000,000 ordinary shares of US$0.005 each in the capital of the Company, under the share option scheme of the Company adopted on 5 November 2009, details of which are set out below:

	Date of grant	Vesting period	Exercise period	Exercise price
Tranche 1: 14,000,000	17/12/2009	17/12/2009 to 16/12/2010	17/12/2010 to 17/12/2019	HK$ 2.36
Tranche 2: 14,000,000	17/12/2009	17/12/2009 to 16/12/2011	17/12/2011 to 17/12/2019	HK$ 2.36
Tranche 3: 14,000,000	17/12/2009	17/12/2009 to 16/12/2012	17/12/2012 to 17/12/2019	HK$ 2.36

Vesting conditions:

On the subject to the terms of the share option scheme, the option shall only be exercisable in respect of such part thereof that has been vested in accordance with the following manner:

Fraction of the shares covered Under the option	Vesting date
1/3	First anniversary of the offer date
1/3	Second anniversary of the offer date
1/3	Third anniversary of the offer date

The option shall only by exercisable in respect of the employee still under service for the Group as at the vesting date.

29. SHARE-BASED PAYMENT TRANSACTIONS - continued

(b) Movements in share options

	Outstanding at 1/1/2009	Granted during 2009	Exercised during 2009	Forfeited during 2009	Expired during 2009	Outstanding at 31/12/2009
Option granted as at December 17. 2009	-	42,000,000	-	-	-	42,000,000

The fair value of the options determined at the date of grant using the Binomial Model is approximately HK$ 35,405,000 (equivalent to RMB31,479,000).

(c) Faire value of share options granted

The fair value were calculated using the Binominal model. The inputs into the model were as follows:

	2009
Exercise price	HK$2.36
Expected volatility	51.58%
Contractual life	10 Years
Risk-free rate	2.40%
Expected dividend yield	1.50%

Expected volatility was determined with reference to the historical volatilities of the share prices of the comparable companies with similar business as the Company.

The Group recognised the total expense of RMB701,000 for the year ended 31 December 2009 in relation to share options granted by the Company.

30. RELATED PARTY TRANSACTIONS

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

Name	Relationship
Ports International Enterprises Limited ("PIEL")	Ultimate holding company, controlled Alfred Chan and Edward ("the Chan family")
Century Ports Apparel (Xiamen) Ltd.	Company controlled by PIEL
PCD Stores (Xiamen) Limited ("PCD Stores (Xiamen)")	Company controlled by the Chan Family
Scitech Group Company Limited	Company controlled by Alfred Chan and Edward Tan's immediate family members (the ''broader Chan family'')
Even Time Investments Limited	Company controlled by the broader Chan family
LDP Management Ltd	Company controlled by the broader Chan family
Double Eight Enterprises Limited	Company controlled by the broader Chan family
Goal Gain Investments Limited	Company controlled by 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 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
Xiamen Ruijing Chun Tian Department Co., Ltd ("PCD Ruijing") 廈門瑞景春天百貨有限公司	Company controlled by the broader Chan family

30. RELATED PARTY TRANSACTIONS - continued

(b) The Group entered into the following significant transactions with related parties during the year:

	2009 RMB'000	2008 RMB'000
Commission income		
Ports Fashion (Xiamen) Limited	927	227
Century Ports Apparel (Xiamen) Limited	14,919	17,490
Vivienne Tam Fashion (Xiamen) Limited	171	-
	16,017	17,717
Management consultancy service income		
Guiyang Guomao	11,800	-
Guiyang Nanguo Huajin	3,320	-
Liupanshui Guomao	120	-
PCD Ruijing	1,169	-
Even Time Investments Limited	3,550	-
LDP Management Limited	18,000	-
	37,959	-
Rental expense		
Scitech Group Company Limited (Note i)	47,836	48,605
Interest income		
PCD Stores (Xiamen) (Note ii)	10,710	-
	10,710	-

Notes:

(i) Pursuant to a lease entered into by Scitech Group Company Limited and the Group, Scitech Group Company Limited agreed to lease to the Group with effect from 1 July 2007 the Scitech Plaza, a deparment store, for a term of 12 years. Scitech Group Company Limited is the owner of the Scitech Complex, consisting of an office, hotel, restaurants and retail complex, which includes Scitech Plaza.

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

(ii) The interest income during the year ended 31 December 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).

30. RELATED PARTY TRANSACTIONS - continued

(c) At the end of the reporting period, the Group had the following balances with related parties:

Amounts due from related parties

	2009 RMB'000	2008 RMB'000
Trade nature		
Guiyang Guomao	1,966	-
Guiyang Nanguo Huajin	554	-
Liupanshui Guomao	20	-
PCD Ruijing	801	-
LDP Management Limited	13,987	-
	17,328	-
Non-trade nature		
PCD Stores (Xiamen)	-	197,758
Beijing Scitech Outlet Commerce & Trading	-	2,452
Beijing Chun Tian Real Estate	-	39
	-	200,249
	17,328	200,249

The following is an aged analysis of amounts due from related parties for trade nature based on invoice date at the end of the reporting period:

	2009 RMB'000	2008 RMB'000
Within 60 days	10,749	-
61 days to 120 days	6,579	-
	17,328	-

30. RELATED PARTY TRANSACTIONS - continued

Amounts due from related parties - continued

The trade credit period granted to related parties ranging from 30 days to 90 days.

Amounts due from related parties that are trade nature with a carrying amount of RMB6,579,000 as at 31 December 2009 were overdue for which the Group has not provided for impairment loss as there has not been a significant change in credit quality and the amounts are still considered recoverable.

The maximum balance outstanding for non-trade nature amounts due from related parties during the year was as follows:

	RMB'000
PCD Stores (Xiamen)	618,364
Beijing Scitech Outlet Commerce &Trading	6,489
Beijing Chun Tian Real Estate	39
	624,892

The non-trade nature of amount due from related parties for the year ended 31 December 2008 were unsecured and interest free and were fully recovered in 2009.

Amounts due to related parties

	2009 *RMB'000*	*2008* *RMB'000*
Trade nature		
Century Ports Apparel (Xiamen) Limited	9,206	46,841
Ports Fashion (Xiamen) Limited	761	1,984
Scitech Group Company Limited	28,907	38,492
Vivienne Tam Fashion (Xiamen) Limited	250	-
	39,124	87,317
Non-trade nature		
PCD Stores (Xiamen)	122,981	-
	162,105	87,317

The following is an aged analysis of amount due to related parties for trade nature based on invoice date at the end of the reporting period:

	2009 *RMB'000*	*2008* *RMB'000*
Within 60 days	19,191	57,617
61 days to 120 days	7,973	7,289
121 days to 1 year	11,960	22,411
	39,124	87,317

30. RELATED PARTY TRANSACTIONS - continued

(d) Compensation of key management personnel

The emoluments of key management during the year (except for those of the directors as disclosed in Note 11) were as follows:

	2009 *RMB'000*	*2008* *RMB'000*
Short-term employees benefits	3,334	1,901
Post-employment benefits	350	109
Equity-settled share-based payments	25	-
	3,709	2,010

(e) Guarantee on bank borrowing

At 31 December 2008, the Group's bank borrowings of RMB65,276,000 were guaranteed by PIEL. The guarantee has been released during the year.

(f) Other related party transactions

At 29 November 2009, the Company entered into seperate contracts with Double Eight Enterprises Limited, LDP Management Ltd and PCD Stores (Xiamen) respectively ("Relevant Owners"), all of which are controlled by Chan Family or Broader Chan Family, to acquire of the Relevant Owners' interests in PCD China Ventures, Even Time Investments Limited, Goal Gain Investments Limited and PCD Ruijing ("Individual Entities") in the future, for a consideration at the lower of (i) the cost of investment incurred by the Relevant Owners in Individual Entities and (ii) the prevailing fair market value of Individual Entities as determined by an independent firm of international valuers. These contracts are valid for an unspecified period and are valid as long as the Company is listed in the Stock Exchange and they are subject to the approval by the Company's independent non-executive Directors and compliance with the provisions of Chapter 14A of the Listing Rules and the approval by the relevant government authority, if necessary.

For more detailed information of above contracts, please refer to the section "Relationship With Our Ultimate Controlling Shareholders and Connected Transactions" of the Prospectus of the Company dated on 3 December 2009.

At the date of this report, the Company cannot estimate the potential financial impact of the above transactions to the Group.

31. CAPITAL COMMITMENTS

	2009 RMB'000	2008 RMB'000
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	603,497	-

32. MAJOR NON-CASH TRANSACTIONS

During the year, additions to construction in progress of RMB122,981,000 (2008: Nil) were paid by a related party on behalf of the Group and the Group's obligation is included in amounts due to related parties as shown in note 30(c).

33. SUBSEQUENT EVENTS

Subsequent to 31 December 2009, the Group had the following subsequent events:

(1) On 5 January 2010, the Company issued an additional 225,000,000 ordinary shares of US$0.005 each at the price of HK$1.95 per Share by means of exercise of the Over-allotment Option as set out in its prospectus.

(2) On 22 February 2010, the Group entered into an agreement to dispose its interest in PCD Songbai to Mr. Liu Jiaguang, an independent third party, with a cash consideration of RMB10,744,500, which has no significant financial impact to the Group.

34. PARTICULARS OF SUBSIDIARIES

Name of subsidiary	Place of incorporation	Issued and fully paid-up share capital/ registered capital	Equity interest attributable to the Company as at 31 December 2009 Direct %	31 December 2009 Indirect %	31 December 2008 Direct %	31 December 2008 Indirect %	Principal activities
PCD China Real Estate Limited	The BVI	US$1	100	-	100	-	Investment holding
Zhongshan PCD Stores (Xiamen) 中山巴黎春天(廈門)百貨有限公司	The PRC	US$5,000,000	-	100	-	100	Retailing business
PCD Real Estate (Xiamen) 巴黎春天房地產(廈門)有限公司	The PRC	US$19,000,000	-	100	-	100	Property leasing
PCD World Trade (Xiamen) 廈門世貿巴黎春天百貨有限公司	The PRC	RMB3,000,000	-	100	-	100	Retailing business
PCD Continental 廈門大陸春天百貨有限公司 (Formerly known as 廈門大陸萊雅百雅有限公司)	The PRC	RMB1,000,000	-	100	-	100	Retailing business
PCD Stores (Taiyuan) 太原巴黎春天百貨有限公司	The PRC	RMB5,000,000	-	100	-	100	Retailing business
PCD Stores (Jilin) 吉林省巴黎春天百貨有限公司	The PRC	RMB10,000,000	-	100	-	100	Retailing business
Zhongshan PCD Stores (Qingdao) 青島中山巴黎春天百貨有限公司	The PRC	RMB5,000,000	-	100	-	100	Retailing business
Laiya Department Management (Xiamen) 廈門萊雅百貨管理有限公司	The PRC	RMB1,000,000	-	100	-	100	Operation and management of department stores
PCD Stores (Guangxi) 廣西巴黎春天百貨有限公司	The PRC	RMB5,000,000	-	100	-	100	Retailing business
PCD Songbai 廈門松柏春天百貨有限公司 (Formerly known as 廈門萊雅百貨有限公司)	The PRC	RMB11,000,000	-	95	-	95	Retailing business
PCD Retail Management Inc. ("PCD Retail Management")	The BVI	-	-	99.2	-	99.2	Operation and management of department stores

34. PARTICULARS OF SUBSIDIARIES - continued

Name of subsidiary	Place of incorporation	Issued and fully paid-up share capital/ registered capital	Equity interest attributable to the Company as at 31 December 2009 Direct %	31 December 2009 Indirect %	31 December 2008 Direct %	31 December 2008 Indirect %	Principal activities
Beijing Scitech Department Store 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	RMB10,000,000	-	100	-	100	Retailing business
PCD Retail Operations Limited	The BVI	-	100	-	100	-	Investment holding
Xian Century Changan Property Investment 西安世紀長安物業投資管理有限公司	The PRC	RMB126,000,000	-	100	-	100	Property investment and management of department stores
PCD Stores Information Consulting (Xiamen) 廈門巴黎春天百貨信息咨詢有限公司	The PRC	RMB2,000,000	-	100	-	100	Information consulting
Dragon Talent Development Limited ("Dragon Talent")	Hong Kong	-	-	100	-	100	Investment holding
Well Power Enterprise Limited ("Well Power")	Hong Kong	-	-	100	-	100	Investment holding
Jiahe Chuntian 嘉禾春天商貿(廈門)有限公司	The PRC	HK$750,000	-	100	-	100	Retailing business
Qingdao Chuntian 青島世紀春天信息咨詢有限公司	The PRC	RMB200,000	-	100	N/A	N/A	Information consulting
Beijing Yuanyongxin 北京源永信信息咨詢有限公司	The PRC	RMB200,000	-	100	N/A	N/A	Information consulting
PCD Lotus 廈門蓮花百貨有限公司	The PRC	RMB5,286,160	-	100	N/A	N/A	Retailing business

For those PRC subsidiaries, except Zhongshan PCD Stores (Xiamen) and PCD Real Estate (Xiamen) are wholly foreign-owned, the others are all PRC limited liability companies.

CORPORATE INFORMATION

Directors
Executive Directors:
Mr. Chan Kai Tai Alfred (Chairman and Executive Director)
Mr. Tan Han Kiat Edward (Executive Director)
Mr. Lau Kim Yip Tony (Executive Director and President)

Independent Non-Executive Directors:
Mr. Li Chang Qing
Mr. Tai Ainsley
Mr. Yu Randolph

Registered Office
Appleby Trust (Cayman) Limited
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Company Secretary
Ms. Su Shaohua Charlotte (HKICPA, CICPA, MPACC)

Authorized Representatives
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Rm 102, Sunbeam Center
27 Shing Yip Street
Kowloon
Hong Kong

Ms. Su Shaohua Charlotte
Unit 3A, 363-365 King's Road
North Point
Hong Kong

Audit Committee
Mr. Li Chang Qing (Chairman)
Mr. Tai Ainsley
Mr. Yu Randolph

Remuneration Committee
Mr. Tai Ainsley (Chairman)
Mr. Li Chang Qing
Mr. Chan Kai Tai Alfred

Principal Share Registrar and Transfer Office
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Services Limited
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Principal Bankers
China Construction Bank
Bank of China

Compliance Adviser
Evolution Watterson Securities Limited
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Company Website
www.pcds.com.cn

Stock Code
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公司資料

董事
執行董事：
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陳漢傑先生（執行董事）
劉建業先生（執行董事）
獨立非執行董事：
李常青先生
Ainsley Tai 先生
余士弘先生

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公司秘書
蘇少華女士
（香港執業會計師、中國註冊會計師、會計碩士）

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Ainsley Tai 先生
余士弘先生

薪酬委員會
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李常青先生
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