2010

PCD Stores (Group) Limited
ANNUAL REPORT

中國春天百貨集團有限公司*
PCD Stores (Group) Limited

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 331)

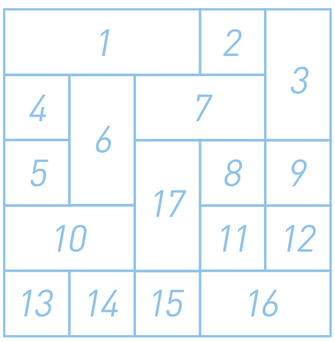
* For identification purpose only

Capital
国贸广场
国贸集团

CONTENTS

As of 31 December 2010, 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 Xiamen
14. Zunyi Guomao, Zunyi
15. PCD Changchun, Changchun
16. PCD Xi'an, Xi'an
17. PCD Ruijing, Xiamen

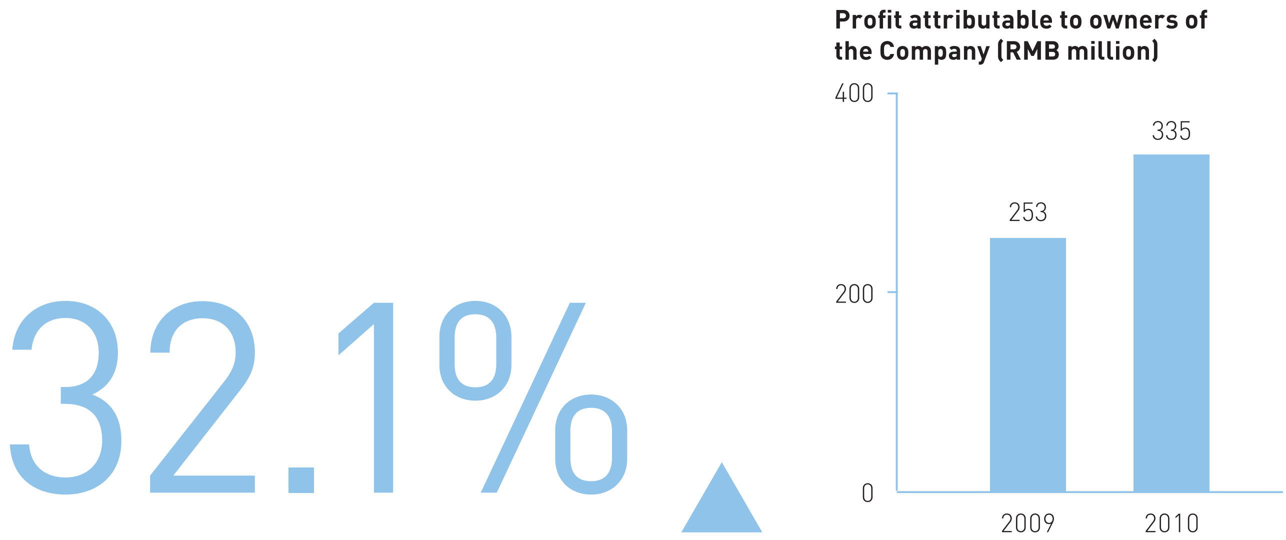


CORPORATE PROFILE

PCD STORES (GROUP) LIMITED (the "Company") operates a national department store and outlet mall network in China with an emphasis on **high-end**, **luxury products**, generally targeting **high-income earners**. Stores are operated on either a self-owned, or managed basis.

Our network offers a sophisticated, upscale shopping experience consistent with the branding and image of the high-end and luxury merchandise in our stores. Our principal business strategy is to bring Chinese consumers **luxury** and **high-end** merchandise that is tailored to local market preferences, by operating flagship department stores and best-in-class outlet malls throughout China that offer a pleasant shopping environment under the PCD (巴黎春天) and Scitech brands. As of 31 December 2010, our network consists of 16 department stores and 1 outlet mall.

FINANCIAL HIGHLIGHTS

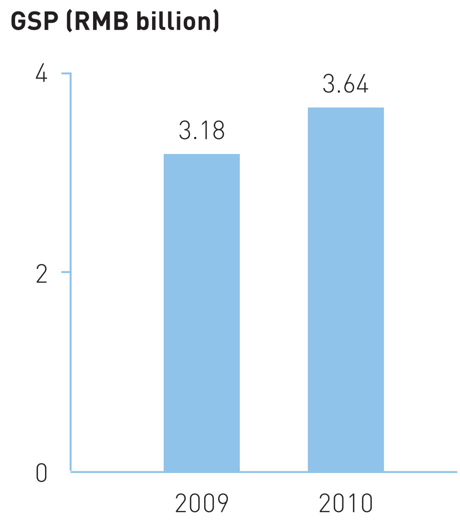


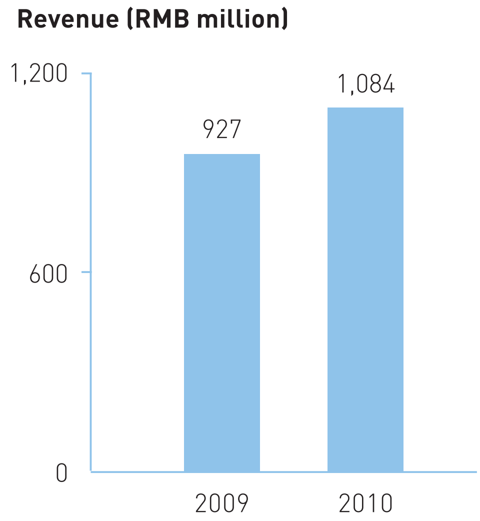
PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY INCREASED BY 32.1% TO RMB335 MILLION

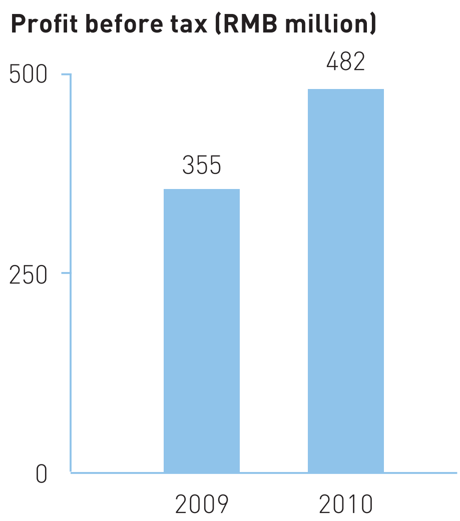
Operating Result (RMB million)	2009	2010	Year-on-Year Growth
Gross Sales Proceeds[1]	3,175.2	**3,638.5**	+14.6%
Revenue	927.0	**1,084.4**	+17.0%
Profit Before Tax	354.7	**482.2**	+36.0%
Profit Attributable to Owners of the Company	253.4	**334.7**	+32.1%
Net Profit Margin	28.6%	**32.7%**	N/A

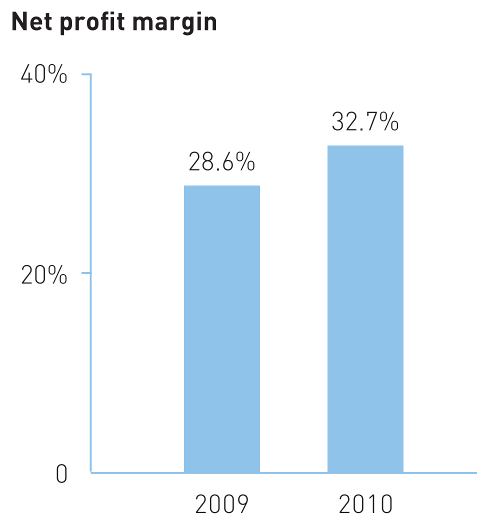
Note:

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









NET PROFIT MARGIN INCREASED BY 410 BASIS POINTS TO 32.7%

32.7%

Balance Sheet Items (RMB million)	As at 31 December 2010
Property, plant and equipment	1,888.5
Investment property	629.5
Bank balances and cash	1,401.9
Bank borrowings	1,095.7
Net assets	2,365.5

CHAIRMAN'S STATEMENT

REVIEW OF 2010

China's retail industry has shown a healthy growth in 2010, driven by the Chinese government's expansionary policy on domestic consumption as well as strong economic growth during the year. Our Group continued to execute our strategy of (i) focusing on the high-income consumer market, and (ii) expanding into other regions with high growth potential, both of these strategies had continued to result in tremendous success for the year 2010. As such, we are pleased to announce that in 2010, our revenue grew by 17.0%, reaching RMB1,084.4 million in 2010 and our gross sales increased by 14.6%, reaching RMB3,638.5 million. Our profit for the year amounted to RMB354.3 million, representing an increase of 33.5%. After tax net profit to shareholders was RMB334.7 million, representing a growth of 32.1%.

In September 2010, our Group successfully completed the acquisition of three department stores in Guizhou province from our controlling shareholders. The total consideration of the acquisition was approximately RMB551.0 million, representing a discount of more than 40% to the fair market value. Our Group considered this acquisition as another important milestone in our business development and expansion. The addition of these three department stores to our store network, has enabled the Group to establish a very solid footprint in Guizhou, a province that has demonstrated continuous strong retail growth for the past several years. The three newly acquired department stores have performed well during 2010, and continue to enjoy robust growth in both revenue and profit. With the success of this acquisition, our Group has plans to further bolster our presence in the region. Two additional department stores are planned. Both are located in prime locations in Guiyang, the provincial capital of Guizhou, with one department store scheduled for opening in 2011. Upon the opening of this department store and together with two other existing managed stores in Guizhou, our Group will be firmly entrenched with six department stores in operation in Guiyang during 2011. This will strengthen our dominance in this high-growth region in China.

To capture the opportunities available in the fast-growing Western region of China, the Group devoted significant resources to develop our presence in this area. Xi'an Project Phase II in Xi'an, the provincial capital of Shanxi province, is anticipated to complete by 2011. By that time, the expanded PCD Xi'an Store will provide to Xi'an with an over 70,000 square meters modern retail space, which signifies our intention of expanding our retail network in this highly-regarded area. This department store is part of a landmark complex in Xi'an which also comprises a 5-star international hotel and five office towers. Major retail tenants, particularly top-tier international fashion and jewelry brands, have shown great interest in establishing a presence in our upcoming property. With this department store as our anchor in the region, our Group will enjoy a strong footprint and brand recognition in the area, and to leverage on this, our Group will continue to evaluate other potential store locations in Xi'an and nearby areas.

The year 2010 also marks the first full year of operation of our Beijing Scitech Premium Outlet Mall. This 44,000 square meters outlet retail space has become a destination for customers looking for a comfortable shopping environment with offerings from top international brands at attractive discounts. In addition to ample parking space, the outlet mall is also accessible by Subway Line 14 with an exit directly adjacent to our site. Brand mix of Beijing Scitech Premium Outlet Mall has improved continuously, with new premium brand entrants, which, together with the increasing number of food and beverage establishments within the outlet mall, serve to enhance the shopping experience and enjoyment of the customers. The management team is satisfied with the current performance of the outlet mall, and plans to acquire this outlet mall from our controlling shareholders during 2011.

OUTLOOK

From a macroeconomic perspective, the Directors believe that a modest inflationary environment along with the Chinese government's focus on expanding domestic consumption should encourage the growth of the retail industry in the year ahead. The increasing pace of urbanization as evidenced in many large cities as well as solid economic growth in tier-3 and tier-4 cities in China also present new opportunities to our Group. Our management team is excited by the prospects of the retail market in China in 2011 and is actively evaluating potential opportunities to further expand our store network and continue to lay the foundation for our future growth.

To equip ourselves to take on attractive opportunities available in the market, our Group decided to broaden its sources of funding and extend its credit profile to tie in with its investment horizon. On 1 February 2011, our Group issued 3-year RMB-denominated guaranteed bonds. The total amount of the bonds issued was RMB750 million, at an annual coupon rate of 5.25%. The bonds were listed on the Singapore Stock Exchange and our Directors were encouraged that the bonds were very well received by international investors. The successful offering of the bonds signified a strong endorsement by investors to our Group's financial performance as well as its ability to deliver continuous and sustainable growth.

In the year ahead, our Group intends to continue to focus primarily on the high-income market, while evaluating potential acquisition targets and greenfield opportunities to further expand and strengthen our store network. The inclusion of pipeline projects identified to date, could potentially see an increase of more than 40% in the GFA of department stores and outlet malls under our operation and management. This expansion would serve as a solid foundation for the Group to maintain its growth in the future. At the same time, the management team is upgrading and improving the existing operations at each of our stores, which include hardware renovations, addition of new tenants and enhancement of the experience that each store provides to its customers.

Being encouraged by the solid performance of our Beijing Scitech Outlet Mall, our Group is actively exploring potential new sites in major tier-1 and tier-2 cities to expand our outlet mall network. Our Group plans to launch an outlet mall project in the second half of 2011 in Shenyang, the provincial capital of Liaoning province and an area that has shown strong consumption power in the last several years. The Directors are excited about this upcoming project and are confident that this new outlet mall will generate positive returns for our Group. Our parent company and us continue to enter into discussions and arrangements with business partners, property owners, developers, and municipal and city governments in relation to potential department store and outlet mall developments in selected cities. We will keep our stakeholders timely informed of the progress of all such initiatives at an appropriate time.

The Directors are satisfied and continue to be confident about our Group's development. The Board has decided to declare a year-end dividend of RMB0.019 per share. With our financial resources supported by a prudent fiscal policy, our management team strives to execute our Group's expansion strategy, build a strong foundation, and deliver satisfactory returns to our stakeholders in this exciting market.

Chan Kai Tai Alfred
Chairman

29 March 2011
Xiamen, China

Modern Capital
FLORA PLAZA
AJ | ARMANI JEANS

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL OVERVIEW

Due to the acquisition of Goal Gain Investments Limited ("Goal Gain") and its subsidiaries from our controlling shareholders in September 2010, the principles of merger accounting have been applied as our Group and Goal Gain were under common control. As a result, the consolidated financial statements of the Company for the year 2009 have been restated as if Goal Gain and its subsidiaries had been the subsidiaries of the Group throughout the year ended 31 December 2009.

In 2010, the Group's revenue grew by 17.0% reaching RMB1,084.4 million and net profit grew by 33.5% reaching RMB354.3 million, from RMB927.0 million and RMB265.4 million in 2009 respectively. Prior to restatement, the Group's revenue and net profit in 2009 were RMB766.3 million and RMB242.6 million respectively.

Revenue

The Group's GSP reached RMB3,638.5 million in 2010, increased by RMB463.3 million or 14.6% from RMB3,175.2 million of 2009, with a gross margin (combination of concessionaire and direct sales margins) of 19.7% in 2010 as compared with 19.9% in 2009. Concessionaire sales contributed approximately 92.2% of the total GSP and direct sales accounted for the remaining 7.8% compared with 92.5% and 7.5% in 2009 respectively. With this sales growth as well as the management income stream from Beijing Scitech Premium Outlet Mall, the Group managed to increase revenue by RMB157.3 million or 17.0% to RMB1,084.4 million as compared with 2009.

Other Income

Other income increased by RMB31.7 million or 28.1% to RMB144.6 million as compared with 2009, which was mainly due to the interest income generated from the proceeds of the successful listing of the Company in 2009. As a percentage of revenue, other income rose from 12.2% to 13.3% as compared with 2009.

Purchase of Goods and Changes in Inventories

The purchase of goods and changes in inventories include costs incurred for direct sales and changes in those inventories. Purchase of goods and changes in inventories were up by RMB36.4 million or 19.8% to RMB220.6 million as compared with 2009.

Employee Benefits Expense

Employee benefits expense increased by RMB22.3 million or 20.4% to RMB131.9 million when compared with 2009. The increase was primarily attributable to a RMB18.0 million of non-cash expense related to stock options granted to our employees. As a percentage of revenue, the employee benefits expense increased from 11.8% to 12.2% as compared with 2009.

Depreciation and Amortization

Depreciation and amortization increased by RMB3.9 million or 8.2% to RMB51.5 million compared with 2009. This was mainly attributable to the depreciation of leasehold improvement on existing properties incurred in 2009.

Operating Lease Rental Expense

Operating lease rental expense recorded at RMB113.9 million, representing an increase of RMB7.7 million or 7.3% when compared with 2009 — a growth rate which was lower than that of sales growth — due to a large proportion of rental expense being calculated on a fixed basis. As a percentage of revenue, operating lease rental expense decreased from 11.5% to 10.5% when compared with 2009.

MANAGEMENT DISCUSSION AND ANALYSIS – CONTINUED

Other Operating Expenses

Other operating expenses increased by RMB2.1 million or 1.0% to RMB206.1 million. Excluding the listing expenses incurred in 2009 which was one-off in nature, other operating expenses would have increased by RMB18.6 million or 9.9% as compared with 2009.

Finance Costs

Finance costs decreased by RMB19.7 million or 36.7% to RMB33.9 million when compared with 2009. This was mainly due to the reduction in bank borrowings during the year.

Income Tax Charge

The Group's income tax expense increased by RMB38.6 million or 43.2% to RMB127.9 million when compared with 2009. The effective tax rate in 2010 was 26.5%, which was higher than that of 25.2% in 2009 due to deferred tax liabilities relating to investment property and withholding tax.

Profit for the Year

As a result of the improvement in revenue and better cost structure, despite the higher effective tax rate, the profit for the year reached RMB354.3 million, representing an improvement of RMB89.0 million or 33.5% as compared with 2009. As a percentage of revenue, profit for the year improved from 28.6% to 32.7% as compared with 2009.

Profit Attributable to the Owners of the Company

Profit attributable to the owners of the Company increased by RMB81.3 million or 32.1% to RMB334.7 million when compared with 2009.

Liquidity and Financial Resources

Bank balances and cash of the Group decreased by RMB718.2 million or 33.9% to RMB1,401.9 million when compared with 2009, which was mainly due to capital expenditure incurred for Xi'an Phase II project and acquisition of three department stores in Guizhou province.

The Group had total borrowings of RMB1,095.7 million as at 31 December 2010, 37.7% of which is repayable within one year, 23.4% is repayable within two to five years and the remaining 38.9% is not repayable within one year but contain a repayment on demand clause. The increase in bank borrowings by RMB413.5 million or 60.6% was mainly due to the additional loan financing of the Xi'an Phase II project during the year, as well as the acquisition of three department stores in Guizhou province in the second half of 2010.

Material Acquisitions

On 10 September 2010, the Group acquired the entire issued share capital of Goal Gain, which is the 100%. holding company of Gain Win Limited, from LDP Management Limited for a consideration of RMB551,030,251.3 in cash. Gain Win Limited held 75%. of the equity interest of Guiyang Guomao Guangchang Commercial Trading Co. Ltd., a company incorporated in the PRC, which was in turn the operator of Guiyang Guomao department store and held 51%. of the equity interest in each of Guiyang Nanguo Huajin Department Store Limited, the operator of Guiyang Nanguo Huajin department store, and Liupanshui Guomao Guangchang Chun Tian Department Stores Limited, the operator of Guomao Liupanshui department store. In addition, Gain Win Limited directly held 36.76%. of the equity interest in each of Guiyang Nanguo Huajin Department Stores Limited and Liupanshui Guomao Guangchang Chun Tian Department Stores Limited. After the acquisition, the Group became the operator of Guiyang Guomao department store, Guiyang Nanguo Huajin department store and Guomao Liupanshui department store.

Capital Commitments

The capital commitments of the Group as at 31 December 2010 were RMB589.6 million.

Net Current Assets and Net Assets

The Group's net current liabilities as at 31 December 2010 were RMB78.4 million compared with net current assets of RMB810.0 million as at 31 December 2009. The decrease is mainly attributable to the cash payment in relation to capital expenditure for Xi'an Phase II project as well as a 5-year term loan of RMB425.5 million raised for the acquisition of the three department stores in Guizhou province. This 5-year term loan is classified as current liabilities because it contains a repayment on demand clause. Net assets of the Group reached RMB2,365.5 million as at 31 December 2010 due to increase in retained earnings of the Group.

The gearing ratio as at 31 December 2010 was 0.46, which was calculated by dividing total borrowings by total equity.

Pledge of Assets

As at 31 December 2010, certain of the Group's properties with an aggregate carrying amount of RMB315.3 million (31 December 2009: RMB457.4 million) were pledged as security for the bank loans 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 2010, the total number of employees for the Group was approximately 2,100. The Group's remuneration policies are reviewed annually, and are formulated according to the experience, skills and performance of individual employees, as well as market practice.

Contingent Liabilities

As at 31 December 2010, the Group did not have any significant contingent liabilities.

Treasury Policies

The Group mainly operates in the PRC with most of its business transactions denominated in Renminbi. Hence, the Group would be exposed to foreign exchange fluctuation and translation risk, arising from the exposure of Hong Kong dollars against Renminbi. The Group would consider using forward contracts or currency borrowings to hedge its foreign exchange risk as appropriate.

Purchase, Sale or Redemption of Listed Shares of the Company

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed interest in any of the Company's listed shares during the year 2010.


北京赛特奥莱
BEIJING SCITECH
PREMIUM OUTLET MALL
I ❤ 奥莱
大品牌 小价格
Big Brands Small Prices
MAPEX

CORPORATE GOVERNANCE

The Group is committed to maintaining the highest standards of corporate governance. 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 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

In the opinion of the Directors, the Company had been in compliance with the CG Code throughout the year ended 31 December 2010, except for the following:

BOARD OF DIRECTORS

The Board comprises of three executive Directors and three non-executive Directors.

Executive Directors

Mr. Alfred Chan *(Chairman)*
Mr. Edward Tan
Mr. Tony Lau *(President)*

Independent Non-executive Directors

Mr. Li Chang Qing
Mr. Ainsley Tai
Mr. Randolph Yu

As of 31 December 2010, the Company had one Chairman, two executive Directors and three independent non-executive Directors. Therefore, the Company has complied with the requirement of the Listing Rules in having at least three independent non-executive Directors. Details of the Directors and senior management are set out on pages 43–45 of this report.

Mr. Alfred Chan, the Chairman and executive Director and Mr. Edward Tan, an executive Director, are brothers.

The Board is responsible for the oversight of the Company's performance and for formulating strategies with a view to protect, maximize and deliver sustainable and long-term shareholder value. The Board is also responsible for providing leadership and control of the Company and monitoring the performance of the management. The Board delegates day-to-day operations of the Company to its executive Directors and senior management of the Group. The Board reviews and approves key matters affecting the Company's strategic policies, finances and shareholders, such as financial statements, dividend policy and major corporate activities. Decisions of the Board are communicated to the management through executive Directors who have attended Board meetings.

ROLE OF CHAIRMAN

Mr. Alfred Chan, the Chairman of the Company, 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. With the support of the executive Directors and company secretary, the Chairman seeks to ensure that all Directors are properly briefed on issues arising at Board meetings and receive complete and reliable information in a timely manner.

ROLE OF PRESIDENT

Mr. Tony Lau, an executive Director and the President of the Company, is responsible for the day-to-day management and operations of the Company and Group business. His duties include the provision of leadership and supervision over the management of the principal divisions of the Group and the implementation of the Group's strategy, policies and objectives.

INDEPENDENT NON-EXECUTIVE DIRECTORS

With reference to Rule 3.13 of the Listing Rules, the Board considers all of its independent non-executive Directors to be independent in character and judgment and to bring independent judgment, knowledge and experience to the Board's deliberations. All independent non-executive Directors possess appropriate industry and/or financial experience. No non-executive Director:

(i) has been an employee of the Group within the last five years;
(ii) has, or has had within the last three years, a material business relationship with the Group;
(iii) receives remuneration other than a Director's fee;
(iv) has close family ties with any of the Group's advisors, Directors or senior employees;
(v) holds cross-directorships or has significant links with other Directors through involvement in other companies or bodies;
(vi) represents a significant shareholder; or,
(vii) has served on the Board for more than nine years.

All the independent non-executive Directors are appointed for a specific term of three years commencing on 24 November 2009 and the appointment will be continuing thereafter until automatically terminated immediately upon ceasing to be a Director in accordance with the Articles, any applicable law or the Listing Rules. In accordance with the Articles of the Company, all Directors of the Company are subject to retirement by rotation at least once every three years.

BOARD APPOINTMENTS, RE-ELECTION & REMOVAL

New Directors are appointed by the existing 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, two Directors shall retire by rotation in the forthcoming annual general meeting and both will be eligible to offer themselves for re-election.

NUMBER OF MEETINGS

During the year ended 31 December 2010, nine Board meetings were held.

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 to the Listing Rules. All Directors have confirmed, following specific inquiry by the Company, that they have complied with the required standard set out in the Model Code and its code of conduct regarding directors' securities transactions for the period ended 31 December 2010.

ACCOUNTABILITY AND 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 the year ended 31 December 2010, the total audit fee paid to auditors of the Company amounted to RMB1.9 million, of which approximately RMB1.5 million was paid to the Company's auditors for the audit services provided for the financial year ended 31 December 2010, and the remaining amount (i.e. RMB0.4 million) was the fee paid to the auditors engaged in relation to the acquisition of Goal Gain.

INTERNAL CONTROL

The Board 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 a system of disclosure controls and procedures designed to ensure that information required to be disclosed by the Group is recorded, processed, summarized and reported within the prescribed periods of time and communicated to the Group's management to allow timely decisions regarding disclosure.

The Board has overall responsibility for monitoring the Group's operations. Executive Director(s) are appointed to the boards of all material operating subsidiaries and work closely with the senior management of those subsidiaries, monitoring their performance to ensure that adequate internal controls are in place at the subsidiary level, and strategic objectives and business performance targets are met.

The senior management of each of the operations within the Group prepares a business plan and budget annually which is subject to review and approval by the executive Directors. When setting budgets and forecasts, senior management identifies, evaluates and reports on the likelihood and potential financial impact of any significant business risks. Budgets are prepared on an annual basis and forecasts are prepared on a quarterly basis.

The financial controller has established guidelines and procedures for the approval and control of expenditures. Both operating and capital expenditures are subject to overall budget controls. Operating expenditures are further controlled by approval levels for such expenditures, which are set 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.

The Group's internal audit function provides independent assurance as to the existence and effectiveness of the risk management activities and controls in the Group's business operations. Using risk assessment methodology and taking into account the dynamics of the Group's activities, internal audit derives its yearly audit plan. The plan is reassessed during the year as needed, to ensure that adequate resources are deployed and the plan's objectives are met. Internal audit also follows up on all findings to ensure that identified issues are satisfactorily resolved. Internal audit is responsible for assessing the Group's internal control system, formulating an impartial opinion on the system, and reporting its findings to the Audit Committee, the Chairman, the financial controller and relevant senior management.

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.

AUDIT COMMITTEE

The Audit Committee consists of three independent non-executive Directors — Mr. Li Chang Qing as the Chairman, together with Mr. Ainsley Tai and Mr. Randolph Yu. All committee members possess appropriate business and financial experience. The Audit Committee is authorized to obtain external 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. The Audit Committee held 1 meeting in the year 2010, at which the interim results and annual results of the Group, as well as the internal control system of the Group, were reviewed.

With respect to the Group's results for the financial year ended 31 December 2010, 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

The Remuneration Committee consists of three members, where Mr. Ainsley Tai is the Chairman, together with Mr. Li Chang Qing and Mr. Alfred Chan.

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. The Remuneration Committee held 1 meeting in the year 2010, at which the policy for the remuneration of the executive Directors and senior management, the performance of the executive Directors and the terms of executive Directors' service contracts were considered.

DEED OF NON-COMPETITION

Mr. Alfred Chan, Mr. Edward Tan, Bluestone Global Holdings Limited and Ports International Enterprises Limited ("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, Xiamen Ruijing Chun Tian, Even Time, and Guangchang.

The Directors are of the view that the measures in place, such as (i) the management agreements that we have entered into with the relevant parties in relation to the provision of management consultancy services for Beijing Scitech Premium Outlet Mall and PCD Ruijing; and (ii) the options granted to us by our Controlling Shareholders, in the form of the Bund Option, the Outlet Mall Option and the Ruijing Option, are sufficient to safeguard our interest against any competition issues or potential competition issues.

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, provides 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 correspondence address in Hong Kong at Room 3310–11, Tower One, Times Square, 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 meeting 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 the Board, senior management and the Company's shareholders to keep them informed of the Group's developments.

DIRECTOR'S RESPONSIBILITY

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 Report of the Auditors on page 48 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. The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

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.

Directors' Attendance

The number of full Board and Committee meetings attended by each Director out of the total number of meetings held during the year ended 31 December 2010 is as follows:

	Board	Remuneration Committee	Audit Committee
Mr. Alfred Chan Executive Director	9/9	1/1	n/a
Mr.Edward Tan Executive Director	8/9	n/a	n/a
Mr. Tony Lau Executive Director	5/9	n/a	n/a
Mr. Li Chang Qing Independent Non-executive Director	3/9	1/1	1/1
Mr. Ainsley Tai Independent Non-executive Director	3/9	1/1	1/1
Mr. Randolph Yu Independent Non-executive Director	3/9	n/a	1/1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DIRECTORS' REPORT

PRINCIPAL ACTIVITIES

The Company was incorporated in the Cayman Islands on 8 January 2007 under the name Tiger Power Investments Limited and changed its name to PCD Stores (Group) Limited on 15 August 2007, which is the 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.

RESULTS & DIVIDENDS

The results of the Group for the year ended 31 December 2010 are set out in the consolidated income statement on page 50. A dividend of RMB0.019 was declared by the Group during the year ended 31 December 2010.

PROPERTY, PLANT & EQUIPMENT

Details of the movements in property, plant and equipment during the year are set out in Note 15 to the audited consolidated financial statements of the Company for the financial year ended 31 December 2010.

CHARITABLE DONATIONS

Charitable donations of the Group during the year ended 31 December 2010 amounted to approximately RMB0.4 million.

BANK BORROWINGS

Bank borrowings of the Group as at 31 December 2010 amounted to RMB1,095.7 million. Details of the borrowings are set out in Note 25 to the audited consolidated financial statements of the Company for the financial year ended 31 December 2010.

SHARE CAPITAL & PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the year ended 31 December 2010, the Company did not redeem, and neither the Company nor any of its subsidiaries purchased or sold any of the Company's listed securities.

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 54 for the financial year ended 31 December 2010.

LIST OF DIRECTORS

Name	Age	Position
Mr. Alfred Chan	63	Chairman and Executive Director
Mr. Edward Tan	68	Executive Director
Mr. Tony Lau	58	President and Executive Director
Mr. Randolph Yu	32	Independent Non-executive Director
Mr. Ainsley Tai	33	Independent Non-executive Director
Mr. Li Chang Qing	42	Independent Non-executive Director

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, 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. Alfred Chan and Mr. Edward Tan 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. Tony Lau 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 the 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 CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As of 31 December 2010, the interests or short positions of each Director or chief executive 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 (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 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:

Shares of the Company of US$0.005 each

Name of shareholder	Personal interest	Corporate interest[1]	Total interest	Percentage of total issued shares
Mr. Alfred Chan	0	1,671,709,919(L)	1,671,709,919 (L)	39.57% (L)
Mr. Edward Tan	0	1,671,709,919(L)	1,671,709,919 (L)	39.57% (L)
Mr. Tony Lau	950,000 (L)[2]	0	950,000 (L)	0.02% (L)
Mr. Li Chang Qing	200,000 (L)[2]	0	200,000 (L)	0.005% (L)
Mr. Ainsley Tai	200,000 (L)[2]	0	200,000 (L)	0.005% (L)
Mr. Randolph Yu	200,000 (L)[2]	0	200,000 (L)	0.005% (L)

Notes: (L) — Long Position, (S) — Short Position

1. Mr. Alfred Chan's and Mr. Edward Tan's interests in 1,594,139,851 Shares are held through Bluestone Global Holdings Limited ("Bluestone"), which is 100% owned by Ports International Enterprises Limited ("PIEL"), which in turn is owned as to 50% by each of them respectively. The remaining 77,570,068 Shares are held through Portico Global Limited, a company ultimately controlled by the Mr. Alfred Chan and Mr. Edward Tan.

2. These interests represent interest in options granted by the Company under its Share Option Scheme.

As of 31 December 2010, other than the holdings disclosed above, none of the Directors or chief 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 2010, persons (other than Directors or chief executives of the Company) who had interests or short positions in the Shares and underlying Shares 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)	37.73% (L)
PIEL[1]	Interest of Controlled Corporation	1,594,139,851 (L)	37.73% (L)
Credit Suisse (Hong Kong) Limited[2]	Investment Manager	532,736,710 (L) 225,000,000 (S)	13.32% (L) 5.63% (S)
Credit Suisse (International) Holding AG[2]	Interest of Controlled Corporation	532,736,710 (L) 225,000,000 (S)	13.32% (L) 5.63% (S)
Credit Suisse Group AG[2]	Interest of Controlled Corporation	532,736,710 (L) 225,000,000 (S)	13.32% (L) 5.63% (S)
Schroder Investment Management (Hong Kong) Limited	Investment Manager	298,544,000 (L)	7.06% (L)
FIL Limited	Investment Manager	296,528,000 (L)	7.02% (L)

Notes: (L)—Long Position, (S)—Short Position

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 Group AG and Credit Suisse (International) Holding AG are deemed to be interested in the Shares held by Credit Suisse (Hong Kong) Limited as Credit Suisse (Hong Kong) Limited is a wholly-owned subsidiary of Credit Suisse (International) Holding AG, which is in turn a wholly-owned subsidiary of Credit Suisse Group AG.

Save as disclosed above, the Company had not been notified of any other interests or short positions in the Shares or underlying Shares as at 31 December 2010 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 "Share Option Scheme") pursuant to the resolutions of the shareholders of the Company passed on 5 November 2009:

1. The purpose of the Share Option 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 Share Option 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 (the "Invested Entity"), including any executive Director (but excluding Mr. Alfred Chan and Mr. Edward Tan) and each of their respective associates, any of its subsidiaries or any Invested Entity; (ii) any non-executive directors (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 2011, the maximum number of Shares available for issue under the Share Option Scheme was 379,500,000 representing approximately 9.01% of the issued share capital of the Company.

4. Unless otherwise approved by the shareholders at the general meeting of the Company, the total number of Shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme and any other schemes 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 accepted by a participant within 28 days from the Offer Date of grant of the option.

6. An option may be exercised in whole or in part in accordance with the terms of the Share Option 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 (the "Offer Date") but shall expire on the day immediately preceding the tenth anniversary of the Offer Date.

7. The subscription price for Shares under the Share Option 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. A nominal consideration of HK$1.00 is payable on acceptance of the grant of an option.

9. The options granted under the Share Option Scheme shall be exercisable within a period of 10 years commencing on 17 December 2009 for the initial share option grant.

Details of the Options outstanding as at 31 December 2010 under the Share Option Scheme were as follows:

Options granted on 17 December 2009

	Exercisable from	Exercisable until	Exercise price per option (HK$)	Options held at 1 Jan 2010	Options granted during the period	Options exercised during the period	Options cancelled during the period	Options held at 31 Dec 2010
Mr. Li Chang Qing	17 Dec 2009	16 Dec 2019	2.36	200,000	0	0	0	200,000
Mr. Ainsley Tai	17 Dec 2009	16 Dec 2019	2.36	200,000	0	0	0	200,000
Mr. Randolph Yu	17 Dec 2009	16 Dec 2019	2.36	200,000	0	0	0	200,000
Employees of the Group	17 Dec 2009	16 Dec 2019	2.36	41,400,000	0	0	579,000	40,821,000

Options granted on 1 April 2010

	Exercisable from	Exercisable until	Exercise price per option (HK$)	Options held at 1 Jan 2010	Options granted during the period	Options exercised during the period	Options cancelled during the period	Options held at 31 Dec 2010
Mr. Tony Lau	1 Apr 2010	31 Mar 2020	2.67	0	950,000	0	0	950,000

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save and except as disclosed under "Connected Transactions and Annual Review of Continuing 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 had a material interest, whether directly or indirectly, during the year ended 31 December 2010.

CONNECTED TRANSACTIONS AND ANNUAL REVIEW OF CONTINUING CONNECTED TRANSACTIONS

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 ("Ruijing Option") to acquire all of their equity interests in Xiamen Ruijing for a consideration equal to 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"), 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 on 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 is occupied by Guiyang Guomao and the premises which are occupied by Guomao Liupanshui, both of which the Guangchang group leases from independent third parties.

On the same day, 29 November 2009, LDP 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 ("Guangchang Second Option").

On 7 August 2010, the Deed of Termination and Amendment was signed between, amongst others, the Company, Guangchang and LDP, pursuant to which, subject to the independent shareholders' approval, (i) the Guangchang Option was terminated, and (ii) specific terms of the Guangchang Second Option were amended ("Goal Gain Option") such that the Company was granted a right to acquire all of LDP's interest in Goal Gain before exercising the Guangchang Option. On the same day, the Company issued an exercise notice under the Goal Gain Option and entered into an acquisition agreement with LDP (the "Acquisition Agreement"). Pursuant to the Acquisition Agreement and subject to certain conditions, including, amongst other, the obtaining of the approval of the independent shareholders of the Company in general meeting, the Company agreed to acquire, and LDP agreed to sell, the entire issued share capital of Goal Gain for a total consideration of RMB551,030,251.30. On 25 August 2010, an extraordinary general meeting of the Company was held, and the independent shareholders of the Company approved the acquisition of all of LDP's interest in Goal Gain by the Company. Accordingly, Guangchang and its subsidiaries have become part of the Group since the Company's acquisition of all of the LDP's interest in Goal Gain on 10 September 2010.

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

   Our 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, and the progress of finalizing the definitive agreement was 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, 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 this report, the Group has not received notice that all definitive agreements relating to the Bund project has been finalized.

4. Shenyang Outlet Mall

   As disclosed in the Prospectus of the Company, in December 2009 our controlling shareholders were in preliminary discussions with an independent third party in relation to the operation of an outlet mall in Shenyang. It was also disclosed that if the project had materialized, our controlling shareholders would first offer the opportunity to operate the outlet mall to the Group pursuant to the Non-Competition Deed.

   Given the above, the Group had decided to undertake the opportunity to own and operate the Shenyang outlet mall. Accordingly, on 29 March 2010, Zhongshan PCD (Xiamen) Department Stores Co., Ltd. (中山巴黎春天(廈門)百貨有限公司), one of the subsidiaries of the Company, had entered into a lease with Gangzhonglv (Shenyang) Real Estate Co., Ltd. (港中旅(沈陽)置業有限公司) for the leasing of certain buildings which constituted the premises of the Shenyang outlet mall. The outlet mall is currently under renovation and is expected to commence operations in the second half of 2011.

5. Beijing Scitech Premium Outlet Mall

   Pursuant to an option agreement dated 29 November 2009, LDP granted the Group an option ("Outlet Option") to acquire its interest in Even Time Investments Limited ("Even Time"), which owned 100% indirect interest in the operator of the Beijing Scitech Premium Outlet Mall, for a consideration equal to the lower of (i) the costs of investment incurred by our controlling shareholders in Even Time and (ii) the prevailing market value of Even Time as determined by an independent firm of international valuers. As disclosed in the Prospectus of the Company, the Company intends to exercise the Outlet Option as soon as practicable upon verification that Even Time has achieved a target net profit for two consecutive financial years as shown in its audited financial statements at which time, Even Time will serve us a notice.

The Directors are still of opinion to exercise the Outlet Option as soon as practicable upon verification that Even Time has achieved a net profit for two consecutive financial years as shown in its audited financial statements. As of the date of this report, the Company understands that Even Time has achieved a target net profit for the financial year ended 31 December 2010.

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. Alfred Chan and Mr. Edward Tan, 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 RMB3.0 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 RMB3,000,000 for the financial year ended 31 December 2010.

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. As a result of acquisition of Goal Gain Investments Limited, the ultimate holding company of Guangchang, the Guangchang Master Management Agreement ceased to be a continuing connected transaction on 10 September 2010 as explained above under the title headed "Option granted by Guangchang: relating to Guiyang Guomao, Guiyang Nanguo Huajin, Guomao Liupanshui".

   The total amount received by the Group under the Guangchang Master Management Agreement was approximately RMB21,964,000 for the financial year ended 31 December 2010.

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. Alfred Chan and Mr. Edward Tan (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 RMB18,970,000 for the financial year ended 31 December 2010.

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. Alfred Chan, Mr. Edward Tan 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, 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 RMB44,313,000 for the financial year ended 31 December 2010.

   (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 RMB1.7 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 RMB1,698,000 million for the financial year ended 31 December 2010.

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 Mr. Edward Tan, 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 RMB11,539,000 for the financial year ended 31 December 2010.

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 RMB36 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 RMB1.5 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 RMB36,000,000 for the financial year ended 31 December 2010.

In the opinion of the independent non-executive Directors, the continuing connected transactions set out above for the financial year ended 31 December 2010 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.

The auditor of the Company has confirmed that for the year ended 31 December 2010 the continuing connected transactions set out above:

— have received approval of the Board of Directors of the Company;

— are in accordance with the pricing policies of the Company, where applicable;

— have been entered into in accordance with the terms of the agreements governing the transactions; and

— have not exceeded the respective cap amounts for the financial year ended 31 December 2010 as disclosed in the Prospectus.

MAJOR CUSTOMERS & SUPPLIERS

During the year ended 31 December 2010, purchases from our largest and five largest direct sales suppliers accounted for approximately 27.0% and 82.0%, of total purchases, respectively. None of our concessionaires nor our customers individually accounted for more than 5% of our total revenue. None of the Directors, their associates or shareholders (which to the best knowledge of the Directors own more than 5% of the Group's share capital) were interested at any time in the year in the above suppliers or customers.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total issued share capital was held by the public as at the date of this report.

PRE-EMPTIVE RIGHTS

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

EMPLOYEES, EMOLUMENT POLICY & PENSION SCHEME

As at 31 December 2010, the total number of employees for the Group was approximately 2,100. 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 2 February 2011, the Group announced the closing of the issue and offering of a single tranche of the guaranteed bonds in an aggregate principal amount of RMB750,000,000 (the "Offering"). Listing of the bonds on the Singapore Exchange Securities Trading Limited was effective on 2 February 2011. The principal amount of the Offering is RMB750,000,000, with a term of three years. The fixed rate is 5.25% per annum. The interest is payable semi-annually in arrear on dates falling on or nearest to 1 February and 1 August in each year.

USE OF PROCEEDS

There has been no change to the proposed application of proceeds raised from the IPO on 15 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.

On behalf of the Board
Alfred Chan
Chairman

29 March 2011
Xiamen, PRC


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CORPORATE SOCIAL RESPONSIBILITY

Social responsibility is an important part of the Group's commitment to the communities within which we operate. Our employees play an active part in Group-sponsored events that will have a positive impact on these communities. 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, meaningful and sustained change to the community in which it operates, and believes it is in a position to promote positive social and environmental change.

Listed below are some of the many events and initiatives that the Group has initiated and supported during the year ended 31 December 2010:

Xiamen PCD Stores Gives Supports to Teenager with Leukemia (January, 2010)

On 26 January 2010, Vice General Manager Chen Pingping paid a visit to Zhen Zhijiang, a teenage leukemia patient at Xiamen's First Hospital. Together with Xiamen Red Cross and on behalf of Xiamen PCD Stores, Chen made a generous donation from part of the proceeds of the charity bear sales.

Qingdao Plaza Printemps and Dreams Fund Co-host Large Charity Auction (January, 2010)

On 17 January 2010, Qingdao Plaza Printemps and Qingdao Charity Foundation co-hosted a large charity auction to celebrate the listing of PCD Stores on the Hong Kong Stock Exchange. In the first half hour, 12 items were auctioned off, raising RMB30,000 for the Dreams Fund.

CORPORATE SOCIAL RESPONSIBILITY

– CONTINUED

Beijing Scitech Plaza Recycles Empty Cosmetic Bottles (March 2010)

Between 6 March 2010 to 21 March 2010, Beijing Scitech Plaza held a special promotion which involved recycling cosmetics. Customers returning empty cosmetic bottles to the cosmetic counters were rewarded with a RMB10 credit that could be used towards any cosmetics purchase at the department store.

PCD Stores "Think Pink" for Breast Cancer Awareness (March 2010)

March was breast cancer awareness month at PCD Stores across the nation. To raise awareness for breast cancer, PCD Stores hosted several walkathons across the nation. The turnout for the walkathons was exceptional as participants from different age groups and nationalities came together to walk for breast cancer.

Lights Off at PCD Stores for "Earth Hour" (March 2010)

On 27 March 2010, PCD Stores participated in the global "Earth Hour" campaign, aimed at raising awareness of global climate change. Organized by the World Wildlife Fund, people across the globe were encouraged to turn off their lights between 8:30 p.m. and 9:30 p.m on 27 March 2010.

Nanning PCD Stores Supports Drought Victims (March 2010)

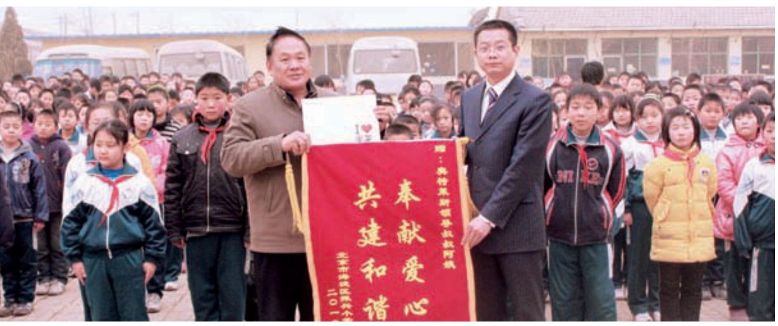
On 29 March 2010, Nanning PCD Stores, together with the support of its staff and VIP members, raised funds and water supplies for Baise city — the area in Guangxi most affected by the recent drought disaster. Notices encouraging customers to save water were also posted throughout the department store.

Lingerie Show & Charity Auction Take Center Stage at Nanning PCD Stores (March 2010)

On 6 March 2010, Nanning PCD Stores opened the "Think Pink" campaign with a lingerie show and charity auction. Models, wearing sexy lingerie from the Spring/Summer 2010 collection of renowned lingerie brands, walked the catwalk and entertained all customers.

Nanning PCD Stores Held Tree Planting Event (March 2010)

On 13 March 2010, VIP members joined Nanning PCD Stores on an excursion to the Guangxi Tree Seedlings Base. The visit involved planting eucalyptus and peach mango trees. Following the tree planting experience, VIPs were given a tour of the tree planting ground.



Beijing Scitech Premium Outlet Mall Supports Local Primary School (March 2010)

On 22 March 2010, Beijing Scitech Outlet Mall made generous donations raised from its "Charity Education" program to Zhenxing Primary School. The "Charity Education" program was established last Christmas when Beijing Scitech Premium Outlet Mall pledged to donate to the school all the income raised from the Nicholas Le Bear charity sales.

PCD Stores Makes Donations to Help Yushu Earthquake Disaster (April 2010)

PCD Stores and its employees across the nation have made generous donations to support the victims of the disastrous Yushu earthquake that struck on 14 April 2010.

CORPORATE SOCIAL RESPONSIBILITY

– CONTINUED

Taiyuan PCD Stores Held Tree Planting Event (April 2010)

On 10 April 2010, Taiyuan PCD Stores hosted its 6th annual tree planting day —"Green Springtime-Green Taiyuan" at Taiyuan East Mountain Botanical Garden. It was a delightful and meaningful afternoon for members who planted poplar trees and enjoyed the refreshing countryside air. Taiyuan PCD Stores wishes to thank all participants for the great support of the environment and tree planting day.

Beijing Scitech Plaza Tree Planting & Fruit Picking Excursion (April 2010)

On 24 April 2010, Beijing Scitech Plaza organized a one-day excursion for VIP members to plant trees and pick fresh fruits. Members were escorted to the famous Jingdong Gorge Stone Forest Scenic Spot where they planted pine trees and picked fresh strawberries. Following the morning's activities, members were treated to a delicious lunch at a nearby farm.

Beijing Scitech Plaza Celebrates Mother's Day with Hugs for Charity (May 2010)

On 9 May 2010, Beijing Scitech Plaza, China Foundation for Poverty Alleviation and Excellent Media (Group) co-hosted a charity event in honor of Mother's Day. The event encouraged the participating children to show appreciation by giving big, warm hugs to their mothers. Donations raised from the event were given to charities which supported children and mothers in poverty and disaster-affected regions.

Superstar Kris Phillips Performs at Taiyuan PCD Stores for Charity (May 2010)

On 23 May 2010, Taiyuan PCD Stores and Hui Ersi Commercial Cooperation co-hosted a charity function, inviting superstar Kris Phillips to give special performances at the event. With many people and companies generously donating, the event was successful in raising funds to support education for underprivileged children.

PCD Stores Hosts Children's Day "Green" Party Across the Nation (May 2010)

To celebrate International Children's Day, PCD Stores hosted several environment-themed parties across the nation for club members and their children. To encourage "green behavior," participants were asked to bring recyclable items in exchange for the PCD Stores' "My Little Green Bag." The recyclable items were also turned into creative arts and craft items such as daffodil pinwheels, sunflower masks, cotton ball trees and paper plate baskets. The children also played games that taught and reinforced the idea of being good to the environment. At the end of the party, all participants gathered together and wrote down their well wishes for a healthier and better environment tomorrow.

PCD Stores' 3rd Limited Edition "My Little Green Bag" Launches on Children's Day (June 2010)

At the forefront of environmental protection, PCD Stores brings back its newly designed "My Little Green Bag" on International Children's Day (1 June). Promoting the "green" movement, PCD Stores across the nation organized several Children's Day parties where the message of being good to the environment was encouraged.

The Charity Bear and Children's Book of PCD Stores (December 2010)

During Christmas 2010, PCD Stores launched its 4th limited edition charity bear, Noëlle Le Bear. Following in the footsteps of Jacques (2007), Juliet (2008) and Nicolas (2009), the newest member of the Le Bear family helped raise money for children's charities across China. Available in two sizes, one large and one small, loyal supporters of the PCD Stores charity bear happily brought home Noëlle as well as "Little Gingerbread Boy's Christmas Adventure", a children's book especially created to be sold with Noëlle. It was an especially warm and happy holiday for many children who benefited from this charity project.

CORPORATE SOCIAL RESPONSIBILITY
– CONTINUED

Charity Auction at Qingdao Plaza Printemps (December 2010)

On 5 December 2010, Qingdao Plaza Printemps brought the community together when they held a charity auction. The money raised from the auction was donated to the Qingdao Charity Federation who used the proceeds to help children from less fortunate families.

Qingdao Plaza Printemps Gives Christmas Gifts to Autistic Children (December 2010)

On 23 December 2010, a team from Qingdao Plaza Printemps brought joy and warmth at the Qingdao Autism Institute when they presented Christmas gifts to many autistic children. In addition to playing games, the children also got a surprise visit from "Santa Claus" who came all the way from the North Pole. It was a delightful day for all participants who enjoyed the happy Christmas atmosphere.

Nanning PCD Stores' Charity Auction for Heart Disease Child (December 2010)

On 24 December 2010, Nanning PCD Stores held a special charity party for its many loyal customers. At the party, Nanning PCD Stores called for all to join the auction of the limited edition charity bear, Noëlle Le Bear, where all profits from the auction were donated to a local child who suffered from heart disease. After the auction, Nanning PCD Stores happily shared with all in the audience a traditional Christmas dinner. The evening was very successful and the joy and warmth of the holiday was felt by all who attended the special event.

Xi'an Plaza Printemps' Donation to Mentally Handicapped Children (December 2010)

On 27 December 2010, the team from Xi'an Plaza Printemps paid a visit to children at a special education center. They not only donated profits from the sale of Noëlle Le Bear to the school, but also played games and shared cake with the very special children.

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. Alfred Chan	63	Chairman and Executive Director
Mr. Edward Tan	68	Executive Director
Mr. Tony Lau	58	President and Executive Director
Mr. Randolph Yu	32	Independent Non-executive Director
Mr. Ainsley Tai	33	Independent Non-executive Director
Mr. Li Chang Qing	42	Independent Non-executive Director

EXECUTIVE DIRECTORS

Chan, Kai Tai Alfred, 63, 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 retailing of fashion brands both in North America and Asia, including the PRC. Mr. Chan is the Chief Executive Officer and a Managing Director of Ports Design Limited, shares of which are listed on the Hong Kong Stock Exchange, and is also the Chief Executive Officer and an executive director of Ports International Enterprises Limited. Mr. Chan graduated from McGill University in Canada with a Bachelor of Science degree in Physics in 1970 and a Master's degree in Electrical Engineering in 1972. Mr. Chan is the younger brother of Mr. Edward Tan.

Tan, Han Kiat Edward, 68, is an executive Director and a founder of the Group, and is responsible for overseeing the general strategic implementation and development of the Group. Mr. Tan has more than 35 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 executive director of Ports Design Limited, and is also the Chairman and an executive director of Ports International Enterprises Limited. Mr. Tan is the elder brother of Mr. Alfred Chan.

Lau, Kim Yip Tony, 58, 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 of the Group, with particular emphasis on brand recruitment and brand building of the network. He is also involved in the development of new projects of the Group. Mr. Lau has over twenty years of experience in the luxury retailing business. He attended the Ryerson Polytechnical Institute in Toronto, Canada in 1974.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT – CONTINUED

INDEPENDENT NON-EXECUTIVE DIRECTORS

All non-executive Directors of the Company are appointed for a term of more than one year.

Yu, Randolph, 32, was appointed as an independent non-executive Director of the Company in November 2009. Mr. Yu is also a member of the audit committee. Mr. Yu gained extensive experience from previous positions in corporate strategy, operations and general management within various organizations. Currently, Mr. Yu is also 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. Mr. Yu graduated from The Wharton School of Business of the University of Pennsylvania with a Master of Business Administration in 2006.

Tai, Ainsley, 33, was appointed as an independent non-executive Director of the Company in November 2009. He is the Chairman of the remuneration committee and a member of the audit committee. 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 from previous positions with Oliver Wyman, Inc. and Salesforce.com. Mr. Tai obtained his Master of Business Administration from the Wharton School of Business of the University of Pennsylvania in 2006.

Li Chang Qing, 42, was appointed as an independent non-executive Director of the Company in November 2009. Mr. Li is the Chairman of the audit committee and a member of the remuneration committee. He has been a PRC-certified public accountant since 18 March 2002 and also serves as an independent non-executive director of several companies that are currently listed on the Shanghai Stock Exchange. Mr. Li obtained his Doctorate Degree in Management Studies from Xiamen University in 1999 and has received high-level recognition in the academic field in this regard.

SENIOR MANAGEMENT

Laurence Danon, 55, joined the Group as a 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 (Mouvement des Enterprise de France). She is also a member of the respective board of directors of Diageo Plc. and Experian Plc., both shares of which are listed on the London Stock Exchange, and Plastic Omnium SA, shares of which are listed on the Paris Stock Exchange.

Tan, Henry, 34, joined the Group on 1 June 2007 and was appointed Vice President of Corporate Development on 1 January 2008. He is responsible for strategic planning and development, acquisitions, investor relations and other operational improvement strategies. Prior to joining the Group, he was 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 Master of Business Administration from the Sloan School of Management of the Massachusetts Institute of Technology.

Dong Gang, 36, is the Financial Controller of the Group and was appointed on 1 February 2005 when he joined the Group. Mr. Dong is responsible for the overall supervision and management of the Group's Finance and Accounting department. He graduated from Zhejiang Economic College, specializing in accounting in July 1996. Mr. Dong is the husband of Charlotte So, the Company Secretary.

Zhu Jian Ke, 53, is the Vice President of Audit and Financial Control for the Group and was appointed to this position on 1 April 2009. Prior to this appointment and since January 1999 when he joined the Group, he held the position of Vice Manager of Internal Audit for the Group. 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 the Group in 1999, Mr. Zhu was an internal control manager of Ports Design Limited. He graduated from Shanxi Radio and Television University, specializing in operation and management of industrial enterprises in July 1986.

Li Lee, 38, is the Group's Director of Government Affairs and was appointed on 1 April 2009 when she joined the Group. Ms. Li is responsible for the handling of government-related matters on behalf of the Group. Prior to joining the Group, Ms. Li worked in the legal department of Ports Design Limited from December 2005 to March 2009 and had previously worked at other multi-national corporations in human resources. Ms. Li graduated from Xiamen University with a Bachelor of Law degree in July 2002.

Liu Qinhua, 47, is the Vice President of Acquisitions for the Group and was appointed on 1 April 2009. Mr. Liu is responsible for identifying and evaluating potential targets in the PRC and leading the Group's overall acquisitions program. Prior to this appointment and since he joined the Group on 1 January 2004, Mr. Liu was the Director of Government Affairs for the Group. His past experience in the government sector equips him with a unique set of skills which enable him to carry out his current duties. Mr. Liu graduated from Lujiang University, specializing in economics, in July 1984.

Lin Keqin, 39, is the Director of Human Resources for the Group and was appointed on 1 January 2004 upon her joining the Group. Ms. Lin is responsible for coordinating our Group's recruiting activities, as well as assessing and determining appropriate compensation and incentive systems. Ms. Lin has been with our Group for over ten years, and she graduated from Hefei Union University specializing in economics in July 1992.

Stephen Doe, 44, is the General Manager of Operations for the Group and was appointed on 1 January 2004 when he joined our Group. Mr. Doe was Vice President of Operations for PIEL from 1992 to 1996. Mr. Doe graduated from the University of Western Ontario, Canada with a Bachelor of Arts degree in June 1989. Mr. Doe is the nephew-in-law of Alfred Chan and Edward Tan.

COMPANY SECRETARY

Su, Shaohua Charlotte, 34, was appointed as the Company Secretary of the Company on 24 November 2009 when she joined the Group. She is a member of both the Hong Kong Institute of Certified Public Accountants and the Chinese Institute of Certified Public Accountants. Prior to joining the Group, Ms. Su worked in various audit and accounting firms. Ms. Su graduated from Xiamen University with a Bachelor Degree of Economics specializing in auditing in July 1999, and obtained a Master of Professional Accounting degree in September 2007. 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 2010

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 50 to 114, which comprise the consolidated statement of financial position as at 31 December 2010, and the consolidated income statement, 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 information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

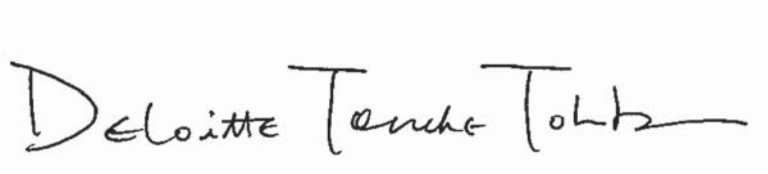
Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted 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 about 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 of the consolidated financial statements that give a true and fair review 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 2010 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 2011

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2010

	Notes	**2010** **RMB'000**	2009 RMB'000 (Restated)
Revenue	5	**1,084,365**	927,049
Other income	6	**144,551**	112,825
Gain on disposal of subsidiaries	29	**1,115**	—
Change in fair value of investment properties	16	**10,180**	20,000
Purchase of and changes in inventories		**(220,649)**	(184,233)
Employee benefits expense	7	**(131,912)**	(109,582)
Depreciation and amortisation		**(51,534)**	(47,636)
Operating lease rental expense	30	**(113,906)**	(106,173)
Other operating expenses	8	**(206,120)**	(204,024)
Finance costs	9	**(33,879)**	(53,553)
Profit before tax		**482,211**	354,673
Income tax charge	10	**(127,884)**	(89,300)
Profit for the year		**354,327**	265,373
Profit for the year attributable to:			
Owners of the Company		**334,728**	253,439
Non-controlling interests		**19,599**	11,934
		354,327	265,373
Earnings per share	14		
Basic (RMB cents)		**7.93**	8.32
Diluted (RMB cents)		**7.93**	8.31

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2010

	Notes	**2010** **RMB'000**	2009 RMB'000 (Restated)
Profit for the year		**354,327**	265,373
Other comprehensive loss			
Exchange differences arising on translation		**(13,651)**	—
Total comprehensive income for the year		**340,676**	265,373
Attributable to:			
Owners of the Company		**321,077**	253,439
Non-controlling interests		**19,599**	11,934
		340,676	265,373

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2010

	Notes	**31 December 2010 RMB'000**	31 December 2009 RMB'000 (Restated)	1 January 2009 RMB'000 (Restated)
NON-CURRENT ASSETS				
Property, plant and equipment	15	**1,888,499**	1,035,006	780,394
Prepayment for acquisition of property, plant and equipment		**100,000**	—	—
Investment properties	16	**629,500**	510,000	490,000
Land use rights	17	**62,404**	64,417	66,430
Goodwill	29	**—**	2,008	2,008
Long-term prepaid rentals	21	**702**	39,443	43,353
Loan receivable	22	**100,000**	—	—
Deferred tax assets	19	**12,105**	5,441	1,762
Restricted bank balances	23	**12,000**	12,000	12,000
		2,805,210	1,668,315	1,395,947
CURRENT ASSETS				
Inventories	20	**47,083**	45,470	42,981
Prepayments, trade and other receivables	21	**105,204**	120,645	131,250
Land use rights	17	**2,013**	2,013	2,013
Amounts due from related parties	32(c)	**117,914**	14,788	200,249
Held for trading investments	18	**27,754**	—	—
Restricted bank balances	23	**115,714**	—	11,500
Bank balances and cash	23	**1,401,908**	2,120,115	167,850
		1,817,590	2,303,031	555,843
CURRENT LIABILITIES				
Trade and other payables	24	**940,320**	809,434	763,713
Tax payable		**43,871**	17,533	21,506
Dividend payables to owners of the Company/ minority shareholders		**52**	—	1,250
Borrowings — due within one year	25	**838,931**	381,930	394,780
Amounts due to related parties	32(c)	**72,830**	284,149	161,636
		1,896,004	1,493,046	1,342,885

	Notes	**31 December 2010 RMB'000**	31 December 2009 RMB'000 (Restated)	1 January 2009 RMB'000 (Restated)
NET CURRENT ASSETS (LIABILITIES)		**(78,414)**	809,985	(787,042)
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,726,796**	2,478,300	608,905
NON-CURRENT LIABILITIES				
Borrowings — due after one year	25	**256,804**	300,276	342,659
Deferred tax liabilities	19	**104,460**	88,550	79,766
		361,264	388,826	422,425
		2,365,532	2,089,474	186,480
CAPITAL AND RESERVES				
Share capital	26	**144,271**	136,590	382
Share premium and reserves		**2,196,493**	1,927,022	169,308
Equity attributable to owners of the Company		**2,340,764**	2,063,612	169,690
Non-controlling interests		**24,768**	25,862	16,790
		2,365,532	2,089,474	186,480

The consolidated financial statements on page 50 to 114 were approved and authorised for issue by the board of directors on 29 March 2011 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 2010

	Attributable to the owners of the Company									
	Share capital RMB'000	Share premium RMB'000	Other reserve RMB'000	Statutory surplus reserve RMB'000 (Note ii)	Translation reserve RMB'000	Share options reserve RMB'000	Retained earnings RMB'000	Subtotal RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2009 as original stated	382	–	(146,723) (Note i)	57,096	–	–	241,831	152,586	948	153,534
Effect of business combination under common control (iii)	–	–	8,160	3,098	–	–	5,846	17,104	15,842	32,946
At 1 January 2009 as restated	382	–	(138,563)	60,194	–	–	247,677	169,690	16,790	186,480
Profit and total comprehensive income for the year	–	–	–	–	–	–	253,439	253,439	11,979	265,373
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
Acquisition of subsidiaries under common control (iv)	–	–	(8,160)	–	–	–	–	(8,160)	–	(8,160)
Contributions from the Non-controlling shareholders	–	–	–	–	–	–	–	–	3,936	3,936
Acquisition of additional interest in subsidiaries (v)	–	–	(3,900)	–	–	–	–	(3,900)	105	(3,750)
Appropriations	–	–	–	13,296	–	–	(13,296)	–	–	–
Dividends paid by a subsidiary acquired through the business combination under common control	–	–	–	–	–	–	(7,232)	(7,232)	(6,948)	(14,180)
At 31 December 2009 as restated	136,590	1,522,866	(150,622)	73,490	–	701	480,588	2,063,612	25,862	2,089,474
Profit for the year	–	–	–	–	–	–	334,728	334,728	19,599	354,327
Exchange differences arising on translation	–	–	–	–	(13,651)	–	–	(13,651)	–	(13,651)
Total comprehensive income for the year	–	–	–	–	(13,651)	–	334,728	321,077	19,599	340,676
Issue of new shares	7,681	367,151	–	–	–	–	–	374,832	–	374,832
Recognition of share-based payments	–	–	–	–	–	17,954	–	17,954	–	17,954
Disposal of subsidiaries	–	–	–	–	–	–	–	–	(971)	(971)
Contribution from owners of the Company (vii)	–	–	269,768	–	–	–	269,768	–	269,768	
Acquisition of additional interest in subsidiaries (v)	–	–	(80,854)	–	–	–	–	(80,854)	(9,734)	(90,588)
Dividends paid by subsidiaries acquired through the business combination under common control	–	–	–	–	–	–	(11,220)	(11,220)	(11,445)	(22,665)
Acquisition of subsidiaries under common control (vi)	–	–	(551,030)	–	–	–	–	(551,030)	–	(551,030)
Contributions from the Non-controlling shareholders	–	–	–	–	–	–	–	–	1,457	1,457
Appropriations	–	–	–	7,357	–	–	(7,357)	–	–	–
2010 Interim dividend paid by the Company (Note 13)	–	–	–	–	–	–	(63,375)	(63,375)	–	(63,375)
At 31 December 2010	144,271	1,890,017	(512,739)	80,847	(13,651)	18,655	733,363	2,340,764	24,768	2,365,532

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

(ii) In accordance with the Articles of Association of certain subsidiaries established in The People's Republic of China (the "PRC"), those subsidiaries are required to transfer 10% of the profit after taxation to the statutory surplus reserve until the reserve reaches 50% of the registered capital. Transfer to this reserve must be made before distributing dividends to equity owners. The statutory surplus reserve can be used to make up for previous year's losses, expand the existing operations or convert into additional capital of the subsidiaries.

(iii) The effect of merger accounting for the business combination involves the acquisition of Goal Gain Investments Limited (the "Goal Gain") and its subsidiaries (the "Goal Gain Group") which is regarded as a business combination under common control (the "Acquisition of Goal Gain", details please refer to Note 1).

(iv) Deemed distributions to the owners during the year ended 31 December 2009 arose from the transfer of the 51% equity interest in Guiyang Guomao Guangchang Commercial Trading Co., Ltd. (the "Guiyang Guomao") from PCD Stores (Xiamen) Limited to Gain Win Limited (the "Gain Win"), a wholly owned subsidiary of Goal Gain, for consideration of RMB8,160,000.

(v) Gain Win acquired additional 25% equity interest in each of Guiyang Nanguo Huajin Department Stores Limited (the "Guiyang Nanguo Huajin", a subsidiary of Guiyang Guomao), and Liupanshui Guomao Guangchang Chun Tian Department Stores Limited (the "Liupanshui", a subsidiary of Guiyang Guomao) in 2009 and acquired 24% additional equity interest in Guiyang Guomao and 11.76% equity interest in each of Guiyang Nanguo Huajin and Liupanshui in 2010 for consideration of RMB3,750,000 and RMB90,588,000 respectively. The difference between the carrying amount of the additional net assets acquired and the fair value of the consideration paid was recognised directly in equity and attributed to owners of the Company.

(vi) Acquisition of subsidiaries under common control during the year ended 31 December 2010 arose from the transfer of entire equity interest in Goal Gain from LDP Management Limited to the Group for consideration of RMB551,030,000.

(vii) The amount represents the Goal Gain Group's debts were waived by the certain fellow subsidiaries controlled by Alfred Chan and Edward Tan, the ultimate controlling shareholders of the Company before the Acquisition of Goal Gain.

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2010

	Notes	2010 RMB'000	2009 RMB'000 (Restated)
OPERATING ACTIVITIES			
Profit before taxation		**482,211**	354,673
Adjustments for:			
Depreciation of property, plant and equipment		**49,521**	45,623
Amortisation of land use rights		**2,013**	2,013
Interest income		**(22,392)**	(13,927)
Finance costs		**33,879**	53,553
Loss (Gain) on disposal of property, plant and equipment		**80**	(26)
Foreign Exchange loss		**9,835**	703
Change in fair value of investment properties		**(10,180)**	(20,000)
Expense recognised in profit or loss in respect of equity-settled share-based payments		**17,954**	701
Change in fair value of held for trading securities		**(228)**	—
Gain on disposal of subsidiaries		**(1,115)**	—
Operating cash flows before movements in working capital		**561,578**	423,313
Increase in inventories		**(2,216)**	(2,488)
Decrease in prepayments, trade and other receivables		**26,691**	14,515
Increase in amounts due from related parties		**(23,389)**	(14,789)
Increase in held for trading		**(28,538)**	—
Increase in trade and other payables		**163,480**	45,722
Increase (decrease) in amounts due to related parties		**35,867**	(472)
Cash generated from operations		**733,473**	465,801
Income taxes paid		**(92,300)**	(88,168)
NET CASH FROM OPERATING ACTIVITIES		**641,173**	377,633

	Notes	2010 RMB'000	2009 RMB'000 (Restated)
INVESTING ACTIVITIES			
Interest received		**22,392**	13,927
Loan receivable		**(100,000)**	—
Purchases of property, plant and equipment		**(1,138,922)**	(180,249)
Purchases of investment property		**(109,320)**	—
Advance to related parties		**—**	(424,646)
Repayment from related parties		**61,805**	624,895
Proceeds from disposal of property, plant and equipment		**28**	3,024
Contribution from non-controlling shareholders		**1,457**	3,936
Payment on acquisition of a subsidiary under common control		**(551,030)**	(8,160)
Proceeds from disposal of subsidiaries	29	**14,558**	—
(Increase) decrease in restricted bank balances		**(115,714)**	11,500
NET CASH FROM (USED IN) INVESTING ACTIVITIES		**(1,914,746)**	44,227
FINANCING ACTIVITIES			
Proceeds from issue of equity shares		**374,832**	1,717,560
Payment of transaction cost attributable to issue of new shares		**—**	(58,486)
Interest paid		**(33,945)**	(53,553)
Payment of dividends to owner of the Company/non-controlling shareholders of subsidiaries		**(85,989)**	(15,430)
Payment on acquisition of additional interest in subsidiaries		**(90,588)**	(3,750)
New borrowings raised		**1,358,804**	1,487,433
Repayment of borrowings		**(945,275)**	(1,542,604)
NET CASH FROM FINANCING ACTIVITIES		**577,839**	1,531,170
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**(695,734)**	1,953,030
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**2,120,115**	167,850
Effect of foreign exchange rate changes		**(22,473)**	(765)
CASH AND CASH EQUIVALENTS AT END OF YEAR, represented by bank balances and cash		**1,401,908**	2,120,115

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010

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.

In September 2010, the Group completed its acquisition of the entire issued share capital of Goal Gain Investments Limited (the "Goal Gain") for consideration of RMB551,030,000. Goal Gain is an investment holding company incorporated in the British Virgin Islands previously held 100% by Jacqueline Tan, daughter of Edward Tan, on trust for and on behalf of LDP Management Limited, a company held 50% each by Alfred Chan and Edward Tan, the Controlling Shareholders and executive Directors of the Company. Gain Win Limited (the "Gain Win"), a company incorporated in Hong Kong, is a wholly-owned subsidiary of Goal Gain. Gain Win holds 75% of the equity interest of Guiyang Guomao Guangchang Commercial Trading Co., Ltd. (貴陽國貿廣場商貿有限公司) (the "Guiyang Guomao"), a company incorporated in the PRC, which in turn is the operator of Guiyang Guomao Department Store and holds 51% of the equity interest in each of Guiyang Nanguo Huajin Department Stores Limited (貴陽南國花錦春天百貨有限公司) (the "Guiyang Nanguo Huajin"), the operator of Guiyang Nanguo Huajin Department Store, and Liupanshui Guomao Guangchang Chun Tian Department Stores Limited (六盤水國貿廣場春天百貨有限公司) (the "Liupanshui"), the operator of Guomao Liupanshui Department Store. In addition, Gain Win directly holds 36.76% of the equity interest in each of Guiyang Nanguo Huajin and Liupanshui.

Goal Gain and Gain Win were established in 23 March 2009 and 15 January 2009 respectively. Gain Win acquired 51% and 24% of the equity interest in Guiyang Guomao from PCD Stores (Xiamen) Limited, a fellow subsidiary controlled by Alfred Chan and Edward Tan, in 10 July 2009, and from a third party in 25 April 2010, respectively. In addition, Gain Win acquired 25% and 11.76% equity interest in each of Guiyang Nanguo Huajin and Liupanshui from third parties in 10 July 2009 and 30 April 2010 respectively.

1. GENERAL INFORMATION - continued

The acquisition of Goal Gain and its subsidiaries is regarded as a business combination under common control. The principles of merger accounting have therefore been applied, under which the consolidated financial statements have been prepared as if Guiyang Guomao had been a subsidiary of the Group since 29 March 2007, when PCD Stores (Xiamen) Limited acquired the 51% interest in Guiyang Guomao from a third party. The consolidated income statements, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows have been prepared as if Goal Gain and its subsidiaries had been subsidiaries of the Group throughout the years ended 31 December 2009 and 2010, or since their respective dates of incorporation/establishment or acquisition where this is a shorter period. The consolidated statements of financial position of the Group as at 1 January 2009 and 31 December 2009 have been prepared to present the assets and liabilities of the companies now comprising the Group taking into account the effective dates of acquisitions of entities from outsiders. The acquisitions of 24% interest in Guiyang Guomao and 11.76% equity interest in each of Guiyang Nanguo Huajin and Liupanshui from their parties are accounted for as acquisition of additional interest in subsidiaries.

Business combination under common control

The effects of the combination of Goal Gain on the result of the Group for the year ended 31 December 2009 and the financial position of the Group at 31 December 2009 are summarized below:

	2009	**Combination of Goal Gain**	**Elimination adjustments**	**2009**
	RMB'000 (previously reported)	RMB'000	RMB'000	RMB'000 (restated)
Revenue	766,305	175,984	(15,240)	927,049
Other income	94,298	18,527	—	112,825
Change in fair value of investment properties	20,000	—	—	20,000
Purchase of and changes in inventories	(128,559)	(55,674)	—	(184,233)
Employee benefits expense	(93,743)	(15,839)	—	(109,582)
Depreciation and amortisation	(32,815)	(14,821)	—	(47,636)
Operating lease rental expense	(95,747)	(10,426)	—	(106,173)
Other operating expenses	(156,861)	(62,403)	15,240	(204,024)
Finance costs	(50,810)	(2,743)	—	(53,553)
Profit before tax	322,068	32,605	—	354,673
Income tax charge	(79,445)	(9,855)	—	(89,300)
Profit and total comprehensive income for the year	242,623	22,750	—	265,373
Profit and total comprehensive income attributable to:				
Owners of the Company	242,079	11,360	—	253,439
Non-controlling interests	544	11,390	—	11,934
	242,623	22,750	—	265,373

1. GENERAL INFORMATION - continued

Business combination under common control - continued

	31 December 2009 RMB'000 (previously reported)	Combination of Goal Gain RMB'000	Elimination adjustments RMB'000	31 December 2009 RMB'000 (restated)
NON-CURRENT ASSETS				
Property, plant and equipment	699,482	335,524	—	1,035,006
Investment properties	510,000	—	—	510,000
Land use rights	64,417	—	—	64,417
Goodwill	2,008	—	—	2,008
Long-term prepaid rentals	39,443	—	—	39,443
Deferred tax assets	3,416	2,025	—	5,441
Restricted bank balances	12,000	—	—	12,000
	1,330,766	337,549	—	1,668,315
CURRENT ASSETS				
Inventories	33,871	11,599	—	45,470
Prepayments, trade and other receivables	67,919	52,726	—	120,645
Land use rights	2,013	—	—	2,013
Amounts due from related parties	17,328	—	(2,540)	14,788
Bank balances and cash	1,963,877	156,238	—	2,120,115
	2,085,008	220,563	(2,540)	2,303,031
CURRENT LIABILITIES				
Trade and other payables	575,246	234,188	—	809,434
Tax payable	13,805	3,728	—	17,533
Borrowings — due within one year	261,930	120,000	—	381,930
Amounts due to related parties	162,105	124,584	(2,540)	284,149
	1,013,086	482,500	(2,540)	1,493,046
NET CURRENT ASSETS (LIABILITIES)	1,071,922	(261,937)	—	809,985
TOTAL ASSETS LESS CURRENT LIABILITIES	2,402,688	75,612	—	2,478,300

1. GENERAL INFORMATION - continued

Business combination under common control - continued

	31 December 2009 RMB'000 (previously reported)	Combination of Goal Gain RMB'000	Elimination adjustments RMB'000	31 December 2009 RMB'000 (restated)
NON-CURRENT LIABILITIES				
Deferred tax liabilities	88,480	70	—	88,550
Borrowings — due after one year	258,276	42,000	—	300,276
	346,756	42,070	—	388,826
TOTAL ASSETS LESS TOTAL LIABILITIES	2,055,932	33,542	—	2,089,474
CAPITAL AND RESERVES				
Share capital	136,590	—	—	136,590
Reserves	1,917,850	9,172	—	1,927,022
Equity attributable to owners of the Company	2,054,440	9,172	—	2,063,612
Non-controlling interests	1,492	24,370	—	25,862
	2,055,932	33,542	—	2,089,474

The effects of the combination of Goal Gain on the Group's equity at 1 January 2009 are summarized below:

	1 January 2009 RMB'000 (previously reported)	Combination of Goal Gain RMB'000	Elimination adjustments RMB'000	1 January 2009 RMB'000 (restated)
Share capital	382	—	—	382
Other reserve	(146,723)	8,160	—	(138,563)
Statutory surplus reserve	57,096	3,098	—	60,194
Retained earnings	241,831	5,846	—	247,677
Non-controlling interests	948	15,842	—	16,790
	153,534	32,946	—	186,480

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

In the current year, the Group has applied the following new and revised Standards and Interpretations issued by the International Accounting Standards Board.

IFRS 2 (Amendments)	Group Cash-settled Share-based Payment Transactions
IFRS 3 (as revised in 2008)	Business Combinations
IAS 27 (as revised in 2008)	Consolidated and Separate Financial Statements
IAS 39 (Amendments)	Eligible Hedged Items
IFRSs (Amendments)	Improvements to IFRSs issued in 2009
IFRSs (Amendments)	Amendments to IFRS 5 as part of Improvements to IFRSs issued in 2008
IFRIC 17	Distributions of Non-cash Assets to Owners

The application of the new and revised Standards and Interpretations in the current year has had no material effect on the amounts reported in these consolidated financial statements and/or disclosures set out in these consolidated financial statements.

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)	Improvements to IFRSs issued in 2010 [1]
IFRS 7 (Amendments)	Disclosures — Transfers of Financial Assets[3]
IFRS 9	Financial Instruments[4]
IAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets[5]
IAS 24 (as revised in 2009)	Related Party Disclosures[6]
IAS 32 (Amendments)	Classification of Rights Issues[7]
IFRIC 14 (Amendments)	Prepayments of a Minimum Funding Requirement[6]
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments[2]

1 Effective for annual periods beginning on or after 1 July 2010 or 1 January 2011, as appropriate.
2 Effective for annual periods beginning on or after 1 July 2010.
3 Effective for annual periods beginning on or after 1 July 2011.
4 Effective for annual periods beginning on or after 1 January 2013.
5 Effective for annual periods beginning on or after 1 January 2012.
6 Effective for annual periods beginning on or after 1 January 2011.
7 Effective for annual periods beginning on or after 1 February 2010.

IFRS 9 Financial Instruments (as issued in November 2009) introduces new requirements for the classification and measurement of financial assets. IFRS 9 Financial Instruments (as revised in October 2010) adds requirements for financial liabilities and for derecognition.

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

Under IFRS 9, all recognised financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement are subsequently measured at either amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

In relation to financial liabilities, the significant change relates to financial liabilities that are designated as at fair value through profit or loss. The Group did not have any financial liabilities designated as at fair value through profit or loss at the end of the reporting period.

IFRS 9 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The directors anticipate that IFRS 9 that will be adopted in the Group's consolidated financial statements for financial year ending 31 December 2013 and that the application of the new Standard may have a significant impact on amounts reported in respect of the Groups' financial assets and financial liabilities.

The amendments to IAS 12 titled Deferred Tax: Recovery of Underlying Assets mainly deal with the measurement of deferred tax for investment properties that are measured using the fair value model in accordance with IAS 40 Investment Property. Based on the amendments, for the purposes of measuring deferred tax liabilities and deferred tax assets for investment properties measured using the fair value model, the carrying amounts of the investment properties are presumed to be recovered through sale, unless the presumption is rebutted in certain circumstances. The directors anticipate that the application of the amendments to IAS 12 may have an impact on deferred tax recognised for investment properties that are measured using the fair value model.

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 in accordance with International Financial Reporting Standards issued by the International Accounting Standards Boards. 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 and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for investment properties and certain financial instruments that are measured at fair values, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

The principal accounting policies are set out below.

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.

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 in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein.

<u>Allocation of total comprehensive income to non-controlling interests</u>

Total comprehensive income and expense of a subsidiary is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

<u>Changes in the Group's ownership interests in existing subsidiaries</u>

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Where certain assets of the subsidiary are measured at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Company had directly disposed of the related assets (i.e. reclassified to profit or loss or transferred directly to retained earnings). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39 Financial Instruments: Recognition and Measurement or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Business combinations

Business combinations that took place on or after 1 January 2010

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits respectively;

- liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacement of an acquiree's share-based payment transactions with share-based payment transactions of the Group are measured in accordance with IFRS 2 Share-based Payment at the acquisition date; and

- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value or another measurement basis required by another Standard.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss.

Changes in the value of the previously held equity interest recognised in other comprehensive income and accumulated in equity before the acquisition date are reclassified to profit or loss when the Group obtains control over the acquiree.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Business combinations - continued

Business combinations that took place prior to 1 January 2010

Acquisitions of businesses were accounted for using the purchase method except for business combination involving entities under common control. The cost of the acquisition was 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 met the conditions for recognition were generally recognised at their fair value at the acquisition date.

Goodwill arising on acquisition was 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 recognised amounts of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the recognised amounts of the acquiree's identifiable assets, liabilities and contingent liabilities exceeded the cost of the acquisition, the excess was recognised immediately in profit or loss.

The non-controlling interest (previously called minority interest) in the acquiree was initially measured at the non-controlling interest'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 the 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Goodwill - continued

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently whenever there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit 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 disposal of the relevant cash-generating unit, the attributable amount of goodwill 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.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. 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.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

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 properties under construction as described below are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment (other than properties under construction) less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories 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 the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Investment property

Investment properties are properties held to earn rentals and/or for capital appreciation (including properties under construction for such purposes). Investment properties include land held for undetermined future use, which is regarded as held for capital appreciation purpose.

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 disposal. 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.

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, if any. 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 recognised as an expense immediately.

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 as income immediately.

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.

Leasing

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

The Group as lessor

Rental income from operating leases is recognised 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 it is 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

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

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.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. RMB) at the rate of exchange prevailing at the end of the reporting period, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (the translation reserve).

Borrowing costs

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

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

Retirement benefit costs

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

Taxation

Income tax expense represents 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 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.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Taxation - continued

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 differences 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 associated with 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. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to 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 rates (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.

Inventories

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

Financial instruments

Financial assets and financial liabilities are recognised in 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 (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Financial instruments - continued

Financial assets

The Group's financial assets are classified into one of the two categories, financial assets at fair value through profit or loss ("FVTPL") and loans and receivables. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

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 other than those financial assets classified as at FVTPL, of which interest income is included in net gains or losses.

Financial assets at fair value through profit or loss

Financial assets at FVTPL are mainly financial assets held for trading investments.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial assets.

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, loan receivable, amounts due from related parties, 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 of financial assets below).

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Financial instruments - continued

Financial assets - continued

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of the reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after 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
- breach of contract, such as default or delinquency in interest and principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

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.

For certain categories of loans and receivables, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments and observable changes in national or local economic conditions that are correlated with default on receivables.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other 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.

For financial assets measured at amortised cost, 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 instruments

Financial liabilities and equity instruments issued by a group entity 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 instruments - 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 to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Financial liabilities

Financial liabilities including bank borrowings, trade and other 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 the share options reserve.

At the time when the share options are exercised, the amount previously recognised in the 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 the share options reserve will continue to be held in the 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 properties 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 made in arriving at the valuation. As at 31 December 2010, the carrying amount of the Group's investment properties was RMB629,500,000 (2009: RMB510,000,000).

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 any items of property, plant and equipment had suffered an impairment loss. As at 31 December 2010, the carrying amount of property, plant and equipment were RMB1,888,499,000 (2009: RMB1,035,006,000).

5. REVENUE AND SEGMENT INFORMATION

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

	2010 **RMB'000**	2009 RMB'000
Commissions from concessionaire sales (Note)	**653,380**	578,045
Sales of goods	**284,630**	238,980
Rental income	**45,873**	39,053
Management consultancy service income	**100,482**	70,971
	1,084,365	927,049

5. REVENUE AND SEGMENT INFORMATION - continued

Note:

The commissions from concessionaire sales is analysed as follows:

	2010 RMB'000	2009 RMB'000
Gross revenue from concessionaire sales	**3,353,906**	2,936,213
Commissions from concessionaire sales	**653,380**	578,045

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 2010 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, loan receivable and restricted bank balances) 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

	2010 RMB'000	2009 RMB'000
Property management income	**25,548**	20,286
Advertisement and promotion administration income	**44,091**	41,169
Display space leasing income	**4,956**	5,259
Interest income from a related party (Note 32(b)(ii))	**—**	10,710
Bank interest income	**22,392**	3,217
Credit card handling income	**21,966**	17,181
Change in fair value of held for trading investments	**228**	—
Others	**25,370**	15,003
	144,551	112,825

7. EMPLOYEE BENEFITS EXPENSE

	2010 RMB'000	2009 RMB'000
Salaries, bonuses and allowances	**90,920**	86,007
Contributions to retirement benefit schemes	**23,038**	22,874
Equity-settled share-base payment	**17,954**	701
	131,912	109,582

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:

	2010 RMB'000	2009 RMB'000
Auditors' remuneration	**1,850**	1,165
Professional service fee	**1,225**	21,493
Promotion, advertising and related expenses	**47,965**	41,421
Water, electricity and heating	**31,428**	33,344
Other taxes	**43,071**	41,496
Bank charges	**28,942**	24,519
Net foreign exchange loss	**9,835**	703
Others	**41,804**	39,883
	206,120	204,024

9. FINANCE COSTS

	2010 RMB'000	2009 RMB'000
Interest expenses on:		
Bank borrowings and other borrowings, wholly repayable within five years	**20,509**	31,745
Bank borrowings and other borrowings, not wholly repayable within five years	**13,370**	21,808
	33,879	53,553

10. INCOME TAX CHARGE

	2010	2009
	RMB'000	RMB'000
The charge comprises:		
PRC Enterprise Income Tax	**118,638**	81,045
PRC withholding tax	**—**	3,150
Deferred tax (Note 19)	**9,246**	5,105
	127,884	89,300

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 6 December 2007 and 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 continue the 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:

	2010	2009
	%	%
Zhongshan PCD (Xiamen) Department Stores Co., Ltd, ("Zhongshan PCD Stores (Xiamen)") (Note i)	**22**	20
PCD Real Estate (Xiamen) Limited ("PCD Real Estate (Xiamen)") (Note i)	**22**	20
PCD World Trade (Xiamen) Co., Ltd. ("PCD World Trade (Xiamen)") (Note i)	**22**	20
PCD Continental Department Stores (Xiamen) Co., Ltd. ("PCD Continental") (Note i)	**22**	20
PCD Songbai Department Stores Co., Ltd. ("PCD Songbai") (Note i)	**22**	20
PCD Stores Information Consulting (Xiamen) Limited ("PCD Stores Information Consulting (Xiamen)") (Note i)	**22**	20
Laiya Department Management (Xiamen) Co., Ltd. ("Laiya Department Management (Xiamen)") (Note i)	**22**	20
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**	25
Beijing Yuanyongxin Information Consulting Company Limited ("Beijing Yuanyongxin")	**25**	25
Xiamen Lotus Department Stores Co., Ltd. ("PCD Lotus")	**25**	25
Guiyang Guomao	**25**	25
Guiyang Nanguo Huajin	**25**	25
Liupanshui	**25**	25
Guiyang Guomao Chun Tian Real Estate Company Limited ("Guomao Real Estate")	**25**	25
Guiyang Guomao Guangchang Culture & Media Company Limited ("Guiyang Guomao Culture & Media")	**25**	25
Hangzhou Xiaoshan Chun Tian Outlet Commerce & Trading Company Limited ("Hangzhou Outlet")	**25**	N/A
Qingdao Four Seasons Chun Tian Guangchang Company Limited ("Qingdao Four Seasons")	**25**	N/A
Sihui Commerce & Trading Company Limited (Xiamen) ("Sihui Commerce")	**25**	N/A
Shenyang Scitech Outlet Commerce & Trading Company Limited ("Shenyang Outlet")	**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 years 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 (Caishuizhi [94] No. 001) (財稅字[94]001號《關於企業所得稅若干優惠政策的通知》) issued by the Ministry of Finance and the State Administration of Taxation, PCD Stores (Guangxi) was exempted from income tax for the period from 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:

	2010 **RMB'000**	2009 RMB'000
Profit before taxation	**482,211**	354,673
Tax at applicable income tax rate of 25% (2009: 25%)	**120,553**	88,668
Tax effect of income that is not taxable in determining taxable profit	**(13,217)**	(8,694)
Tax effect of expenses that are not deductible in determining taxable profit	**19,331**	7,394
Utilisation of deductible temporary differences previously not recognised	**—**	(121)
Effect of income tax on concessionary tax rate	**(2,502)**	(1,596)
Tax effect of tax losses not recognised	**1,586**	1,372
Utilisation of tax losses previously not recognised	**(4,867)**	(3,126)
Deferred tax on withholding tax arising from undistributed profits of PRC subsidiaries (note 19)	**7,000**	5,403
Income tax charge	**127,884**	89,300

11. DIRECTOR'S EMOLUMENTS

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

2010

	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	**1,821**	**—**	**—**	**357**	**2,178**
Yu, Randolph	**20**	**—**	**—**	**84**	**104**
Tai, Ainsley	**20**	**—**	**—**	**84**	**104**
Li, Chang Qing	**20**	**—**	**—**	**84**	**104**
Total	**1,881**	**—**	**—**	**609**	**2,490**

2009

	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 directors waived or agreed to waive any emoluments in the year ended 31 December 2010 (2009: Nil).

12. EMOLUMENTS OF THE FIVE HIGHEST PAID INDIVIDUALS

Of the five individuals with the highest emoluments in the Group, one (2009: Nil) is director of the Company whose emoluments are included in the disclosures in note 11 above. The emoluments of the remaining four (2009: five) individuals were as follows:

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

	2010 **RMB'000**	2009 RMB'000
Salaries and other benefits	**1,819**	2,116
Retirement benefit schemes contributions	**205**	136
Equity-settled share based payments	**349**	13
	2,373	2,265

The emoluments of each of the five highest paid individuals were below HK$1,000,000 except the director disclosed in note 11 above.

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.

13. DIVIDENDS

	2010 **RMB'000**	2009 RMB'000
Dividends recognised as distribution during the year:		
2010 Interim — RMB1.5 cents (2009: Nil) per share	**63,375**	—
	63,375	—

The final dividend of RMB1.9 cents in respect of the year ended 31 December 2010 (2009: Nil) per share has been proposed by the directors and is subject to approval by the shareholders in general meeting.

14. EARNINGS PER SHARE

Earnings

	2010 **RMB'000**	2009 RMB'000
Earnings for the purpose of basic and diluted earnings per share (profit for the year attributable to owners of the Company)	**334,728**	253,439

Number of shares

	2010 **'000**	2009 '000
Weighted average number of ordinary shares for the purpose of basic earnings per share	**4,221,918**	3,046,575
Effect of dilutive potential ordinary shares relating to outstanding over-allotment options	**503**	3,473
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	**4,222,421**	3,050,048

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 26.

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 2009	773,236	63,753	4,701	12,695	14,035	3,887	872,307
Additions	19,323	6,825	473	3,325	12,494	260,818	303,258
Transfer	—	5,220	—	—	—	(5,220)	—
Disposals	—	(4,454)	(340)	(751)	(2,782)	—	(8,327)
At 31 December 2009	792,559	71,344	4,834	15,269	23,747	259,485	1,167,238
Additions	4,419	14,550	766	1,275	1,084	893,848	915,942
Transfer	—	3,631	—	—	—	(3,631)	—
Disposals	—	(22,940)	(494)	(1,076)	(64)	(1,579)	(26,153)
At 31 December 2010	796,978	66,585	5,106	15,468	24,767	1,148,123	2,057,027
ACCUMULATED DEPRECIATION							
At 1 January 2009	62,180	17,864	1,403	4,878	5,588	—	91,913
Charge for the year	27,592	11,743	825	3,850	1,613	—	45,623
Eliminated on disposals	—	(3,474)	(154)	(594)	(1,082)	—	(5,304)
At 31 December 2009	89,772	26,133	2,074	8,134	6,119	—	132,232
Charge for the year	25,670	17,079	876	3,006	2,890	—	49,521
Eliminated on disposals	—	(12,259)	(361)	(579)	(26)	—	(13,225)
At 31 December 2010	115,442	30,953	2,589	10,561	8,983	—	168,528
CARRYING AMOUNT							
At 1 January 2009	711,056	45,889	3,298	7,817	8,447	3,887	780,394
At 31 December 2009	702,787	45,211	2,760	7,135	17,628	259,485	1,035,006
At 31 December 2010	681,536	35,632	2,517	4,907	15,784	1,148,123	1,888,499

As at 31 December 2010, certain of the Group's buildings with an aggregate carrying amount of RMB315,268,000 (2009: RMB457,438,000) were pledged as security for bank loans of the Group (Note 25).

As at 31 December 2010, the Group is in the process of obtaining the property ownership certificate of a building with a carrying amount of RMB238,532,000 (2009: RMB248,626,000).

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 PROPERTIES

	RMB'000
FAIR VALUE	
At 1 January 2009	490,000
Change in fair value	20,000
At 31 December 2009	510,000
Additions	109,320
Change in fair value	10,180
At 31 December 2010	629,500

The fair value of the Group's investment properties at 31 December 2010 and 2009 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 properties shown above includes corresponding land in the PRC under a medium-term lease. As of 31 December 2010 and 2009, certain of the Group's investment properties with an amount of RMB539,500,000 (2009: RMB510,000,000) were pledged as security for bank loans of the Group (Note 25).

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 properties.

17. LAND USE RIGHTS

	RMB'000
At 1 January 2009	68,443
Amortisation	(2,013)
At 31 December 2009	66,430
Amortisation	(2,013)
At 31 December 2010	64,417

17. LAND USE RIGHTS - continued

	31 December 2010 RMB'000	31 December 2009 RMB'000	1 January 2009 RMB'000
Analysed for reporting purpose as:			
— Current assets	**2,013**	2,013	2,013
— Non-current assets	**62,404**	64,417	66,430
	64,417	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 2010, land use rights with carrying amount of RMB8,968,000 (2009: RMB10,878,000) were pledged against certain bank facilities granted to the Group (Note 25).

18. HELD FOR TRADING INVESTMENTS

	31 December 2010 RMB'000	31 December 2009 RMB'000	1 January 2009 RMB'000
Debentures with fixed interest of 4.63% and maturity date on 11 September 2015	**20,659**	—	—
Debentures with fixed interest of 7.4% and maturity date on 15 June 2011	**7,094**	—	—
	27,753	—	—

The amount was stated at fair value based on quoted market prices.

19. DEFERRED TAXATION

The deferred tax assets (liabilities) recognised by the Group, and the movements thereon during the current and prior years are as follows:

	Accruals RMB'000	Undistributed profits RMB'000	Investment properties RMB'000	Total RMB'000
At 1 January 2009	1,762	(4,177)	(75,589)	(78,004)
Credit (charge) to consolidated statement of comprehensive income	3,679	(5,403)	(6,531)	(8,255)
Withholding Tax Paid	—	3,150	—	3,150
At 31 December 2009	5,441	(6,430)	(82,120)	(83,109)
Credit (charge) to consolidated statement of comprehensive income	1,928	(7,000)	(4,174)	(9,246)
At 31 December 2010	7,369	(13,430)	(86,294)	(92,355)

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

	31 December 2010 RMB'000	31 December 2009 RMB'000	1 January 2009 RMB'000
Deferred tax assets	**12,105**	5,441	1,762
Deferred tax liabilities	**(104,460)**	(88,550)	(79,766)
	(92,355)	(83,109)	(78,004)

At 31 December 2010, the Group had unused tax losses of RMB34,211,000 (2009: RMB47,332,000). 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 expire as follows:

	31 December 2010 RMB'000	31 December 2009 RMB'000
2012	**5,090**	24,556
2013	**17,290**	17,290
2014	**5,486**	5,486
2015	**6,345**	—
	34,211	47,332

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 RMB174,648,000 was not recognised as at 31 December 2010 (31 December 2009: RMB122,356,000) 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

	31 December 2010 RMB'000	31 December 2009 RMB'000	1 January 2009 RMB'000
Merchandise held for resale	**44,997**	43,493	41,095
Low value consumables	**2,086**	1,977	1,886
	47,083	45,470	42,981

21. PREPAYMENTS, TRADE AND OTHER RECEIVABLES

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

	31 December 2010 RMB'000	31 December 2009 RMB'000	1 January 2009 RMB'000
Trade receivables			
within 60 days	**20,887**	20,656	57,739
61 days to 120 days	**4,803**	3,086	—
Prepaid rentals	**3,702**	55,273	61,293
Advances to suppliers	**7,796**	4,985	1,716
Prepaid value-added tax	**9,178**	6,702	7,936
Advance to non-controlling shareholders	**12,665**	27,195	—
Others	**46,875**	42,191	45,919
	105,906	160,088	174,603
Less: Long-term prepaid rentals	**(702)**	(39,443)	(43,353)
	105,204	120,645	131,250

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 for management consultancy fees, issuers of shopping cards and certain retail customers.

All of the trade receivables are not impaired by the end of the reporting period.

Trade receivable with a carrying amount of RMB4,803,000 as at 31 December 2010 (31 December 2009: RMB3,086,000) 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 RMB8,509,000 as at 31 December 2010 (31 December 2009: RMB7,704,000), which are denominated in foreign currency, Hong Kong Dollars (the "HK$").

22. LOAN RECEIVABLE

	31 December 2010 RMB'000	31 December 2009 RMB'000	1 January 2009 RMB'000
Fixed-rate loan receivable	**100,000**	—	—

The loan receivable at 31 December 2010 is unsecured and carries fixed interest rate of 10% per annum. According to the loan agreement, the loan receivable is due and will be collected in May 2012.

23. 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 0.00% to 2.31% (2009: 0.05% to 1.71%) per annum.

Bank balances and cash were mainly denominated in RMB, which is not a freely convertible currency in the international market. 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 RMB are set out below:

	31 December 2010 RMB'000	31 December 2009 RMB'000	1 January 2009 RMB'000
US$	**144,144**	90,230	771
HK$	**172,626**	1,526,728	4,428
	316,770	1,616,958	5,199

Restricted bank balances

As of 31 December 2010, the restricted bank balances include deposits of RMB97,090,000 (31 December 2009: RMB12,000,000) pledged for bank borrowings (Note 25) and deposits of RMB30,624,000 (31 December 2009: Nil) pledged to secure customers prepaid gift cards. The restricted bank balances carry interest at prevailing market rates at 0.36%–1.15% per annum (2009: 0.36%). As at 31 December 2010, restricted bank balances of RMB12,000,000 (31 December 2009: RMB12,000,000) has been pledged to secure long-term bank borrowings and therefore classified as non-current assets.

24. 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:

	31 December 2010 RMB'000	31 December 2009 RMB'000	1 January 2009 RMB'000
Trade payables			
Within 60 days	**466,895**	341,613	390,924
61 days to 120 days	**15,171**	23,846	17,831
121 days to 1 year	**8,577**	5,201	15,718
Over 1 year	**2,620**	3,020	1,283
	493,263	373,680	425,756
Payable for purchase of property, plant and equipment	**1,801**	1,801	3,462
Accruals	**7,721**	20,299	9,295
Accrued staff costs	**19,267**	16,435	22,283
Deposits from concessionaire suppliers (Note i)	**30,900**	29,633	24,000
Customer prepaid gift cards (Note ii)	**253,227**	241,044	192,849
Other PRC tax payable	**36,051**	19,311	26,353
Advances from third parties (Note iii)	**54,475**	54,879	32,558
Others	**43,615**	52,352	27,157
	447,057	435,754	337,957
	940,320	809,434	763,713

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.

(iii) Advances from third parties are the loan payables to third parties. As at 31 December 2010, advances from third parties of RMB54,475,000 (31 December 2009: RMB54,879,000) is unsecured, interest free and repayable on demand.

25. BORROWINGS

	31 December 2010 RMB'000	31 December 2009 RMB'000	1 January 2009 RMB'000
Secured bank borrowings (Note)	**1,053,735**	640,206	695,439
Other borrowings	**42,000**	42,000	42,000
	1,095,735	682,206	737,439
Carrying amount repayable:			
Within one year	**413,481**	381,930	394,780
More than one year, but not exceeding two years	**45,529**	43,740	40,462
More than two year, but not exceeding five years	**186,938**	185,371	177,883
More than five years	**24,337**	71,165	124,314
	670,285	682,206	737,439
Carrying amount of bank loans that are not repayable within one year from the end of the reporting period but contain a repayment on demand clause (shown under current liabilities)	**425,450**	—	—
	1,095,735	682,206	737,439
Less: Amounts due within one year shown under current liabilities	**(838,931)**	(381,930)	(394,780)
	256,804	300,276	342,659

The borrowings comprise:

	31 December 2010 RMB'000	31 December 2009 RMB'000
Fixed-rate borrowings	**302,000**	162,000
Variable-rate borrowings	**793,735**	520,206

25. BORROWINGS - continued

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

	31 December 2010 %	31 December 2009 %
Fixed-rate borrowings	**4.374–5.960**	5.310–5.960
Variable-rate borrowings	**2.770–6.938**	4.375–6.712

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$-denominated loans carried interest at a rate of 2.45% over the Hong Kong Interbank Offer Rate. HK$-denominated loans amounted to RMB425,450, 000 as at 31 December 2010 (31 December 2009: Nil)

Notes:

The loans were secured by certain property, plant and equipment, investment properties, land use rights and bank balances owned by the Group as set out in Notes 15, 16, 17 and 23.

26. 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 2009, 31 December 2009 and 31 December 2010	5,000,000,000	25,000
Issued and fully paid		
Ordinary shares of US$0.005 each		
At 1 January 2009	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
Issue of new shares on 5 January 2010	225,000,000	1,125
At 31 December 2010	4,225,000,000	21,125

26. SHARE CAPITAL - continued

	31 December 2010 RMB'000	31 December 2009 RMB'000
Presented as	**144,271**	136,590

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 appeared 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. The shares are allotted and issued pursuant to this resolution rank pari passu in all respects with the existing issued shares.

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.

27. 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 shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from the prior year.

The capital structure of the Group consists of net debt, comprising bank borrowings as disclosed in Note 25, 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 26 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.

28. FINANCIAL INSTRUMENTS

Categories of financial instruments

	31 December 2010 RMB'000	31 December 2009 RMB'000
Financial assets:		
Loans and receivables (including cash and cash equivalents)	**1,828,597**	2,236,870
Held for trading investments	**27,754**	—
Financial liabilities:		
Amortised cost	**1,792,671**	1,478,700

Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, held for trading investments, 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 in 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 the prior year.

Market risk

(i) Currency risk

The Group undertakes certain consultancy service in foreign currencies and has bank balances,trade receivables and borrowings which are denominated in foreign currencies, hence, exposures to exchange rate fluctuations arises. The Group currently does not have a foreign currency hedging policy. The Group manages its foreign currency risk by closely monitoring the movement of foreign currency rates.

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

	31 December 2010 RMB'000	31 December 2009 RMB'000
Assets		
US$	**144,144**	90,230
HK$	**181,135**	1,534,432
Liabilities		
HK$	**425,450**	—

28. FINANCIAL INSTRUMENTS - continued

Financial risk management objectives and policies - continued

Market risk - continued

(i) Currency risk - continued

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 end of reporting period 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.

	31 December 2010 RMB'000	31 December 2009 RMB'000
US$		
Decrease in profit for the year	**(7,207)**	(4,512)
HK$		
Increase (decrease) in profit for the year	**12,216**	(76,552)

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 loan receivable and 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.

Sensitivity analysis

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 (2009: 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.

28. FINANCIAL INSTRUMENTS - continued

Financial risk management objectives and policies - continued

Market risk - continued

(ii) Interest rate risk - continued

Sensitivity analysis - continued

If interest rates had been increased (decreased) by 50 basis points for bank borrowings and 25 basis points for bank balances (2009: 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 decrease (increase) by RMB338,000 (2009: increase (decrease) by RMB2,966,000).

Credit risk

As at 31 December 2010, 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 end 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 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 in 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.

Liquidity risk

At 31 December 2010, the Group had net current liabilities amounting to RMB78,414,000 (2009: net current assets amounting to RMB809,985,000), with short-term bank loans of RMB413,481,000 (2009: RMB381,930,000) which the directors of the Company believe could be renewed on an annual basis. The Group is exposed to liquidity risk of being unable to raise sufficient funds to meet its financial obligations when they fall due.

28. FINANCIAL INSTRUMENTS - continued

Financial risk management objectives and policies - continued

Liquidity risk - continued

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The Group relies on cash generated from operating activities and bank borrowings as a significant source of liquidity. For the year ended 31 December 2010, the Group has cash generated from operating activities of approximately RMB641,173,000 (2009: RMB377,633,000). Other than the cash generated from operating activities, the Group issued a single tranche of the Bonds on the Singapore Exchange Securities Trading Limited with an aggregate principal amount of RMB750,000,000 in February 2011. The directors believe that the Group will have sufficient funds available to meet its financial obligations in the foreseeable future based on management working capital forecast.

The following table details the Group's contractual maturity for its 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 cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of the reporting period.

	Weighted average interest rates	On demand	1 month	Less than months	1-3 to 1 year	3 months 1-5 years	Over 5 years	Total undiscounted cash flows	Carrying amount
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 31 December 2010									
Non-interest bearing		**–**	**416,774**	**136,913**	**143,249**	**–**	**–**	**696,936**	**696,936**
Variable interest rate instruments	**4.263**	**425,450**	**25,382**	**10,691**	**135,077**	**224,527**	**25,071**	**846,198**	**793,735**
Fixed interest rate instruments	**5.138**	**–**	**1,116**	**82,510**	**183,477**	**47,842**	**–**	**314,945**	**302,000**
		425,450	**443,272**	**230,114**	**461,803**	**272,369**	**25,071**	**1,858,079**	**1,792,671**
As at 31 December 2009									
Non-interest bearing		–	337,132	151,850	307,512	–	–	796,494	796,494
Variable interest rate instruments	5.616	–	35,849	91,452	157,042	230,262	75,017	589,622	520,206
Fixed interest rate instruments	5.511	–	20,093	1,953	102,570	50,344	–	174,960	162,000
		–	393,074	245,255	567,124	280,606	75,017	1,561,076	1,478,700

28. FINANCIAL INSTRUMENTS - continued

Financial risk management objectives and policies - continued

Liquidity risk - continued

The table that follows summarises the maturity analysis of term loans with a repayment on demand clause based on agreed scheduled repayments set out in the loan agreements. The amounts include interest payments computed using contractual rates. As a result, these amounts were greater than the amounts disclosed in the "on demand" time band in the maturity analysis. Taking into account the Company's financial position, the directors do not consider that it is probable that the bank will exercise its discretion to demand immediate repayment. The directors believe that such term loans will be repaid in accordance with the scheduled repayment dates set out in the loan agreements.

	On demand	**Less than 1 month**	**1-3 months**	**3 months to 1 year**	**1-5 years**	**Over 5 years**	**Total undis-counted cash flows**
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
31 December 2010	**—**	**—**	**2,906**	**35,470**	**420,974**	**—**	**459,350**
31 December 2009	—	—	—	—	—	—	—

The amounts included above for variable interest rate instruments for non-derivative financial liabilities are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

Fair value of financial instruments

The fair value of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded in active liquid markets are determined with reference to quoted market bid prices respectively; and

- the fair value of other financial assets and financial liabilities is determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The directors consider that the carrying amounts of the financial assets and financial liabilities recorded at amortised cost at the end of the reporting period approximates their corresponding fair values.

Fair value measurements recognised in the statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

28. FINANCIAL INSTRUMENTS - continued

Fair value of financial instruments - continued

Fair value measurements recognised in the statement of financial position - continued

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.

- Level 2 fair value measurements are those derived from inputs other than quoted prices Included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	31 December 2010 Level 1 RMB'000	31 December 2009 Level 1 RMB'000
Financial assets at FVTPL		
— Held for trading investments	**27,754**	—

29. DISPOSAL OF SUBSIDIARIES

On 22 February 2010, the Group entered into an agreement to dispose of its entire interest in PCD Songbai to Mr. Liu Jiaguang, an independent third party, for cash consideration of approximately RMB10,745,000.

On 24 December 2010, the Group entered into an agreement to dispose of its entire interest in PCD Stores (Jilin) to Xiamen Huixin Trading Company Limited, an independent third party, for cash consideration of approximately RMB16,200,000.

29. DISPOSAL OF SUBSIDIARIES - continued

The net assets of PCD Songbai and PCD Stores (Jilin) at the date of disposal were as follows:

	PCD Stores (Jilin) RMB'000	PCD Songbai RMB'000
Bank balances and cash	9,757	2,630
Inventories	603	—
Prepayments, trade and other receivables	3,784	13,026
Property, plant and equipment	12,819	—
Long-term prepaid rentals	41,030	—
Trade and other payables	(52,179)	(6,677)
Net assets disposed of	15,814	8,979
Attributable goodwill	—	2,008
Non-controlling interest	—	(971)
Gain on disposal	386	729
Total consideration	16,200	10,745
Satisfied by		
Cash	16,200	10,745
Net cash inflow arising on disposal		
Total cash consideration received	16,200	10,745
Bank balances and cash disposal of	(9,757)	(2,630)
	6,443	8,115

30. 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:

	31 December 2010 RMB'000	31 December 2009 RMB'000
Minimum lease payments	**86,065**	83,453
Contingent rentals	**27,841**	22,720
	113,906	106,173

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

At the end of the reporting period, 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:

	31 December 2010 RMB'000	31 December 2009 RMB'000
Within one year	**87,489**	83,458
In the second to fifth year inclusive	**300,893**	290,918
Over five years	**284,821**	272,208
	673,203	646,584

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 fifteen years.

Rental income recognised:

	31 December 2010 RMB'000	31 December 2009 RMB'000
Minimum lease payments	**34,917**	31,318
Contingent rentals	**10,956**	7,735
	45,873	39,053

30. OPERATING LEASE COMMITMENTS - continued

The Group as Lessor - continued

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

At the end of reporting period, the Group has contracted with tenants for the following future minimum lease payments in respect of properties rented under non-cancellable operating leases which fall due as follows:

	31 December 2010 RMB'000	31 December 2009 RMB'000
Within one year	**13,879**	17,533
In the second to fifth year inclusive	**19,582**	6,359
Over five years	**7,326**	—
	40,787	23,892

31. SHARE-BASED PAYMENT TRANSACTIONS

(a) Equity-settled share option scheme

The Company's share option scheme (the Scheme), was adopted pursuant to a resolution passed on 5 November 2009 for the primary purpose of providing incentives to directors and eligible employees. Under the Scheme, the Board of Directors of the Company may grant options to eligible employees, including directors of the Company and its subsidiaries, to subscribe for shares in the Company.

Details of specific categories of options under the Scheme are as follows:

Option I	**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

Option II	**Date of grant**	**Vesting period**	**Exercise period**	**Exercise price**
Tranche 1: 316,667	1/4/2010	1/4/2010 to 31/3/2011	1/4/2011 to 31/3/2020	HK$2.67
Tranche 2: 316,667	1/4/2010	1/4/2010 to 31/3/2012	1/4/2012 to 31/3/2020	HK$2.67
Tranche 3: 316,667	1/4/2010	1/4/2010 to 31/3/2013	1/4/2013 to 31/3/2020	HK$ 2.67

31. SHARE-BASED PAYMENT TRANSACTIONS - continued

(a) Equity-settled share option scheme - continued

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.

(b) Movements in share options:

	Outstanding at 1 January 2010	Granted during the year	Exercised during the year	Forfeited during the year	Expired during the year	Outstanding at 31 December 2010
Option I	**42,000,000**	**—**	**—**	**(579,000)**	**—**	**41,421,000**
Option II	**—**	**950,000**	**—**	**—**	**—**	**950,000**
	42,000,000	**950,000**	**—**	**(579,000)**	**—**	**42,371,000**
Exercisable at the end of the year						**13,807,000**

	Outstanding at 1 January 2009	Granted during the year	Exercised during the year	Forfeited during the year	Expired during the year	Outstanding at 31 December 2009
Option I	—	42,000,000	—	—	—	42,000,000
Exercisable at the end of the year						—

31. SHARE-BASED PAYMENT TRANSACTIONS - continued

(b) Movements in share options: - continued

During the year ended 31 December 2010, options were granted on 1 April 2010, and the estimated fair value on grant date was HK$947,008 (equivalent to RMB832,609). (2009: options were granted on 17 December 2009, and the estimated fair value on grant date was HK$35,405,000 (equivalent to RMB30,126,115)).

(c) Fair value of share options granted

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

	2010	2009
Exercise price	**HK$2.67**	HK$2.36
Expected volatility	**57.23%**	51.58%
Contractual life	**10 Years**	10 Years
Risk-free rate	**2.80%**	2.40%
Expected dividend yield	**1.50%**	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 RMB17,954,000 for the year ended 31 December 2010 (2009: RMB701,000) in relation to share options granted by the Company.

32. RELATED PARTY TRANSACTIONS

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

Name	**Relationship**
Ports International Enterprises Limited ("PIEL")	Ultimate holding company, controlled by Alfred Chan and Edward (the "Chan family")
Century Ports Apparel (Xiamen) Ltd.	Company controlled by PIEL
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 ("Even Time")	Company controlled by the broader Chan family
LDP Management Limited ("LDP")	Company controlled by the broader Chan family
Ports Fashion (Xiamen) Ltd. 黛美服飾(廈門)有限公司	Company controlled by the broader Chan family
Beijing Scitech Outlet Commerce & Trading Co., Ltd ("Beijing Scitech Outlet") 北京奧特萊斯商貿有限公司	Company controlled by the broader Chan family
Vivienne Tam Fashion (Xiamen) Ltd. 韋薇服飾(廈門)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
Jacqueline K Tan	Chan family member
Prime Wave Ltd.	Company controlled by PIEL

32. RELATED PARTY TRANSACTIONS

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

	31 December 2010 RMB'000	31 December 2009 RMB'000
Commission income		
Ports Fashion (Xiamen) Ltd.	**3,012**	1,820
Century Ports Apparel (Xiamen) Ltd.	**15,731**	16,912
Vivienne Tam Fashion (Xiamen) Ltd	**227**	171
	18,970	18,903
Management consultancy service income		
PCD Ruijing	**3,000**	1,169
Even Time	**11,539**	3,550
LDP	**36,000**	18,000
	50,539	22,719
Rental expense		
Scitech Group Company Limited (Note i)	**46,011**	47,836
Interest income (Note ii)		
PCD Stores (Xiamen)	**—**	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 department 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.

Moreover, pursuant to lease entered into by Scitech Group Company Limited and the Group, Scitech Group Company Limited agreed to lease to the Group the office space within the Scitech Complex for a term of one year.

(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). The relevant borrowings have been collected during the year 2010.

32. RELATED PARTY TRANSACTIONS

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

Amounts due from related parties

	31 December 2010 RMB'000	31 December 2009 RMB'000
Trade in nature		
PCD Ruijing	**8,343**	801
LDP	**8,978**	13,987
Beijing Scitech Outlet	**6,057**	—
Even Time	**3,948**	—
	27,326	14,788
Non-trade in nature		
LDP (Note)	**90,588**	—
	90,588	—
	117,914	14,788

Note:

The amount is unsecured, interest free and repayable on demand and has been received on date of 25 March 2011.

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

	31 December 2010 RMB'000	31 December 2009 RMB'000
Within 60 days	**15,609**	8,209
61 days to 120 days	**11,717**	6,579
	27,326	14,788

32. RELATED PARTY TRANSACTIONS - continued

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

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

Amounts due from related parties that are trade in nature with a carrying amount of RMB11,717,000 as at 31 December 2010 (31 December 2009: RMB6,579,000) 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 amounts of a non-trade in nature due from related parties during the year was as follows:

	RMB'000
LDP	90,588
	90,588

Amounts due to related parties

	31 December 2010 RMB'000	31 December 2009 RMB'000
Trade in nature		
Century Ports Apparel (Xiamen) Ltd.	**17,253**	10,761
Ports Fashion (Xiamen) Ltd.	**4,268**	1,843
Scitech Group Company Limited	**38,803**	28,907
Vivienne Tam Fashion (Xiamen) Ltd.	**397**	250
PCD Ruijing	**10,077**	—
	70,798	41,761
Non-trade in nature		
PCD Stores (Xiamen)	**—**	238,634
LDP	**2,032**	—
Jacqueline K Tan	**—**	3,750
Prime Wave Ltd.	**—**	4
	2,032	242,388
	72,830	284,149

32. RELATED PARTY TRANSACTIONS - continued

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

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

	31 December 2010 RMB'000	31 December 2009 RMB'000
Within 60 days	**39,385**	21,828
61 days to 120 days	**19,179**	7,973
121 days to 1 year	**12,234**	11,960
	70,798	41,761

(d) Compensation of key management personnel

The emoluments of key management during the year were as follows:

	31 December 2010 RMB'000	31 December 2009 RMB'000
Salaries and other benefits	**5,349**	3,604
Retirement benefit schemes contributions	**399**	350
Equity-settled Share-based payments	**1,496**	34
	7,244	3,988

33. CAPITAL COMMITMENTS

	31 December 2010 RMB'000	31 December 2009 RMB'000
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	**589,616**	603,497

34. SUBSEQUENT EVENTS

On 1 February 2011, the Group announced the closing of the issue of a single tranche of the Bonds of an aggregate principal amount of RMB750,000,000 (the "Offering"). Listing of the Bonds on the Singapore Exchange Securities Trading Limited was effective on 2 February 2011. The principal amount of the Offering is RMB750,000,000, with a term of three years. The fixed interest rate is 5.25% per annum, payable semi-annually in arrear on 1 February and 1 August in each year, commencing on the Interest Payment Date falling on or nearest to 1 August 2011.

35. 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 2010 Direct %	31 December 2010 Indirect %	31 December 2009 Direct %	31 December 2009 Indirect %	Principal activities
PCD China Real Estate	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$7,000,000	**—**	**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 "廈門大陸來雅百貨有限公司")	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 (ii)	The PRC	RMB10,000,000	**—**	**—**	—	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) 廈門來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

35. 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 2010 Direct %	31 December 2010 Indirect %	31 December 2009 Direct %	31 December 2009 Indirect %	Principal activities
PCD Songbai 廈門松柏春天百貨有限公司 (Formerly known as "廈門來雅百貨有限公司") (i)	The PRC	RMB11,000,000	**—**	**—**	—	95	Retailing business
PCD Retail Management Inc. (PCD Retail Management)	The BVI	—	**—**	**99.2**	—	99.2	Operation and management of department stores
Beijing Scitech Department Stores 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	RMB274,000,000	**—**	**100**	—	100	Retailing business
PCD Retail Operations	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	RMB390,000,000	**—**	**100**	—	100	Property investment and management of department stores
PCD Stores Information Consulting (Xiamen) 廈門巴黎春天百貨信息諮詢有限公司	The PRC	RMB2,000,000	**—**	**100**	—	100	Information consulting
PCD Development Limited ("PCD Development") (Formerly known as "Dragon Talent Development Limited")	Hong Kong	—	**—**	**100**	—	100	Investment holding
PCD Operations HK Limited (Formerly known as "Well Power Enterprise Limited")	Hong Kong	—	**—**	**100**	—	100	Investment holding
Jiahe Chuntian 嘉禾春天商貿(廈門)有限公司	The PRC	HK$5,000,000	**—**	**100**	—	100	Retailing business
Qingdao Chuntian 青島世紀春天信息諮詢有限公司	The PRC	RMB200,000	**—**	**100**	—	100	Information consulting

35. 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 2010 Direct %	31 December 2010 Indirect %	31 December 2009 Direct %	31 December 2009 Indirect %	Principal activities
Beijing Yuanyongxin 北京源永信信息諮詢有限公司	The PRC	RMB200,000	**—**	**100**	—	100	Information consulting
PCD Lotus 廈門蓮花百花有限公司	The PRC	RMB5,286,160	**—**	**100**	—	100	Retailing business
Goal Gain	The BVI	US$1	**100**	**—**	100	—	Investment holding
Gain Win	Hong Kong	US$1,000	**—**	**100**	—	100	Investment holding
Guiyang Guomao 貴陽國貿廣場商貿有限公司	The PRC	RMB16,000,000	**—**	**75**	—	51	Retailing business
Guiyang Nanguo Huajin 貴陽南國花錦春天百貨有限公司	The PRC	RMB10,000,000	**—**	**75**	—	64	Retailing business
Liupanshui 六盤水國貿廣場春天百貨有限公司	The PRC	RMB5,000,000	**—**	**75**	—	64	Retailing business
Guiyang Guomao Real Estate 貴陽國貿春天房地產開發有限公司	The PRC	RMB10,000,000	**—**	**75**	—	51	Retailing business
Guiyang Guomao Culture & Media 貴陽國貿廣場文化傳播有限公司	The PRC	RMB200,000	**—**	**75**	—	51	Retailing business
Hangzhou Outlet 杭州蕭山春天奧特萊斯商貿有限公司	The PRC	US$25,000,000	**—**	**100**	—	100	Retailing business
Qingdao Four Seasons 青島四季春天廣場有限公司	The PRC	RMB5,000,000	**—**	**70**	—	—	Retailing business
Sihui Commerce 絲輝商貿廈門有限公司	The PRC	RMB5,000,000	**—**	**100**	—	—	Property investment management of department stores
Shenyang Outlet 瀋陽賽特奧萊商貿有限公司	The PRC	US$25,000,000	**—**	**100**	—	—	Retailing business

35. PARTICULARS OF SUBSIDIARIES - continued

(i) On 22 February 2010, the Group entered into an agreement to dispose of its entire interest in PCD Songbai to Mr. Liu Jiaguang, an independent third party, with a cash consideration of approximately RMB10,745,000.

(ii) On 24 December 2010, the Group entered into an agreement to dispose of its entire interest in PCD Stores (Jilin) to Xiamen Huixin Trading Company Limited, an independent third party, with a cash consideration of approximately RMB16,200,000.

(iii) For those PRC subsidiaries, except Zhongshan PCD Stores (Xiamen), PCD Real Estate (Xiamen), Shenyang Outlet, PCD Lotus and Hangzhou Outlet which are wholly foreign-owned enterprises, the others are all PRC limited liability companies.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CORPORATE INFORMATION

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(Chairman and Executive Director)
Mr. Tan Han Kiat Edward *(Executive Director)*
Mr. Lau Kim Yip Tony *(Executive Director)*

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Mr. Ainsley Tai
Mr. Randolph Yu

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Mr. Ainsley Tai
Mr. Randolph Yu

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