中国春天百货
PCD STORES

PCD STORES (GROUP) LIMITED
2011 ANNUAL REPORT

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

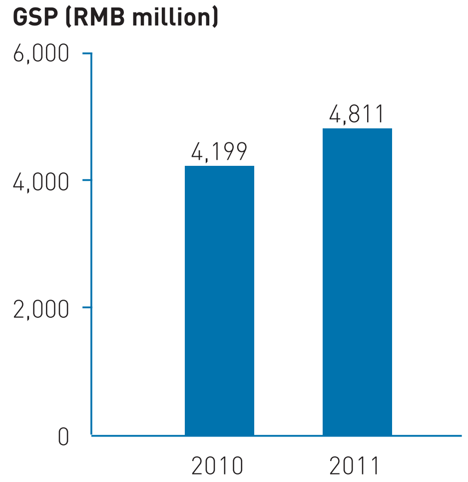
CONTENTS

CORPORATE PROFILE

PCD Stores (Group) Limited (the "Company", together with its subsidiaries, the "Group") operates a rapidly-growing network of department stores and outlet malls in China, offering a wide selection of high-end and luxury products as well as a sophisticated upscale shopping experience consistent with the branding and image of the merchandise in our stores, primarily targeting high-income earners.

We are an operator in the development and operation of a national department store plus outlet mall network within China. As of 31 December 2011, the Group operated 18 department stores and 2 outlet malls in Beijing and 7 provinces in China, with plans to foray into other provinces in the near future. Our principal business strategy is to provide Chinese consumers with high-end and luxury merchandise that is tailored to local market preferences, with the goal of becoming the leading high-end department store and outlet mall operator in China.

FINANCIAL HIGHLIGHTS



14.6%

GROSS SALES PROCEEDS[1] INCREASED BY 14.6% TO RMB4,811M

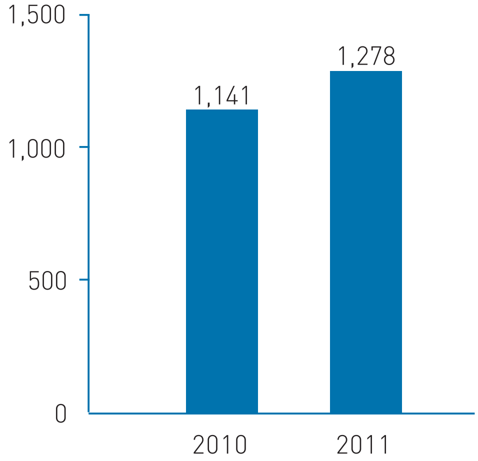
Operating Result (RMB million)	FY2010	**FY2011**	Y-o-Y Growth
Same Stores Sales Growth[2]	16.9%	**18.8%**	N/A
GSP	4,199	**4,811**	+14.6%
Revenue	1,141	**1,278**	+12.1%
Earnings before Interest and Tax (EBIT)	523	**552**	+5.7%
Profit Attributable to Owners of the Company	341	**313**	–8.2%
Net Profit Margin	31.6%	**26.0%**	N/A

Note:

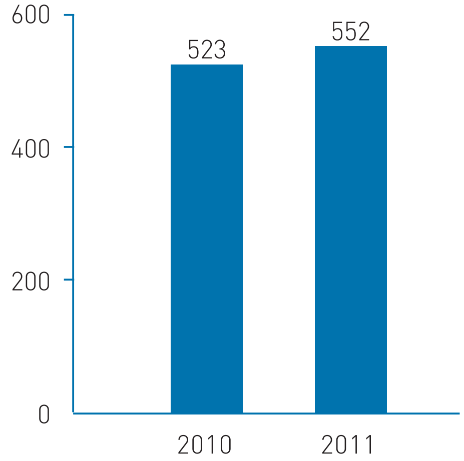
1. Gross Sales Proceeds ("GSP") represent the sum of gross revenue from concessionaire sales and sales of goods.

2. Same Stores Sales Growth ("SSSG") for self-owned stores as of 31 December 2010 and 2011.

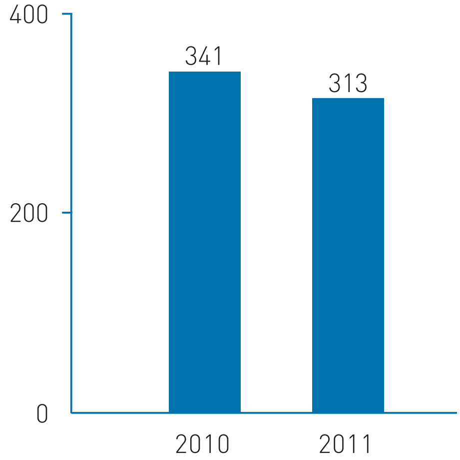
Revenue (RMB million)



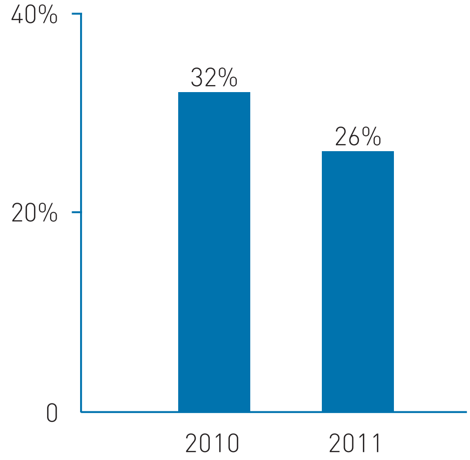
EBIT (RMB million)



Profit Attributable to Owners of the Company (RMB million)



Net Profit margin



EBIT increased by 5.7% to RMB552M

Balance Sheet Items (RMB million)	FY2011
Property, plant and equipment	**2,545**
Investment property	**674**
Bank balances and cash	**1,711**
Bank borrowings	**1,785**
Net assets	**2,424**

CHAIRMAN'S STATEMENT

Business Review

During 2011, the Group successfully acquired two managed stores and commenced operations at two new locations, with continuing focus on the improvement of its existing operations. The Company recorded a healthy same store sales growth of 20.3% across our entire network of self-owned and managed stores. With the successful acquisition and integration of two managed stores, the gross sales proceed of the Group reached RMB4,811 million. Our revenue grew by 12.1% as compared with 2010, reaching RMB1,278 million in 2011, with the EBIT growing at 5.7%. However, due to the additional finance expense related to the RMB Bond issuance, accounting related non-cash rental expense of new stores and elimination of certain tax tariff exemptions, net profits of the Group declined to RMB331.9 million, representing a decrease of 7.9% as compared with 2010. The Group's after tax net profit to its shareholders was RMB312.8 million, representing a decrease of 8.2% as compared with the corresponding period in 2010.

The Group successfully completed the acquisition of the Beijing Scitech Outlet Mall project in December 2011 from its controlling shareholders at a total consideration of RMB439 million. This outlet mall was first of its kind in Beijing, featuring top-tier international brands in a leisure open-air shopping environment with over 43,000 sqm in gross floor area. Since its opening, the Beijing Scitech Outlet Mall has enjoyed robust revenue growth while continuing to improve its operations and consumer experience. In 2011, it recorded approximately RMB950 million in gross sales, representing a same store sales growth of approximately 70% as compared with 2010. The management remains confident in the future development and prospects of this outlet mall.

The Group experienced solid sales growth in the Guizhou market, where it has developed a chain of successful department stores and achieved a leadership position in the province. In November 2011, PCD Stores acquired 75% equity interests in one of our managed stores in downtown Guiyang — Guiyang Guochen Fashion Store, at a consideration of RMB40 million. In FY2011, this department store generated a profit approximately RMB9 million, translating into an acquisition multiple of approximately 6 times of 2011 earnings. Following the acquisition, this store, being the third self-owned department store that our Group operates in Guiyang would complement the two other stores (Guiyang Guomao and Guiyang Nanguo Huajin) and enable our Guiyang store network to serve a broader spectrum of mid-to-high end customers in the city.

As part of our strategy to solidify and expand our presence in the high-growth Western China area, our Group continues to explore and identify attractive opportunities in Guizhou. In September 2011, PCD Stores commenced operation of its fourth department store in Guiyang — Guiyang Jinyuan TP Mall. With over 40,000 sqm in gross floor area, the store features a wide range of tenants to serve the local community, including Calvin Klein Jeans, Lacoste, Mango, i.t, Miss Sixty, etc. With the expectation of a continuous strong growth of the economy in Guizhou, the management believes that this location would serve as another growth driver for our chain in the province.

With the successful launch of the Beijing Scitech Outlet Mall, our Group has been actively seeking new outlet mall locations across China. In September 2011, PCD Stores opened its first outlet mall in Qingdao which is the second one in our network. This 40,000 sqm outlet mall features international brands, including Escada Sports, Calvin Klein Jeans, nike, adidas, Starbucks, etc. While Qingdao Outlet is still at its embryonic development, the Company will continue to monitor the performance and finetune our operations accordingly.

Given the capital-intensive nature of our business, our Group continues to explore various channels of funding to support our financing needs. In February 2011, the Group raised an RMB-denominated bond in the total amount of RMB750 million ("RMB Bond"), which provided additional financial resources to the Group at an efficient cost base, in particular when the borrowing cost had been increasing in China. The proceeds had been applied to fund our acquisitions and expansions throughout last year. This also set up an additional avenue for the Group to raise additional capital if needed for future projects.

Outlook

The Group remains positive about the development of the domestic consumption market in China in 2012. The retail market remains highly susceptible to central government policies, especially for those that would have impact on consumer confidence, such as credit market tightening and inflation control. Nevertheless, it is manifestly clear that the central government is minded to support domestic consumption as a growth driver for the nation's economic development, which should have a stimulus effect for the department store industry in the medium and long term. As such, the Group will continue to execute our strategy on expanding both our department store and outlet mall networks in selective high-growth areas within China.

PCD Stores is entering into our next phase of development. New projects will be expected to be potentially larger in scale and thus require strong construction project management expertise to manage and monitor the progress and quality. To this end, the Group has recently appointed Mr. Xiang Qiang as the President of our Group. Mr. Xiang has held senior positions in several PRC-based enterprises. He is experienced and knowledgeable in a wide spectrum of industries, including construction project management as well as hospitality and securities. The addition of Mr. Xiang to the Group's senior management team would further strengthen the company's capabilities in our network expansion management.

Following the footsteps of our outlet malls in Beijing and Qingdao, our Group is preparing to commence operation of our third outlet mall in Shenyang, the capital of Liaoning province. Widely recognized as one of the most significant retail markets in China, Shenyang has been enjoying solid growth in the domestic consumption market. In order to maintain our competitiveness in such a large and yet extremely competitive retail environment, our Group believes an outlet mall format would allow us to capture the local retail market and effectively compete with other existing players. Based on the experience drawn from our successful operation in the Beijing Scitech Outlet Mall and being first of its kind in Shenyang, the management team is hopeful on the future growth potential of this project. Shenyang Outlet Mall targets to commence operation during summer 2012.

With the supportive policy of Chinese Government towards developing Western China, our Group identified the opportunity and first entered Xian, the most important city in Western China, in 2007 with our PCD Xian Phase 1 project. Encouraged by the continuous development of the city, we decided to develop Phase 2 of the project which triples the total gross floor area of the entire property. Scheduled to open in summer 2012, PCD Xian would have a total gross floor area in excess of 70,000 sqm and become the largest one within our network. It would feature top-tier international brands, high-end supermarket, popular local brands as well as high quality food and beverage establishments. As the store matures, the Group is hopeful that PCD Store Xian would become the destination shopping area for high-end customers in Xian and nearby cities, which would serve as an anchor and allow the Group to further expand in this high-growth area.

CHAIRMAN'S STATEMENT

To further strengthen the Group's dominant position in Guiyang, PCD Stores announced on March 26, 2012 the acquisition of a land site located in a prime commercial area of the city. Upon completion of the construction in 2014, the Group will add to our portfolio a modern and upscale retail property with gross floor area of approximately 50,000–60,000 square meters. The Group plans to introduce a broader set of popular international and domestic retail tenants that have not yet established a meaningful presence in the city given the limited availability of quality retail space. In addition, the retail project that PCD Stores is collaborating with The Poly Group will commence operations in summer 2013. Together with our existing stores in Guiyang, this strong network of stores will ensure the long term competitiveness of PCD Stores in the high growth Guizhou province area.

The Board of Directors continues to be encouraged by the Group's business and recent developments and has proposed to declare a final dividend of RMB1.9 cents per shares.

With over RMB1,711 million of cash on hand, PCD Stores remains in a strong financial position towards the year end and has sufficient financial resources to further develop and expand our network. As the Group continues to improve our existing operations while cultivating new potential projects, the Board is confident that PCD Stores will continue to bring healthy returns to our shareholders.

Chan Kai Tai Alfred
Chairman

28 March 2012

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Overview

In 2011, the Group's revenue grew by RMB137.5 million or 12.1% reaching RMB1,278.3 million, as compared with RMB1,140.8 million for 2010. Gross sales proceeds ("GSP") reached RMB4,810.5 million, increased by RMB612.0 million or 14.6%, as compared with RMB4,198.5 million for 2010. Same stores sales growth ("SSSG") of the Group was 18.8% in 2011. With the issuance of a RMB Bond in February 2011, the Group is equipped financially to take on attractive investment opportunities available in the market.

Significant Change in Preparation Basis of Financial Statements

In December 2011, the Group acquired Universe River Real Estate (Xiamen) Ltd. ("Universe River"), Even Time Investments Limited and its subsidiaries ("Even Time", the operator of Beijing Scitech Outlet Mall — "Beijing Outlet") as well as Beijing Chun Tian Real Estate Co., Ltd.* ("Chuntian", the owner of the property where Beijing Outlet is located) from our Controlling Shareholders, and therefore, based on the approach adopted for the acquisition of Goal Gain Investments Limited and its subsidiaries, the principles of merger accounting have been applied as the Group and the mentioned companies were all under common control. As a result, the consolidated financial statements of the Company for 2010 have been restated as if Universe River, Even Time and Chuntian had been the subsidiaries of the Group throughout the year ended of 2010, however, the accounting policies and methods of computation used are the same as those used in the preparation of the Group's annual consolidated financial statement for the year ended 31 December 2010.

Revenue

The Group's revenue grew by 12.1% to RMB1,278.3 million, representing an increase of RMB137.5 million as compared with RMB1,140.8 million for 2010. In particular, direct sales remained strong and has grown by 15.7% or RMB44.7 million from RMB284.6 million in 2010 to RMB329.3 million in 2011 with a stable margin of 22.5% (2010: 22.5%). Management consultancy services income was increased by 11.1% or RMB10.0 million from RMB88.9 million in 2010 to RMB98.9 million in 2011 due to the new revenue stream from the new managed stores.

SSSG for the Group was 18.8% for the year ended 2011. The Group's GSP reached RMB4,810.5 million in 2011, representing an increase of 14.6% or RMB612.0 million compared with RMB4,198.5 million in 2010. The growth rate of GSP was lower than the SSSG due to the conversion of PCD Changchun into a managed store in December 2010, and thus, the GSP of PCD Changchun was not accounted for by the Group in 2011. Concessionaire sales contributed 93.2% of the total GSP and direct sales accounted for the remaining 6.8% in 2011 which was the same as 2010. Gross margin (i.e. combination of concessionaire and direct sales margins) decreased to 18.1% as compared with 18.7% in 2010 due to the increasing contribution from Beijing Outlet. Outlet mall business generally has a lower gross margin than department stores. If outlet mall business is excluded, the gross margin would be 19.7% in 2011 (2010: 19.7%).

Other Income

Other income increased by RMB29.2 million or 18.0% to RMB191.0 million as compared with RMB161.9 million in 2010, which was attributable to the additional interest income. As a percentage of revenue, other income rose from 14.2% to 14.9% as compared with 2010.

MANAGEMENT DISCUSSION AND ANALYSIS

Purchase of Goods and Changes in Inventories

The purchase of goods and changes in inventories includes costs incurred for direct sales and changes in inventories. Purchase of goods and changes in inventories were up by RMB34.5 million or 15.6% to RMB255.1 million, as compared with RMB220.6 million in 2010 due to the increase in direct sales.

Employee Benefits Expense

Employee benefits expense increased by RMB24.5 million or 16.4%, from RMB149.1 million to RMB173.6 million when compared with 2010. The increase was attributable to the increase in number of staff due to new stores opening as well as the increase in employee salary as a result of the tightened labour market in the PRC. As a percentage of revenue, the employee benefits expense increased from 13.1% to 13.6% as compared with 2010.

Depreciation and Amortization

Depreciation and amortization decreased by RMB0.6 million or 0.9%, from RMB66.0 million to RMB65.4 million as compared with 2010. As a percentage of revenue, the depreciation and amortization decreased from 5.8% to 5.1% as compared with 2010.

Operating Lease Rental Expense

Operating lease rental expense was RMB153.9 million, representing an increase of RMB36.1 million or 30.7% when compared with RMB117.8 million in 2010. The increase was attributable to the accounting treatment of non-cash amortization cost on rent free period for our new stores. If the expense arising from the non-cash amortization cost is excluded, the operating lease rental expense would have increased by RMB2.9 million or 2.5%. As a percentage of revenue, accounting for the impact from amortization, operating lease rental expense increased from 10.3% to 12.0% when compared with 2010.

Other Operating Expenses

Other operating expenses increased by RMB41.7 million or 17.5%, from RMB237.9 million to RMB279.6 million as compared with last year. The increase was mainly attributable to the elimination of exemption of tax tariffs in 2011. If the related additional tax tariff is excluded, other operating expenses would have increased by RMB25.5 million or 10.7% which was lower than the revenue growth. As a percentage of revenue, other operating expenses increased from 20.9% to 21.9% when compared with 2010.

Finance Costs

Finance costs increased by RMB52.1 million or 153.7% to RMB86.0 million when compared with last year (2010: RMB33.9 million). This was mainly due to the increase in interest expenses related to additional bank borrowings to finance the acquisition of Guizhou stores in September 2010 as well as the issuance of RMB Bond in February 2011.

Income Tax Charge

The Group's income tax expense increased by RMB5.9 million or 4.6% to RMB134.2 million when compared with last year (2010: RMB128.3 million). The effective tax rate increased from 26.3% to 28.8% in 2011 due to the non-tax-deductable interest expense related to the RMB Bond as well as the tax credit arose from entities established for new stores.

Profit for the year

With various non-operational factors mentioned above, especially for the increase in finance costs, profit for 2011 decreased by RMB28.4 million or 7.9%, from RMB360.3 million to RMB331.9 million, in 2011. As a percentage of revenue, profit for 2011 decreased from 31.6% to 26.0% as compared with 2010. Although the Group would experience a short-term increase in finance costs, we believe this extra financial resource would enable us to capture the investment opportunity promptly and enhance the profitability of the Group by economy of scale as a result of the expansion of network.

Profit Attributable to the Owners of the Company

Profit attributable to the owners of the Company decreased by RMB28.0 million or 8.2% to RMB312.8 million as compared with RMB340.7 million of last year.

Liquidity and Financial Resources

Bank balance and cash of the Group increased by RMB229.6 million or 15.5% to RMB1,711.2 million when compared with RMB1,481.5 million of 2010, which was mainly due to the cash proceed received from the issuance of RMB Bond in February 2011.

The Group had RMB1,785.4 million of borrowings as at 31 December 2011, 25.2% of the total borrowings was bank borrowings repayable within one year; 11.9% was bank borrowings repayable within two to five years; 21.3% was bank borrowings not repayable within one year but contain a repayment on demand clause; and the remaining 41.6% was bond payable due in January 2014. The increase in outstanding loan of RMB689.7 million or 62.9% was mainly due to the issuance of RMB Bond in February 2011.

Material Acquisitions

In December 2011, the Group acquired the entire issued share capital of Even Time and Chuntian from controlling shareholders for a consideration of RMB73,069,068 and RMB365,641,139 respectively. Even Time is the operator of Beijing Outlet and Chuntian owns the property where Beijing Outlet is located. After the acquisition, the Group became the operator of Beijing Outlet and owners of the property where it located.

Capital Commitments

The capital commitments of the Group as at 31 December 2011 were RMB29.6 million.

MANAGEMENT DISCUSSION AND ANALYSIS

Net Current Assets and Net Assets

The Group's net current assets as at 31 December 2011 were RMB161.2 million compared with net current liabilities of RMB391.9 million as at 31 December 2010. The increase in the net current assets was mainly attributable to the cash proceed received from the issuance of RMB Bond in February 2011. Net assets of the Group reached RMB2,424.0 million as at 31 December 2011 compared with net assets of RMB2,355.0 million as at 31 December 2010 due to the increase in retained earnings of the Group.

The gearing ratio as at 31 December 2011 was 0.74, which was calculated by dividing total borrowings by total equity.

Pledge of Assets

As at 31 December 2011, certain of the Group's buildings with an aggregate carrying amount of RMB317.4 million (31 December 2010: RMB315.3 million) were pledged as security for the bank loans of the Group.

Segment Information

Over 90% of the Group's revenue and contribution to the operating profit is attributable to the operation and management of department stores, over 90% of the Group's revenue 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 2011, the total number of employees for the Group was approximately 2,800. The Group's remuneration policies are reviewed annually, and are formulated according to the experiences, skills and performance of individual employees, as well as market practices.

Contingent Liabilities

As at 31 December 2011, 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 RMB. Hence, the Group would be exposed to foreign exchange fluctuation and translation risk, arising from the exposure of Hong Kong dollars against RMB. The Group would consider using forward contracts or currency borrowings to hedge its foreign exchange risk as appropriate.

Purchase, Sales or Redemption of Listed Securities

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2011.

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 2011, save for the deviation of Code A.1.1 as explained below.

Board of Directors

As of the date of this report, the board of directors of the Company (the "Board") comprises of three Executive Directors and three Non-executive Directors.

Executive Directors

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

Independent Non-executive Directors

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

* As disclosed in the announcement of the Company dated 1 March 2012, Mr. Xiang Qiang has been appointed as an Executive Director and President of the Company with effect from 1 March 2012.

** As disclosed in the announcement of the Company dated 11 May 2011, Mr. Tony Lau has resigned as an Executive Director and President of the Company for personal reasons with effect from 31 May 2011.

As of the date of this report, the Company had one Chairman, two Executive Directors (one of which is the President of the Company) 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 42-45 of this report.

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

CORPORATE GOVERNANCE

The Board is responsible for the oversight of the Company's performance and for formulating its strategies with a view to protecting, maximizing and delivering sustainable and long-term value to its shareholders. At the same time, the Board should ensure that the Company has complied with the obligations and duties under the applicable regulatory requirements. 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. Further, 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 and President

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 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.

Mr. Tony Lau, the former President of the Company, was responsible for the duties carried by a chief executive officer with his focus on the day-to-day execution of the key decisions considered and approved by the Board. The President would seek to ensure that the management fully understands the strategy and policy of the Company and provide guidance and supervision to them for efficient implementation. Following the resignation of Mr. Tony Lau, the Company subsequently appointed Mr. Xiang Qiang as the President of the Company to take over the role and responsibilities previously taken up by Mr. Tony Lau. The Board believes that the experience of Mr. Xiang would complement the portfolio and expertise of the existing Board members and improve the corporate governance and management of the Group as a whole.

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 able 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 of association of the Company (the "Articles"), any applicable law or the Listing Rules. In accordance with the Articles, all Directors of the Company are subject to retirement by rotation at least once every three years.

Board Appointments, Re-Election and Removal

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

CORPORATE GOVERNANCE

Number of Meetings

During the year ended 31 December 2011, two full Board meetings were held and four other Board meetings were held by way of written resolutions. Notwithstanding that this is a deviation from A.1.1 of the Code Provisions under the CG Code which requires four full board meetings, the Board considers that there was efficient and sufficient communication between the Board members and senior management, whether by way of telephone or email correspondence, prior to the approval of the subject transactions under the written resolutions. Nevertheless, the Board would continually evaluate ongoing Board meeting arrangements with a view to ensure adequate and active participation and interaction by and among the Board members.

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 2011.

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 2011, the total fees paid to the auditors of the Company amounted to RMB2.4 million, among which approximately RMB2.2 million was paid as audit fees for the audit services provided for the financial year ended 31 December 2011 and the remaining amount (i.e. RMB0.2 million) was the professional service fees paid to the auditors engaged in relation to the acquisition of Even Time and the transactions in connection therewith. Particulars of the transactions are set out in the paragraph headed "Option related to Beijing Scitech Premium Outlet Mall" under the section headed "Directors' Report" of this report.

Internal Control

The Board has overall responsibility for establishing and maintaining the Group's internal control systems and approval procedures. Working with the financial control team and senior management of the Group, the Audit Committee reviews the internal control arrangement with a view to ensuring its effectiveness. The Group also maintains disclosure controls and procedures to facilitate efficient reporting and disclosure.

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

The senior management responsible for the operations within the Group would prepare a business plan and budget at least on an annual basis 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 usually 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. Material operating expenditures are further controlled by different tiers of approval 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. Internal audit follows up findings to ensure that identified issues are satisfactorily resolved. Internal audit also contributes to the assessment of the Group's internal control system and the formulation of an impartial opinion on the system, which findings would then be reported to the Board, the financial controller and relevant senior management for consideration.

The Directors confirm that they have reviewed the effectiveness of the system of internal controls of the Group and its subsidiaries and 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 as well as the risk management function. Whilst the various procedures as described above are designed to identify and manage risks that could potentially adversely affect the Group's ability to meet its business objectives or to properly record and report its financial data or 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 whenever considers appropriate or necessary.

CORPORATE GOVERNANCE

The Audit Committee is responsible for monitoring the integrity of the financial statements of the Group. In addition to the review of the financial information of the Group, the other primary duties of the Audit Committee include the monitoring of the relationship with the Group's external auditors and the overseeing of the Group's financial reporting system, internal control and risk management procedures. The Audit Committee held 2 meetings in the year 2011, at which the interim results and annual results of the Group, as well as the internal control system of the Group, were reviewed. The Audit Committee adopted a new terms of reference during its meeting held on March 27, 2012.

With respect to the Group's results for the financial year ended 31 December 2011, 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, in which 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 could contribute to the development and implementation of 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 determining their remuneration packages after assessing their performance; and approving the terms of the service contracts of Executive Directors. Executive Directors however, do not participate in the determination of their own remuneration. The Remuneration Committee held 1 meeting in the year 2011, at which the policy for the remuneration of the Executive Directors and senior management, the performance of the Executive Directors and the terms of the Executive Directors' service contracts were considered. The Remuneration Committee adopted a new terms of reference during its meeting held on March 27, 2012.

Nomination Committee

The Nomination Committee consists of 3 members, in which Mr. Alfred Chan is the chairman, together with Mr. Randolph Yu and Mr. Ainsley Tai. The committee was established on March 28, 2012 with its terms of reference adopted by the Board on March 28, 2012.

The Nomination Committee is responsible for identifying and recommending to the Board appropriate candidates to serve as Directors of the Company, evaluating the structure and composition of the Board and developing, recommending to the Board and monitoring nomination guidelines for the Company.

The Directors were nominated by criteria such as personal integrity, work experience relating to the Company's business, performance track record and professional qualifications.

As the Nomination Committee was recently established, the Nomination Committee did not hold any meeting in the year 2011.

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 Covenantors 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 interests of the Covenantors in Even Time and Guangchang are no longer applicable due to the acquisition of Even Time and Guangchang by the Company.

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 PCD Ruijing; and (ii) the options granted to us by our Controlling Shareholders, in the form of the Bund Option and the Ruijing Option, are sufficient to safeguard our interest against any competition issues or potential competition issues.

Communication with Shareholders and 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 would be dealt with in an effective and timely manner.

The Board considers that general meetings of the Company provide opportunities for shareholders to exchange views with the Board. 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 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 47 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.

CORPORATE GOVERNANCE

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 the financial statements in accordance with the Companies Ordinance of Hong Kong 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 during the FY2011 is as follows:

	Board	Remuneration Committee	Audit Committee
Alfred Chan, Executive Director	2/2	1/1	n/a
Edward Tan, Executive Director	2/2	n/a	n/a
*Tony Lau, Executive Director	1/2	n/a	n/a
Li Chang Qing, Independent Non-Executive Director	0/2	1/1	1/2
Ainsley Tai, Independent Non-Executive Director	2/2	1/1	2/2
Randolph Yu, Independent Non-Executive Director	2/2	n/a	2/2

* Resigned with effect from 31 May 2011.

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 and Dividends

The results of the Group for the year ended 31 December 2011 are set out in the consolidated income statement on page 49. An interim dividend of RMB1.8 cents was declared and a final dividend of RMB1.9 cents was proposed to declare by the Group for the year ended 31 December 2011.

Property, Plant and 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 2011.

Charitable Donations

Charitable donations of the Group during the year ended 31 December 2011 amounted to approximately RMB1.3 million.

Borrowings

Borrowings of the Group as at 31 December 2011 amounted to RMB1,785 million. Details of the borrowings are set out in Note 27 and 28 to the audited consolidated financial statements of the Company for the financial year ended 31 December 2011.

Share Capital and Purchase, Redemption or Sale of Listed Securities of the Company

During the year ended 31 December 2011, 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 53 for the financial year ended 31 December 2011.

DIRECTORS' REPORT

List of Directors

Name	Age	Position
Mr. Alfred Chan	64	Chairman and Executive Director
Mr. Edward Tan	69	Executive Director
Mr. Tony Lau	59	President and Executive Director (resigned with effect from 31 May 2011)
Mr. Xiang Qiang	48	President and Executive Director (appointed with effect from 1 March 2012)
Mr. Randolph Yu	33	Independent Non-executive Director
Mr. Ainsley Tai	34	Independent Non-executive Director
Mr. Li Chang Qing	43	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 (with the exception of Mr. Alfred Chan and Mr. Edward Tan who were appointed on 28 March 2007 and Mr. Xiang Qiang who was appointed on 1 March 2012), subject to re-election in accordance with the Articles 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, Mr. Edward Tan and Mr. Xiang Qiang will not be receiving any Director's emoluments. Instead, Mr. Alfred Chan and Mr. Edward Tan, as ultimate controlling shareholders of the Company, will solely derive financial gains from future dividend payments of the Company and the appreciation in the value of the Shares. Mr. Xiang Qiang would receive his remuneration pursuant to his appointment as President of the Company.

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 2011, 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. 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 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 2011, 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 2011, 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)
FIL Limited	Investment Manager	256,856,516 (L)	6.08% (L)
Schroder Investment Management (Hong Kong) Limited	Investment Manager	252,424,000 (L)	5.97% (L)

Notes: (L) — Long 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.

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 2011 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 Scheme is to enable the Company to grant options to selected participants as incentives or rewards for their contributions to the Group.

2. The participants of the Scheme are (i) any employee (whether full time or part time) 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 (as defined in the Listing Rules), 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 28 March 2012, the maximum number of Shares available for issue under the Share Option Scheme was 380,500,000 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. Subject to early termination in accordance with the terms of the Share Option Scheme, 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 2011 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 2011	Options granted during the period	Options exercised during the period	Options cancelled during the period	Options held at 31 Dec 2011
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	40,821,000	0	0	1,218,600	39,602,400

Options granted on 1 April 2010

	Exercisable from	Exercisable until	Exercise price per option (HK$)	Options held at 1 Jan 2011	Options granted during the period	Options exercised during the period	Options cancelled during the period	Options held at 31 Dec 2011
Tony Lau	1 Apr 2010	31 Mar 2020	2.67	950,000	0	0	950,000	0

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 2011.

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 our 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 relevant approvals in the PRC have been obtained.

2. OPTION GRANTED BY DOUBLE EIGHT ENTERPRISES LIMITED ("DOUBLE EIGHT") RELATING TO 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, the progress of finalizing the definitive agreement will remain complex and involve lengthy and protracted discussions between the parties.

Pursuant to an option agreement dated 29 November 2009, Double Eight, a company indirectly owned by the family of our Controlling Shareholders, 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 our Controlling Shareholders in PCD China Ventures and (ii) the prevailing fair market value of PCD China Ventures as determined by an independent firm of international valuers (the "Bund Option").

The Group had been notified that the Bund Project will not proceed following the termination of collaboration between the independent third parties with regard to the operation of a department store at the aforementioned location. PCD China Ventures is in the process of discussing the termination arrangement with the various parties concerned or involved in the Bund Project. The Board will make an announcement and/or obtain independent shareholders' approval in due course, as appropriate and in accordance with the Listing Rules.

3. SHENYANG OUTLET MALL

As disclosed in the Prospectus of the Company, our Controlling Shareholders were at the issue of Prospectus 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.

Notwithstanding the above, the Company had decided to own and operate the Shenyang outlet mall. On 29 March 2010, 中山巴黎春天(廈門)百貨有限公司 (Zhongshan PCD (Xiamen) Department Stores Co., Ltd.), a subsidiary of the Company, had entered into a lease with 港中旅(瀋陽)置業有限公司 for the leasing of certain buildings which constituted the premises of the Shenyang outlet malls. The outlet mall is currently under the final stage of renovation and is expected to commence operations in summer of 2012.

4. OPTION RELATED TO 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 net profit for two consecutive financial years as shown in its audited financial statements at which time, Even Time will serve us a notice.

On 14 November 2011, the Company and LDP entered into an acquisition agreement (the "Even Time Acquisition Agreement"), pursuant to which the Company conditionally agreed to acquire the entire issued share capital in Even Time for a total consideration of RMB73,069,068, being the aggregate funding and investment costs of LDP in Even Time and its subsidiaries. On the same day, 廈門巴黎春天百貨有限公司 (PCD Department Stores (Xiamen) Limited) and 北京賽特百貨有限公司(Beijing Scitech Department Stores Co., Ltd.), an indirect wholly owned subsidiary of the Company, also entered into an acquisition agreement ("Beijing Chun Tian Real Estate Acquisition") pursuant to which Beijing Scitech Department Stores Co., Ltd. conditionally agreed to acquire the entire registered capital of 北京春天房地產開發有限公司 (Bejing Chun Tian Real Estate Co., Ltd.) for a total consideration of RMB365,641,139, being the aggregate funding and investment costs of PCD Department Stores (Xiamen) Limited on Beijing Chun Tian Real Estate Co., Ltd, which investments are (i) its interest in the right to use and occupy the land on which the Beijing Scitech Premium Outlet Mall is located; (ii) its interest in the properties and assets of Beijing Scitech Premium Outlet Mall; and (iii) the right to apply for the acquisition of the land on which Beijing Scitech Premium Outlet Mall is located.

Given that upon completion of the acquisition of Even Time pursuant to the Even Time Acquisition Agreement, the Company would directly hold the entire issued share capital of Even Time, and LDP no longer be interested in any shares of Even Time, on 14 November 2011, the Company and LDP also entered into a deed of termination in relation the Outlet Option (the "Deed of Termination") pursuant to which, conditional upon, inter alia, the completion of the acquisition of Even Time by the Company, the Company and LDP agreed to terminate the Outlet Option. On 15 December 2011, all conditions relating to the completion of the acquisition of Even Time had been satisfied and hence, the Outlet Option was terminated pursuant to the terms of the Deed of Termination.

5. ACQUISITION OF UNIVERSE RIVER REAL ESTATE (XIAMEN) LIMITED

On 20 December 2011, PCD Operations HK Limited, an indirect wholly owned subsidiary of the Company, entered into equity transfer agreements (the "Equity Transfer Agreements") with Alfred Chan and Edward Tan, the Controlling Shareholders, respectively, pursuant to which each of Alfred Chan and Edward Tan agreed to sell, and PCD Operations HK Limited agreed to purchase, 50% of the equity interests in 巴黎春天物業經營(廈門)有限公司 (Universe River Real Estate (Xiamen) Ltd.) ("Universe River") for an aggregate consideration of RMB41,366,346.63, which was determined with reference to the net asset value of Universe River as at 30 November 2011 according to the unaudited management account of Universe River.

As disclosed in the announcement of the Company dated 20 December 2011, the acquisition of Universe River, which according to the approved business scope, is entitled to carry on the business of providing management consultancy services to department store either owned by itself or by its related enterprise, would provide the Group with further organizational flexibility in connection with the provision of management consultancy services within its department store network.

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 Alfred Chan and Edward Tan, both our Controlling Shareholders (the "Ruijing Management Agreement"). Pursuant to the Ruijing Management Agreement, the Group agreed to provide management consultancy services to Xiamen 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 ("Ruijing Minimum Fee").

The Ruijing Management Agreement took effect from 1 March 2009 and ended on 31 December 2011, which would be automatically renewed every three years subject to compliance with Chapter 14A of the Listing Rules by the Company on substantially the same terms, except that the Ruijing Minimum Fee will not be applicable upon renewal. On 30 December 2011, the Company announced that the Ruijing Management Agreement would be automatically renewed for a term of three years commencing from 1 January 2012 and expiring on 31 December 2014 pursuant to its terms. Apart from the absence of the Ruijing Minimum Fee, all other terms and conditions of the Ruijing Management Agreement would remain the same.

On 30 December 2011, the Company announced that the annual cap in respect of the management fees to be paid to the Company under the renewed Ruijing Management Agreement for each of the three years ending 31 December 2014 is RMB3.5 million, RMB4.5 million and RMB6.0 million respectively, which have been determined by reference to a projected additional 30% growth rate each year.

The total amount received by the Group under the Ruijing Management Agreement was approximately RMB3 million for the financial year ended 31 December 2011.

2. 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 Alfred Chan and Edward Tan) is its controlling shareholder (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 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 ended on 31 December 2011. On 29 December 2011, the Company and PDL entered into the renewed master PDL agreement (the "Renewed Master PDL Agreement"), pursuant to which both parties confirmed the renewal of the Master PDL Agreement for a further term of three years commencing from 1 January 2012 and ending on 31 December 2014. Apart from changes made to update the effective period of renewal, all other terms and conditions of the Master PDL Agreement would remain the same.

On 30 December 2011, the Company announced that the annual cap in respect of the concessionaire fees to be paid to the Company under the Renewed Master PDL Agreement) for each of the three years ending 31 December 2014 is RMB34.7 million, RMB41.6 million and RMB50.0 million respectively, which have been determined taking into account the acquisition by the Group of the operator of Beijing Scitech Premium Outlet Mall (particulars of which are set out above in the section headed "Option related to Beijing Scitech Premium Outlet Mall") and by reference to a projected additional 20% growth rate each year.

The total amount of concessionaire fees received by the Group under the Master PDL Agreement was approximately RMB29.3 million for the financial year ended 31 December 2011, which included the concessionaire fees paid for the 3 stores in Beijing Scitech Premium Outlet Mall from 16 December 2011 (i.e. the date following the completion of the acquisition) to 31 December 2011 .

3. 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 Alfred Chan, Edward Tan and their respective immediate family members, 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.

On 30 December 2011, the Company announced that the annual cap in respect of the rent to be paid by the Company to Scitech Group under the Department Store Lease has been determined with reference to its terms on a fixed fee basis to be RMB46.8 million for a term of three years commencing from 1 January 2012 and ending 31 December 2014, which was agreed between the parties after arm's length discussions.

The total amount paid by the Group under the Department Store Lease was approximately RMB46 million for the financial year ended 31 December 2011.

(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. On 29 December 2011, the Company and Scitech Group entered into a renewed office space lease (the "Renewed Office Lease") pursuant to which both parties confirmed the renewal of the Office Lease to 31 December 2014. Apart from changes made to update the effective period of renewal, all other terms and conditions of the Office Lease would remain the same.

On 30 December 2011, the Company announced that the annual cap in respect of the rent to be paid by the Company to Scitech Group under the Renewed Office Lease has been determined on a fixed fee basis to be RMB1.7 million for a term of three years commencing from 1 January 2012 and ending 31 December 2014, which was agreed between the parties after arm's length discussions.

The total amount paid by the Group under the Office Lease was approximately RMB1.7 million for the financial year ended 31 December 2011.

4. 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 Jenny Tan, the daughter of Edward Tan, on trust for and on behalf of LDP. Pursuant to the Outlet Mall Management Agreement, the Group 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 gross sales proceeds of Beijing Scitech Premium Outlet Mall in each financial year.

The Outlet Mall Management Agreement took effect for a period from 1 July 2009 and should have ended on 31 December 2011. Given that upon completion of acquisition of Even Time, the Company would hold the entire issued share capital of Even Time, the Outlet Mall Management Agreement was terminated on 15 December 2011 when the acquisition had been completed.

The total amount received by the Group under the Outlet Mall Management Agreement was approximately RMB18.4 million for the financial year ended 31 December 2011, which was calculated up to and inclusive of 15 December 2011.

5. 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 RMB36.0 million per year. Pursuant to the General Outlet Services Agreement, the Group would 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 should have ended on 31 December 2011. Given that upon completion of the acquisition of Even Time, the Company would hold the entire issued share capital of Even Time and LDP would no longer have any interest or be involved in the development of any outlet mall business in the PRC, accordingly, the General Outlet Services Agreement was terminated on 15 December 2011 when the acquisition had been completed.

The total amount received by the Group under the General Outlet Services Agreement was approximately RMB34.5 million for the financial year ended 31 December 2011, which was calculated up to and inclusive of 15 December 2011.

In the opinion of the Independent Non-executive Directors, the above continuing connected transactions for the financial year ended 31 December 20101 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.

Major Customers and Suppliers

During the year ended 31 December 2011, the Group purchased approximately 22.5% and 71.3% of its goods and services from its largest supplier and its five largest suppliers, respectively. None of our concessionaires or 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 the 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 amended and restated memorandum and articles of association of the Company and the laws of the Cayman Islands.

Employees, Emolument Policy and Pension Scheme

As at 31 December 2011, the total number of employees for the Group was approximately 2,800. 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

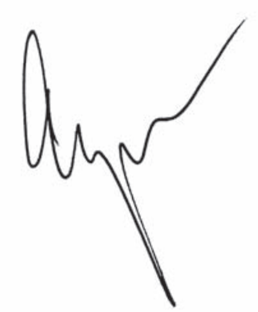
On 26 March 2012, the Company announced that the Group entered into a co-operation agreement with Guiyang Xin Xi Da Wu Hotel Investments Limited ("Xin Xi Da Wu"), pursuant to which they agreed to joint bid for a parcel of land located near Ruijin Central Road, Nanming District, Guiyang City, with a total surface area of 56,281 square meters (the ("Land"). Subsequently, the Group and Xin Xi Da Wu successfully won the bid, and on 10 February 2012, the Group and Xin Xi Da Wu entered into a sale and purchase agreement (the "Agreement") with the PRC Guizhou Province Guiyang City Ministry of Land and Resources, being the Vendor. Pursuant to the terms of the Agreement, the Company and Xin Xi Da Wu agreed to purchase the Land for RMB601,000,000.

Use of Proceeds

There has been no change to the proposed application of proceeds raised from the initial public offering 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
Chan Kai Tai Alfred
Chairman

CORPORATE SOCIAL RESPONSIBILITY REPORT

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 the Group's sponsored events that are organized with a hope of generating a positive impact on these communities and creating a positive and meaningful change.

Listed below are some of the many events and initiatives that the Group has initiated and supported during the year ended 31 December 2011:

Annual "My Little Green Bag" Campaign

Since 2008, PCD Stores has promoted "My Little Green Bag" shopping bag campaign to support the environment and government policy of reducing the use of plastic bags.

During the spring in 2011, PCD Stores organized "My Little Green Bag" design contest. The contest attracted enthusiasts and designers to participate in the competition with creative designed bags to raise environmental awareness among consumers.

Annual PCD Stores "Think Pink" Walkathon

The Pink Ribbon is an international symbol of the fight against breast cancer.

During the spring in 2011, PCD Stores hosts its annual "Think Pink" walkathon whereupon over ten thousand participants joined in the PCD "Think Pink" walkathons in different cities such as Beijing, Changchun, Nanning, Qingdao, Taiyuan and Xiamen. The walkathon helped to raise awareness for breast cancer and advocate the message for everyone to have a healthy and positive attitude towards life.

Charity Bear Events across PCD Stores network

During the Christmas in 2011, the entire PCD Stores network launched its 5th limited edition charity bears, Christophe and Claire. Following the footsteps of Jacques (2007), Juliet (2008), Nicholas (2009) and Noëlle (2010), the newest members of the Le Bear family helped raising money for children's charities across China.

The following are highlights of the Charity Bear events within our stores network.

CORPORATE SOCIAL RESPONSIBILITY REPORT

Xiamen PCD Zhongshan Store: Supporting the Shoulder Action Organization

On 2 December 2011, Xiamen PCD Stores held a Charity Bear event along with the Christmas tree lighting ceremony at the PCD Xiamen Zhongshan Store. Mr. Shang Guan Wen Bin, General Director of Shoulder Action Organization, and Mr. Zhang Su, Director of Fujian Zhi Yuan Law Office, co-hosted the Charity Bear auction. The auctioned proceeds would be donated to Shoulder Action Organization to build library corners for the underprivileged children.

Beijing Scitech Plaza: Providing Educational Materials for Schools at the Da An Shan Area

On 10 December 2011, Beijing Scitech Plaza held the Charity Bear event launch ceremony. Mr. Sha Baoliang, renowned singer, and hundreds of his fans attended the event. Mr. Sha Baoliang introduced the story behind the bears to the audience, made the first donation of the event and autographed his latest album for his fans. Eight large-sized bears and ninety small-sized bears were sold and the proceeds were donated to the Beijing Women and Children's Development Foundation. The Foundation will apply the proceeds to provide teaching materials to the schools in Da An Shan area.

PCD Qingdao Stores: Donation to Help Visually impaired Children

The Charity Bear auction has been co-hosted by and among Qingdao Plaza Printemps, Qingdao Four Seasons PCD Stores and Qingdao PCD Outlet in 2011. On 24 December 2011, Mr. Lin Liyong, General Manager of PCD Qingdao Stores and his team visited the Qingdao School for the Blind. With the money raised from the Charity Bear auction event, PCD Qingdao Stores and Outlet presented books, sports equipment as Christmas gifts to the students of the school.

Nanning PCD Stores: Supporting Children for Safe Water Movement

On 27 December 2011, Nanning PCD Stores presented Ba Gui Volunteer Federation with all the proceeds raised from this year's Charity Bear sales. With the aim of providing children with safe and clean water, the proceeds will be applied to buy drinking-water purifier, water pipe and other supplies for rural schools around Nanning area.

Taiyuan PCD Stores: Gives Back to Children with Heart Disease

On 30 December 2011, representatives of Taiyuan PCD Stores visited the Shanxi Province Charity Federation to present donations from its Christmas Charity Bear sales. The donations received from the sale of the Charity Bears are donated to children who suffers from congenital heart disease.

CORPORATE SOCIAL RESPONSIBILITY REPORT

Other Social Responsibility Initiatives in 2011

Xiamen One Heart Charity Visit (January 2011)

Xiamen One Heart Charity is a charity organization based in Xiamen. On 16 January 2011, Xiamen PCD Stores invited its VIP members and their children to present New Year gifts to the children at Xiamen One Heart Charity. Following the presentation of gifts, our VIP members and their children toured around the One Heart Charity's library, nursing home and children's center. It was a meaningful day for all participating members, in particular for their children who learned the importance of giving back to the less fortunate members of the community.

7th Annual Cosmetics Bottles Recycling Promotion at Scitech Plaza (February – March 2011)

Between 25 February 2011 and 20 March 2011, Beijing Scitech Plaza held its 7th annual cosmetics bottles recycling promotion. The promotion encourages customers to contribute to the protection of the environment by recycling cosmetics bottles. Customers who returned empty cosmetic bottles to the cosmetic counters were rewarded with a RMB10 credit that could be used towards any cosmetics purchase at our department store.

Lights Off at PCD Stores for "Earth Hour" (March 2011)

On 26 March 2011, the PCD Stores network participated in the global "Earth Hour" campaign organized by the World Wildlife Fund. The campaign encourages turning lights off between 8:30 p.m. and 9:30 p.m. across the globe. PCD Stores has also promoted the campaign including the distribution of energy saving light bulbs at several PCD Stores and we have also invited Yao Chen, a Weibo celebrity, to autograph the "Earth Hour" poster.

Teachers and Children Visit at School for the Hearing Impaired by Nanning PCD Stores (September 2011)

On 9 September 2011, the goodwill ambassadors of Nanning PCD Stores paid a visit to the Nanning School for the Hearing Impaired. To celebrate Teachers' Day and Mid-autumn Festival, on behalf of Nanning PCD Stores, the goodwill ambassadors presented flowers and moon-cakes to teachers who dedicated themselves to helping the special children.

Charity Auction at Qindao Plaza Printemps (November 2011)

On 19 November 2011, Qingdao Plaza Printemps and Qingdao Wei Chen Foundation co-hosted a charity auction to raise money for children in need. In the first hour, 14 items were auctioned off, including goods donated from international brands and a Christmas tree decorated by the Qingdao Welfare Center for Children.

Qingdao Plaza Printemps and Qingdao Wei Chen Foundation then paid a special visit to three schools in the remote mountain areas and presented the children there with gifts, such as computers, ping-pong tables, tape recorders, schoolbags and other school supplies, by applying the proceeds received from the charity auction.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Directors

The Board 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:

Name	Age	Position
Mr. Alfred Chan	64	Chairman and Executive Director
Mr. Edward Tan	69	Executive Director
Mr. Tony Lau	59	President and Executive Director (resigned with effect from 31 May 2011)
Mr. Xiang Qiang	48	President and Executive Director (appointed with effect from 1 March 2012)
Mr. Randolph Yu	33	Independent Non-executive Director
Mr. Ainsley Tai	34	Independent Non-executive Director
Mr. Li Chang Qing	43	Independent Non-executive Director

Executive Directors

Alfred Chan, aged 64, is the Chairman of the Board, the Executive Director of the Company and one of the founders of the Group. Mr. Chan is also a member of the remuneration committee and the chairman of the nomination committee. Mr. Chan is in charge of corporate strategy and planning and the overall development of the Group, leveraging on his 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 executive director of Ports Design Limited, a company which shares are listed on the main board of the Hong Kong Stock Exchange (stock code: 589), and is also the chief executive officer and an executive director of Ports International Enterprises Limited ("PIEL"). Mr. Chan graduated from McGill University in Canada with a Bachelor of Science degree in Physics in 1970 and a Master of Electrical Engineering degree in 1972. Mr. Chan is the younger brother of Edward Tan. Mr. Chan was interested in 1,671,709,919 Shares (representing 39.57% of the issued share capital of the Company) within the meaning of Part XV of the Securities and Futures Ordinance.

Edward Tan, aged 69, is the Executive Director of the Company and one of the founders of the Group, who 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 executive director of PIEL. Mr. Tan is the elder brother of Alfred Chan. Mr. Tan was interested in 1,671,709,919 Shares (representing 39.57% of the issued share capital of the Company) within the meaning of Part XV of the Securities and Futures Ordinance.

Xiang Qiang, aged 48, is the Executive Director and President of the Company who was appointed on 1 March 2012. Mr. Xiang has been the general manager of Scitech Group Company Limited since May 2011, a company which the Controlling Shareholders are indirect majority shareholders. Mr. Xiang has over 20 years of extensive senior managerial experience as he has been appointed as the general manager, chairman or president of various entities in the PRC with focus on different areas such as hospitality, securities, real estate project management and development, etc. He is also currently an independent non-executive director of Jutal Offshore Oil Services Limited, a company which shares are listed on the main board of the Hong Kong Stock Exchange (stock code: 3303). Mr. Xiang obtained a Bachelor of Engineering degree from Tsinghua University and a Master of Business Administration degree from the School of Management of Xiamen University. He also took the Executive Master of Business Administration course at Cheung Kong Graduate School of Business from May 2005 to May 2007.

Independent Non-executive Directors

All Independent Non-executive Directors of the Company are appointed for a term of three years.

Randolph Yu, aged 33, was appointed as an Independent Non-executive Director of the Company in November 2009. Mr. Yu is also a member of the audit committee and nomination 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.

Ainsley Tai, aged 34, 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 and nomination 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 a Master of Business Administration from The Wharton School of Business of the University of Pennsylvania in 2006.

Li Chang Qing, aged 43, 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 a Doctorate Degree in Management Studies from Xiamen University in 1999 and has received high-level recognition in the academic field in this regard.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Senior Management

Laurence Danon, aged 56, 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. Mme. Danon had also been the chairlady 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.

Li Henan, aged 49, was appointed as the Chief Operating Officer and General Manager of the Northern Region of the Group in March 2012. He is responsible for overseeing the operation and strategic development of the Group and his focus area would be to manage the store portfolio in Northern China and to streamline and strengthen the overall management of the Group. Prior to joining the Group, Mr. Li had held various senior positions in a successful department store chain in China. He obtained a Bachelor Degree (major in Chinese) from Northeast Normal University and a Master of Public Marketing degree from Beijing Broadcasting Institute (now known as "Communication University of China").

Wang Kexiu, aged 46, was appointed as the Vice President and Assistant to the Director of the Group when he joined the Group in 2005. In 2007, he was also appointed as the President of Beijing Chun Tian Real Estate Co., Ltd., a company acquired by the Group from its Controlling Shareholders in December 2011. Mr. Wang is responsible for the identification of acquisition and business development opportunities, in particular outlet mall related business, for the Group. Mr. Wang obtained a Bachelor of Economics degree from Wuhan University in July 1989.

Henry Tan, aged 35, joined the Group on 1 June 2007 and was appointed Vice President of Corporate Development Department of the Group 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 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.

Zhu Jian Ke, aged 54, is the Vice President of Audit and Financial Control of the Group and was appointed to this position on 1 April 2009. Prior to this appointment and since he joined the Group in January 1999, he had been the Vice Manager of Internal Audit for the Group. Mr. Zhu has been a PRC-certified public accountant 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.

Dong Gang, aged 37, joined the Group on 1 February 2005 and has been the Financial Controller of the Group since then. Mr. Dong is responsible for the overall supervision and management of the Finance and Accounting Department of the Group. He graduated from Zhejiang Economic College, specializing in accounting in July 1996. Mr. Dong is the husband of Charlotte Su, the Company Secretary.

Li Lee, aged 39, is the Director of Government Affairs of the Group and was appointed to this position 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 prior to that, she had also worked for other multi-national corporations in the area of human resources management. Ms. Li graduated from Xiamen University with a Bachelor of Law degree in July 2002.

Lin Keqin, aged 40, is the Director of Human Resources of the Group and was appointed to this position on 1 January 2004 and has been with our Group for over ten years. Ms. Lin is responsible for coordinating our Group's recruiting activities, as well as assessing and determining appropriate compensation and incentive systems. Ms. Lin graduated from Hefei Union University specializing in economics in July 1992.

Company Secretary

Charlotte Su, aged 35, was appointed as the Company Secretary 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 of Economics degree specializing in auditing in July 1999 and subsequently she obtained a Master of Professional Accounting degree in September 2007. She is the wife of Dong Gang.

FINANCIAL REPORT

PCD STORES (GROUP) LIMITED
Report and Consolidated Financial Statements
For the year ended 31 December 2011

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 49 to 115, which comprise the consolidated statement of financial position as at 31 December 2011, 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

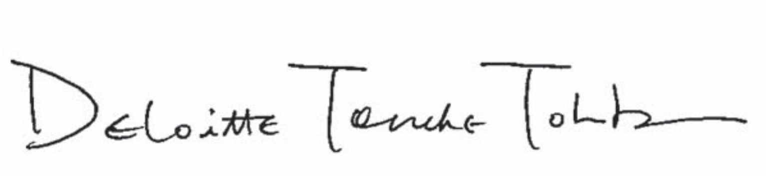
Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any 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 2011 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
28 March 2012

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2011

	Notes	2011	2010
		RMB'000	RMB'000 (restated)
Revenue	5	1,278,251	1,140,755
Other income	6	191,048	161,851
Gain on disposal of subsidiaries		—	1,115
Change in fair value of investment properties	16	10,360	10,180
Purchase of and changes in inventories		(255,109)	(220,649)
Employee benefits expense	7	(173,594)	(149,098)
Depreciation and amortisation		(65,445)	(66,007)
Operating lease rental expense	35	(153,920)	(117,775)
Other operating expenses	8	(279,582)	(237,915)
Finance costs	9	(85,958)	(33,879)
Profit before tax		466,051	488,578
Income tax charge	10	(134,154)	(128,269)
Profit for the year		331,897	360,309
Profit for the year attributable to:			
Owners of the Company		312,759	340,710
Non-controlling interests		19,138	19,599
		331,897	360,309
Earnings per share	14		
Basic (RMB cents)		7.40	8.07
Diluted (RMB cents)		7.40	8.07

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2011

	2011	2010
	RMB'000	*RMB'000*
		(restated)
Profit for the year	331,897	360,309
Other comprehensive loss		
Exchange differences arising on translation	—	(13,651)
Total comprehensive income for the year	331,897	346,658
Attributable to:		
Owners of the Company	312,759	327,059
Non-controlling interests	19,138	19,599
	331,897	346,658

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2011

	Notes	31 December 2011	31 December 2010	1 January 2010
		RMB'000	RMB'000	RMB'000
			(restated)	(restated)
NON-CURRENT ASSETS				
Property, plant and equipment	15	2,544,715	2,191,780	1,347,678
Deposit for acquisition of property, plant and equipment		—	100,000	—
Investment properties	16	674,400	629,500	510,000
Interests in an associate	17	1,500	—	—
Land use rights	18	60,391	62,404	64,417
Goodwill	32/33	22,974	—	2,008
Long-term prepaid rentals	22	—	702	39,443
Loan receivable	23	—	100,000	—
Deferred tax assets	20	10,392	12,105	5,441
Restricted bank balances	24	12,000	12,000	12,000
		3,326,372	3,108,491	1,980,987
CURRENT ASSETS				
Inventories	21	66,033	47,971	45,580
Prepayments, trade and other receivables	22	157,333	122,238	126,611
Loan receivable	23	100,000	—	—
Land use rights	18	2,013	2,013	2,013
Amounts due from related parties	37(c)	14,613	139,301	51,425
Held for trading investments	19	19,984	27,754	—
Short-term investments	25	120,000	—	—
Restricted bank balances	24	117,420	115,714	—
Bank balances and cash	24	1,711,164	1,481,523	2,134,108
		2,308,560	1,936,514	2,359,737
CURRENT LIABILITIES				
Trade and other payables	26	1,189,776	1,053,603	908,423
Bonds payable	28	16,406	—	—
Tax payable		39,542	43,905	17,533
Dividend payables to owners of the Company/non-controlling shareholders		7,232	52	—
Borrowings — due within one year	27	830,138	838,931	381,930
Amounts due to related parties	37(c)	64,299	391,945	571,099
		2,147,393	2,328,436	1,878,985

	Notes	31 December 2011	31 December 2010	1 January 2010
		RMB'000	*RMB'000*	*RMB'000*
			(restated)	*(restated)*
NET CURRENT ASSETS (LIABILITIES)		161,167	(391,922)	480,752
TOTAL ASSETS LESS CURRENT LIABILITIES		3,487,539	2,716,569	2,461,739
NON-CURRENT LIABILITIES				
Borrowings — due after one year	27	211,947	256,804	300,276
Bonds payable	28	743,349	—	—
Deferred tax liabilities	20	108,267	104,812	88,550
		1,063,563	361,616	388,826
		2,423,976	2,354,953	2,072,913
CAPITAL AND RESERVES				
Share capital	29	144,271	144,271	136,590
Share premium and reserves		2,252,556	2,185,914	1,910,461
Equity attributable to owners of the Company		2,396,827	2,330,185	2,047,051
Non-controlling interests		27,149	24,768	25,862
		2,423,976	2,354,953	2,072,913

The consolidated financial statements on page 49 to 115 were approved and authorised for issue by the board of directors on 28 March 2012 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 2011

	Attributable to the owners of the Company									
	Share capital	*Share premium*	*Other reserve*	*Statutory surplus reserve*	*Translation reserve*	*Share options reserve*	*Retained earnings*	*Subtotal*	*Non-controlling interests*	*Total*
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Note ii)*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2010 as original stated	136,590	1,522,866	(150,622)	73,490	–	701	480,588	2,063,613	25,862	2,089,475
Effect of business combination under common control (i)	–	–	16,879	–	–	–	(33,441)	(16,562)	–	(16,562)
At 1 January 2010 as restated	136,590	1,522,866	(133,743)	73,490	–	701	447,147	2,047,051	25,862	2,072,913
Profit for the year (as restated)	–	–	–	–	–	–	340,710	340,710	19,599	360,309
Exchange differences arising on translation	–	–	–	–	(13,651)	–	–	(13,651)	–	(13,651)
Total comprehensive income for the year (as restated)	–	–	–	–	(13,651)	–	340,710	327,059	19,599	346,658
Issue of new shares	7,681	367,151	–	–	–	–	–	374,832	–	374,832
Recognition of share-based payments (Note 36)	–	–	–	–	–	17,954	–	17,954	–	17,954
Disposal of subsidiaries	–	–	–	–	–	–	–	–	(971)	(971)
Contribution from owners of the Company (iii)	–	–	269,768	–	–	–	–	269,768	–	269,768
Acquisition of additional interest in subsidiaries (iv)	–	–	(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 (v)	–	–	(551,030)	–	–	–	–	(551,030)	–	(551,030)
Contributions from the non-controlling shareholders	–	–	–	–	–	–	–	–	1,457	1,457
Appropriations	–	–	–	7,357	–	–	(7,357)	–	–	–
Payment of dividends (Note 13)	–	–	–	–	–	–	(63,375)	(63,375)	–	(63,375)
At 31 December 2010 (as restated)	144,271	1,890,017	(495,859)	80,847	(13,651)	18,655	705,905	2,330,185	24,768	2,354,953
Profit and total comprehensive income for the year	–	–	–	–	–	–	312,759	312,759	19,138	331,897
Recognition of share-based payments (Note 36)	–	–	–	–	–	8,622	–	8,622	–	8,622
Contribution from owners of the Company (vi)	–	–	114,662	–	–	–	–	114,662	–	114,662
Acquisition of subsidiaries under common control (Note 2A)	–	–	(213,076)	–	–	–	–	(213,076)	–	(213,076)
Acquisition of subsidiary from a third party (Note 32)	–	–	–	–	–	–	–	–	5,675	5,675
Contributions from the non-controlling shareholders	–	–	–	–	–	–	–	–	2,851	2,851
Dividends paid to non-controlling shareholders of subsidiaries	–	–	–	–	–	–	–	–	(25,283)	(25,283)
Appropriations	–	–	–	32,982	–	–	(32,982)	–	–	–
Payment of dividends (Note 13)	–	–	–	–	–	–	(156,325)	(156,325)	–	(156,325)
At 31 December 2011	144,271	1,890,017	(594,273)	113,829	(13,651)	27,277	829,357	2,396,827	27,149	2,423,976

(i) The effect of business combination involves the acquisitions of 1) Even Time Investments Limited ("Even Time") and its subsidiaries (the "Even Time Group"); 2) Beijing Chun Tian Real Estate Co., Ltd (北京春天房地產開發有限公司) ("Beijing Chuntian Real Estate") and 3) Universe River Real Estate (Xiamen) Ltd. (巴黎春天物產經營(廈門)有限公司) ("Universe River"), which are regarded as a business combination under common control ("the Acquisitions", details please refer to Notes 2A & 2B).

(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 amount represents Goal Gain Investments Limited ("Goal Gain") and its subsidiaries' debts that 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.

(iv) Gain Win Limited ("Gain Win") acquired 24% additional equity interest in Guomao Guangchang Commercial Trading Co., Ltd. ("Guiyang Guomao") and 11.76% equity interest in each of Guiyang Nanguo Huajin Department Stores Limited ("Guiyang Nanguo Huajin", a subsidiary of Guiyang Guomao) and Liupanshui Guomao Guangchang Chun Tian Department Stores Limited ("Liupanshui", a subsidiary of Guiyang Guomao) in 2010 for a total consideration of RMB90,588,000. The difference between the carrying amount of the additional net assets acquired and the fair value of the consideration paid was recognized directly in equity and attributed to owners of the Company.

(v) 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.

(vi) The amount represents (1) the Even Time Group's debts amounted to RMB79,514,000 that were waived by the certain fellow subsidiaries controlled by Alfred Chan and Edward Tan before the Acquisitions, and (2) the additional contribution from Alfred Chan and Edward Tan amounted to RMB35,148,000 to Universe River before the Acquisitions.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2011

	Notes	2011	2010
		RMB'000	*RMB'000*
			(restated)
OPERATING ACTIVITIES			
Profit before taxation		466,051	488,578
Adjustments for:			
Depreciation of property, plant and equipment		63,432	63,994
Amortisation of land use rights		2,013	2,013
Interest income		(43,335)	(22,484)
Finance costs		85,958	33,879
Loss on disposal of property, plant and equipment		10	80
Foreign exchange (gain)/loss		(2,840)	8,948
Change in fair value of investment properties		(10,360)	(10,180)
Expense recognised in profit or loss in respect of equity-settled share-based payments		8,622	17,954
Changes in fair value of held for trading investments		(320)	(228)
Gain on disposal of subsidiaries		—	(1,115)
Operating cash flows before movements in working capital		569,231	581,439
Increase in inventories		(18,062)	(2,994)
Decrease in prepayments, deposits and other receivables		16,621	15,623
(Increase) decrease in amounts due from related parties		13,599	(8,139)
(Increase) decrease in held for trading		6,956	(28,538)
Increase in trade and other payables		106,893	218,804
(Decrease) increase in amounts due to related parties		(11,857)	35,907
Cash generated from operations		683,381	812,102
Income taxes paid		(133,654)	(92,300)
NET CASH FROM OPERATING ACTIVITIES		549,727	719,802

	Notes	2011	2010
		RMB'000	*RMB'000*
			(restated)
INVESTING ACTIVITIES			
Interest received		27,634	22,484
Loan receivable		—	(100,000)
Increase in short-term investments		(120,000)	—
Purchases of property, plant and equipment		(387,164)	(1,085,044)
Deposit refunded (paid) for acquisition of property, plant and equipment		70,000	(100,000)
Purchases of investment properties		(34,540)	(109,320)
(Repayment) received from related parties		(129,572)	93,928
Investment in an associate		(1,500)	—
Proceeds from disposal of property, plant and equipment		30	28
Payment on acquisition of subsidiaries under common control		(208,690)	(551,030)
Acquisition of a subsidiary (Note 32)		(22,433)	—
Proceeds from disposal of subsidiaries (Note 33)		—	14,558
Increase in restricted bank balances		(1,706)	(115,714)
Increase in time deposits		(387,319)	—
NET CASH USED IN INVESTING ACTIVITIES		(1,195,260)	(1,930,110)
FINANCING ACTIVITIES			
Proceeds from issue of shares		—	374,832
Contribution from equity holders		35,148	—
Interest paid		(66,665)	(33,945)
Contribution from non-controlling shareholders		2,851	1,457
Payment of dividends to owner of the Company/ non-controlling shareholders of subsidiaries		(174,428)	(85,989)
Payment on acquisition of additional interest in subsidiaries		—	(90,588)
New borrowings raised		695,000	1,358,804
Repayment of borrowings		(728,831)	(945,275)
Issuance of bonds		750,000	—
Bonds issuance cost		(9,375)	—
NET CASH FROM FINANCING ACTIVITIES		503,700	579,296
NET DECREASE IN CASH AND CASH EQUIVALENTS		(141,833)	(631,012)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		1,481,523	2,134,108
Effect of foreign exchange rate changes		(15,845)	(21,573)
CASH AND CASH EQUIVALENTS AT END OF YEAR	34	1,323,845	1,481,523

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

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.

The consolidated financial statements are presented in Renminbi ("RMB").

2A. Basis of Preparation of the Consolidated Financial Statements

In December 2011, the Group completed its acquisition of the entire issued share capital of Even Time Investments Limited ("Even Time") for a consideration of RMB73,069,000, through offsetting of receivables RMB4,386,000 and cash payment of RMB68,683,000 ("the acquisition of Even Time"). Even Time is an investment holding company incorporated in the British Virgin Islands on 6 July 2009 and previously held 100% by Jenny Tan, daughter of Edward Tan, on trust for and on behalf of LDP Management Limited, a company held as to 50% each by Alfred Chan and Edward Tan (collectively referred to as the "Controlling Shareholders"), executive Directors of the Company. Prime Wave Limited ("Prime Wave"), a company incorporated in Hong Kong on 9 October 2008, is a wholly-owned subsidiary of Even Time. Prime Wave holds 100% of the equity interest of Beijing Scitech Outlet Commerce & Trading Co. Ltd. (北京賽特奧特萊斯商貿有限公司) ("Beijing Scitech Outlets"), a company incorporated in the PRC on 13 February 2009, which in turn is the operator of Beijing Scitech Premium Outlet Mall.

In December 2011, the Group completed its acquisition of the entire registered capital of Beijing Chuntian Real Estate Co., Ltd (北京春天房地產開發有限公司) ("Beijing Chuntian Real Estate", holder of the right to use and occupy the land and building on which Beijing Scitech Premium Outlet Mall is located) for a consideration of RMB365,641,000, through the assumption of liabilities of RMB267,000,000 and cash payment of RMB98,641,000. Beijing Chuntian Real Estate is a company incorporated in the PRC on 29 August 2007 and was previously wholly owned by PCD Department Stores (Xiamen) Limited (廈門巴黎春天百貨有限公司) ("PCD Stores"), an entity controlled by the Controlling Shareholders, prior to the Group's acquisition.

In December 2011, the Group completed its acquisition of the entire registered capital of Universe River Real Estate (Xiamen) Ltd. (巴黎春天物產經營(廈門)有限公司) ("Universe River") for a consideration of RMB41,366,000. Universe River is a company incorporated in the PRC on 19 September 2007 and was held as to 50% each by the Controlling Shareholders, prior to the Group's acquisition.

2A. Basis of Preparation of the Consolidated Financial Statements (continued)

The Group, Even Time, Beijing Chuntian Real Estate and Universe River were all under common control of the Controlling Shareholders both before and after the acquisitions set out above.

Accordingly, the acquisitions of Even Time (together with its subsidiaries, collectively referred to as "Even Time Group"), Beijing Chuntian Real Estate and Universe River have been accounted for as business combinations under common control. The principles of merger accounting for business combination under common control have therefore been applied, pursuant to which the consolidated financial statements of the Group have been prepared as if Even Time Group, Beijing Chuntian Real Estate and Universe River had been subsidiaries of the Group since the beginning of year 2010. The consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows have been prepared as if Even Time Group, Beijing Chuntian Real Estate and Universe River had been subsidiaries of the Group throughout the years ended 31 December 2010 and 2011, or since their respective dates of incorporation/establishment where this is a shorter period. The consolidated statements of financial position of the Group as at 1 January 2010 and 31 December 2010 have been restated to include the assets and liabilities of the companies now comprising the Group. Respective notes to the consolidated financial statements have also been restated. All significant intra-group transactions, balances, income and expenses are eliminated on combination. The impact of the restatements is set out in note 2B.

2B. Restatements

The effects of the combination of Even Time Group, Beijing Chuntian Real Estate and Universe River on the result of the Group for the year ended 31 December 2010 and the financial position of the Group at 31 December 2010 are summarized below:

	2010	*Combination of subsidiaries under common control*	*Eliminations*	*2010*
	RMB'000 (previously reported)	*RMB'000*	*RMB'000*	*RMB'000 (restated)*
Revenue	1,084,365	67,929	(11,539)	1,140,755
Other income	144,551	17,300	—	161,851
Gain on disposal of subsidiaries	1,115	—	—	1,115
Change in fair value of investment properties	10,180	—	—	10,180
Purchase of and changes in inventories	(220,649)	—	—	(220,649)
Employee benefits expense	(131,912)	(17,186)	—	(149,098)
Depreciation and amortisation	(51,534)	(14,473)	—	(66,007)
Operating lease rental expense	(113,906)	(3,869)	—	(117,775)
Other operating expenses	(206,120)	(43,334)	11,539	(237,915)
Finance costs	(33,879)	—	—	(33,879)
Profit before tax	482,211	6,367	—	488,578
Income tax charge	(127,884)	(385)	—	(128,269)
Profit and total comprehensive income for the year	354,327	5,982	—	360,309
Profit and total comprehensive income attributable to:				
Owners of the Company	334,728	5,982	—	340,710
Non-controlling interests	19,599	—	—	19,599
	354,327	5,982	—	360,309

2B. Restatements (continued)

	31 December 2010	Combination of subsidiaries under common control	Eliminations	31 December 2010
	RMB'000 (previously reported)	RMB'000	RMB'000	RMB'000 (restated)
NON-CURRENT ASSETS				
Property, plant and equipment	1,888,499	303,281	—	2,191,780
Prepayment for acquisition of property, plant and equipment	100,000	—	—	100,000
Investment properties	629,500	—	—	629,500
Land use rights	62,404	—	—	62,404
Long-term prepaid rentals	702	—	—	702
Loan receivables	100,000	—	—	100,000
Deferred tax assets	12,105	—	—	12,105
Restricted bank balances	12,000	—	—	12,000
	2,805,210	303,281	—	3,108,491
CURRENT ASSETS				
Inventories	47,083	888	—	47,971
Prepayments, trade and other receivables	105,204	17,034	—	122,238
Land use rights	2,013	—	—	2,013
Amounts due from related parties	117,914	37,119	(15,732)	139,301
Held for trading investments	27,754	—	—	27,754
Restricted bank balances	115,714	—	—	115,714
Bank balances and cash	1,401,908	79,615	—	1,481,523
	1,817,590	134,656	(15,732)	1,936,514
CURRENT LIABILITIES				
Trade and other payables	940,320	113,283	—	1,053,603
Tax payable	43,871	34	—	43,905
Dividend payable to owners of the Company	52	—	—	52
Borrowings — due within one year	838,931	—	—	838,931
Amounts due to related parties	72,830	334,847	(15,732)	391,945
	1,896,004	448,164	(15,732)	2,328,436
NET CURRENT LIABILITIES	(78,414)	(313,508)	—	(391,922)
TOTAL ASSETS LESS CURRENT LIABILITIES	2,726,796	(10,227)	—	2,716,569
NON-CURRENT LIABILITIES				
Borrowings — due after one year	256,804	—	—	256,804
Deferred tax liabilities	104,460	352	—	104,812
	361,264	352	—	361,616
	2,365,532	(10,579)	—	2,354,953
CAPITAL AND RESERVES				
Share capital	144,271	—	—	144,271
Share premium and reserves	2,196,493	(10,579)	—	2,185,914
Equity attributable to owners of the Company	2,340,764	(10,579)	—	2,330,185
Non-controlling interests	24,768	—	—	24,768
	2,365,532	(10,579)	—	2,354,953

2B. Restatements (continued)

The effects of the combination of Even Time Group, Beijing Chuntian Real Estate and Universe River on the Group's equity at 1 January 2010 are summarized below:

	1 January 2010	*Combination of subsidiaries under common control*	*Eliminations*	*1 January 2010*
	RMB'000 (previously reported)	*RMB'000*	*RMB'000*	*RMB'000 (restated)*
Share capital	136,590	—	—	136,590
Share premium	1,522,866	—	—	1,522,866
Other reserve	(150,622)	16,879	—	(133,743)
Statutory surplus reserve	73,490	—	—	73,490
Share options reserve	701	—	—	701
Retained earnings	480,588	(33,441)	—	447,147
Non-controlling interests	25,862	—	—	25,862
	2,089,475	(16,562)	—	2,072,913

The effects of the above business combination under common control on the Group's basic and diluted earnings per share for the current and prior year are as follows:

Impact on basic and diluted earnings per share

	Impact on basic earnings per share Year ended		*Impact on diluted earnings per share Year ended*	
	31 December 2011	*31 December 2010*	*31 December 2011*	*31 December 2010*
	RMB cents	*RMB cents*	*RMB cents*	*RMB cents*
Figures before adjustments	6.79	7.93	6.79	7.93
Effect arising from business combination under common control	0.61	0.14	0.61	0.14
Figures after adjustments	7.40	8.07	7.40	8.07

2C. Application of New and Revised International Financial Reporting Standards ("IFRSs")

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

Amendments to IFRSs	Improvements to IFRSs issued in 2010
IAS 24 (as revised in 2009)	Related Party Disclosures
Amendments to IAS 32	Classification of Rights Issues
Amendments to IFRIC 14	Prepayments of a Minimum Funding Requirement
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments

The application of the new and revised Standards, Interpretations and Amendments 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 Standards, Interpretations and Amendments that have been issued but are not effective.

IFRS 7 (Amendments)	Disclosures — Transfers of Financial Assets[1]
IFRS 7 (Amendments)	Disclosures — Offsetting Financial Assets and Financial Liabilities[2]
IFRS 9	Financial Instruments[3]
IFRS 9 and IFRS 7 (Amendments)	Mandatory Effective Date of IFRS 9 and Transition Disclosures[3]
IFRS 10	Consolidated Financial Statements[2]
IFRS 11	Joint Arrangements[2]
IFRS 12	Disclosure of Interests in Other Entities[2]
IFRS 13	Fair Value Measurement[2]
IAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income[5]
IAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets[4]
IAS 19 (as revised in 2011)	Employee Benefits[2]
IAS 27 (as revised in 2011)	Separate Financial Statements[2]
IAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[2]
IAS 32 (Amendments)	Offsetting Financial Assets and Financial Liabilities[6]

1 Effective for annual periods beginning on or after 1 July 2011
2 Effective for annual periods beginning on or after 1 January 2013
3 Effective for annual periods beginning on or after 1 January 2015
4 Effective for annual periods beginning on or after 1 January 2012
5 Effective for annual periods beginning on or after 1 July 2012
6 Effective for annual periods beginning on or after 1 January 2014

Amendments to IFRS 7 Disclosures — Transfers of Financial Assets

The amendments to IFRS 7 increase the disclosure requirements for transactions involving transfers of financial assets. These amendments are intended to provide greater transparency around risk exposures when a financial asset is transferred but the transferor retains some level of continuing exposure in the asset. The amendments also require disclosures where transfers of financial assets are not evenly distributed throughout the period.

2C. Application of New and Revised International Financial Reporting Standards ("IFRSs") (continued)

Amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities and amendments to IFRS 7 Disclosures — Offsetting Financial Assets and Financial Liabilities

The amendments to IAS 32 clarify existing application issues relating to the offsetting requirements. Specifically, the amendments clarify the meaning of "currently has a legally enforceable right of set-off" and "simultaneous realisation and settlement".

The amendments to IFRS 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.

The amended offsetting disclosures are required for annual periods beginning on or after 1 January 2013 and interim periods within those annual periods. The disclosures should also be provided retrospectively for all comparative periods. However, the amendments to IAS 32 are not effective until annual periods beginning on or after 1 January 2014, with retrospective application required.

IFRS 9 Financial Instruments

IFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. IFRS 9 amended in 2010 includes the requirements for the classification and measurements of financial liabilities and for derecognition.

Key requirements of IFRS 9 are described as follows:

- IFRS 9 requires all recognised financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement to be subsequently measured at 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 reporting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- The most significant effect of IFRS 9 regarding the classification and measurement of financial liabilities relates to the presentation of changes in the fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. Specifically, under IFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Currently, under IAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

2C. Application of New and Revised International Financial Reporting Standards ("IFRSs") (continued)

IFRS 9 Financial Instruments (continued)

In December 2011, Mandatory Effective Date and Transition Disclosures (Amendments to IFRS 9 and IFRS 7) was issued, which amends the effective date of IFRS 9 to annual periods beginning on or after 1 January 2015, and modifies the relief from restating comparative periods and the associated disclosures in IFRS 7.

New and revised Standards on consolidation, joint arrangements, associates and disclosures

In May 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued, including IFRS 10, IFRS 11, IFRS 12, IAS 27 (as revised in 2011) and IAS 28 (as revised in 2011).

Key requirements of these five standards are described below.

IFRS 10 replaces the parts of IAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial statements and SIC Interpretation 12 Consolidation—Special Purpose Entities. IFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in IFRS 10 to deal with complex scenarios.

IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC Interpretation 13 Jointly Controlled Entities—Non-Monetary Contributions by Ventures. IFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. Under IFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under IAS 31, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations.

In addition, joint ventures under IFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under IAS 31 can be accounted for using the equity method of accounting or proportionate accounting.

IFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in IFRS 12 are more extensive than those in the current standards.

These five standards are effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted provided that all of these five standards are applied early at the same time.

IFRS 13 Fair Value Measurement

IFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The Standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of IFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in IFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under IFRS 7 Financial Instruments: Disclosures will be extended by IFRS 13 to cover all assets and liabilities within its scope.

IFRS 13 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

2C. Application of New and Revised International Financial Reporting Standards ("IFRSs") (continued)

Amendments to IAS 1 Presentation of Items of Other Comprehensive Income

The amendments to IAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to IAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis.

The amendments to IAS 1 are effective for annual periods beginning on or after 1 July 2012. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in the future accounting periods.

Amendments to IAS 12 Deferred Tax — Recovery of Underlying Assets

The amendments to IAS 12 provide an exception to the general principles in IAS 12 that the measurement of deferred tax assets and deferred tax liabilities should reflect the tax consequences that would follow from the manner in which the entity expects to recover the carrying amount of an asset. Specifically, under the amendments, investment properties that are measured using the fair value model in accordance with IAS 40 Investment Property are presumed to be recovered through sale for the purposes of measuring deferred taxes, unless the presumption is rebutted in certain circumstances.

The amendments to IAS 12 are effective for annual periods beginning on or after 1 January 2012.

IAS 19 (as revised in 2011) Employee Benefits

The amendments to IAS 19 change the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in the fair value of plan assets when they occur, and hence eliminate the "corridor approach" permitted under the previous version of IAS 19. The amendments require all actuarial gains and losses to be recognised immediately through other comprehensive income in order for the net pension asset or liability recognised in the consolidated statement of financial position to reflect the full value of the plan deficit or surplus.

The amendments to IAS 19 are effective for annual periods beginning on or after 1 January 2013 and require retrospective application with certain exceptions.

The directors anticipate the adoption of these Standards, Interpretations and Amendments may affect the results and financial position of the Group and will result in changes in disclosures in the consolidated financial statements. Nevertheless, the directors are in the process of making an assessment of the potential impact of these Standards, Interpretations and Amendments.

3. Significant Accounting Policies

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

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.

Allocation of total comprehensive income to non-controlling interests

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.

Changes in the Group's ownership interests in existing subsidiaries

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.

3. Significant Accounting Policies (continued)

Basis of consolidation (continued)

Changes in the Group's ownership interests in existing subsidiaries (continued)

When the Group loses control of a subsidiary, it (i) derecognises the assets (including any goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost, (ii) derecognises the carrying amount of any non-controlling interests in the former subsidiary at the date when control is lost (including any components of other comprehensive income attributable to them), and (iii) recognises the aggregate of the fair value of the consideration received and the fair value of any retained interest, with any resulting difference being recognise as a gain or loss in profit or loss attributable to the Group. Where assets of the subsidiary are carried 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 Group had directly disposed of the related assets (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable IFRSs). 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.

Business combinations not involving entities under common control

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 arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 Share-based Payment at the acquisition date (see the accounting policy below); 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.

3. Significant Accounting Policies (continued)

Business combinations not involving entities under common control (continued)

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, when applicable, on the basis specified in another Standard.

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, if any, and is presented separately in the consolidated statement of financial position.

For the purposes of impairment testing, goodwill is allocated to each of the relevant cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the acquisition.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, 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.

3. Significant Accounting Policies (continued)

Investments in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associates. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

The requirements of IAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment is tested for impairment in accordance with IAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount, any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

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 the fair value of the awards for which they could be redeemed. Such consideration is not recognised as revenue at the time of the initial sale transaction, but is deferred and recognised as revenue when the award credits are redeemed and the Group's obligations have been fulfilled.

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

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

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

3. Significant Accounting Policies (continued)

Revenue recognition (continued)

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

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 in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

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.

Buildings under development for future owner-occupied purpose

When buildings are in the course of development for production or for administrative purposes, the amortisation of prepaid lease payments provided during the construction period is included as part of costs of buildings under construction. Buildings under construction are carried at cost, less any identified impairment losses. Depreciation of buildings commences when they are available for use (i.e. when they are in the location and condition necessary for them to be capable of operating in the manner intended by management).

3. Significant Accounting Policies (continued)

Investment property

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

On initial recognition, investment properties are measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values using the fair value model. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use or no future economic benefits are expected from its 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.

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, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. 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 "land use rights" 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 under the heading of translation reserve (attributed to non-controlling interests as appropriate).

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 and associates, 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.

Current and 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 current and deferred tax is also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Inventories

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

3. Significant Accounting Policies (continued)

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.

Financial assets

The Group's financial assets represent financial assets at fair value through profit or loss ("FVTPL") and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. 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 or 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

The Group's financial assets at FVTPL are 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 and is included in the other income line item in the consolidated income statement. Fair value is determined in the manner described in note 31.

3. Significant Accounting Policies (continued)

Financial instruments (continued)

Financial assets (continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, 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).

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 considered to be 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.

For certain categories of loans and receivables, such as trade receivables and other receivables, assets that are assessed not to be impaired individually are, in addition, 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.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

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

3. Significant Accounting Policies (continued)

Financial instruments (continued)

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

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 (including all fees or 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 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

The Group's financial liabilities including bank borrowings, trade and other payables, bonds payable, dividend payables and amounts due to related parties are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralized borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

3. Significant Accounting Policies (continued)

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 original estimates during the vesting period, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, 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 2011, the carrying amount of the Group's investment properties was RMB674,400,000 (2010: RMB629,500,000).

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. At 31 December 2011, the carrying amount of property, plant and equipment are RMB2,544,715,000 (2010: RMB2,191,780,000 as restated).

4. Key Sources of Estimation Uncertainty (continued)

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the management 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. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2011, the carrying amount of goodwill is RMB22,974,000 (2010: Nil) and no impairment loss has been provided. Details of key assumptions of impairment testing on goodwill testing are disclosed in Note 32.

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:

	2011	*2010*
	RMB'000	*RMB'000*
		(restated)
Commissions from concessionaire sales (Note)	798,156	719,076
Sales of goods	329,295	284,630
Rental income	51,950	48,108
Management consultancy service income	98,850	88,941
	1,278,251	1,140,755

Note:

The commissions from concessionaire sales is analysed as follows:

	2011	*2010*
	RMB'000	*RMB'000*
		(restated)
Gross revenue from concessionaire sales	4,481,188	3,913,896
Commissions from concessionaire sales	798,156	719,076

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 other than entity-wide disclosures.

All external revenues of the Group during the year ended 31 December 2011 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 amounted to 10 percent or more of the Group's revenue during both years.

6. Other Income

	2011	2010
	RMB'000	*RMB'000*
		(restated)
Property management income	33,231	35,180
Advertisement and promotion administration income	40,001	44,439
Display space leasing income	5,851	4,956
Bank interest income	33,335	14,984
Credit card handling income	33,224	26,725
Change in fair value of held for trading investments	320	228
Interest income from loan receivable	10,000	7,500
Others	35,086	27,839
	191,048	161,851

7. Employee Benefits Expense

	2011	2010
	RMB'000	*RMB'000*
		(restated)
Salaries, bonuses and allowances	134,346	103,784
Contributions to retirement benefit schemes	30,626	27,360
Equity-settled share-base payment	8,622	17,954
	173,594	149,098

The employees of the Company'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:

	2011	2010
	RMB'000	*RMB'000*
		(restated)
Auditors' remuneration	2,200	1,850
Professional service fee	861	1,225
Promotion, advertising and related expenses	66,798	59,504
Water, electricity and heating	30,084	34,253
Other taxes	69,544	47,511
Bank charges	43,826	34,028
Net foreign exchange (gains)/loss	(2,840)	8,948
Store operating costs (Note)	22,151	17,516
Others	46,958	33,080
	279,582	237,915

Note: The amounts mainly represent the cost of security, cleanness, uniform and maintenance for department stores' daily operation.

9. Finance Costs

	2011	2010
	RMB'000	*RMB'000*
		(restated)
Interest expenses on:		
Bank borrowings and other borrowings, wholly repayable within five years	47,302	20,509
Bank borrowings and other borrowings, not wholly repayable within five years	—	13,370
Bonds payable	38,656	—
	85,958	33,879

10. Income Tax Charge

	2011	2010
	RMB'000	RMB'000 (restated)
The charge comprises:		
PRC Enterprise Income Tax	128,986	118,671
Deferred tax (Note 20)	5,168	9,598
	134,154	128,269

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% except for those entities under the transitional arrangement as disclosed below.

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, which as shown in the table below. 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.

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

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

	2011	2010
	%	%
Zhongshan PCD (Xiamen) Department Stores Co., Ltd, ("Zhongshan PCD Stores (Xiamen)")	24	22
PCD Century Business Management (Xiamen) Limited	24	22
PCD World Trade (Xiamen) Co., Ltd. ("PCD World Trade (Xiamen)")	24	22
PCD Continental Department Stores (Xiamen) Co., Ltd. ("PCD Continental")	24	22
PCD Stores Information Consulting (Xiamen) Limited ("PCD Stores Information Consulting (Xiamen)")	24	22
Laiya Department Management (Xiamen) Co., Ltd. ("Laiya Department Management (Xiamen)")	24	22

Note: 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.

10. Income Tax Charge (continued)

The tax charge for the year can be reconciled to the profit per the consolidated statement of comprehensive income as follows:

	2011	2010
	RMB'000	*RMB'000 (restated)*
Profit before taxation	466,051	488,578
Tax at applicable income tax rate of 25% (2010: 25%)	116,512	122,145
Tax effect of income that is not taxable in determining taxable profit	(5,920)	(2,855)
Tax effect of service income at concessionary tax rate	(13,805)	(11,571)
Tax effect of expenses that are not deductible in determining taxable profit	25,744	23,219
Effect of income tax at concessionary tax rate	(215)	(2,502)
Tax effect of tax losses not recognised	15,985	1,586
Utilisation of tax losses previously not recognised	(4,220)	(9,105)
Deferred tax on withholding tax arising from undistributed profits of PRC subsidiaries (Note 20)	73	7,352
Income tax charge	134,154	128,269

11. Director's Emoluments

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

2011

	Fees	Salaries and other benefits	Performance related incentive payments	Retirement benefit schemes contributions	Equity-settled share-based payments	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Alfred Chan	—	—	—	—	—	—
Edward Tan	—	—	—	—	—	—
Tony Lau (Note)	—	734	—	—	153	887
Randolph Yu	26	—	—	—	40	66
Ainsley Tai	32	—	—	—	40	72
Li Chang Qing	13	—	—	—	40	53
Total	71	734	—	—	273	1,078

Note: Tony Lau resigned from the Company on 31 May 2011. Xiang Qiang was appointed as the President and executive director of the Company with effect from 1 March 2012.

11. Director's Emoluments (continued)

2010

	Fees	Salaries and other benefits	Performance related incentive payments	Retirement benefit schemes contributions	Equity-settled share-based payments	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Alfred Chan	—	—	—	—	—	—
Edward Tan	—	—	—	—	—	—
Tony Lau	—	1,821	—	—	357	2,178
Randolph Yu	20	—	—	—	84	104
Ainsley Tai	20	—	—	—	84	104
Li Chang Qing	20	—	—	—	84	104
Total	60	1,821	—	—	609	2,490

No directors waived or agreed to waive any emoluments in the year ended 31 December 2011 (2010: Nil).

12. Emoluments of the Five Highest Paid Individuals

Of the five individuals with the highest emoluments in the Group, one (2010: one) is director of the Company whose emoluments are included in the disclosures in Note 11 above. The emoluments of the remaining four (2010: four) individuals were as follows:

	2011	*2010*
	RMB'000	*RMB'000 (restated)*
Salaries and other benefits	2,602	1,819
Retirement benefit schemes contributions	198	205
Equity-settled share based payments	141	349
	2,941	2,373

One out of the four highest paid individuals shown above was paid the emoluments between HK$1,000,001 and HK$1,500,000, with the remaining three individuals below HK$1,000,000.

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

	2011	2010
	RMB'000	*RMB'000*
		(restated)
Dividends recognised as distribution during the year:		
2011 Interim — RMB1.8 cents (2010 interim dividend RMB1.5 cents) per share	76,050	63,375
2010 final — RMB1.9 cents (2009: nil) per share	80,275	—
	156,325	63,375

The final dividend of RMB1.9 cents per share in respect of the year ended 31 December 2011 (2010: RMB1.9 cents), in total amount of RMB80,275,000 (2010: RMB80,275,000), has been proposed by the directors and is subject to approval by the shareholders in general meeting.

14. Earnings per Share

Earnings

	2011	2010
	RMB'000	*RMB'000*
		(restated)
Earnings for the purpose of basic and diluted earnings per share (profit for the year attributable to owners of the Company)	312,759	340,710

Number of shares

	2011	2010
	'000	*'000*
Weighted average number of ordinary shares for the purpose of basic earnings per share	4,225,000	4,221,918
Effect of dilutive potential ordinary shares relating to outstanding over-allotment options	—	503
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	4,225,000	4,222,421

The computation of diluted earnings per share does not assume the exercise of the Company's outstanding share options since their exercise would result in an increase in earnings per share.

15. Property, Plant and Equipment

	Buildings	Leasehold improvements	Motor vehicles	Office equipment	Others	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
COST							
At 1 January 2010 as original stated	792,559	71,344	4,834	15,269	23,747	259,485	1,167,238
Effect of business combination under common control	293,760	13,399	218	489	14,549	—	322,415
At 1 January 2010 as restated	1,086,319	84,743	5,052	15,758	38,296	259,485	1,489,653
Additions	4,419	14,550	766	1,275	1,084	893,848	915,942
Restated	4,759	—	243	77	3	—	5,082
Transfer	—	3,631	—	—	—	(3,631)	—
Decrease from disposal of subsidiaries (Note 33)	—	(22,940)	(494)	(958)	—	(1,579)	(25,971)
Disposals	—	—	—	(118)	(64)	—	(182)
At 31 December 2010 (restated)	1,095,497	79,984	5,567	16,034	39,319	1,148,123	2,384,524
Additions	188,546	40,925	4,076	2,735	1,995	174,291	412,568
Acquired on acquisition of a subsidiary (Note 32)	—	2,901	221	235	482	—	3,839
Transfer	—	2,070	—	—		(2,070)	—
Disposals	—	—	—	(93)	(10)	—	(103)
At 31 December 2011	1,284,043	125,880	9,864	18,911	41,786	1,320,344	2,800,828
ACCUMULATED DEPRECIATION							
At 1 January 2010 as original stated	89,772	26,133	2,074	8,134	6,119	—	132,232
Effect of business combination under common control	7,358	1,753	11	46	575	—	9,743
At 1 January 2010 as restated	97,130	27,886	2,085	8,180	6,694	—	141,975
Charge for the year	25,670	17,079	876	3,006	2,890	—	49,521
Restated	9,325	4,466	72	154	456	—	14,473
Charge for the year (restated)	34,995	21,545	948	3,160	3,346	—	63,994
Decrease from disposal of Subsidiaries (Note 33)	—	(12,259)	(361)	(532)	—	—	(13,152)
Eliminated on disposals	—	—	—	(47)	(26)	—	(73)
At 31 December 2010 (restated)	132,125	37,172	2,672	10,761	10,014	—	192,744
Charge for the year	35,042	21,464	1,462	2,401	3,063	—	63,432
Eliminated on disposals	—	—	—	(55)	(8)	—	(63)
At 31 December 2011	167,167	58,636	4,134	13,107	13,069	—	256,113
CARRYING AMOUNT							
At 1 January 2010 (restated)	989,189	56,857	2,967	7,578	31,602	259,485	1,347,678
At 31 December 2010 (restated)	963,372	42,812	2,895	5,273	29,305	1,148,123	2,191,780
At 31 December 2011	1,116,876	67,244	5,730	5,804	28,717	1,320,344	2,544,715

15. Property, Plant and Equipment (continued)

As at 31 December 2011, certain of the Group's buildings with an aggregate carrying amount of RMB317,396,000 (2010: RMB315,268,000) were pledged as security for bank loans of the Group (Note 27).

As at 31 December 2011, the Group was in the process of obtaining the property ownership certificate of a building with a carrying amount of RMB469,059,000 (2010: RMB448,938,000).

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 2010	510,000
Additions	109,320
Change in fair value	10,180
At 31 December 2010	629,500
Additions	34,540
Change in fair value	10,360
At 31 December 2011	674,400

The fair value of the Group's investment properties at 31 December 2011 and 2010 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 2011 and 2010, certain of the Group's investment properties with an amount of RMB546,900,000 (2010: RMB539,500,000) were pledged as security for bank loans of the Group (Note 27).

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. Interest in an Associate

	31 December 2011	*31 December 2010*	*1 January 2010*
	RMB'000	*RMB'000*	*RMB'000*
Cost of investment in an associate, unlisted	1,500	—	—
Share of post-acquisition profits, net of dividends received	—	—	—
	1,500	—	—

As at 31 December 2011, the Group had interest in the following associate:

Name of entity	**Form of entity**	**Place of incorporation**	**Principal place of operation**	**Class of share held**	**Proportion of nominal value of issued capital/ registered capital held by the Group**		**Principal activities**
					2011	*2010*	
Shanghai Hongyue Company Limited*	Incorporated	PRC	Shanghai, PRC	Ordinary	30%	—	Investment management

* This entity was incorporated on 25 January 2011 and was inactive during the period ended 31 December 2011.

18. Land Use Rights

	RMB'000
At 1 January 2010	66,430
Amortisation	(2,013)
At 31 December 2010	64,417
Amortisation	(2,013)
At 31 December 2011	62,404

	31 December 2011	31 December 2010	1 January 2010
	RMB'000	RMB'000	RMB'000
Analysed for reporting purpose as:			
— Current assets	2,013	2,013	2,013
— Non-current assets	60,391	62,404	64,417
	62,404	64,417	66,430

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 2011, land use rights with carrying amount of RMB8,959,000 (2010: RMB8,968,000) were pledged against certain bank facilities granted to the Group (Note 27).

19. Held for Trading Investments

	31 December 2011	31 December 2010	1 January 2010
	RMB'000	RMB'000	RMB'000
Debentures with fixed interest of 4.63% and maturity date on 11 September 2015	19,984	20,660	—
Debentures with fixed interest of 7.4% and maturity date on 15 June 2011	—	7,094	—
	19,984	27,754	—

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

20. 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	*Undistributed profits*	*Investment properties*	*Total*
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2010	5,441	(6,430)	(82,120)	(83,109)
Credit (charge) to profit or loss (restated)	1,928	(7,352)	(4,174)	(9,598)
At 31 December 2010 (restated)	7,369	(13,782)	(86,294)	(92,707)
Charge to profit or loss	(278)	(73)	(4,817)	(5,168)
At 31 December 2011	7,091	(13,855)	(91,111)	(97,875)

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

	31 December 2011	*31 December 2010*	*1 January 2010*
	RMB'000	*RMB'000*	*RMB'000*
		(restated)	*(restated)*
Deferred tax assets	10,392	12,105	5,441
Deferred tax liabilities	(108,267)	(104,812)	(88,550)
	(97,875)	(92,707)	(83,109)

At 31 December 2011, the Group had unused tax losses of RMB78,554,000 (2010: RMB31,496,000). 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 2011	*31 December 2010*
	RMB'000	*RMB'000*
		(restated)
2012	—	5,090
2013	—	10,491
2014	8,788	9,570
2015	5,828	6,345
2016	63,939	—
	78,554	31,496

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 as estimated by the directors of the Company. Deferred tax liabilities on the remaining undistributed profit of the PRC subsidiaries of RMB538,142,000 was not recognised as at 31 December 2011 (31 December 2010: RMB408,749,000) as the Group is able to control the timing of the reversal of such temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

21. Inventories

	31 December 2011	31 December 2010	1 January 2010
	RMB'000	RMB'000	RMB'000
		(restated)	(restated)
Merchandise held for resale	62,863	44,997	43,493
Low value consumables	3,170	2,974	2,087
	66,033	47,971	45,580

22. 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 2011	31 December 2010	1 January 2010
	RMB'000	RMB'000	RMB'000
		(restated)	(restated)
Trade receivables			
within 60 days	22,928	22,301	20,656
61 days to 120 days	590	4,803	3,086
Prepaid rentals	5,206	3,702	55,273
Advances to suppliers	5,710	7,796	4,985
Prepaid value-added tax	23,130	10,769	6,702
Advance to non-controlling shareholders	14,995	12,665	27,195
Interest receivables from bank and loan receivable	19,591	3,890	—
Other deposits	15,000	5,000	—
Deposits in concessionaire suppliers	9,523	9,643	10,500
Others	40,657	42,371	37,657
	157,333	122,940	160,054
Less: Long-term prepaid rentals	—	(702)	(39,443)
	157,333	122,238	126,611

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.

22. Prepayments, Trade and Other Receivables (continued)

Trade receivable with a carrying amount of RMB590,000 as at 31 December 2011 (31 December 2010: RMB4,803,000) 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 RMB8,107,000 as at 31 December 2011 (31 December 2010: RMB8,509,000), which are denominated in foreign currency, Hong Kong Dollar ("HK$").

23. Loan Receivable

	31 December 2011	*31 December 2010*	*1 January 2010*
	RMB'000	*RMB'000*	*RMB'000*
		(restated)	*(restated)*
Loan receivable	100,000	100,000	—
Classify as			
Current assets	100,000	—	—
Non-current assets	—	100,000	—

The loan receivable at 31 December 2010 and 2011 was unsecured and carried fixed interest rate of 10% per annum. According to the loan agreement, the loan receivable is due on 26 May 2012.

24. Bank Balances and Cash and Restricted Bank Balances

Bank balances and cash

Bank balances carry interest at market rates which range from 0.00% to 3.30% (2010: 0.00% to 2.31%) 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 2011	*31 December 2010*	*1 January 2010*
	RMB'000	*RMB'000*	*RMB'000*
		(restated)	*(restated)*
US$	170,684	144,144	90,230
HK$	50,829	172,751	1,526,857
	221,513	316,896	1,617,087

24. Bank Balances and Cash and Restricted Bank Balances (continued)

Restricted bank balances

As of 31 December 2011, the restricted bank balances include deposits of RMB88,003,000 (31 December 2010: RMB97,090,000) pledged for bank borrowings (Note 27), deposits of RMB41,417,000 (31 December 2010: 30,624,000) pledged to secure customers prepaid gift cards. The restricted bank balances carry interest at prevailing market rates at 0.36%–3.10% (2010: 0.36%–1.15%) per annum. As at 31 December 2011, restricted bank balances of RMB12,000,000 (31 December 2010: RMB12,000,000) has been pledged to secure long-term bank borrowings and therefore classified as non-current assets.

25. Short-Term Investments

As at 31 December 2011, the Group's short-term investments represented investments in structured financial products operated by banks. These investments were non-principal protected with variable returns, and with maturity of within two months or on demand. Subsequent to 31 December 2011, all the investments were redeemed on maturity dates.

26. 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 end of the reporting period:

	31 December 2011	*31 December 2010*	*1 January 2010*
	RMB'000	*RMB'000*	*RMB'000*
		(restated)	*(restated)*
Trade payables			
Within 60 days	606,945	510,796	370,574
61 days to 120 days	30,431	17,128	25,319
121 days to 1 year	7,688	8,639	5,201
Over 1 year	4,032	2,620	3,020
	649,096	539,183	404,114
Payable for purchase of property, plant and equipment	12,201	16,797	57,832
Accruals	44,758	7,720	20,854
Accrued staff costs	30,139	23,506	20,296
Deposits from concessionaire suppliers (Note i)	43,424	32,402	31,380
Customer prepaid gift cards (Note ii)	250,175	287,787	241,167
Other PRC tax payable	41,482	36,441	20,062
Advances from third parties (Note iii)	49,654	54,475	54,879
Others	68,847	55,292	57,839
	540,680	514,420	504,309
	1,189,776	1,053,603	908,423

26. Trade and Other Payables (continued)

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) As at 31 December 2011, advances from third parties of RMB49,654,000 (31 December 2010: RMB54,475,000) were unsecured, interest free and repayable on demand.

27. Borrowings

	31 December 2011	*31 December 2010*	*1 January 2010*
	RMB'000	*RMB'000*	*RMB'000*
Secured bank borrowings (Note)	1,000,085	1,053,735	640,206
Other borrowings	42,000	42,000	42,000
	1,042,085	1,095,735	682,206
Carrying amount repayable:			
Within one year	450,123	413,481	381,930
More than one year, but not exceeding two years	47,515	45,529	43,740
More than two year, but not exceeding five years	164,432	186,938	185,371
More than five years	—	24,337	71,165
	662,070	670,285	682,206
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)	380,015	425,450	—
	1,042,085	1,095,735	682,206
Less: Amounts due within one year shown under current liabilities	(830,138)	(838,931)	(381,930)
	211,947	256,804	300,276

The borrowings comprise:

	31 December 2011	*31 December 2010*
	RMB'000	*RMB'000*
Fixed-rate borrowings	292,000	302,000
Variable-rate borrowings	750,085	793,735

27. 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 2011	*31 December 2010*
	%	*%*
Fixed-rate borrowings	6.100–7.216	4.374–5.960
Variable-rate borrowings	2.820–7.967	2.770–6.938

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 RMB380,015,000 as at 31 December 2011 (31 December 2010: RMB425,450,000)

Note: 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, 18 and 24.

28. Bonds Payable

On 2 February 2011, the Group issued RMB750,000,000 fixed rate Renminbi denominated guaranteed bonds (the "Bonds") with a term of three years. The fixed interest rate is 5.25% per annum, payable semi-annually in arrears on 1 February and 1 August each year.

The Bonds are redeemable fully (but not partially) at the option of the Company in the event of certain changes affecting taxes of the British Virgin Islands, the Cayman Islands, Hong Kong or the PRC. The Bonds are redeemable at the option of the bondholders at any time following the occurrence of a change of the company's controlling party. Controlling party is defined as any person holding 30% or more of the voting rights of the Company or the right to appoint or remove a majority of the members of the Company's governing body.

The Bonds are measured at amortised cost, using the effective interest method, and the effective interest rate is 5.79% per annum after taking into account transaction costs directly attributable to the issuance of the Bonds.

The movement of the Bonds payable for the year ended 31 December 2011 is set out below:

	31 December 2011	*31 December 2010*
	RMB'000	*RMB'000*
Net proceeds from issuance of bonds	740,625	—
Interest charge for the year	38,656	—
Interest paid	(19,526)	—
Carrying amount at the end of the year	759,755	—
Less: Amounts due within one year shown under current liabilities	(16,406)	—
	743,349	—

28. Bonds Payable (continued)

The bonds are jointly and severally guaranteed by all of the Company's current and future subsidiaries which are not incorporated under the laws of the PRC and are quoted on the Singapore Exchange Securities Trading. As at 31 December 2011, the quoted market price of the bonds was approximately RMB709 million.

29. 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 2010, 31 December 2010 and 31 December 2011	5,000,000,000	25,000
Issued and fully paid		
At 1 January 2010	4,000,000,000	20,000
Issue of new shares on 5 January 2010	225,000,000	1,125
At 31 December 2010 and 31 December 2011	4,225,000,000	21,125

	31 December 2011	*31 December 2010*
	RMB'000	*RMB'000*
Presented as	144,271	144,271

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 dated on 3 December 2009.

30. 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, which includes bank and other borrowings as disclosed in Note 27 and bonds payable in Note 28, net of bank balances and cash and equity attributable to owners of the Company, comprising issued capital, reserves and retained earnings as disclosed in Note 29 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.

31. Financial Instruments

Categories of financial instruments

	31 December 2011	31 December 2010
	RMB'000	RMB'000 (restated)
Financial assets:		
Loans and receivables (including bank balances and cash)	2,068,650	1,941,841
Held for trading investments	19,984	27,754
Short-term investments	120,000	—
Financial liabilities:		
Amortised cost	2,696,593	2,185,881

Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, loan receivable, held for trading investments, trade and other payables, bonds payable, amounts due from/to related parties, dividend payables, bank and other 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 2011	31 December 2010
	RMB'000	RMB'000 (restated)
Assets		
US$	170,684	144,144
HK$	58,936	181,260
Liabilities		
HK$	380,015	425,450

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 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. Financial Instruments (continued)

Financial risk management objectives and policies (continued)

Market risk (continued)

(i) Currency risk (continued)

Foreign currency sensitivity

	31 December 2011	31 December 2010
	RMB'000	RMB'000 (restated)
US$		
Decrease in profit for the year	(7,753)	(7,207)
HK$		
Increase in profit for the year	16,517	12,210

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. 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.

S*ensitivity an*alysis

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 (2010: 50 basis point for bank borrowing and 25 basis for bank balances) increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been increased (decreased) by 50 basis points for bank borrowings and 25 basis points for bank balances (2010: 50 basis point for bank borrowing and 25 basis for bank balances) and all other variables were held constant, the Group's net profit would increase (decrease) by RMB765,000 (2010: decrease (increase) by RMB198,000).

31. Financial Instruments (continued)

Financial risk management objectives and policies (continued)

Credit risk

As at 31 December 2011, 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

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, bank borrowings and issuance of bonds as a significant source of liquidity. For the year ended 31 December 2011, the Group has cash generated from operating activities of approximately RMB549,727,000 (2010: RMB719,802,000 as restated). Other than the cash generated from operating activities, the Group issued 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.

31. Financial Instruments (continued)

Financial risk management objectives and policies (continued)

Liquidity risk (continued)

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 at the end of the reporting period.

	Weighted average interest rates	On demand	Less than 1 month	1-3 months	3 months to 1 year	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 2011									
Non-interest bearing		—	556,687	174,083	163,983	—	—	894,753	894,753
Variable interest rate instruments	7.091	380,015	5,862	146,693	64,590	192,245	—	789,405	750,085
Fixed interest rate instruments	5.558	—	17,785	124,004	173,321	856,743	—	1,171,854	1,051,755
		380,015	580,335	444,780	401,894	1,048,988	—	2,856,012	2,696,593
As at 31 December 2010									
Non-interest bearing		—	481,679	191,712	416,755	—	—	1,090,146	1,090,146
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	508,177	284,913	735,309	272,369	25,071	2,251,289	2,185,881

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, with a interest rate of 2.82%. 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.

	Less than 1 month	1-3 months	3 months to 1 year	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*
31 December 2011	—	29,325	86,805	304,335	—	420,465	*380,015*
31 December 2010	—	2,906	35,470	420,974	—	459,350	*425,450*

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.

31. Financial Instruments (continued)

Fair value of financial instruments

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

- the fair value of financial assets with standard terms and conditions and traded in active liquid markets are determined with reference to quoted market bid prices; 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, other than bonds payable, 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.

- 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 2011	*31 December 2010*
	Level 1	*Level 1*
	RMB'000	*RMB'000*
Financial assets at FVTPL		
— Held for trading investments	19,984	27,754

32. Acquisition of a Subsidiary

On 7 November 2011, the Group acquired 75% equity interests of Guizhou Guochen Department Store Co., Ltd. (貴州國晨百貨有限公司) ("Guochen") for a cash consideration of RMB40,000,000. This acquisition was accounted for using acquisition method. The amount of goodwill as a result of the acquisition was RMB22,974,000. The principal business of Guochen includes groceries, cosmetic products, and apparels.

32. Acquisition of a Subsidiary (continued)

(a) Assets acquired and liabilities recognised at the date of acquisition were as follows:

	Fair value
	RMB'000
Bank balances and cash	17,567
Other receivables	35,313
Property, plant and equipment	3,839
Trade and other payables	(33,713)
Tax payable	(305)
	22,701
Non-controlling interests (25% in Guochen)	(5,675)
Goodwill	22,974
	40,000

The gross contractual amounts of other receivables at the date of acquisition were approximate to the fair value and expected to be fully collected.

Goodwill arose in the acquisition of Guochen because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies and future market development of Guochen. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

The non-controlling interests (25%) in Guochen recognised at the acquisition date were measured at the non-controlling interests' proportionate share of the recognised amounts of Guochen's identifiable net assets.

(b) Net cash outflow on acquisition:

Total cash consideration paid	40,000
Less: cash and cash equivalent balances acquired	(17,567)
	22,433

(c) Impact of acquisition on the result of the Group

Included in the profit for the year is RMB634,000 generated by Guochen. Revenue for the year includes RMB6,605,000 generated from Guochen.

Had the acquisition been completed on 1 January 2011, total group revenue for the year would have been RMB1,303,169,000, and profit for the year would have been RMB340,341,000. The above pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2011, nor is it intended to be a projection of future results.

32. Acquisition of a Subsidiary (continued)

(d) Key assumptions of impairment testing on goodwill

The following describe key assumptions on which management has prepared its cash flow projections when performing the impairment testing of goodwill.

Cash flow projections are based on financial budgets approved by management which covering a three-year period. Nil growth rate has been projected beyond that period.

The discount rate applied to the cash flow projections is approximately 10%.

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

33. Disposal of Subsidiaries

On 22 February 2010, the Group entered into an agreement to dispose of its entire interest in PCD Songbai Department Stores Co., Ltd. ("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 Department Stores (Jilin) Co., Ltd. ("PCD Stores (Jilin)") to Xiamen Huixin Trading Company Limited, an independent third party, for cash consideration of approximately RMB16,200,000.

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

	PCD Stores (Jilin)	*PCD Songbai*
	RMB'000	*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

34. Cash and Cash Equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents include cash on hand and in banks, net of time deposits with original maturity of over three months. Cash and cash equivalents at the end of the reporting period as shown in the consolidated statement of cash flows can be reconciled to the related items in the consolidated statement of financial position as follows:

	31 December 2011	*31 December 2010*
	RMB'000	*RMB'000*
Bank balances and cash	1,711,164	1,481,523
Less: Time deposits with original maturity of over 3 months	387,319	—
Cash and cash equivalents	1,323,845	1,481,523

35. Operating Lease Commitments

The Group as Lessee

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

Lease payment recognised as an expense:

	31 December 2011	*31 December 2010*
	RMB'000	*RMB'000*
		(restated)
Minimum lease payments	141,046	89,935
Contingent rentals	12,874	27,840
	153,920	117,775

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.

35. Operating Lease Commitments (continued)

The Group as Lessee (continued)

At the end of the reporting period, the Group was committed to making future minimum lease payments for operation of department stores and office premises rented under non-cancellable operating leases which fall due as follows:

	31 December 2011	*31 December 2010*
	RMB'000	*RMB'000*
		(restated)
Within one year	120,289	91,833
In the second to fifth year inclusive	439,863	318,270
Over five years	1,025,395	362,151
	1,585,547	772,254

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 fourteen years.

Rental income recognised:

	31 December 2011	*31 December 2010*
	RMB'000	*RMB'000*
		(restated)
Minimum lease payments	32,945	35,359
Contingent rentals	19,005	12,749
	51,950	48,108

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 2011	*31 December 2010*
	RMB'000	*RMB'000*
		(restated)
Within one year	14,277	13,957
In the second to fifth year inclusive	21,460	19,621
Over five years	3,392	7,326
	39,129	40,904

36. 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

Vesting conditions:

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.

36. Share-Based Payment Transactions (continued)

(b) Movements in share options:

	Outstanding at 1 January 2011	Granted during the year	Exercised during the year	Forfeited during the year	Expired during the year	Outstanding at 31 December 2011
Option I	41,421,000	–	–	(1,218,600)	–	40,202,400
Option II	950,000	–	–	(950,000)	–	–
	42,371,000			(2,168,600)		40,202,400
Exercisable at the end of the year						26,801,600

	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

Option I were granted on 17 December 2009, and the estimated fair value on grant date was HK$35,405,000 (equivalent to RMB30,126,000) and Option II were granted on 1 April 2010, and the estimated fair value on grant date was HK$947,000 (equivalent to RMB833,000).

(c) Fair value of share options granted

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

	Option I	**Option II**
Exercise price	HK$2.36	HK$2.67
Expected volatility	51.58%	57.23%
Contractual life	10 Years	10 Years
Risk-free rate	2.40%	2.80%
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 RMB8,622,000 for the year ended 31 December 2011 (2010: RMB17,954,000) in relation to share options granted by the Company.

37. 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 Tan (the "Chan family")
Century Ports Apparel (Xiamen) Ltd. 世紀寶姿服裝(廈門)有限公司	Company controlled by PIEL
PCD Stores (Xiamen) Ltd. 廈門巴黎春天百貨有限公司	Company controlled by the Chan family
PCD Stores Limited 中國春天百貨	Company controlled by the Chan family
Scitech Group Company Limited 賽特集團有限公司	Company controlled by Alfred Chan and Edward Tan's immediate family members (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
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

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

	31 December 2011	*31 December 2010*
	RMB'000	*RMB'000*
		(restated)
Rental expense		
Scitech Group Company Limited (i)	47,710	47,710
Commission income		
Ports Fashion (Xiamen) Ltd.	5,024	3,012
Century Ports Apparel (Xiamen) Ltd.	23,947	19,477
Vivienne Tam Fashion (Xiamen) Ltd	425	227
	29,396	22,716
Management consultancy service income		
PCD Ruijing	3,000	3,000
LDP (ii)	34,500	36,000
	37,500	39,000

37. Related Party Transactions (continued)

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

(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, 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.

Scitech Group entered into a lease with the Company, pursuant to which Scitech Group agreed to grant to the Company a lease with effect from 5 July 2007 for office space within the Scitech Complex, for a term of 4 years and a half, with a total area of 1,056 sq.m.

(ii) The Group and LDP entered into a general outlet services agreement (the "GOSA") on 29 November 2009, pursuant to which, the Group provided to LDP services relating to the sourcing, design, preparation and acquisition of properties suitable for the operation of outlet malls in the PRC in return for a service fee of RMB36 million per year.

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

Amounts due from related parties

	31 December 2011	*31 December 2010*
	RMB'000	*RMB'000*
Trade in nature		
PCD Ruijing	3,114	8,343
LDP	—	8,234
Century Ports Apparel (Xiamen) Ltd.	—	136
	3,114	16,713
Non-trade in nature		
LDP	—	90,588
PCD Stores Limited	11,499	—
PCD Stores (Xiamen) Ltd.	—	32,000
	11,499	122,588
	14,613	139,301

37. Related Party Transactions (continued)

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

Amounts due from related parties (continued)

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 2011	*31 December 2010*
	RMB'000	*RMB'000*
		(restated)
Within 60 days	3,114	9,692
61 days to 120 days	—	7,021
	3,114	16,713

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

None of the amounts due from related parties that are trade in nature were over 60 days at 31 December 2011 (31 December 2010: RMB7,021,000), thus the Group has not provided for impairment loss at the end of the reporting period (2010: Nil).

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

	31 December 2011	*31 December 2010*
	RMB'000	*RMB'000*
		(restated)
PCD Stores Limited	16,394	—
LDP	—	90,588
	16,394	90,588

37. Related Party Transactions (continued)

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

Amounts due to related parties

	31 December 2011	*31 December 2010*
	RMB'000	*RMB'000*
		(restated)
Trade in nature		
Century Ports Apparel (Xiamen) Ltd.	23,560	20,693
Ports Fashion (Xiamen) Ltd.	4,531	4,268
Scitech Group Company Limited	33,906	39,320
Vivienne Tam Fashion (Xiamen) Ltd.	901	397
PCD Ruijing	—	10,077
	62,898	74,755
Non-trade in nature		
PCD Stores (Xiamen) Ltd.	—	289,500
LDP	1,401	12,800
PIEL	—	14,890
	1,401	317,190
	64,299	391,945

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 2011	*31 December 2010*
	RMB'000	*RMB'000*
		(restated)
Within 60 days	38,992	42,825
61 days to 120 days	16,991	19,696
121 days to 1 year	6,915	12,234
	62,898	74,755

37. Related Party Transactions (continued)

(d) Compensation of key management personnel

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

	31 December 2011	*31 December 2010*
	RMB'000	*RMB'000*
		(restated)
Salaries and other benefits	5,348	5,349
Retirement benefit schemes contributions	525	399
Equity-settled Share-based payments	612	1,496
	6,485	7,244

38. Event after the Reporting Period

On 6 March 2012, the Group entered into an agreement with the lessor of the property where the Group's department store in Guangxi is located to early terminate the lease contract. Pursuant to the agreement, the lessor agreed to pay a compensation to the Group of RMB5,600,000 as termination fee and RMB1,400,000 as compensation for leasehold improvement expense incurring by the Group. The department store in Guangxi will cease operation on 1 September 2012.

39. Capital Commitments

	31 December 2011	*31 December 2010*
	RMB'000	*RMB'000*
		(restated)
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	29,595	589,616

40. 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 2011		31 December 2010		Principal activities
			Direct %	*Indirect* %	*Direct* %	*Indirect* %	
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$10,204,100	—	100	—	100	Retailing business
PCD Century Business Management (Xiamen) Limited 春天世紀企業管理(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) Co., Ltd. 太原巴黎春天百貨有限公司	The PRC	RMB5,000,000	—	100	—	100	Retailing business
Zhongshan PCD Stores (Qingdao) Limited 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 Department Stores (Guangxi) Co., Ltd 廣西巴黎春天百貨有限公司.	The PRC	RMB5,000,000	—	100	—	100	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 Co.,Ltd. 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 Limited. 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) 廈門巴黎春天百貨資訊諮詢有限公司	The PRC	RMB2,000,000	—	100	—	100	Information consulting

40. 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 2011 Direct %	31 December 2011 Indirect %	31 December 2010 Direct %	31 December 2010 Indirect %	Principal activities
PCD Development Limited (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
PCD Jiahe Trading and Commerce (Xiamen) Company Limited ("PCD Jiahe") 嘉禾春天商貿(廈門)有限公司	The PRC	HK$5,000,000	—	100	—	100	Retailing business
Qingdao Century Chuntian Information Consulting Co., Ltd. 青島世紀春天資訊諮詢有限公司	The PRC	RMB1,000,000	—	100	—	100	Information consulting
Beijing Yuanyongxin Information Consulting Company Limited 北京源永信資訊諮詢有限公司	The PRC	RMB1,000,000	—	100	—	100	Information consulting
Xiamen Lotus Department Stores Co., Ltd. ("PCD Lotus") 廈門蓮花百貨有限公司	The PRC	RMB10,000,000	—	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	—	75	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	—	75	Retailing business
Liupanshui 六盤水國貿廣場春天百貨有限公司	The PRC	RMB5,000,000	—	75	—	75	Retailing business
Guiyang Guomao Chun Tian Real Estate Company Limited 貴陽國貿春天房地產開發有限公司	The PRC	RMB10,000,000	—	75	—	75	Retailing business
Guiyang Dingshunda Culture & Media Company Limited 貴陽鼎順達網路科技文化傳播有限公司	The PRC	RMB1,000,000	—	75	—	75	Retailing business
Hangzhou Xiaoshan Chun Tian Outlet Commerce &Trading Company Limited ("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 Chun Tian Guangchang Company Limited 青島四季春天廣場有限公司	The PRC	RMB5,000,000	—	70	—	70	Retailing business

40. 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 2011 Direct %	31 December 2011 Indirect %	31 December 2010 Direct %	31 December 2010 Indirect %	Principal activities
Sihui Commerce & Trading Company Limited (Xiamen) 絲輝商貿廈門有限公司	The PRC	RMB5,000,000	—	100	—	100	Property investment and management of department stores
Shenyang Scitech Outlet Commerce & Trading Company Limited ("Shenyang Outlet") 瀋陽賽特奧萊商貿有限公司	The PRC	US$25,000,000	—	100	—	100	Retailing business
Even Time	The BVI	US$1	100	—	100	—	Investment holding
Prime Wave	Hong Kong	US$100	—	100	—	100	Investment holding
Beijing Scitech Outlets 北京賽特奧特萊斯商貿有限公司	The PRC	US$10,000,000	—	100	—	100	Retailing business
Beijing Chuntian Real Estate 北京春天房地產開發有限公司	The PRC	RMB10,000,000	—	100	—	100	Property leasing
Universe River 巴黎春天物產經營(廈門)有限公司	The PRC	RMB42,026,500	100	—	100	—	Property management
Guochen 貴陽國晨百貨有限公司	The PRC	RMB2,000,000	—	75	—	—	Retailing business
Beijing Anrui Chuntian Property Management Ltd. 北京安瑞物業管理有限公司 *	The PRC	RMB1,000,000	—	60	—	—	Property management
Guiyang Trade Mall Co., Ltd.. 貴陽國貿時代購物中心有限公司 *	The PRC	RMB20,000,000	—	75	—	—	Retailing business
Shanxi Chuntian Catering Co., Ltd. 山西春天餐飲有限公司 *	The PRC	RMB5,000,000	—	51	—	—	Catering business

* Newly established during the year ended 31 December 2011.

All the PRC subsidiaries of the Company are limited liability companies.

None of the subsidiaries had issued any debt securities at the end of the year.

41. Information about the Statement of Financial Position of the Company

Information about the statement of financial position of the Company at the end of the reporting period includes:

	2011	*2010*
	RMB'000	*RMB'000*
Non-current Assets		
Property, plant and equipment	9	—
Investments in subsidiaries	1,039,428	944,661
Amount due from subsidiaries (note)	679,555	265,975
	1,718,992	1,210,636
Current Assets		
Prepayments, trade and other receivables	19,964	1,029
Amounts due from subsidiaries	6,044	—
Held for trading investments	19,984	27,754
Bank balances and cash	722,033	683,708
	768,025	712,491
Current Liabilities		
Trade and other payables	742	1,371
Bonds payable	16,406	—
Dividend payables to owners of the Company	129	52
	17,277	1,423
NET CURRENT ASSETS	750,748	711,068
TOTAL ASSETS LESS CURRENT LIABILITIES	2,460,740	1,921,704
NON-CURRENT LIABILITIES		
Bonds payable	743,349	—
Deferred tax liabilities	13,855	13,782
	757,204	13,782
	1,712,536	1,907,922
Capital and Reserves		
Share capital	144,271	144,271
Share premium and reserves	1,568,265	1,763,651
Total equity	1,712,536	1,907,922

Note: Included in amounts due from subsidiaries was an amount of RMB574,792,000 which would be applied to increase the registered capital of respective subsidiaries.

CORPORATE INFORMATION

Directors

Executive Directors:

Mr. Alfred Chan *(Chairman)*
Mr. Edward Tan
Mr. Xiang Qiang *(President)*

Independent Non-Executive Directors:

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

Registered Office

Appleby Trust (Cayman) Limited
Clifton House
75 Fort Street
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Grand Cayman
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Cayman Islands

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1 Matheson Street
Causeway Bay
Hong Kong

Company Secretary

Ms. Charlotte Su *(HKICPA, CICPA, MPAcc)*

Authorized Representatives

Mr. Alfred Chan
Room 102, Sunbeam Center
27 Shing Yip Street
Kowloon
Hong Kong

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

Audit Committee

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

Remuneration Committee

Mr. Ainsley Tai *(Chairman)*
Mr. Li Chang Qing
Mr. Alfred Chan

Nomination Committee

Mr. Alfred Chan *(Chairman)*
Mr. Ainsley Tai
Mr. Randolph Yu

Principal Share Registrar and Transfer Office

Appleby Trust (Cayman) Limited
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KY1–1108
Cayman Islands

Hong Kong Share Registrar

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Services Limited
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Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

Principal Bankers

China Construction Bank
Bank of China

Company Website

www.pcds.com.cn

Stock Code

00331.HK