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

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

INTERIM RESULTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2012

HIGHLIGHTS OF INTERIM RESULTS

- Same store sales growth of self-owned stores was 7.6%
- GSP grew by 15.5% reaching RMB 2,599.3 million
- EBITDA declined by 22.1% with EBITDA margin of 41.6%
- Earnings per share was RMB 2.13 cents
- Interim dividend declared was RMB 1 cent

INTERIM RESULTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2012 ("1H2012")
The Board of Directors (the "Board") of PCD Stores (Group) Limited (the "Company") is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (the "Group") for 1H2012 with comparative figures for the six-month period ended 30 June 2011 ("1H2011") as follows:

**For identification purpose only*

CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2012

	Notes	Six months ended 30 June 2012 RMB'000 (unaudited)	30 June 2011 RMB'000 (unaudited and restated)
Revenue	3	644,215	621,751
Other income	4	102,943	83,678
Change in fair value of investment properties		-	10,360
Purchase of and changes in inventories		(144,101)	(124,863)
Employee benefits expense		(96,390)	(75,130)
Depreciation and amortisation		(53,837)	(32,042)
Operating lease rental expense		(79,592)	(56,521)
Other operating expenses	5	(158,888)	(115,180)
Finance costs	6	(44,518)	(41,253)
Profit before tax		169,832	270,800
Income tax charge	7	(62,297)	(68,578)
Profit for the period		107,535	202,222
Profit for the period attributable to:			
Owners of the Company		90,054	189,146
Non-controlling interests		17,481	13,076
		107,535	202,222
Earnings per share			
Basic and diluted (RMB cents)	9	2.13	4.48

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2012

	Six months ended 30 June 2012 RMB'000 (unaudited)	Six months ended 30 June 2011 RMB'000 (unaudited and restated)
Profit and total comprehensive income for the period	107,535	202,222
Total comprehensive income for the period attributable to:		
Owners of the Company	90,054	189,146
Non-controlling interests	17,481	13,076
	107,535	202,222

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 JUNE 2012

	Notes	30 June 2012 RMB'000 (unaudited)	31 December 2011 RMB'000 (audited)
NON-CURRENT ASSETS			
Property, plant and equipment		2,591,302	2,544,715
Investment properties		674,400	674,400
Deposit for acquisition of land use rights		230,000	-
Land use rights		59,386	60,391
Goodwill		22,974	22,974
Interests in associate		1,500	1,500
Loan receivables	10	95,000	-
Deferred tax assets		15,451	10,392
Restricted bank balances		12,000	12,000
		3,702,013	3,326,372
CURRENT ASSETS			
Inventories		52,830	66,033
Prepayments, trade and other receivables	11	149,542	157,333
Land use rights		2,013	2,013
Loan receivables	10	32,430	100,000
Amounts due from related parties		750	14,613
Held-for-trading investments		20,060	19,984
Short-term investments		-	120,000
Restricted bank balances		207,158	117,420
Time deposit		-	387,319
Bank balances and cash		1,184,615	1,323,845
		1,649,398	2,308,560
CURRENT LIABILITIES			
Trade and other payables	12	971,390	1,189,776
Bonds payable	14	16,253	16,406
Tax payable		32,205	39,542
Dividend payables		3,469	7,232
Borrowings - due within one year	13	687,424	830,138
Amounts due to related parties		43,967	64,299
		1,754,708	2,147,393
NET CURRENT (LIABILITIES) ASSETS		(105,310)	161,167
TOTAL ASSETS LESS CURRENT LIABILITIES		3,596,703	3,487,539
NON-CURRENT LIABILITIES'			
Borrowings - due after one year	13	288,600	211,947
Deferred tax liabilities		111,225	108,267
Bonds payable	14	737,884	743,349
		1,137,709	1,063,563
		2,458,994	2,423,976
CAPITAL AND RESERVES			
Share capital		143,912	144,271
Share premium and reserves		2,257,075	2,252,556
Equity attributable to owners of the Company		2,400,987	2,396,827
Non-controlling interests		58,007	27,149
		2,458,994	2,423,976

NOTES:

1. BASIS OF PREPARATION

The condensed consolidated financial statements of the Group have been prepared in accordance with International Accounting Standard 34 (IAS 34) *Interim Financial Reporting* as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities ("Listing Rules") on The Stock Exchange of Hong Kong Limited ("HKEx").

As disclosed in the Company's annual financial statements for the year ended 31 December 2011, the Group completed its acquisitions of the entire issued share capital of Universe River Real Estate (Xiamen) Ltd. ("Universe River"), Even Time Investments Limited and its subsidiaries ("Even Time") as well as Beijing Chun Tian Real Estate Co., Ltd.* ("Chuntian Real Estate") in December 2011. The Group, Universe River, Even Time and Chuntian Real Estate were all under common control of Alfred Chan and Edward Tan, executive Directors of the Company, both before and after the acquisitions.

The acquisitions of Universe River, Even Time and Chuntian Real Estate have been accounted for as business combinations under common control and the principles of merger accounting have therefore been applied. As a result, comparative information presented in the condensed consolidated income statement and statement of comprehensive income for 1H2011 have been restated to include the results of Universe River, Even Time and Chuntian Real Estate as if they were subsidiaries of the Company throughout 1H2011.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for investment properties and certain financial instruments, which are measured at fair value.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for 1H2012 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2011.

In the current interim period, the Group has applied, for the first time, the following amendments to International Financial Reporting Standards ("IFRSs"):

- amendments to IFRS 7 Financial Instruments: Disclosures – Transfers of Financial Assets; and
- amendments to IAS 12 Deferred Tax: Recovery of Underlying Assets

Amendments to IAS 12 Deferred Tax: Recovery of Underlying Assets

Under the amendments to IAS 12 Deferred Tax: Recovery of Underlying Assets, 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.

**For identification purpose only*

The Group measures its investment properties using the fair value model. As a result of the application of the amendments to IAS 12, the directors reviewed the Group's investment property portfolios and concluded that the Group's investment properties are held under a business model whose objective is to consume substantially all of the economic benefits embodies in the investment properties over time through generating rental income. Hence, the presumption set out in the amendments to IAS 12 has been rebutted. The Group continues to recognise any deferred taxes on changes in fair value of the investment properties on the basis that the entire carrying amount of the properties are recovered through use.

The application of the above amendments to IFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

3. REVENUE AND SEGMENT INFORMATION

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

	Six months ended	
	30 June 2012	30 June 2011
	RMB'000	RMB'000 (Restated)
Commission income from concessionaire sales (Note)	417,226	379,888
Sales of goods	175,828	162,319
Rental income	34,850	24,047
Catering service income	12,027	-
Management consultancy service income	4,284	55,497
	644,215	621,751

Note:

The commission income from concessionaire sales is analysed as follows:

	Six months ended	
	30 June 2012	30 June 2011
	RMB'000	RMB'000 (Restated)
Gross revenue from concessionaire sales	2,423,488	2,087,297
Commission income from concessionaire sales	417,226	379,888

4. OTHER INCOME

	Six months ended 30 June 2012 RMB'000	Six months ended 30 June 2011 RMB'000 (Restated)
Property management income	21,864	15,128
Advertisement and promotion administration income	23,373	18,995
Display space leasing income	2,849	2,137
Bank interest income	16,849	19,724
Credit card handling income	18,014	15,098
Gain on repurchase of bonds	414	-
Others	19,580	12,596
	102,943	83,678

5. OTHER OPERATING EXPENSES

Other operating expenses are analysed as follows:

	Six months ended 30 June 2012 RMB'000	Six months ended 30 June 2011 RMB'000 (Restated)
Consulting service fees (Note 1)	16,474	142
Promotion, advertising and related expenses	31,284	25,291
Water, electricity and heating	17,406	12,975
Other taxes	30,922	29,827
Bank charges	24,072	19,725
Net foreign exchange losses	2,319	1,212
Stores operating costs (Note 2)	7,201	4,313
Others	29,210	21,695
	158,888	115,180

Note1: The amounts mainly represent the service fee paid to consultants for their services relating to the sourcing and design of newly established department stores.

Note2: The amounts mainly represent the cost of security, cleanness, uniform and maintenance for department stores' daily operation.

6. FINANCE COSTS

	Six months ended 30 June 2012 RMB'000	Six months ended 30 June 2011 RMB'000
Interest expenses on:		
Bank borrowings, wholly repayable within five years	23,134	17,262
Bank borrowings, not wholly repayable within five years	-	6,389
Bonds payable	21,384	17,602
	44,518	41,253

7. INCOME TAX CHARGE

	Six months ended 30 June 2012 RMB'000	Six months ended 30 June 2011 RMB'000 (Restated)
The charge comprises:		
PRC Enterprise Income Tax	64,398	66,430
Deferred tax	(2,101)	2,148
	62,297	68,578

8. DIVIDENDS

During the current interim period, a final dividend of RMB1.9 cents per share in respect of the year ended 31 December 2011 (1H2011: RMB1.9 cents per share in respect of the year ended 31 December 2010) was declared and paid to the owners of the Company. The aggregate amount of the final dividend declared and paid in the current interim period amounted to RMB80.3 million (1H2011: RMB 80.3 million).

Subsequent to the end of the interim period, the Board determined that an interim dividend of RMB 1.0 cent per share (1H2011: RMB1.8 cents per share) will be paid to the owners of the Company.

9. EARNINGS PER SHARE

Earnings	Six months ended 30 June 2012 RMB'000	30 June 2011 RMB'000 (Restated)
Earnings for the purposes of basic and diluted earnings per share (Profit for the period attributable to owners of the Company)	90,054	189,146

Number of shares	Six months ended 30 June 2012 '000	30 June 2011 '000
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	4,223,632	4,225,000

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.

10. LOAN RECEIVABLES

	30 June 2012 RMB'000	31 December 2011 RMB'000
Loan receivables	127,430	100,000
Classify as:		
Current assets	32,430	100,000
Non-current assets	95,000	-
	127,430	100,000

As at 30 June 2012, the loan receivables carried fixed interest rates from 8% to 12% per annum.

As at 30 June 2012, loan receivables amounting to RMB 95.0 million was guaranteed by Guiyang Poly Real Estate Development Company Limited, an independent third party which is the parent company of the borrower, and the Group has the right to offset the outstanding balance against future rental payments to the borrower. The remaining amount of RMB 32.4 million were unsecured.

11. PREPAYMENTS, TRADE AND OTHER RECEIVABLES

The following is an analysis of trade receivables by age, presented based on invoice date at the end of the reporting period:

	30 June 2012	31 December 2011
	RMB'000	RMB'000
Trade receivables		
Within 60 days	20,378	22,928
61 days to 120 days	245	590
	20,623	23,518
Prepaid rentals	4,524	5,206
Advances to suppliers	13,119	5,710
Prepaid value-added tax	33,432	23,130
Interest receivables from bank and loan receivables	4,396	19,591
Advance to non-controlling shareholders	-	14,995
Other deposits	16,500	15,000
Deposits in concessionaire suppliers	10,000	9,523
Others	46,948	40,660
	149,542	157,333

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

12. TRADE AND OTHER PAYABLES

The following is an analysis of trade payables by age, presented based on invoice date at the ending of the reporting period:

	30 June 2012	31 December 2011
	RMB'000	RMB'000
Trade payables		
Within 60 days	458,346	606,945
61 days to 120 days	33,690	30,431
121 days to 1 year	13,586	7,688
Over 1 year	3,970	4,032
	509,592	649,096

	30 June 2012	31 December 2011
	RMB'000	RMB'000
Payable for purchase of property, plant and equipment	35,614	12,201
Accruals	66,532	44,758
Accrued staff costs	16,606	30,139
Deposits from concessionaire suppliers	48,487	43,424
Customer prepaid gift cards	192,788	250,175
Other PRC tax payable	16,998	41,482
Advances from third parties	12,750	49,654
Others	72,023	68,847
	461,798	540,680
	971,390	1,189,776

13. BORROWINGS

	30 June 2012	31 December 2011
	RMB'000	RMB'000
Secured bank borrowings	976,024	1,000,085
Other borrowings	-	42,000
	976,024	1,042,085
Carrying amount repayable:		
Within one year	356,249	450,123
More than one year, but not exceeding two years	90,766	47,515
More than two year, but not exceeding five years	197,834	164,432
	644,849	662,070
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)	331,175	380,015
	976,024	1,042,085
Less: Amounts due within one year shown under current liabilities	(687,424)	(830,138)
	288,600	211,947

14. BONDS PAYABLE

On 2 February 2011, the Group issued RMB 750.0 milion 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 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 period ended 30 June 2012 is set out below:

	30 June 2012	31 December 2011
	RMB'000	RMB'000
Carrying amount of Bonds at the beginning of the period	759,755	-
Issuance of Bonds	-	740,625
Repurchased	(7,072)	-
Interest charge for the period	21,384	38,656
Interest paid	(19,930)	(19,526)
Carrying amount at the end of the period	754,137	759,755
Less: Amounts due within one year shown under current liabilities	(16,253)	(16,406)
	737,884	743,349

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 Limited (the “Singapore Exchange”). As at 30 June 2012, the quoted market price of the bonds was approximately RMB 684 million (31 December 2011: RMB 709 million).

On 27 June 2012, the Company repurchased certain bonds with an aggregate par values of RMB 7.0 million on the Singapore Exchange at a consideration of RMB 6.7 million. The Bonds are carried at RMB 7.1 million on the date of purchase. A gain of RMB 0.4 million was recognised in the current period and included in other income.

15. RELATED PARTY DISCLOSURE

(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 "Controlling Shareholders")
Century Ports Apparel (Xiamen) Ltd. 世紀寶姿服裝(廈門)有限公司	Company controlled by PIEL
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 "Chan Family")
PCD Stores Limited 中國春天百貨	Company controlled by the Chan Family
LDP Management Limited ("LDP")	Company controlled by the Chan Family
Ports Fashion (Xiamen) Ltd. 黛美服飾(廈門)有限公司	Company controlled by the Chan Family
Vivienne Tam Fashion (Xiamen) Ltd. 韋薇服飾(廈門)有限公司	Company controlled by the Chan Family
Xiamen Ruijing Chun Tian Department Co., Ltd 廈門瑞景春天百貨有限公司 ("PCD Ruijing")	Company controlled by the Chan Family
Beijing Aishangchuntian Electronic Business Co., Ltd 北京愛尚春天電子商務有限公司 ("Aishangchuntian")	Company controlled by the Chan Family

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

	Six months ended 30 June 2012 RMB'000	Six months ended 30 June 2011 RMB'000 (Restated)
Commission income		
Ports Fashion (Xiamen) Ltd.	2,372	2,302
Century Ports Apparel (Xiamen) Ltd.	11,626	11,385
Vivienne Tam Fashion (Xiamen) Ltd.	40	223
Aishangchuntian	28	-
	14,066	13,910
Management consultancy service income		
PCD Ruijing	1,500	1,500
LDP (Note)	-	18,000
	1,500	19,500
Rental expense		
Scitech Group Company Limited	23,666	23,666

	Six months ended 30 June 2012 RMB'000	Six months ended 30 June 2011 RMB'000 (Restated)
Gift card handling expense		
Scitech Group Company Limited	847	-
Trademark fee		
Scitech Group Company Limited	50	50

Note: 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. The service agreement was terminated on 15 December 2011.

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

Amounts due from related parties

	30 June 2012 RMB'000	31 December 2011 RMB'000
Trade nature		
PCD Ruijing	750	3,114
Non-trade in nature		
PCD Stores Limited	-	11,499
	750	14,613

Amounts due to related parties

	30 June 2012 RMB'000	31 December 2011 RMB'000
Trade in nature		
Century Ports Apparel (Xiamen) Ltd.	10,218	23,560
Ports Fashion (Xiamen) Ltd.	2,154	4,531
Scitech Group Company Limited	31,233	33,906
Vivienne Tam Fashion (Xiamen) Ltd.	157	901
Aishangchuntian	205	-
	43,967	62,898
Non-trade in nature		
LDP	-	1,401

(d) Compensation of key management personnel

The emoluments of directors and other members of key management during the period were as follows:

	Six months ended 30 June 2012 RMB'000	Six months ended 30 June 2011 RMB'000
Short-term employee benefits	3,231	2,318
Post-employment benefits	203	210
Share-based payments	96	452
	3,530	2,980

16. EVENT AFTER THE END OF THE REPORTING PERIOD

On 16 August 2012, the Company repurchased its certain bonds at an aggregate par value of RMB 7.0 million on the Singapore Exchange at a total consideration of RMB 6.5 million.

On 24 August 2012, Xin Xi Da Wu fully repaid the temporary advancement from the Group together with the interest payable to the Group.

BUSINESS REVIEW AND OUTLOOK

First half of year 2012 has marked another important milestone of the Group, whereupon two of our key projects, namely PCD Xian Phase II and Shenyang Scitech Premium Outlet Mall ("Shenyang Outlet Mall"), have become the latest members of our growing network.

The long awaited PCD Xian Phase II had its trial opening in May 2012. With approximately 60,000 square meters of gross floor area ("GFA") in Phase II and 21,000 square meters of GFA in Phase I, PCD Xian has offered an enhanced shopping experience for consumers in Xi'an. The entire shopping complex will be expected to include international brands like Prada, Gucci, Ermenigildo Zegna, Bally, Miu Miu, Yves St. Laurent, Ralph Lauren, Emporio Armani, DKNY and Marc by Marc Jacobs, when fully operational. Apart from bringing the most popular fashion labels to our Xi'an consumers, PCD Xian Phase II also introduces a range of high-end lifestyle brands as anchors, including Ole Supermarket with approximately 4,000 square meters of GFA offering food and lifestyle products catered to the high income consumers in Xi'an.

Following the acquisition in December 2011 of the Beijing Scitech Premium Outlet Mall ("Beijing Outlet Mall"), which continues to show strong revenue and profit growth, our second outdoor outlet mall, the Shenyang Outlet Mall, had its grand opening in August 2012. The opening event drew significant interest from consumers in this important market in North Eastern China. We are very pleased to have Ms. Sun Li, a very popular actress in China, as our guest of honor of the ceremony together with other guests and our staff to celebrate the introduction of the first and only outdoor premium outlet in North East China. This outlet mall, with brands like Zegna, Coach, I.T, Brooks Brothers, MaxMara, Armani, Bally, Nike, Adidas etc., is well positioned to becoming one of the most attractive shopping landmarks in Shenyang and surrounding area. The outlet mall is off to a strong start and we are hopeful and confident of seeing a strong performance in the Shenyang Outlet Mall, which can make important revenue contribution to the Group for the years to come.

The financial position of the Group remained strong. As of 30 June 2012, the Group had RMB 1,184.6 million of bank balance and cash as well as RMB 3,265.7 million of fixed assets (i.e. property, plant and equipment and investment property). Gearing ratio (i.e. total borrowings divided by total equity) was 0.70.

Looking forward, we will maintain our proven successful strategy of reinforcing our advantages in the established areas. Our acquisition of a parcel of land in downtown Guiyang in 1H2012 together with Guiyang Baoli both signal our intention of further strengthening our dominant status in Guizhou area. At the same time, we will leverage on our network and experience in Guizhou and Xi'an to pursue any opportunity in the fast growing inland market of China.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Overview

In 1H2012, gross sales proceeds ("GSP") of the Group reached RMB 2,599.3 million, increased by 15.5% or RMB 349.7 million, as compared with RMB 2,249.6 million for 1H2011. The Group's revenue grew by 3.6% or RMB 22.4 million, from RMB 621.8 million in 1H2011 to RMB 644.2 million in 1H2012. Operating profit (i.e. EBITDA – Earnings Before Interest, Tax and Depreciation and Amortization) of the Group decreased by 22.1% or RMB 75.9 million, from RMB 344.1 million in 1H2011 to RMB 268.2 million in 1H2012, due to, among other things, predominantly the start-up cost, operating expenses and certain non-cash expenses incurred in connection with the opening of the new stores, such as Shenyang Outlet Mall and PCD Xian Phase II.

Significant Change in Preparation Basis of Financial Statements

In December 2011, the Group acquired Universe River, Even Time (the operator of Beijing Outlet Mall) as well as Chuntian Real Estate (the owner of the property on which the Beijing Outlet Mall is operated) 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 aforementioned companies were all under common control. As a result, the consolidated financial statements of the Company for 1H2011 have been restated as if Universe River, Even Time and Chuntian Real Estate had been the subsidiaries of the Group throughout 1H2011. However, the accounting policies and methods of computation used are the same as those used in the preparation of the Group's condensed consolidated interim financial statements for 1H2011.

Revenue

The Group's revenue grew by 3.6% or RMB 22.4 million, from RMB 621.8 million in 1H2011 to RMB 644.2 million in 1H2012 due to the increase in GSP and the catering service income, which was a new income stream for the Group, whereas the increase was partially offset by the decrease of management consultancy services income. In particular, commissions from concessionaire sales and sales of goods grew by 9.8% or RMB 37.3 million and 8.3% or RMB 13.5 million, respectively, from RMB 379.9 million to RMB 417.2 million and from RMB 162.3 million to RMB 175.8 million respectively, due to the revenue contribution from the self-owned store converted from managed store as well as the new stores opened in the second half of 2011 ("2H2011") in addition to the sales growth from our existing stores. Management consultancy services income decreased by 92.3% or RMB 51.2 million from RMB 55.5 million in 1H2011 to RMB 4.3 million in 1H2012 as a result of the expiration of certain management contracts, which are pending determination of the long term arrangement.

The Group's GSP reached RMB 2,599.3 million in 1H2012, representing an increase of 15.5% or RMB 349.7 million as compared with RMB 2,249.6 million in 1H2011. Same stores sales growth of the Group's self-owned stores was 7.6% in 1H2012. Concessionaire sales contributed 93.2% of the total GSP and direct sales accounted for the remaining 6.8% in 1H2012, as compared with 92.8% and 7.2% respectively in 1H2011. Gross profit margin (i.e. combination of concessionaire and direct sales margins) of the Group decreased from 18.6% in 1H2011 to 17.3% in 1H2012. However, if the outlet mall business, which generates a lower gross profit margin than the department stores business, is excluded, the gross profit margin would be 18.8% in 1H2012 (1H2011: 20.1%). The decrease in the gross profit margin was mainly attributable to the increase in the discount offered due to the more competitive retail market as well as the addition of new stores to the entire network, which generally carry lower gross profit margin as a matter of common market practice.

Other Income
Other income, the major components of which were advertisement and promotion administration income, property management income, interest income and credit card handling income, increased by 23.0% or RMB 19.2 million, from RMB 83.7 million in 1H2011 to RMB 102.9 million in 1H2012. The contribution of other income from the self-owned store converted from managed store and the additional new stores opened in 2H2011were attributable to such increment. Other income as a percentage of revenue rose from 13.5% in 1H2011 to 16.0% in 1H2012.

Purchase of Goods and Changes in Inventories
The purchase of goods and changes in inventories included costs incurred for direct sales and changes in inventories, which mainly comprised of cosmetic and skincare products, and costs related to catering service. Purchase of goods and changes in inventories were increased by 15.4% or RMB 19.2 million, from RMB 124.9 million in 1H2011 to RMB 144.1 million in 1H2012, due to the increase in direct sales as well as the catering service costs, which the Group began to incur in 1H2012 in connection with the catering related business leading to the generation of catering service income (see the paragraph headed "Revenue").

Employee Benefits Expense
Employee benefits expense increased by 28.3% or RMB 21.3 million, from RMB 75.1 million in 1H2011 to RMB 96.4 million in 1H2012. There were two major causes leading to the increment, the first reason was the increase in the number of staff due to the increase in the number of self-owned stores, and the second reason was the improvement in the remuneration package of the employees triggered by the relatively tightened labour market in the PRC. The employee benefits expense as a percentage of revenue increased from 12.1% in 1H2011 to 15.0% in 1H2012.

Depreciation and Amortization
Depreciation and amortization increased by 68.0% or RMB 21.8 million, from RMB 32.0 million in 1H2011 to RMB 53.8 million in 1H2012. The depreciation expenses of the property we acquired in Taiyuan (at which our PCD Taiyuan is located at) in 2H2011 and our self-owned property in Xi'an (at which our PCD Xian Phase II is located at) have begun to account for in 1H2012 given its completion of construction in early 2012. The depreciation and amortization as a percentage of revenue increased from 5.2% in 1H2011 to 8.4% in 1H2012.

Operating Lease Rental Expense
Operating lease rental expense increased by 40.8% or RMB 23.1 million, from RMB 56.5 million in 1H2011 to RMB 79.6 million in 1H2012. The increase in the number of self-owned stores as well as the non-cash accounting treatment of the straight-line amortization of rental expenses for some of the new stores led to the significant increase in this category of expense. If the non-cash expense arising from such accounting treatment is excluded, the operating lease rental expense would only have increased by 11.4% or RMB 6.5 million. Accounting for the impact from the non-cash amortization expenses, operating lease rental expense as a percentage of revenue increased from 9.1% in 1H2011 to 12.4% in 1H2012.

Other Operating Expenses
Other operating expenses mainly included other taxes, promotion, advertising and related expenses, bank charges as well as water and electricity expenses. Other operating expenses increased by 37.9% or RMB 43.7 million, from RMB 115.2 million in 1H2011 to RMB 158.9 million in 1H2012. The increase was mainly attributable to the start-up cost and operating expenses incurred in connection with the new stores opened in 2H2011 and 1H2012. Other operating expenses as a percentage of revenue increased from 18.5% in 1H2011 to 24.7% in 1H2012.

Finance Costs
Finance costs increased by 7.9% or RMB 3.2 million, from RMB 41.3 million in 1H2011 to RMB 44.5 million in 1H2012. The increase was mainly due to the additional one month of interest expenses for the RMB denominated bond relative to the corresponding period in 2011, in which interest expense was borne for 5 months only.

Income Tax Charge
The Group's income tax expense decreased by 9.2% or RMB 6.3 million, from RMB 68.6 million in 1H2011 to RMB 62.3 million in 1H2012. The effective tax rate increased from 25.3% in 1H2011 to 36.7% in 1H2012 due to the tax credit arose from the entities established for the operation of new stores.

Profit for the year
Due to the reasons as explained above, in particular the impact arising from the expenses incurred and accounted for the opening of the new stores during 1H2012, the net profit decreased by 46.8% or RMB 94.7 million, from RMB 202.2 million in 1H2011 to RMB 107.5 million in 1H2012. EBITDA, which was a more precise reflection of the operational result of the Group, decreased by 22.1% or RMB 75.9 million, from RMB 344.1 million in 1H2011 to RMB 268.2 million in 1H2012, which was quite significantly less than the percentage decline in respect of the net profit. Net profit and EBITDA as percentages of revenue decreased from 32.5% and 55.3% in 1H2011 to 16.7% and 41.6% in 1H2012, respectively. Although the Group has experienced a decrease in profitability for 1H2012, the management is hopeful that the recently opened new stores will soon have positive contribution to the business of the Group.

Profit Attributable to the Owners of the Company
Profit attributable to the owners of the Company decreased by 52.4% or RMB 99.0 million, from RMB 189.1 million in 1H2011 to RMB 90.1 million in 1H2012.

Capital Expenditure
Capital Expenditure of the Group during 1H2012 amounted to RMB 76.3 million (1H2011: RMB 75.6 million). The management considered that the investment in new property and the improvement made to the existing stores would allow us to maintain a strong competitiveness against our respectable peers. The Group will continue to identify sites with business potential in order to broaden our growing department store and outlet mall network.

Liquidity and Financial Resources
As at 30 June 2012, cash and cash equivalent (i.e. bank balances and cash and time deposit) of the Group decreased by 30.8% or RMB 526.6 million to RMB 1,184.6 million when compared with RMB 1,711.2 million as at 31 December 2011, which was mainly due to the payment of deposit for the acquisition of the land use rights of a parcel of land in Nanming District, Guiyang City ("Guiyang Land") in 1H2012, payment of dividends to our shareholders for the year ended 31 December 2011, purchase of certain property, plant and equipment as well as repayment of bank loans.

As at 30 June 2012, the Group had RMB 1,730.2 million of borrowings, 20.5% of the total borrowings was bank borrowings repayable within one year; 16.7% was bank borrowings repayable within two to five years; 19.1% was bank borrowings not repayable within one year but contain a repayment on demand clause; and the remaining 43.7% was bond payable due in January 2014. The outstanding loan as at 30 June 2012 was decreased slightly by 4.0% or RMB 71.6 million as compared with RMB 1,801.8 million as at 31 December 2011, due to the repayment of loan.

Capital Commitments
The capital commitments of the Group as at 30 June 2012 were RMB 94.3 million which was attributable to PCD Xian Phase II as well as Shenyang Outlet Mall.

Net Current Assets / (Liabilities) and Equity
As at 30 June 2012, the net current liabilities of the Group were RMB 105.3 million compared with net current assets of RMB 161.2 million as at 31 December 2011. The change from the net current assets to net current liabilities was mainly attributable to the cash payment of the deposit for the acquisition of land use rights of Guiyang Land. Equity attributable to owners of the Company increased slightly from RMB 2,396.8 million as at 31 December 2011 to RMB 2,401.0 million as at 30 June 2012.

The gearing ratio, which was calculated by dividing total borrowings by total equity, was 0.70 as at 30 June 2012 (as at 31 December 2011: 0.74).

Pledge of Assets
As at 30 June 2012, certain of the Group's buildings with an aggregate carrying amount of RMB 312.1 million (as at 31 December 2011: RMB 317.4 million) were pledged as security for the bank loans of the Group.

As at 30 June 2012, certain of the Group's investment properties with an amount of RMB 546.9 million (31 December 2011: RMB 546.9 million) were pledged as security for bank loans of the Group.

Segment Information
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 30 June 2012, the total number of employees for the Group was approximately 2,850. 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 30 June 2012, 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 may consider using forward contracts or currency borrowings to hedge its foreign exchange risk as appropriate.

Purchase, Sales or Redemption of Listed Securities
During 1H2012, the Company repurchased a total of 12,200,000 ordinary shares of the Company at an aggregate consideration of approximately HK$ 9.1 million on the Stock Exchange. Among the repurchased shares, 10,500,000 shares were cancelled before 30 June 2012. 1,700,000 repurchased shares were left uncancelled as at 30 June 2012 and were subsequently cancelled on 31 July 2012. Particulars of the shares repurchased are as follow:

Month of repurchase	No. of ordinary shares repurchased ('000)	Purchase price paid pershare (HK$)		Aggregate consideration paid (HK$ '000)
		Highest	Lowest	
May 2012	4,000	0.75	0.75	3,006
June 2012	8,200	0.76	0.71	6,091
Total	12,200			9,097

Save as disclose above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during 1H2012.

Significant Events
There have been no significant events affecting the Group which have occurred since 30 June 2012.

Review of Accounts
The unaudited condensed consolidated accounts of the Company and its subsidiaries for 1H2012 have been reviewed by the Company's auditor, Deloitte Touche Tohmatsu, in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. The auditor's independent review report will be included in the Interim Report to shareholders. The unaudited condensed consolidated accounts of the Company and its subsidiaries for 1H2012 have also been reviewed by the audit committee of the Company.

The audit committee consists of three independent non-executive Directors, namely, Mr. Li Chang Qing (Chairman), Mr. Ainsley Tai and Mr. Randolph Yu, with terms of reference in compliance with the Listing Rule.

Code on Corporate Governance Practices
The Company has applied the principles and complied with all code provisions and, where applicable, the recommended best practices of the Code on Corporate Governance Practices during the period from 1 January 2012 to 31 March 2012 and the Corporate Governance Code during the period from 1 April 2012 to 30 June 2012 as set out in Appendix 14 to the Listing Rules.

Model Code for Securities Transactions
The Company 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. Based on the specific enquiry of all directors, the Directors of the Company have confirmed that they have complied with the required standards as set out in the Model Code during 1H2012.

Proposed Interim Dividend

The Board recommended an interim dividend of RMB 1 cent in cash per share for 1H2012, payable to the shareholders of the Company whose names appear on the register of members of the Company on Monday, 22 October 2012. The interim dividend will be payable on or before 30 October 2012.

Closure of Register of Members

For the purpose of ascertaining the shareholders' entitlement to the proposed dividend, the register of members of the Company will be closed from Thursday, 18 October 2012 to Monday, 22 October 2012, both days inclusive, during which period no transfers of shares will be effected. In order to qualify for the proposed dividends, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Wednesday, 17 October 2012.

Publication of Interim Report

This announcement is available for viewing on the websites of HKEx and the Company. The interim report for 1H2012 containing all the information as required by Appendix 16 to the Listing Rules will be dispatched to shareholders of the Company and published on the websites of the HKEx and the Company on or before 28 September 2012. The website of the Company may be accessed at: http://www.pcds.com.cn.

By Order of the Board
PCD Stores (Group) Limited
Xiang Qiang
President

Hong Kong, 30 August 2012

As at the date of this announcement, the Executive Directors of the Company are Mr. Alfred Chan (Chairman), Mr. Edward Tan and Mr. Xiang Qiang (President); and the Independent Non-executive Directors are Mr. Randolph Yu, Mr. Ainsley Tai and Mr. Li Chang Qing.