中国春天百货
PCD STORES

PCD STORES (GROUP) LIMITED
2012 ANNUAL REPORT

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

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YVES SAINT LAURENT
PARIS


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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 2012, the Group operated and managed 16 department stores and 3 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.

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
P.O. Box 1350
Grand Cayman
KY1-1108
Cayman Islands

Headquarters

No. 76-132 Zhongshan Road
Siming District, Xiamen China 360001

Principal Place of Business in Hong Kong

Room 3310-11, Tower One
Times Square
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
Clifton House
75 Fort Street
P.O. Box 1350
Grand Cayman
KY1-1108
Cayman Islands

Hong Kong Share Registrar

Computershare Hong Kong Investor
Services Limited
17M Floor
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

FIVE-YEAR FINANCIAL SUMMARY

(RMB million)	2008[1]	2009[2] (Restated)	2010[3] (Restated)	2011	2012
For the year ended 31 December					
Gross sales proceeds	2,608	3,175	4,199	4,811	5,419
Revenue	718	927	1,141	1,278	1,289
Profit for the year attributable to owners of the Company	174	253	341	313	156
Basic earnings per share (RMB cents)	5.79	8.32	8.07	7.40	3.71
As at 31 December					
Property, plant and equipment	589	1,035	2,192	2,545	2,513
Investment properties	490	510	630	674	674
Land use rights	68	66	64	62	176
Cash and cash equivalent[4]	110	2,120	1,482	1,831	1,474
Borrowings	695	682	1,096	1,802	1,686
Total assets	1,667	3,971	5,045	5,635	5,621
Total liabilities	1,513	1,882	2,690	3,211	3,121
Net current assets/(liabilities)	(670)	810	(392)	161	(892)
Equity attributable to owners of the Company	153	2,064	2,330	2,397	2,426

Notes:

1. The Company was not listed in year 2008.

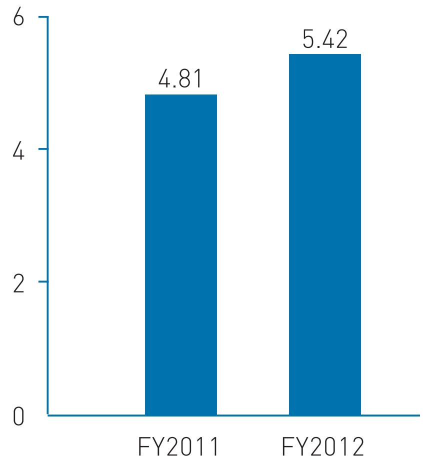
2. The financial statements of the Group have been restated in FY2010 due to the acquisition in relation to department stores in Guizhou from the controlling shareholders as disclosed in the announcement of the Company dated 9 August 2010.

3. The financial statements of the Group have been restated in FY2011 due to the acquisition in relation to Beijing Scitech Premium Outlet Mall and Universe River Real Estate (Xiamen) Ltd. from the controlling shareholders as disclosed in the announcement of the Company dated 14 November 2011 and 20 December 2011 respectively.

4. The sum of "bank balances and cash" and "short-term investments".

FINANCIAL HIGHLIGHTS

GSP (RMB billion)



12.7%

GROSS SALES PROCEEDS[1] INCREASED BY 12.7% TO RMB5.42 BILLION

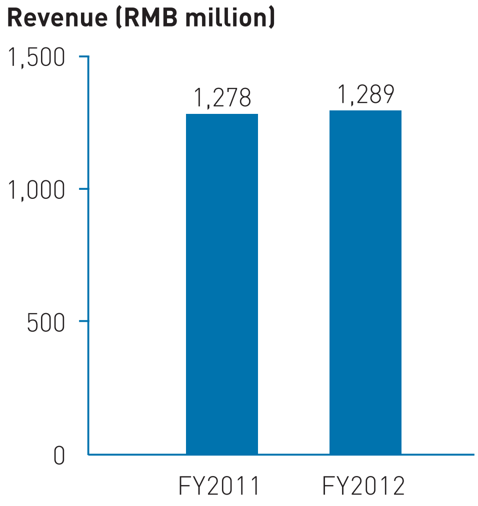
Operating Result (RMB million)	FY2011	**FY2012**	Y-o-Y Growth
Same Stores Sales Growth[2]	18.8%	**4.5%**	—
Gross Sales Proceeds	4,811	**5,419**	+12.7%
Revenue	1,278	**1,289**	+0.9%
Gross Profit Margin[3]	18.1%	**17.0%**	—
Department Store Business	*19.7%*	***18.6%***	—
Earnings before Interest, Tax and Depreciation and Amortization (EBITDA)	618	**506**	–18.0%
Profit Attributable to Owners of the Company	313	**156**	–50.0%

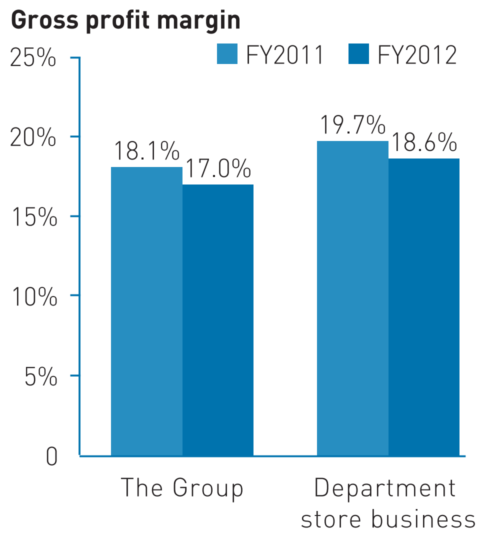
Notes:

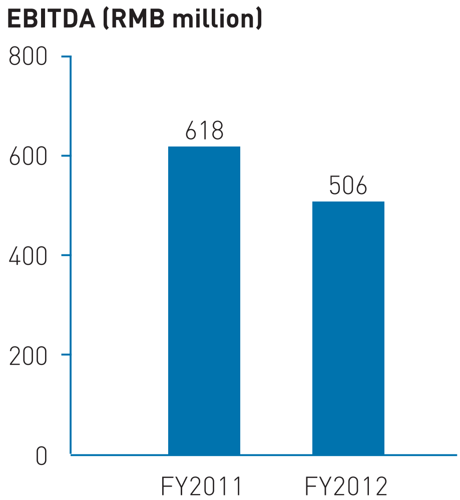
1. Gross Sales Proceeds ("GSP") represent the sum of gross revenue from concessionaire sales and sales of goods.

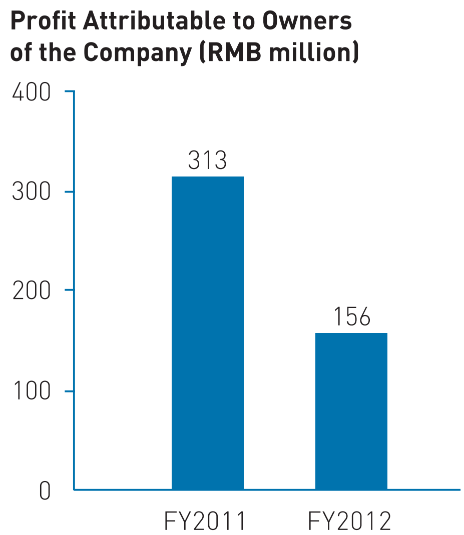
2. Same Stores Sales Growth ("SSSG") for self-owned stores as of 31 December 2011 and 2012.

3. Combination of margins of concessionaire sales, direct sales and catering services income.









GROSS PROFIT MARGIN OF OUR DEPARTMENT STORE BUSINESS REMAINED COMPETITIVE AT 18.6%

Balance Sheet Items (RMB million)	**FY2012**
Property, Plant and Equipment	**2,513**
Investment Property	**674**
Cash and Cash Equivalent (i.e. sum of "bank balances and cash" and "short-term investments")	**1,474**
Borrowings	**1,686**
Net assets	**2,500**

PRESIDENT'S STATEMENT

In the midst of global economic downturn and slowdown of the economic growth in China, the momentum of our Group's business operations had been affected slightly during 2012. In FY2012, the same store sales growth for our self-owned stores was 4.5%; our Group's revenue was RMB1,289.4 million, as compared to RMB1,278.3 million in FY2011. Operating profit (i.e. EBITDA — Earnings Before Interest, Tax and Depreciation and Amortization) of the Group decreased by 18.0% or RMB111.4 million, from RMB617.5 million in FY2011 to RMB506.1 million in FY2012. Excluding macro-economic effects, operational related reasons such as the new store opening expenses for our Shenyang Scitech Premium Outlet Mall and PCD Xian Phase II as well as the reduction in management consultancy services income were two major reasons which accounted for the reduction in operating profit in FY2012.

Leveraged on our past experiences, our Group will continue to focus on our strategy: "reinforcing the growth points and exploring the new horizon". While strengthening and reinforcing our current department store business, we have continued our efforts in identifying and developing other attractive and profitable business opportunities. The strong performance of the Beijing Scitech Premium Outlet Mall (the "Beijing Outlet") and department stores chain in Guizhou (as of 31 December 2012, our Group had five self-own stores and one managed store in Guizhou Province) proves rewarding in our execution of the aforesaid strategy.

As the pioneer of outlet business in the capital of China, the Beijing Outlet has established itself as a retail landmark around the capital's suburb area following three years of improvement and development. It has attracted customers of different ages and segments and no doubt, it has been widely accepted a role model and perfect example of outlet business operation in China. Meanwhile, our department stores network in Guizhou (the "Guizhou Network"), one of the most important provinces located southwest of China, offers fashionable and quality shopping experience to the consumers in the region. We are very proud to see that the Guizhou Network is well recognized as one of the most influential department store brands within the Guizhou province. The success of Guizhou Network indisputably establishes a solid platform for our penetration into the inner region of China and serves well as a successful benchmark for our further expansion and development in the western region market.

While directing resources and expertise for the continuous business development of the Group, we have not overlooked the importance of improving our corporate internal control and management standard to lay a solid foundation for the Group's future development. Our hard works include, but not limited, as follows: refining the Group's corporate strategy, business models and long-term development plans; strengthening the Group's internal control mechanism and processes; enhancing efficiency and professionalism as well as recruiting professionals in different areas such as project management, product planning, leasing, operation and property management.

Our Group remains cautiously optimistic for the prospect in 2013. Upon review of the economic trends in 2012, the global economic environment appears to be uncertain in the short-term. Despite our optimism over the long-term development of China, the Chinese consumption market is currently affected by the central government's policies on credit tightening, inflation control and cautious public fund spending, and there is no published or confirmed agenda over the duration of those policies at the moment. Nonetheless, our Group is well equipped with sufficient resources to open new stores and invest in any new projects with potential. Meanwhile, we will also strive to put extra efforts to fine-tune and improve our existing operations to ensure that our current stores can be performed to its fullest potential.

The Board is positive towards our Group's business operations and will continue to apply our financial resources efficiently and prudently to improve and maximize our Group's profitability and hence, the shareholders' returns. On behalf of the Board, I would like to take this opportunity to express my sincere thankfulness to all employees within our Group for their untiring efforts in 2012.

Xiang Qiang
President and Executive Director

28 March 2013


Columbia


SUBWAY

MANAGEMENT'S DISCUSSION AND ANALYSIS

Financial Overview

As of 31 December 2012, the Group operated 13 department stores and 3 outlet malls (each is referred to individually as a "Self-owned Store" and collectively as the "Self-owned Stores"), as compared with 11 department stores and 2 outlet malls as of 31 December 2011. For the financial year ended 31 December 2012 ("FY2012"), gross sales proceeds ("GSP") of the Group reached RMB5,419.4 million, increased by 12.7% or RMB608.9 million, as compared with RMB4,810.5 million for the financial year ended 31 December 2011 ("FY2011"). The Group's revenue increased slightly by 0.9% or RMB11.2 million from RMB1,278.3 million in FY2011 to RMB1,289.4 million in FY2012. Operating profit (i.e. EBITDA — Earnings Before Interest, Tax and Depreciation and Amortization) of the Group decreased by 18.0 % or RMB111.4 million, from RMB617.5 million in FY2011 to RMB506.1 million in FY2012. The decrease in operating profit were due to, among other things, the start-up cost and operating expenses incurred in connection with the opening of the new stores during FY2012, such as Shenyang Scitech Premium Outlet Mall and PCD Xian Phase II, as well as the reduction in the management consultancy services income.

Revenue

The Group's revenue increased slightly by 0.9% or RMB11.2 million, from RMB1,278.3 million in FY2011 to RMB1,289.4 million in FY2012. The Group's revenue was impacted by the reduction in the management consultancy services income, which was partially offset by the increase in sales as well as the new income stream from the catering services income in the amount of RMB29.4 million.

Commissions from concessionaire sales and sales of goods grew by 5.5% or RMB44.2 million and 6.1% or RMB20.2 million, respectively, from RMB798.2 million in FY2011 to RMB842.4 million in FY2012 and from RMB329.3 million in FY2011 to RMB349.5 million in FY2012 respectively. Both increments were attributable by the revenue from (i) the conversion of Guiyang Guochen from a managed store to Self-owned Store in the second half of 2011 ("2H2011"), (ii) the commencement of operation of Guiyang Jinyuan TP Mall in FY2011, Shenyang Scitech Premium Outlet Mall and PCD Xian Phase II towards the second half of 2012 ("2H2012") and (iii) the sales growth from our existing Self-owned Stores.

Management consultancy services income decreased by 92.0% or RMB90.9 million from RMB98.8 million in FY2011 to RMB7.9 million in FY2012 as a result of the expiration of certain management contracts. Two events mainly attributed to the reduction of this category of income. Firstly, the general outlet services agreement with LDP Management Limited was terminated immediately upon the acquisition of Beijing Scitech Premium Outlet Mall in December 2011. Secondly, the Group ceased to provide management services to the operator of PCD Xian Phase I pending the transitional arrangement for its integration with PCD Xian Phase II and hence, no management consultancy services income was received during FY2012. Following the opening of PCD Xian Phase II in 1H2012, the Group has assumed the operation of PCD Xian Phase I since 1 January 2013, which is expected to bring positive impact on the Group's revenue for the FY2013.

The Group's GSP reached RMB5,419.4 million in FY2012, representing an increase of 12.7% or RMB608.9 million as compared with RMB4,810.5 million in FY2011. Same stores sales growth of the Self-owned Stores was 4.5 % in FY2012. Concessionaire sales contributed 93.6% of the total GSP and direct sales accounted for the remaining 6.4% in FY2012, as compared with 93.2% and 6.8% respectively in FY2011. The increasing contribution of concessionaire sales from the outlet business accounted for the changes above. Gross profit margin (i.e. combination of margins of concessionaire sales, direct sales and catering services income) of the Group decreased from 18.1% in FY2011 to 17.0% in FY2012. However, if the outlet mall business is excluded, the gross profit margin would be 18.6% in FY2012 (FY2011: 19.7%). The decrease in the gross profit margin was mainly attributable to (i) the higher proportion of sales coming from merchandize carrying a lower concessionaire rate, (ii) the discount offered in promotional activities as well as (iii) the increasing contribution of outlet business, which carries a lower gross profit margin compared with department store business as a matter of common industry 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 24.8% or RMB47.3 million, from RMB191.0 million in FY2011 to RMB238.4 million in FY2012. The contribution of other income from Guiyang Guochen, a Self-owned Store which was converted from managed store in 2H2011, and the new stores opened in FY2011 and FY2012 such as Guiyang Jinyuan TP Mall, Shenyang Scitech Premium Outlet Mall as well as PCD Xian Phase II, contributed to such increment. Other income as a percentage of revenue rose from 14.9% in FY2011 to 18.5% in FY2012.

Purchase of Goods and Changes in Inventories

The purchase of goods and changes in inventories included costs incurred for direct sales, which mainly comprised of cosmetic and skincare products, and costs related to catering services. Purchase of goods and changes in inventories were increased by 15.6% or RMB39.9 million, from RMB255.1 million in FY2011 to RMB295.2 million in FY2012, due to the increase in direct sales as well as the catering services costs, which the Group began to incur in FY2012 when the Group started its catering related business, leading to the generation of catering services income (see the paragraph headed "Revenue").

Employee Benefits Expense

Employee benefits expense increased by 31.2% or RMB54.2 million, from RMB173.6 million in FY2011 to RMB227.8 million in FY2012. There were two major causes for the increment, the first reason was the increase in the number of staff from approximately 2,800 as of 31 December 2011 to approximately 3,500 as of 31 December 2012 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 13.6% in FY2011 to 17,7% in FY2012.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Depreciation and Amortization

Depreciation and amortization increased by 74.4% or RMB48.7 million, from RMB65.4 million in FY2011 to RMB114.1 million in FY2012. The depreciation expenses of the property acquired in Taiyuan (at which our PCD Taiyuan is located at), as well as our self-owned property in Xi'an (at which our PCD Xian Phase II is located at), construction of which was completed in the first half of 2012 ("1H2012"), have begun to account for respectively in 2H2011 and 1H2012. In addition, the depreciation expenses for the fixtures of the two newly opened stores (i.e. Guiyang Jinyuan TP Mall which had begun to account for in 2H2011, and Shenyang Scitech Premium Outlet Mall which had begun to account for in 1H2012) were part of the components under this category of expense. Depreciation and amortization as a percentage of revenue increased from 5.1% in FY2011 to 8.9% in FY2012.

Operating Lease Rental Expense

Operating lease rental expense increased by 4.6% or RMB7.1 million, from RMB153.9 million in FY2011 to RMB161.0 million in FY2012. The increase was attributable to the full-year effect on rental expenses of our new Self-owned Stores added during FY2011 and FY2012. Shenyang Scitech Premium Outlet Mall, which its operating lease rental expense had begun to account for in 1H2011 and Guiyang Guochen, which its operating lease rental expense had begun to account for in 2H2011, mainly contributed to such increment. The above increment was partially offset by the decrease in rental expenses of PCD Taiyuan due to the acquisition of the property at which PCD Taiyuan is located in 2H2011. Operating lease rental expense as a percentage of revenue slightly increased from 12.0% in FY2011 to 12.5% in FY2012.

Other Operating Expenses

Other operating expenses mainly comprised of promotion, advertising and related expenses, bank charges and utilities expenses. Other operating expenses increased by 20.8% or RMB58.2 million, from RMB279.6 million in FY2011 to RMB337.7 million in FY2012. The increase was mainly attributable to the start-up cost and other operating expenses incurred in connection with the new stores opened in FY2012 as well as the full-year effect of other operating expenses incurred by the newly added Self-owned Stores in 2H2011, Guiyang Jinyuan TP Mall and Guiyang Guochen. Other operating expenses as a percentage of revenue increased from 21.9% in FY2011 to 26.2% in FY2012.

Finance Costs

Finance costs increased slightly by 1.7% or RMB1.4 million, from RMB86.0 million in FY2011 to RMB87.4 million in FY2012. .

Income Tax Charge

The Group's income tax expense decreased by 12.3% or RMB16.6 million, from RMB134.2 million in FY2011 to RMB117.6 million in FY2012. The effective tax rate increased from 28.8% in FY2011 to 38.6% in FY2012. The increase was mainly due to the tax credit arose from the entities established for the operation of new stores, namely Shenyang Scitech Premium Outlet Mall and PCD Xian Phase II.

Profit for the year

Net profit decreased by 43.7% or RMB144.9 million, from RMB331.9 million in FY2011 to RMB187.0 million in FY2012 due to the reasons as explained above, in particular the impact arising from the expenses incurred and accounted for the new stores opened during FY2012 as well as the decrease in management consultancy services income. EBITDA, which was a more precise reflection of the operational result of the Group, decreased by 18.0% or RMB111.4 million, from RMB617.5 million in FY2011 to RMB506.1 million in FY2012. Net profit and EBITDA as percentages of revenue decreased from 26.0% and 48.3% in FY2011 to 14.5% and 39.2% in FY2012, respectively.

Profit Attributable to the Owners of the Company

Profit attributable to the owners of the Company decreased by 50.0% or RMB156.4 million from RMB312.8 million in FY2011 to RMB156.3 million in FY2012.

Capital Expenditure

Capital expenditure of the Group during FY2012 amounted to RMB191.6 million (FY2011: RMB387.2 million), the majority of which was incurred in connection with the development of our new project, Guiyang West Gate, the construction and fixtures of our new stores (i.e. PCD Xian Phase II and Shenyang Scitech Premium Outlet Mall), as well as the renovation of our existing stores. The management considered that investment in new property and improvement to the existing stores were essential to maintain a strong competitiveness against our respectable industry peers.

Liquidity and Financial Resources

As at 31 December 2012, cash and cash equivalent (i.e. bank balances and cash as well as short-term investments) of the Group decreased by 19.5% or RMB357.5 million to RMB1,473.6 million when compared with RMB1,831.2 million as at 31 December 2011. The key items of cash and cash equivalent application were the payment of deposit for the acquisition of the land use rights of a parcel of land at Da Xin Men, Nanming District, Guiyang City in FY2012 for the development of Guiyang West Gate, payment of dividends to our shareholders for the year ended 31 December 2011 and the period ended 30 June 2012, purchase of certain property, plant and equipment as well as repayment of bank loans.

As at 31 December 2012, the Group had RMB1,686.0 million of borrowings, 23.4% of the total borrowings was bank borrowing repayable within one year; 15.7% was bank borrowing repayable within more than one year but not exceeding five years; 16.5% was bank borrowing not repayable within one year but contain a repayment on demand clause; and the remaining 44.4% was bond payable due in January 2014. The outstanding loan as at 31 December 2012 was decreased slightly by 6.4% or RMB115.8 million as compared with RMB1,801.8 million as at 31 December 2011. For further details of borrowings, please refer to Note 28 and Note 29 of "Notes to the consolidated financial statements".

During FY2012, the significant investment of the Group was the investment associated with the parcel of land at Da Xin Men. On 26 March 2012, the Company announced that the Group had jointly acquired with Guiyang Xin Xi Da Wu Hotel Investments Limited (貴陽新喜達屋酒店投資有限公司) the land use rights of a parcel of land at Da Xin Men, located near Ruijin Central Road, Nanming District, Guiyang City of Guizhou Province, the PRC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The site had a total surface area of 56,281 square meters and the authorized usage of which was limited to hotel, commercial and office. The total consideration for the acquisition was RMB601,600,000 and the cost of attributable portion of land use rights to be borne by the Group was RMB230,000,000. The transfer of the land use rights and construction of the site would be subject to certain conditions including, completion of land recapture and associated compensation work and the approval for construction on the land by the Vendor. At the moment, the land recapture work for the site is still in progress and hence, the Group will consider its potential development plan in due course.

Net Current Assets/(Liabilities) and Equity

As at 31 December 2012, the net current liabilities of the Group were RMB892.2 million compared with net current assets of RMB161.2 million as at 31 December 2011. The change from the position of net current assets to net current liabilities was mainly attributable to the reclassification of bond payable from non-current liabilities to current liabilities, following the entering into the share purchase agreements by Alfred Chan and Edward Tan, the controlling shareholders of the Company, with an independent third party in relation to the sales of shares of the Company. Please refer to Note 15 and Note 17 of "Notes to Financial Statements" for further particulars of the transaction in question. In addition, cash payment of the deposit for the acquisition of land use rights of a parcel of land at Da Xin Men as well as the purchase of certain property, plant and equipment also accounted for this change. Equity attributable to owners of the Company increased slightly from RMB2,396.8 million as at 31 December 2011 to RMB2,425.7 million as at 31 December 2012.

The gearing ratio, which was calculated by dividing total borrowings by total equity, improved to 0.67 as at 31 December 2012 (as at 31 December 2011: 0.74) after the repayment of certain borrowings.

Pledge of Assets

As at 31 December 2012, certain of the Group's buildings with an aggregate carrying amount of RMB385.4 million (as at 31 December 2011: RMB317.4 million) were pledged as security for the bank loans of the Group.

As at 31 December 2012, certain of the Group's investment properties with an amount of RMB546.9 million (31 December 2011: RMB546.9 million) were pledged as security for bank loans of the Group.

As at 31 December 2012, certain of the Group's land use rights with an amount of RMB9.6 million (2011: RMB9.0 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.

CORPORATE GOVERNANCE

The Group is committed to maintaining a high standard of corporate governance. In the opinion of the directors of the Company (the "Directors"), 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 (the "CG Code") during the period from 1 April 2012 to 31 December 2012 as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") except for code provision A.5.2 as the Nomination Committee did not meet during FY2012 but given that the board of directors of the Company (the "Board"), including all members of the Nomination Committee, have considered the structure, size and composition of the Board and therefore the members of the Nomination Committee was of the view that a meeting was not necessary.

Board of Directors

As of 31 December 2012, the Board comprises of three Executive Directors and three Independent Non-executive Directors.

Executive Directors

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

Independent Non-executive Directors

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

* 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 of 31 December 2012, 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 43 to 46 of this report.

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

The Board is responsible for the oversight of the Company's performance and for formulating 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.

CORPORATE GOVERNANCE

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. Xiang Qiang, the President of the Company, is responsible for the duties carried out by a chief executive officer with his focus on the day-to-day execution of the key decisions considered and approved by the Board. Mr. Xiang 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 across the organization.

Independent Non-executive Directors

With reference to Rule 3.13 of the Listing Rules, the Board has received from each of the Independent Non-executive Director a written confirmation of their independence and 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 Independent 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 were appointed for a specific term of three years commencing on 24 November 2009 and the appointment will be continuing thereafter until automatically terminated immediately upon ceasing to be a Director in accordance with the Articles, any applicable law or the Listing Rules. The term of appointment of the Independent Non-executive Directors has been renewed since 25 November 2012 for a further term of one year, expiring on 24 November 2013. In accordance with the Articles of the Company, all Directors of the Company are subject to retirement by rotation at least once every three years.

Board Appointments, Re-Election & Removal

New Directors are appointed by the existing Board taking into consideration of the recommendation from the Nomination Committee. Vacant seats are discussed at Board level and appropriate candidates are considered based on prior experience and qualifications. The Board selects and recommends candidates for directorship having regard to the balance of skills and experience appropriate to the Group's business.

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

Number of Meetings

During FY2012, four full Board meetings were held and one other Board meeting was held by way of written resolution.

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 FY2012.

Auditor's Accountability and 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 FY2012, the total fees paid to the auditors of the Company amounted to RMB2.6 million, among which approximately RMB2.4 million was paid to the external auditors for the audit services provided for FY2012 and the remaining amount (i.e. RMB0.2 million) was the fee paid to the auditors engaged in relation to the preparation of the internal controls report.

Internal Control

The Board acknowledges that it is responsible for the internal control system and reviewing its effectiveness. It has an overall responsibility for establishing and maintaining the Group's internal control systems and approval procedures. 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 are in place at the subsidiary level, and that strategic objectives and business performance targets are met.

CORPORATE GOVERNANCE

Working closely with the internal audit team and senior management of the Group, the Audit Committee reviews and monitors such internal control and approval procedures with a view to ensuring their effectiveness. The Group also develop a system of controls and procedures for the timely record, processing and reporting of information in the course of operation.

Senior management would prepare business plan and budget at least on an annual basis which is subject to review and approval by the Executive Directors. 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 control and approval of expenditures. Both operating and capital expenditures are subject to overall budget controls. Material operating expenditures are further controlled by different tiers of approval, which are set with 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 assurance as to the existence and effectiveness of risk management activities and controls in the Group's business operations. Internal audit derives its yearly work plan taking into account the dynamics of the Group's activities. The plan is reassessed during the year as and when needed to ensure that adequate resources are deployed and that the objectives are met. Internal audit also follows up on findings so that identified issues are properly handled. Internal audit also contributes to the assessment of the Group's internal control system and any findings would then be reported to the Audit Committee, the Chairman, the financial controller and/or relevant senior management for consideration.

The Directors confirm that they have reviewed the effectiveness of the system of internal controls of the Group 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.

In FY2012, in order to continue to strengthen the Group's internal control, the Company engaged Deloitte Touche Tohmatsu CPA Ltd. ("DTT") to review the systems of internal control of the Company and its subsidiaries. In its report dated 21 February 2013, DTT identified, among others, the following areas of concern:

(i) sufficiency of control of, among others, internal audit and risk management system;
(ii) efficiency and effectiveness of the information management system;
(iii) efficiency of the management and record of membership card information system;
(iv) sufficiency of bookkeeping and training for the relevant financial personnel; and
(v) sufficiency of asset management skills for efficient daily operation.

In view of the above areas of concern, DTT put forward among others, the following proposals, which has been put forward to the Audit Committee for their consideration:

(i) to further improve and define the system of the internal audit and risk management;
(ii) to impose periodic review of the information management system;
(iii) to impose review on the management and record of membership card information;
(iv) to implement and review bookkeeping procedures and offer professional training to relevant officers within the organization; and
(v) to strengthen the procedures and system on the management of assets.

The report has been reviewed and discussed by the Audit Committee in their meeting on 26 March 2013, which approved the improvement relating to the systems of internal control of the Company and its subsidiaries and their implementation having regard to the recommendations set out in the internal control report.

In view of the above procedures and measures taken by the Company, the Directors consider that the Company has complied with the code provisions on internal control for FY2012.

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.

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 if the Group's financial reporting system, internal control and risk management procedures. The Audit Committee held two meetings in FY2012, at which the interim results and annual results of the Group, as well as the internal control system of the Group, were reviewed.

With respect to the Group's results for FY2012, 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.

CORPORATE GOVERNANCE

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 for determining their remuneration packages. Executive Directors, however, do not participate in the determination of their own remuneration. The Remuneration Committee held one meeting in FY2012, 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' engagement were considered.

The Remuneration Committee is authorised by the Board to make recommendations to the Board on the remuneration payable to Executive Directors and members of senior management.

Nomination Committee

The Nomination Committee consists of three members, in which Mr. Alfred Chan is the Chairman, together with Mr. Ainsley Tai and Mr. Randolph Yu.

The Nomination Committee is responsible for reviewing the structure, size and composition of the Board at least annually and to make recommendations on any proposed changes to the Board to complement the Company's corporate strategy. The committee is also responsible for the development of the criteria for identifying and assessing the qualifications of and evaluating candidates for directorship. The committee shall make recommendations to the Board on the appointment or re-appointment of directors and succession planning for directors, in particular, the chairman and the chief executive. The Nomination Committee did not hold any meeting during FY2012 but given that the Board, including all members of the Nomination Committee, have considered the structure, size and composition of the Board and therefore the members of the Nomination Committee was of the view that a meeting was not necessary.

Shareholders' Rights

Convening an Extraordinary General Meeting by Shareholders

Pursuant to Bye-law 64 of the Company's Amended and Restated Memorandum and Articles of Association, an extraordinary general meeting may be convened by the Board upon requisition of one or more shareholders holding not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Board or the company secretary for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition.

The Board shall arrange to hold such general meeting within two months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so.

Making Enquiry to the Board

Shareholders may send written enquiries, either by post, by facsimiles or by email, together with his/her contact details, such as postal address, email or fax, addressing to the head office of the Company at the following address or facsimile number or via email:

PCD Stores (Group) Limited
Suite 3310–11, Tower One
1 Matheson Street
Times Square
Causeway Bay
Hong Kong

Fax: (852) 2506 0908
Email: charlotte.so@pcds.com.cn
Attention: Ms. Charlotte Su

Putting Forward Proposals at General Meetings

Shareholders shall deposit a written notice at the Company's principal place of business in Hong Kong at Suite 3310–11, Tower One, 1 Matheson Street, Times Square, Causeway Bay, Hong Kong, specifying the shareholding information of the shareholder, his/her contact details, and the proposal he/she intends to put forward at general meeting regarding any specified transaction/business and its supporting documents.

Director's Responsibility

The following section, which sets out the responsibilities of the Directors in relation to the financial statements, should be read in conjunction with, but be distinguished from, the Report of the Auditors on page 48 which states the reporting responsibilities of the Group's auditors.

Annual Report and Accounts

The Directors acknowledge their responsibility to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Group. The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

Accounting Policies

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

Accounting Records

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

CORPORATE GOVERNANCE

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 FY2012 is as follows:

	Full Board Meeting	Audit Committee Meeting	Remuneration Committee Meeting	Nomination Committee Meeting
Executive Director				
Mr. Alfred Chan	4/4	N/A	1/1	0/0
Mr. Edward Tan	3/4	N/A	N/A	N/A
Mr. Xiang Qiang*	4/4	N/A	N/A	N/A
Independent Non-executive Director				
Mr. Randolph Yu	3/4	2/2	N/A	0/0
Mr. Ainsley Tai	4/4	2/2	1/1	0/0
Mr. Li Chang Qing	3/4	2/2	0/1	N/A

* Appointment with effect from 1 March 2012

Continuous Professional Development

Professional training of Directors is essential for the purposes of developing and refreshing their knowledge and skills, and to ensure that their contribution to the Board remains informed and relevant. All Directors of the Company (including Mr. Alfred Chan, Mr. Edward Tan, Mr. Xiang Qiang, Mr. Randolph Yu, Mr. Ainsley Tai and Mr. Li Chang Qing) have attended two hours of professional training in 2012 provided by the Company's external legal advisors, in relation to the directors' duties and responsibilities in Hong Kong under the requirements of the Company's Bye-Laws, the Listing Rules, The Code on Takeovers and Mergers and Share Repurchases (the "Takeovers Code"), the Companies Ordinance, as well as the Securities and Futures Ordinance.

	Professional training attended (No. of hours)
Executive Director	
Mr. Alfred Chan	2
Mr. Edward Tan	2
Mr. Xiang Qiang*	2
Independent Non-executive Director	
Mr. Randolph Yu	2
Mr. Ainsley Tai	2
Mr. Li Chang Qing	2

* Appointed with effect from 1 March 2012

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. 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 FY2012 are set out in the consolidated income statement on page 50. An interim dividend of RMB1.0 cent was declared. The Board did not recommend the payment of a final dividend.

Fixed Assets

Details of the movements in fixed assets during FY2012 are set out in Note 15 of "Notes to the consolidated financial statements".

Borrowings

Borrowings of the Group as at 31 December 2012 amounted to RMB1,686.0 million. Details of the borrowings are set out in Note 28 and Note 29 of "Notes to the consolidated financial statements".

Purchase, Redemption or Sale of Listed Securities or Redeemable Securities of the Company

During FY2012, the Company repurchased a total of 14,700,000 ordinary shares of the Company at an aggregate purchase price of HK$10.5 million on the Stock Exchange of Hong Kong Limited (the "Stock Exchange"). All the shares were cancelled before the 31 December 2012. Particulars of the shares repurchased are as follow:

Month of repurchase	No. of ordinary shares repurchased ('000)	Purchase price paid per share (HK$) Highest	Lowest	Aggregate consideration paid (HK$'000)
May	4,000	0.76	0.74	3,006
June	8,200	0.77	0.70	6,091
September	2,500	0.59	0.54	1,429
Total	14,700			10,526

During FY2012, the Company repurchased a total of RMB14.0 million face value of Renminbi denominated guaranteed bonds (the "Bonds") of the Company at an aggregate purchase price of RMB13.2 million. All the bonds were cancelled before 31 December 2012. Particulars of the Bonds repurchased are as follow:

Month of repurchase	Face value of Bonds repurchased (RMB '000)	Purchase price paid (% of face value) Highest	Lowest	Aggregate consideration paid (RMB '000)
June	7,000	93.0	93.0	6,658
August	7,000	92.5	92.5	6,495
Total	14,000			13,153

Save as disclose above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed or redeemable securities during FY2012.

Distributable Reserves

Details of the movements in distributable reserves during the year are set out in the "Consolidated statement of changes in equity" on page 54 for FY2012.

List of Directors

Name	Age	Position
Mr. Alfred Chan	65	Chairman and Executive Director
Mr. Edward Tan	70	Executive Director
Mr. Xiang Qiang	49	President and Executive Director (appointed with effect from 1 March 2012)
Mr. Randolph Yu	34	Independent Non-executive Director
Mr. Ainsley Tai	35	Independent Non-executive Director
Mr. Li Chang Qing	44	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 which have been renewed for a term of one year with the same terms and conditions (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.

Breakdown of Directors' emoluments for FY2012 are set out in Note 11 of "Notes to the consolidated financial statements".

None of the Directors has a service contract with the Group that is not determinable within one year without payment of compensation other than statutory compensation.

Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures

As of 31 December 2012, 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 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 ("Shares")

Name of shareholders	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)	39.71 (L)
Mr. Edward Tan	0	1,671,709,919 (L)	1,671,709,919 (L)	39.71 (L)
Mr. Xiang Qiang	0	0	0	0
Mr. Randolph Yu	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. Li Chang Qing	200,000 (L)[2]	0	200,000 (L)	<0.005 (L)

Notes: (L) — Long 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 2012, 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 2012, 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:

Names of substantial shareholders	Capacity	Total number of Shares held	% of issued share capital
Bluestone[1]	Beneficial Owner	1,594,139,851 (L)	37.86 (L)
PIEL[1]	Interest of Controlled Corporation	1,594,139,851 (L)	37.86 (L)
Golden Eagle International Retail Group Limited	Beneficial Owner	337,776,000 (L)	8.02 (L)
GEICO Holdings Limited	Interest of Controlled Corporation	337,776,000 (L)	8.02 (L)
Wang Dorothy S L	Interest of Controlled Corporation	337,776,000 (L)	8.02 (L)
Wang Hsu Vivien H	Interest of Controlled Corporation	337,776,000 (L)	8.02 (L)
Wang Hung Roger	Interest of Controlled Corporation	337,776,000 (L)	8.02 (L)
Wang Janice S Y	Interest of Controlled Corporation	337,776,000 (L)	8.02 (L)
FIL Limited	Investment Manager	293,016,410 (L)	6.96 (L)
Schroders Plc	Investment Manager	251,654,000 (L)	5.98 (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 2012 as recorded on the register required to be kept under section 336 of the SFO.

DIRECTORS' REPORT

Directors' Interests in Contracts of Significance

Save and except as disclosed under "Connected Transactions and 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 FY2012.

Controlling Shareholders' Interests in Contracts of Significance

Save and except as disclosed under "Connected Transactions and Continuing Connected Transactions", there were no other contracts of significance in relation to the Group's business which the Company or any of its subsidiaries was a party and in which a controlling shareholder had a material interest, whether directly or indirectly, during FY2012.

Connected Transactions and Continuing Connected Transactions

Connected Transactions

1. OPTION GRANTED BY PCD STORES (XIAMEN) RELATING TO XIAMEN RUIJING

Pursuant to an option agreement dated 29 November 2009, PCD Stores (Xiamen) Limited ("PCD Stores (Xiamen)") granted the Group an option ("Ruijing Option") to acquire all of their equity interests in Xiamen Ruijing Chun Tian Department Stores Co., Ltd. ("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 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 Enterprises Limited ("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. The outlet mall commenced operations in summer of 2012.

Continuing Connected Transactions

1. MANAGEMENT AGREEMENT WITH PCD STORES (XIAMEN)

On 26 February 2009, the Group entered into a management agreement with PCD Stores (Xiamen), 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 PCD Stores (Xiamen) 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 was 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 RMB2.7 million for FY2012.

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 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 RMB28.6 million for FY2012.

3. LEASE AGREEMENT WITH SCITECH GROUP

(a) Department Store Lease

On 17 August 2007, Scitech Group Co., Ltd. ("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 RMB46.0 million for FY2012.

(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 FY2012.

4. MASTER COOPERATION AGREEMENT WITH SCITECH GROUP

As disclosed in the announcement of the Company on 20 July 2012, Beijing Scitech Department Stores, Beijing Scitech Outlet Commerce, both indirect wholly owned subsidiaries of the Company, and Scitech Group, an associate of a connected person of the Company, entered into the Master Cooperation Agreement pursuant to which and effective for a term of three years commencing from 1 January 2012 until 31 December 2014, Scitech Plaza, operated by Beijing Scitech Department Stores, and Beijing Scitech Premium Outlet Mall, operated by Beijing Scitech Outlet Commerce, would join the gift card network of Scitech Group, whereby the holder of gift card can apply the value as stored therein to purchase merchandise at those merchants which form part of the gift card network of Scitech Group. Based on the consumption data transmitted by Beijing Scitech Department Store and Beijing Scitech Outlet Commerce & Trading Co., Ltd. as well as the evidence of transactions possessed by Scitech Group, the actual spending at Scitech Plaza and Beijing Scitech Premium Outlet Mall under the gift card would be subject to clearance between the parties to the Master Cooperation Agreement at the end of each calendar month, whereupon Scitech Group shall pay to Beijing Scitech Department Store and Beijing Scitech Outlet Commerce & Trading Co., Ltd. the spending amount under the gift card during the relevant period after the deduction of the 1% handling charge.

The annual cap in respect of the handling charge to be paid by the Group under the Master Cooperation Agreement for each of the three years ending 31 December 2014 is RMB3.50 million, RMB4.03 million and RMB4.63 million respectively, which have been determined taking into account the historical spending of the pre-paid gift card at Scitech Plaza and Beijing Scitech Premium Outlet Mall and a projected 15% yearly growth rate of the sales at Scitech Plaza and Beijing Scitech Premium Outlet Mall.

The total amount of handling charge paid by the Group under the Master Cooperation Agreement was approximately RMB2.06 million for FY2012.

The auditor has issued a letter to the Board in respect of the above-listed continuing connected transactions and confirmed that for the year ended 31 December 2012:

(a) nothing has come to their attention that causes them to believe that the continuing connected transactions have not been approved by the Board;

(b) transactions involving the provision of goods or services by the Group are in accordance with the pricing policies of the Group;

(c) nothing has come to their attention that causes them to believe that the transactions were not entered into, in all material aspects, in accordance with the relevant agreements governing such transactions; and

(d) with respect to the annual caps of the continuing connected transactions set out in this annual report, nothing has come to their attention that causes them to believe that the continuing connected transactions have exceeded the annual caps previously disclosed.

In the opinion of the Independent Non-executive Directors, the above continuing connected transactions for FY2012 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.

Other Connected Transactions

As disclosed in the announcement of the Company dated 19 October 2012, there were certain advances between the Group and PCD Stores Limited which should have been disclosed in the past as connected transactions, brief details of the transactions are set out below.

During the year ended 31 December 2011 and six months ended 30 June 2012, there were advances between the Group and PCD Stores Limited, an associate of a connected person of the Company, which did not carry interest. The receivables arising out of the advances made from the Group to PCD Stores Limited were settled from time to time, with a maximum amount outstanding of RMB16,394,000 during the year ended 31 December 2011 and RMB11,920,000 during the six months ended 30 June 2012. As at 30 June 2012, all such receivables were fully settled. No further advances have been or will be made between the Group and PCD Stores Limited after 30 June 2012, other than those to be made in compliance with the Listing Rules.

Major Customers and Suppliers

During FY2012, the Group purchased approximately 23.4% and 74.5% 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.

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 2012, the total number of employees for the Group was approximately 3,500. The Group's remuneration policies are reviewed annually, and are formulated according to the experiences, skills and performance of individual employees, as well as prevailing market rates. The Group has also adopted Share Option Scheme (as defined below) to enable the Company to grant options to selected employees as incentives or rewards for their contributions to the Group. The Group has made all necessary contributions as required by relevant laws and regulations, including but not limited to statutory pension schemes and insurance policies. Breakdown of the employee benefits expense is set out in Note 7 of "Notes to the consolidated financial statements".

DIRECTORS' REPORT

Share Option Scheme

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

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

2. The participants of the Share Option Scheme are (i) any employee (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 31 December 2012, the maximum number of Shares available for issue under the Share Option Scheme was 360,933,800 representing approximately 8.57% 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 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.

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

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 2012 under the Share Option Scheme were as follows:

Options granted on 17 December 2009 (exercisable from 17 December 2009 until 16 December 2019 at HK$2.36)

	Options held at 1 Jan 2012	Options exercised during the year	Options cancelled during the year	Options held at 31 Dec 2012
Mr. Randolph Yu	200,000	0	0	200,000
Mr. Ainsley Tai	200,000	0	0	200,000
Mr. Li Chang Qing	200,000	0	0	200,000
Employees of the Group	39,602,400	0	1,136,200	38,466,200

Contingent Liabilities

As at 31 December 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.

Post-Balance Sheet Events

On 31 January 2013, the Company announced jointly with Belmont Hong Kong Ltd. ("Belmont") that the Company was informed by Bluestone, a company 100% owned by PIEL which in turn is owned as to 50% by each of Mr. Alfred Chan and Mr. Edward Tan, the controlling shareholders of the Company, that on 24 January 2013, Belmont entered into a sale and purchase agreement (the "Bluestone Sale Agreement") with Bluestone and Beijing Wangfujing International Commercial Development Co., Ltd. ("WFJ International") and entered into a sale and purchase agreement (the "PGL Sale Agreement") with Portico Global Limited ("PGL").

DIRECTORS' REPORT

Pursuant to the Bluestone Sale Agreement, Bluestone has conditionally agreed to sell, and Belmont has conditionally agreed to acquire, 1,594,139,851 shares of the Company in aggregate at the purchase price of HK$1.2 per share, for a total consideration of HK$1,912,967,821.2. Pursuant to PGL Sale Agreement, PGL has conditionally agreed to sell, and Belmont has conditionally agreed to acquire, 70,000,000 shares of the Company in aggregate at the purchase price of HK$1.2 per share, for a total consideration of HK$84,000,000. Completion of the acquisition of the shares under both the Bluestone Sale Agreement and PGL Sale Agreement is both conditional upon the fulfillment (or where, applicable, waiver) of the conditions of the respective transactions. The sale shares in aggregate under the Bluestone Sale Agreement and PGL Sale Agreement represented approximately 39.53% of the entire issued share capital of the Company as at the date of the announcement.

Upon completion of the acquisition of shares under both the Bluestone Sale Agreement and PGL Sale Agreement, Belmont will be required to make the conditional mandatory general cash offer to acquire all of the issued and to be issued shares of the Company (other than those shares already owned by or agreed to be acquired by Belmont and parties acting in concert with it at the time the offer is made) at HK$1.2 per share in accordance with the Takeovers Code.

As at the date of this report, the transaction has not yet been completed.

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
Alfred Chan
Chairman and Executive Director

28 March 2013

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 FY2012:

2012 "Think Pink" Walkathon

In the spring of 2012, we held our third annual "Think Pink" Walkathons in several cities in China, such as Nanning, Qingdao, Taiyuan and Xiamen. Aimed at raising awareness and funds for breast cancer, many came out to support the cause as well as enjoyed a great time of their own! Dressed in different shades of pink, participants also had the opportunity to buy pink t-shirts, pink popcorn, pink snow cones and pink cupcakes. The "Think Pink" mascots were also on site to cheer up the walkers as they crossed the finish line. The event marked to a perfect and impressive end when everyone joined together to form a giant "human" ribbon.

Lights Off for "Earth Hour"

On 31 March 2012, we participated in the global "Earth Hour" initiative organized by the World Wildlife Fund. With the goals of raising awareness for environmental protection and advocating low carbon living, lights were turned off between 8:30 p.m. and 9:30 p.m. at our stores throughout China. In addition, many famous names in town offered their support for this meaningful event by signing on the our official "Earth Hour" poster. Xu Jinglei, Yao Chen, Deng Chao, Sun Li were among the celebrities who lent their signatures in order to bring attention to the public on the preservation of the environment for future generations.

CORPORATE SOCIAL RESPONSIBILITY REPORT

"My Little Green Bag" Design Contest

To celebrate the "World Environment Day," we launched our "My Little Green Bag" design contest on the very same day, i.e. 5 June 2012. The event attracted numerous designers, who enthusiastically used their creativity to express their thoughts and ideas about the state of the environment. Voted by customers and taking home the grand prize of RMB10,000, the winning entry was a design featuring the globe being held together by a paper clip, with the globe symbolizing "huge and significant" while the paper clip representing a "small object. We would like to express our immense gratitude to all the participants and pledges to continue our support of a "green" movement to protect the earth.

Fund raising for and visiting the Underprivileged Children

On 1 December 2012, PCD Qingdao, Qingdao Evening Paper and Wei Chen Foundation co-hosted a charity auction to raise funds to help the underprivileged children. On December 11 2012, representatives of PCD Qingdao paid a special visit to Yang He Ai Foundation School and presented all monies raised from the auction to their students to purchase study materials for the next year. We wish to thank all supporters of this charity, which was established five years ago and has helped countless children in the community during this period.

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	65	Chairman and Executive Director
Mr. Edward Tan	70	Executive Director
Mr. Xiang Qiang	49	President and Executive Director (appointed with effect from 1 March 2012)
Mr. Randolph Yu	34	Independent Non-executive Director
Mr. Ainsley Tai	35	Independent Non-executive Director
Mr. Li Chang Qing	44	Independent Non-executive Director

Executive Directors

Alfred Chan, aged 65, is the Chairman and the Executive Director of the Company, which was appointed on 28 March 2007, 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 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. As of 31 December 2012, Mr. Chan was interested in 1,671,709,919 Shares (representing 39.71% of the issued share capital of the Company) within the meaning of Part XV of the Securities and Futures Ordinance.

Edward Tan, aged 70, is the Executive Director of the Company, which was appointed on 28 March 2007, and one of the founders of the Group. Mr. Tan 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 PIEL. Mr. Tan is the elder brother of Alfred Chan. As of 31 December 2012, Mr. Tan was interested in 1,671,709,919 Shares (representing 39.71% of the issued share capital of the Company) within the meaning of Part XV of the Securities and Futures Ordinance.

DIRECTORS AND SENIOR MANAGEMENT

Xiang Qiang, aged 49, 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 were initially appointed for a term of three years and the appointment had been renewed for one further year.

Randolph Yu, aged 34, 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 35, 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 44, 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.

Senior Management

Laurence Danon, aged 57, 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. She has been the chairwoman of the New Generations Commission, at MEDEF (Mouvement des Enterprise de France), the French employer's association since August 2007. 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 50, 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 47, 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.

Zhu Jian Ke, aged 55, 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, 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.

DIRECTORS AND SENIOR MANAGEMENT

Dong Gang, aged 38, 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 Ms. Charlotte Su, the Company Secretary.

Li Lee, aged 40, 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 41, 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 36, 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 Mr. Dong Gang.

FINANCIAL REPORT

PCD STORES (GROUP) LIMITED
Report and Consolidated Financial Statements
For the year ended 31 December 2012

INDEPENDENT AUDITOR'S REPORT

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

We have audited the consolidated financial statements of PCD Stores (Group) Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 50 to 110, which comprise the consolidated statement of financial position as at 31 December 2012, 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 2012 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 2013

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2012

	Notes	2012	2011
		RMB'000	RMB'000
Revenue	5	1,289,449	1,278,251
Other income	6	238,356	191,048
Change in fair value of investment properties	17	—	10,360
Purchase of and changes in inventories		(294,998)	(255,109)
Employee benefits expense	7	(227,787)	(173,594)
Depreciation and amortisation		(114,137)	(65,445)
Operating lease rental expense	36	(161,033)	(153,920)
Other operating expenses	8	(337,748)	(279,582)
Share of loss of an associate	18	(139)	—
Finance costs	9	(87,397)	(85,958)
Profit before tax		304,566	466,051
Income tax charge	10	(117,596)	(134,154)
Profit for the year		186,970	331,897
Profit for the year attributable to:			
Owners of the Company		156,335	312,759
Non-controlling interests		30,635	19,138
		186,970	331,897
Earnings per share	14		
Basic (RMB cents)		3.71	7.40
Diluted (RMB cents)		3.71	7.40

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2012

	2012	2011
	RMB'000	*RMB'000*
Profit for the year and total comprehensive income for the year	186,970	331,897
Attributable to:		
Owners of the Company	156,335	312,759
Non-controlling interests	30,635	19,138
	186,970	331,897

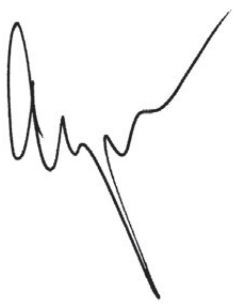
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2012

	Notes	31 December 2012	31 December 2011
		RMB'000	RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	15	2,512,695	2,544,715
Deposit for acquisition of land use rights	16	230,000	—
Investment properties	17	674,400	674,400
Interests in an associate	18	1,361	1,500
Land use rights	19	173,558	60,391
Goodwill	34	22,974	22,974
Loan receivables	24	120,833	—
Deferred tax assets	21	21,906	10,392
Restricted bank balances	25	12,000	12,000
		3,769,727	3,326,372
CURRENT ASSETS			
Inventories	22	75,418	66,033
Prepayments, trade and other receivables	23	151,381	157,333
Loan receivables	24	13,267	100,000
Land use rights	19	2,013	2,013
Amounts due from related parties	38(c)	21,526	14,613
Held for trading investments	20	20,399	19,984
Short-term investments	26	172,930	120,000
Restricted bank balances	25	93,929	117,420
Bank balances and cash	25	1,300,699	1,711,164
		1,851,562	2,308,560
CURRENT LIABILITIES			
Trade and other payables	27	1,254,965	1,189,776
Bonds payable	29	748,335	16,406
Tax payable		46,974	39,542
Dividend payables to owners of the Company/non-controlling shareholders		260	7,232
Borrowings — due within one year	28	673,237	830,138
Amounts due to related parties	38(c)	20,022	64,299
		2,743,793	2,147,393

	Notes	31 December 2012	31 December 2011
		RMB'000	*RMB'000*
NET CURRENT (LIABILITIES) ASSETS		(892,231)	161,167
TOTAL ASSETS LESS CURRENT LIABILITIES		2,877,496	3,487,539
NON-CURRENT LIABILITIES			
Borrowings — due after one year	28	264,448	211,947
Bonds payable	29	—	743,349
Deferred tax liabilities	21	112,778	108,267
		377,226	1,063,563
		2,500,270	2,423,976
CAPITAL AND RESERVES			
Share capital	30	143,769	144,271
Share premium and reserves		2,281,910	2,252,556
Equity attributable to owners of the Company		2,425,679	2,396,827
Non-controlling interests		74,591	27,149
		2,500,270	2,423,976

The consolidated financial statements on page 50 to 55 were approved and authorised for issue by the board of directors on 28 March 2013 and are signed on its behalf by:



Alfred Chan
Chairman and executive Director

Edward Tan
Executive Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2012

	Attributable to the owners of the Company										
	Share capital	*Share premium*	*Capital redemption reserve*	*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*	*RMB'000* *(Note)*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2011	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	—	—	—	—	—	—	8,622	—	8,622	—	8,622
Contribution from owners of the Company	—	—	—	114,662	—	—	—	—	114,662	—	114,662
Acquisition of subsidiaries under common control	—	—	—	(213,076)	—	—	—	—	(213,076)	—	(213,076)
Acquisition of subsidiary from a third party (Note 33)	—	—	—	—	—	—	—	—	—	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
Profit and total comprehensive income for the year	—	—	—	—	—	—	—	156,335	156,335	30,635	186,970
Recognition of share-based payments (Note 37)	—	—	—	—	—	—	3,472	—	3,472	—	3,472
Contributions from the non-controlling shareholders	—	—	—	—	—	—	—	—	—	28,430	28,430
Dividends paid to non-controlling shareholders of subsidiaries	—	—	—	—	—	—	—	—	—	(11,623)	(11,623)
Appropriations	—	—	—	—	32,892	—	—	(32,892)	—	—	—
Payment of dividends (Note 13)	—	—	—	—	—	—	—	(122,378)	(122,378)	—	(122,378)
Share repurchase and cancelled	(502)	(8,075)	502	—	—	—	—	(502)	(8,577)	—	(8,577)
At 31 December 2012	143,769	1,881,942	502	(594,273)	146,721	(13,651)	30,749	829,920	2,425,679	74,591	2,500,270

Note: 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.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2012

	Notes	2012	2011
		RMB'000	RMB'000
OPERATING ACTIVITIES			
Profit before taxation		304,566	466,051
Adjustments for:			
Depreciation of property, plant and equipment		112,124	63,432
Amortisation of land use rights		2,013	2,013
Gains on short-term investments		(4,967)	(658)
Interest income		(31,862)	(42,677)
Finance costs		87,397	85,958
Share of loss of an associate		139	—
(Gain)/loss on disposal/write-off of property, plant and equipment		(845)	10
Foreign exchange loss/(gain)		934	(2,840)
Change in fair value of investment properties		—	(10,360)
Expense recognised in profit or loss in respect of equity-settled share-based payments		3,472	8,622
Changes in fair value of held for trading investments		(464)	(320)
Gain on repurchase of bonds		(1,015)	—
Operating cash flows before movements in working capital		471,492	569,231
Increase in inventories		(9,385)	(18,062)
(Increase) decrease in prepayments, deposits and other receivables		(23,659)	16,621
(Increase) decrease in amounts due from related parties		(18,412)	13,599
Decrease in held for trading investments		—	6,956
Increase in trade and other payables		55,030	106,893
Decrease in amounts due to related parties		(42,876)	(11,857)
Cash generated from operations		432,190	683,381
Income taxes paid		(117,167)	(133,654)
NET CASH FROM OPERATING ACTIVITIES		315,023	549,727

	Notes	2012	2011
		RMB'000	RMB'000
INVESTING ACTIVITIES			
Interest received		51,445	27,634
Repayment from non-controlling shareholders		14,995	—
Repayment from loan receivables		100,000	—
Advance of loan receivables		(134,100)	—
Increase in short-term investments		(52,930)	(120,000)
Purchases of property, plant and equipment		(191,566)	(387,164)
Deposit refunded for acquisition of property, plant and equipment		—	70,000
Deposit for acquisition of land use right		(230,000)	—
Purchases of investment properties		—	(34,540)
Repayment from (advance to) related parties		11,499	(129,572)
Investment in an associate		—	(1,500)
Proceeds from disposal of property, plant and equipment		2,316	30
Payment on acquisition of subsidiaries under common control		—	(208,690)
Acquisition of a subsidiary	33	—	(22,433)
Decrease (increase) in restricted bank balances		23,491	(1,706)
Decrease (increase) in time deposits		387,319	(387,319)
NET CASH USED IN INVESTING ACTIVITIES		(17,531)	(1,195,260)
FINANCING ACTIVITIES			
Contribution from equity holders		—	35,148
Interest paid		(85,007)	(66,665)
Contribution from non-controlling shareholders		28,430	2,851
Payment of dividends to owner of the Company/non-controlling shareholders of subsidiaries		(140,973)	(174,428)
Payment to a related party		(1,401)	—
New borrowings raised		751,000	695,000
Repayment of borrowings		(855,867)	(728,831)
Issuance of bonds		—	750,000
Bonds issuance cost		—	(9,375)
Repurchase of bonds		(13,153)	—
Repurchase of shares		(8,577)	—
Advance from non-controlling shareholders		5,329	—
NET CASH (USED IN) FROM FINANCING ACTIVITIES		(320,219)	503,700
NET DECREASE IN CASH AND CASH EQUIVALENTS		(22,727)	(141,833)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		1,323,845	1,481,523
Effect of foreign exchange rate changes		(419)	(15,845)
CASH AND CASH EQUIVALENTS AT END OF YEAR	35	1,300,699	1,323,845

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

1. General Information and Basis of Preparation of the Consolidated Financial Statements

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 company 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"), which is also the functional currency of the Company.

In preparing the consolidated financial statements for the year ended 31 December 2012, the directors of the Company have given careful consideration to the future liquidity of the Group in light of its net current liabilities of approximately RMB892.2 million as at 31 December 2012, and the capital commitment of approximately RMB109.1 million as at 31 December 2012. Having considered i) the Group had net operating cash inflow for the year ended 31 December 2012 of RMB315.0 million; 2) the Group had majority of its borrowings as at 31 December 2012 which were secured by certain buildings (classified as property, plant and equipment and investment properties), land use rights and bank balances of the Group and, in the opinion of the directors, which can be renewed on their maturity dates; and 3) the Group had buildings (classified as property, plant and equipment and investment properties) in an aggregate carrying amount of more than RMB1.45 billion which remain available to the Group to pledge for additional banking facilities, the directors of the Company are satisfied that the Group will be able to meet in full its financial obligations as they fall due for the foreseeable future. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

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

In the current year, the Group has applied the following amendments to standards issued by the International Accounting Standards Board.

Amendments to IAS 12	Deferred Taxes: Recovery of Underlying Asset; and
Amendments to IFRS 7	Financial Instruments: Disclosures — Transfers of Financial 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.

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

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 amendments to standards in the current year has had no material effect on the amounts reported in these consolidated financial statements and/or disclosures set out in these consolidated financial statements.

The Group has not early applied the following new and revised standards, amendments and interpretation that have been issued but are not effective.

Amendments to IFRSs	Annual Improvements to IFRSs 2009-2011 Cycle[1]
Amendments to IFRS 7	Disclosures — Offsetting Financial Assets and Financial Liabilities[1]
Amendments to IFRS 9 and IFRS 7	Mandatory Effective Date of IFRS 9 and Transition Disclosures[2]
Amendments to IFRS 10, IFRS 11 and IFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities Transition Guidance[1]
Amendments to IFRS 10, IFRS 12 and IAS 27	Investment Entities[4]
IFRS 9	Financial Instruments[2]
IFRS 10	Consolidated Financial Statements[1]
IFRS 11	Joint Arrangements[1]
IFRS 12	Disclosure of Interests in Other Entities[1]
IFRS 13	Fair Value Measurement[1]
IAS 19 (as revised 2011)	Employee Benefits[1]
IAS 27 (as revised 2011)	Separate Financial Statements[1]
IAS 28 (as revised 2011)	Investments in Associates and Joint Ventures[1]
Amendments to IAS 1	Presentation of Items of Other Comprehensive Income[3]
Amendments to IAS 32	Offsetting Financial Assets and Financial Liabilities[4]
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine[1]

[1] Effective for annual periods beginning on or after 1 January 2013
[2] Effective for annual periods beginning on or after 1 January 2015
[3] Effective for annual periods beginning on or after 1 July 2012
[4] Effective for annual periods beginning on or after 1 January 2014

The directors of the Company anticipate that the application of the new and revised standards, amendments or interpretation will have no material impact on the results and the financial position of the Group but will lead to more extensive disclosures in certain areas.

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.

Income and expenses 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.

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;

3. Significant Accounting Policies (continued)

Business combinations not involving entities under common control (continued)

- 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.

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 entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

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

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

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

3. Significant Accounting Policies (continued)

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.

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. The financial statements of the associate used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate is 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 associate. When the Group's share of losses of an associate exceeds the Group's 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 the associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of an associate recognised at the date of acquisition is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

3. Significant Accounting Policies (continued)

Investments in associates (continued)

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 (including goodwill) 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.

When a group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognised in the Group' consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

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, catering service income and credit card handling income is recognised in the accounting period in which the relevant services are rendered.

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

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

3. Significant Accounting Policies (continued)

Property, plant and equipment

Property, plant and equipment including buildings held for use in the production or supply of goods or services, or for administrative purposes other than properties under construction as described below are stated 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).

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.

3. Significant Accounting Policies (continued)

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. 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.

Foreign currencies

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

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

Borrowing costs

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

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

3. Significant Accounting Policies (continued)

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 before tax as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary 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 an associate, 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.

3. Significant Accounting Policies (continued)

Taxation (continued)

For the purposes of measuring deferred tax liabilities or deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. If the presumption is rebutted, deferred tax liabilities and deferred tax assets for such investment properties are measured in accordance with the above general principles set out in IAS 12.

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.

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 debts instrument, 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.

3. Significant Accounting Policies (continued)

Financial instruments (continued)

Financial assets (continued)

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 32.

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 receivables, 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.

3. Significant Accounting Policies (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

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.

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 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.

3. Significant Accounting Policies (continued)

Financial instruments (continued)

Financial liabilities and equity instruments (continued)

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.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

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.

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 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.

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.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

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 17, the valuation of investment properties 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. Certain assumptions including estimated reversionary income potential and yield were made in arriving at the valuation. As at 31 December 2012, the carrying amount of the Group's investment properties was RMB674,400,000 (2011: RMB674,400,000).

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 2012, the carrying amount of property, plant and equipment was RMB2,512,695,000 (2011: RMB2,544,715,000).

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 2012, the carrying amount of goodwill is RMB22,974,000 (2011: RMB22,974,000) and no impairment loss has been provided. Details of key assumptions of impairment testing on goodwill testing are disclosed in Note 34.

Impairment of loan receivables

In determining whether there is objective evidence of impairment loss, the Group takes into consideration the credit quality of the borrowers and the collaterals and guarantees obtained by the Group. The amount of the impairment loss is measured as the difference between the loan receivables' carrying amount and the present value of estimated future cash flows discounted at the loan receivables' original effective interest rate after taking into consideration the value of collaterals obtained. Management reassesses the adequacy of impairment on a regular basis. Where the actual cash flows are less than expected, a material impairment loss may arise. As at 31 December 2012, the carrying amounts of loan receivables are RMB134,100,000 (2011: RMB100,000,000).

5. 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:

	2012	2011
	RMB'000	RMB'000
Commissions from concessionaire sales (Note)	842,366	798,156
Sales of goods	349,472	329,295
Rental income	60,311	51,950
Catering service income	29,356	—
Management consultancy service income	7,944	98,850
	1,289,449	1,278,251

Note:

The commissions from concessionaire sales is analysed as follows:

	2012	2011
	RMB'000	RMB'000
Gross revenue from concessionaire sales	5,069,947	4,481,188
Commissions from concessionaire sales	842,366	798,156

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, restaurant and property management company, 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 2012 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 receivables 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

	2012	2011
	RMB'000	RMB'000
Property management income	45,213	33,231
Advertisement and promotion administration income	56,037	40,001
Display space leasing income	6,891	5,851
Bank interest income	21,479	32,677
Gain on short-term investments	4,967	658
Credit card handling income	38,295	33,224
Change in fair value of held for trading investments	464	320
Interest income from loan receivables	10,383	10,000
Gain on repurchase of bonds	1,015	—
Government grants	8,118	2,503
Compensation from a lessor	6,394	—
Others	39,100	32,583
	238,356	191,048

7. Employee Benefits Expense

	2012	2011
	RMB'000	RMB'000
Salaries, bonuses and allowances	184,941	134,346
Contributions to retirement benefit schemes	39,374	30,626
Equity-settled share-base payment	3,472	8,622
	227,787	173,594

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:

	2012	2011
	RMB'000	*RMB'000*
Auditors' remuneration	2,420	2,200
Professional service fee (Note i)	17,488	861
Promotion, advertising and related expenses	87,392	66,798
Water, electricity and heating	36,863	30,084
Other taxes	49,667	69,544
Bank charges	51,130	43,826
Net foreign exchange loss/(gains)	934	(2,840)
Store operating costs (Note ii)	35,335	22,151
Others	56,519	46,958
	337,748	279,582

Notes:

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

(ii) The amounts mainly represent the cost of security, cleaning, uniform and maintenance for department stores' daily operation.

9. Finance Costs

	2012	2011
	RMB'000	*RMB'000*
Interest expenses on:		
Bank borrowings and other borrowings, wholly repayable within five years	45,614	47,302
Bonds payable	41,783	38,656
	87,397	85,958

10. Income Tax Charge

	2012	2011
	RMB'000	RMB'000
The charge comprises:		
PRC Enterprise Income Tax	124,599	128,986
Deferred tax (Note 21)	(7,003)	5,168
	117,596	134,154

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 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 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. Included in PRC Enterprise Income Tax is an amount of RMB2,948,000 (2011: nil) relate to withholding tax paid on dividends paid by group entities.

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:

	2012	2011
	%	%
Zhongshan PCD (Xiamen) Department Stores Co., Ltd, ("Zhongshan PCD Stores (Xiamen)")	25	24
PCD Century Business Management (Xiamen) Limited	25	24
PCD World Trade (Xiamen) Co., Ltd. ("PCD World Trade (Xiamen)")	25	24
PCD Continental Department Stores (Xiamen) Co., Ltd. ("PCD Continental")	25	24
PCD Stores Information Consulting (Xiamen) Limited ("PCD Stores Information Consulting (Xiamen)")	25	24
Laiya Department Management (Xiamen) Co., Ltd. ("Laiya Department Management (Xiamen)")	25	24

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 before tax per the consolidated income statement as follows:

	2012	2011
	RMB'000	RMB'000
Profit before taxation	304,566	466,051
Tax at applicable income tax rate of 25% (2011: 25%)	76,142	116,512
Tax effect of income that is not taxable in determining taxable profit	(4,581)	(5,920)
Tax effect of service income at concessionary tax rate	—	(13,805)
Tax effect of expenses that are not deductible in determining taxable profit	17,173	25,744
Effect of income tax at concessionary tax rate	—	(215)
Tax effect of tax losses not recognised	24,593	15,985
Utilisation of tax losses previously not recognised	(383)	(4,220)
Deferred tax on withholding tax arising from undistributed profits of PRC subsidiaries (Note 21)	4,652	73
Income tax charge	117,596	134,154

11. Director's Emoluments

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

2012

	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
Mr. Alfred Chan (Note i)	—	—	—	—	—	—
Mr. Edward Tan	—	—	—	—	—	—
Mr. Xiang Qiang (Note ii)	—	1,356	—	—	—	1,356
Mr. Randolph Yu	25	—	—	—	17	42
Mr. Ainsley Tai	32	—	—	—	17	49
Mr. Li Chang Qing	25	—	—	—	17	42
Total	82	1,356	—	—	51	1,489

11. Director's and Chief Executive's Emoluments (continued)

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*
Mr. Alfred Chan (Note i)	—	—	—	—	—	—
Mr. Edward Tan	—	—	—	—	—	—
Mr. Tony Lau (Note ii)	—	734	—	—	153	887
Mr. Randolph Yu	26	—	—	—	40	66
Mr. Ainsley Tai	32	—	—	—	40	72
Mr. Li Chang Qing	13	—	—	—	40	53
Total	71	734	—	—	273	1,078

Notes:

(i) Mr. Alfred Chan is the executive director of the Company.

(ii) Mr. Tony Lau resigned from the Company on 31 May 2011. Mr. Xiang Qiang was appointed as the President and executive director of the Company with effect from 1 March 2012 and his emoluments disclosed above include those for services rendered by him as the President.

No directors waived or agreed to waive any emoluments in the year ended 31 December 2012 (2011: Nil).

12. Emoluments of the Five Highest Paid Individuals

Of the five individuals with the highest emoluments in the Group, one (2011: one) is director of the Company whose emoluments are included in the disclosures in Note 11 above. The emoluments of the remaining four (2011: four) individuals were as follows:

	2012	2011
	RMB'000	*RMB'000*
Salaries and other benefits	4,350	2,602
Retirement benefit schemes contributions	432	198
Equity-settled share based payments	58	141
	4,840	2,941

One (2011: nil) out of the four highest paid individuals shown above was paid the emoluments between HK$2,000,001 and HK$2,500,000, one (2011: nil) was paid between HK$1,500,001 and HK$2,000,000, one (2011: one) was paid between HK$1,000,001 and HK$1,500,000, and one (2011: three) was paid 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

	2012	2011
	RMB'000	RMB'000
Dividends recognised as distribution during the year:		
2012 Interim — RMB1.0 cents (2011 interim dividend RMB1.8 cents) per share	42,103	76,050
2011 final — RMB1.9 cents (2010: Final — RMB1.9 cents) per share	80,275	80,275
	122,378	156,325

The directors have not proposed any dividend in respect of the year ended 31 December 2012.

14. Earnings Per Share

Earnings

	2012	2011
	RMB'000	RMB'000
Earnings for the purpose of basic and diluted earnings per share (profit for the year attributable to owners of the Company)	156,335	312,759

Number of shares

	2012	2011
	'000	'000
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	4,217,387	4,225,000

The computation of diluted earnings per share does not assume the exercise of the Company's outstanding share options since the exercise price of the share options are higher than the average market price for both years.

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 2011	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	—	2,901	221	235	482	—	3,839
Transfer	—	2,070	—	—	—	(2,070)	—
Disposals/write-off	—	—	—	(93)	(10)	—	(103)
At 31 December 2011	1,284,043	125,880	9,864	18,911	41,786	1,320,344	2,800,828
Additions	—	37,017	5,869	7,516	3,563	142,790	196,755
Transfer	1,066,321	200,504	—	—	—	(1,266,825)	—
Reclassified to land use rights (note 19)	—	—	—	—	—	(115,180)	(115,180)
Disposals/write-off	—	(1,297)	(757)	(1,700)	(399)	—	(4,153)
At 31 December 2012	2,350,364	362,104	14,976	24,727	44,950	81,129	2,878,250
ACCUMULATED DEPRECIATION							
At 1 January 2011	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/ write-off	—	—	—	(55)	(8)	—	(63)
At 31 December 2011	167,167	58,636	4,134	13,107	13,069	—	256,113
Charge for the year	65,987	37,143	2,412	2,758	3,824	—	112,124
Eliminated on disposals/ write-off	—	(677)	(363)	(1,541)	(101)	—	(2,682)
At 31 December 2012	233,154	95,102	6,183	14,324	16,792	—	365,555
CARRYING AMOUNT							
At 31 December 2011	1,116,876	67,244	5,730	5,804	28,717	1,320,344	2,544,715
At 31 December 2012	2,117,210	267,002	8,793	10,403	28,158	81,129	2,512,695

As at 31 December 2012, certain of the Group's buildings with an aggregate carrying amount of RMB385,426,000 (2011: RMB317,396,000) were pledged as security for bank borrowings of the Group (Note 28).

As at 31 December 2012, the Group was in the process of obtaining the property ownership certificate of a building with a carrying amount of RMB452,740,000 (2011: RMB469,059,000).

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. Deposit for Acquisition of Land Use Rights

The balance represents the deposit for acquisition of land use rights in relation to Da Xin Men, a parcel of land located near Ruijin Central Road, Nanming District, Guiyang City of Guizhou Province, the PRC.

On 10 February 2012, the Group and Guiyang Xin Xi Da Wu Hotel Investments Limited (貴陽新喜達屋酒店投資有限公司) ("Xin Xi Da Wu"), an independent third party, entered into a State-owned Infrastructure Land Use Rights Transfer Agreement with Land and Resources Bureau of Guiyang City, Guizhou Province, the PRC (the "Vendor") in relation to the acquisition of land use rights of Da Xi Men (the "Acquisition") with the total surface area of 56,281 square meters and the authorized usage of which is limited to hotel, commercial and office. The total consideration for the Acquisition is RMB601,600,000 and the cost of attributable portion of land use rights to be borne by Group is RMB230,000,000.

The total consideration for the Acquisition of RMB601,600,000 is payable in two tranches of RMB300,800,000 each. The first tranche of RMB300,800,000 was paid (RMB230,000,000 and RMB70,800,000 paid by the Group and Xin Xi Da Wu, respectively). The second tranche of RMB300,800,000 has been paid by Xin Xi Da Wu subsequent to the end of the reporting period.

Transfer of the land use rights and construction of Da Xi Men will be subject to certain conditions including, completion of land recapture and associated compensation and the approval for construction on the land by the Vendor.

As at the date issuance of these consolidated financial statements, the conditions set out above have not been fully satisfied and the land recapture work is still in progress.

17. Investment Properties

	RMB'000
FAIR VALUE	
At 1 January 2011	629,500
Additions	34,540
Change in fair value	10,360
At 31 December 2011	674,400
Change in fair value	—
At 31 December 2012	674,400

The fair value of the Group's investment properties at 31 December 2012 and 2011 has been arrived at on the basis of a valuation carried out at that date by DTZ Debenham Tie Leung Limited ("DTZ"), 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.

17. Investment Properties (continued)

The carrying value of investment properties shown above includes land in the PRC under a medium-term lease. As of 31 December 2012 and 2011, certain of the Group's investment properties with an amount of RMB546,900,000 (2011: RMB546,900,000) were pledged as security for bank loans of the Group (Note 28).

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.

18. Interests in an Associate

	31 December 2012	*31 December 2011*
	RMB'000	*RMB'000*
Cost of investment in an associate, unlisted	1,500	1,500
Share of post-acquisition losses	(139)	—
	1,361	1,500

As at 31 December 2012, 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**
					2012	*2011*	
Shanghai Hongyue Company Limited	Incorporated	PRC	Shanghai, PRC	Ordinary	30%	30%	Investment management

Summarised financial information in respect of the Group's associate is set out below:

	31 December 2012	*31 December 2011*
	RMB'000	*RMB'000*
Total assets	4,610	5,000
Total liabilities	(73)	—
Net assets	4,537	5,000
Group's share of net assets of the associate	1,361	1,500

	2012	*2011*
	RMB'000	*RMB'000*
Total revenue	1,267	—
Total loss for the year	(464)	—
Group's share of loss of the associate	(139)	—
Group's share of other comprehensive income of the associate	—	—

19. Land Use Rights

	RMB'000
At 1 January 2011	64,417
Amortisation	(2,013)
At 31 December 2011	62,404
Reclassified from construction in progress (note 15)	115,180
Amortisation	(2,013)
At 31 December 2012	175,571

	31 December 2012	31 December 2011
	RMB'000	RMB'000
Analysed for reporting purpose as:		
— Current assets	2,013	2,013
— Non-current assets	173,558	60,391
	175,571	62,404

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 2012, land use rights with carrying amount of RMB9,559,000 (2011: RMB8,959,000) were pledged against bank borrowings granted to the Group (Note 28).

20. Held for Trading Investments

	31 December 2012	31 December 2011
	RMB'000	RMB'000
Listed debentures with fixed interest of 4.63% and maturity date on 11 September 2015	20,399	19,984

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

21. 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 2011	7,369	(13,782)	(86,294)	(92,707)
Credit (charge) to profit or loss	(278)	(73)	(4,817)	(5,168)
At 31 December 2011	7,091	(13,855)	(91,111)	(97,875)
Credit (charge) to profit or loss	11,024	(1,704)	(2,317)	7,003
At 31 December 2012	18,115	(15,559)	(93,428)	(90,872)

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

	31 December 2012	31 December 2011
	RMB'000	*RMB'000*
Deferred tax assets	21,906	10,392
Deferred tax liabilities	(112,778)	(108,267)
	(90,872)	(97,875)

At 31 December 2012, the Group had unused tax losses of RMB175,397,000 (2011: RMB78,555,000). No deferred tax asset has been recognised in respect of these tax losses due to the unpredictability of future profit streams. The unrecognised tax losses will expire as follows:

	31 December 2012	31 December 2011
	RMB'000	*RMB'000*
2013	—	—
2014	7,258	8,788
2015	5,828	5,828
2016	63,939	63,939
2017	98,372	—
	175,397	78,555

Under the 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 RMB663,842,000 was not recognised as at 31 December 2012 (31 December 2011: RMB538,142,000) 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.

22. Inventories

	31 December 2012	31 December 2011
	RMB'000	RMB'000
Merchandise held for resale	68,239	62,863
Low value consumables	7,179	3,170
	75,418	66,033

23. Prepayments, Trade and Other Receivables

The following is an analysis of trade and other receivables presented based on the date that services are rendered/goods are delivered at the end of the reporting period:

	31 December 2012	31 December 2011
	RMB'000	RMB'000
Trade receivables		
within 60 days	27,885	22,928
61 days to 120 days	1,425	590
121 days to 360 days	246	—
Prepaid rentals	9,167	5,206
Advances to suppliers	15,649	5,710
Prepaid value-added tax	34,532	23,130
Advance to non-controlling shareholders	—	14,995
Interest receivables from bank and loan receivables	4,975	19,591
Other deposits	12,552	15,000
Deposits in concessionaire suppliers	4,583	9,523
Others	40,367	40,660
	151,381	157,333

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 unrelated parties from management consulting fees, issuers of shopping cards and certain retail customers.

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

Trade receivable with a carrying amount of RMB1,671,000 as at 31 December 2012 (31 December 2011: RMB590,000) 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.

23. Prepayments, Trade and Other Receivables (continued)

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

Trade receivables are all denominated in RMB as at the reporting date of 31 December 2012. (At 31 December 2011, RMB8,107,000 are denominated in foreign currency, Hong Kong Dollar ("HK$").

24. Loan Receivables

	31 December 2012	*31 December 2011*
	RMB'000	*RMB'000*
Loan receivables	134,100	100,000
Analysed for reporting purpose as:		
Current assets	13,267	100,000
Non-current assets	120,833	—
	134,100	100,000

As at 31 December 2012, the loan receivables carried fixed interest rates from 6% to 18% per annum (2011: 10%).

The contractual maturity date of the loan receivables are as follows:

	31 December 2012	*31 December 2011*
	RMB'000	*RMB'000*
Within one year	13,267	100,000
More than one year but not more than two years	100,000	—
More than two year but not more than five years	20,833	—
	134,100	100,000

As at 31 December 2012, loan receivables amounting to RMB95,000,000 (2011:RMB100,000,000) were 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. Loan receivables amounting to RMB9,100,000 were secured by the borrower's inventories. Loan receivables amounting to RMB30,000,000 were unsecured and the Group has the right to offset the outstanding balance against future rental payments.

None of these assets have been past due or impaired at the end of the reporting period.

25. 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 0.35% (2011: 0.00% to 2.30%) 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:

	2012	*2011*
	RMB'000	*RMB'000*
US$	68,663	170,684
HK$	47,470	50,829
	116,133	221,513

Restricted bank balances

As of 31 December 2012, the restricted bank balances include deposits of RMB67,742,000 (31 December 2011: RMB88,003,000) pledged for bank borrowings (Note 28), deposits of RMB38,187,000 (31 December 2011: RMB41,417,000) pledged to secure customers prepaid gift cards. The restricted bank balances carry interest at prevailing market rates at 0.55%–3.35% per annum (2011: 0.36%–3.10% per annum). As at 31 December 2012, restricted bank balances of RMB12,000,000 (31 December 2011: RMB12,000,000) has been pledged to secure non-current bank borrowings and therefore classified as non-current assets.

26. Short-Term Investments

As at 31 December 2012 and 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 were redeemable on demand. Subsequent to the end of reporting period, all the investments were redeemed on maturity dates.

27. 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 2012	*31 December 2011*
	RMB'000	*RMB'000*
Trade payables		
Within 60 days	642,806	606,945
61 days to 120 days	57,076	30,431
121 days to 1 year	10,573	7,688
Over 1 year	5,731	4,032
	716,186	649,096
Payable for purchase of property, plant and equipment	17,390	12,201
Accruals	81,739	44,758
Accrued staff costs	34,649	30,139
Deposits from concessionaire suppliers (Note i)	53,306	43,424
Customer prepaid gift cards (Note ii)	217,599	250,175
Other PRC tax payable	50,161	41,482
Advances from third parties (Note iii)	6,435	49,654
Payables to non-controlling shareholders	5,329	—
Others	72,171	68,847
	538,779	540,680
	1,254,965	1,189,776

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 2012, advances from third parties of RMB6,435,000 (31 December 2011: RMB49,654,000) were unsecured, interest free and repayable on demand.

28. Borrowings

	31 December 2012	31 December 2011
	RMB'000	RMB'000
Secured bank borrowings (Note)	798,685	1,000,085
Unsecured bank borrowings	139,000	—
Other borrowings	—	42,000
	937,685	1,042,085
Carrying amount repayable:		
Within one year	495,875	551,461
More than one year, but not exceeding two years	193,463	148,853
More than two year, but not exceeding five years	248,347	341,771
	937,685	1,042,085
Less: Amount not repayable within one year from the end of the reporting period but contain a repayment on demand clause	(278,713)	(380,015)
Amounts due within one year	(394,524)	(450,123)
Amounts shown under current liabilities	(673,237)	(830,138)
Amounts shown under non-current liabilities	264,448	211,947

The borrowings comprise:

	31 December 2012	31 December 2011
	RMB'000	RMB'000
Fixed-rate borrowings	389,000	292,000
Variable-rate borrowings	548,685	750,085

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 2012	31 December 2011
	%	%
Fixed-rate borrowings	5.600~6.480	6.100~7.216
Variable-rate borrowings	2.850~7.967	2.820~7.967

In respect of variable rate borrowings, the RMB-denominated loans carried interest at rates ranging from 90% to 113% of the market rates set by the People's Bank of China, whereas HK$-denominated loans carried interest at a rate of 2.85% (2011: 2.45%) over the Hong Kong Interbank Offer Rate. HK$-denominated loans amounted to RMB278,713,000 as at 31 December 2012 (31 December 2011: RMB380,015,000). Others are RMB-denominated loans.

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, 17, 19 and 25.

29. 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. In January 2013, Bluestone (as defined in note 39) and PGL (as defined in note 39) entered into the Bluestone Sale Agreement and PGL Sale Agreement with the Offeror (as defined in note 39), respectively, in respect of the conditional sale of an aggregate of 1,664,139,851 ordinary shares of the Company to the Offeror. Upon completion of the Bluestone Sale and PGL Sale Agreement, there will be a change in the controlling party of the Company and the Bonds will become redeemable at the option of the bondholder immediately. Therefore, the Bonds have been classified as current liabilities as at 31 December 2012. Further details are set out in note 39.

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 2012 is set out below:

	2012	*2011*
	RMB'000	*RMB'000*
Carrying amount at the beginning of the year	759,755	—
Net proceeds from issuance of bonds	—	740,625
Repurchase	(14,168)	—
Interest charge for the year	41,783	38,656
Interest paid	(39,035)	(19,526)
Carrying amount at the end of the year	748,335	759,755
Less: Amounts classified under current liabilities	(748,335)	(16,406)
	—	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 (the "Singapore Exchange"). As at 31 December 2012, the quoted market price of the bonds was approximately RMB710,000,000 (31 December 2011: RMB709,000,000).

On 27 June 2012 and 21 August 2012, the Company repurchased certain bonds with an aggregate par values of RMB14,000,000 on the Singapore Exchange at a total consideration of RMB13,153,000. The Bonds are carried at RMB14,168,000 on the dates of repurchase. A total gain of RMB1,015,000 was recognised in the current year and included in other income.

30. 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 2011, 31 December 2011, and 31 December 2012	5,000,000,000	25,000
At 1 January 2011 and 31 December 2011	4,225,000,000	21,125
Share repurchased and cancelled	(14,700,000)	(74)
At 31 December 2012	4,210,300,000	21,051

	31 December 2012	*31 December 2011*
	RMB'000	*RMB'000*
Presented as	143,769	144,271

During the year ended 31 December 2012, pursuant to the general mandate given to the directors of the Company, the Company repurchased its own shares through The Stock Exchange of Hong Kong Limited as follows:

Month of repurchase	*No. of ordinary shares of US$0.005 each of the Company*	*Price per share*		*Aggregate consideration paid*
		Highest	*Lowest*	
		HK$	*HK$*	*HK$'000*
May 2012	4,000,000	0.75	0.75	3,006
June 2012	8,200,000	0.76	0.71	6,091
September 2012	2,500,000	0.61	0.52	1,429
	14,700,000			10,526

As at 31 December 2012, all the share repurchased were cancelled.

31. 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 28 and bonds payable in Note 29, 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 30 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.

32. Financial Instruments

Categories of financial instruments

	31 December 2012	*31 December 2011*
	RMB'000	*RMB'000*
Financial assets:		
Loan and receivables (including bank balances and cash)	1,654,287	2,068,650
Held for trading investments	20,399	19,984
Short-term investments	172,930	120,000
Financial liabilities:		
Amortised cost	2,577,119	2,696,593

Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, loan receivables, held for trading investments, short-term 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 has bank balances 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.

32. Financial Instruments (continued)

Financial risk management objectives and policies (continued)

Market risk (continued)

(i) Currency risk (continued)

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

	31 December 2012	*31 December 2011*
	RMB'000	*RMB'000*
Assets		
US$	68,663	170,684
HK$	47,470	58,936
Liabilities		
HK$	278,713	380,015

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.

Foreign currency sensitivity

	2012	*2011*
	RMB'000	*RMB'000*
US$		
Decrease in profit for the year	(2,654)	(7,753)
HK$		
Increase in profit for the year	12,015	16,517

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 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 borrowings and bonds payable. 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 arise.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk section of this note. The Group's cash flow interest rate risk is mainly concentrated in the fluctuation of interest published by the People's Bank of China and the Hong Kong Interbank Offer Rate.

32. Financial Instruments (continued)

Financial risk management objectives and policies (continued)

Market risk (continued)

(i) Currency risk (continued)

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for variable interest rate borrowings and bank balances. The analysis is prepared assuming the variable interest rate 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 (2011: 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 borrowings and 25 basis points for bank balances (2011: 50 basis point for borrowing and 25 basis for bank balances) and all other variables were held constant, the Group's post-tax profit would decrease (increase) by RMB325,000 (2011: decrease (increase) by RMB765,000).

Credit risk

As at 31 December 2012, the Group's maximum exposure to credit risk without taking account of any collateral held as security or credit enhancement 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 loan receivables and amounts due from related companies are also concentrated in a few counterparties. The Group's certain loan receivables are secured by inventories of the borrower or guaranteed by borrower's parent company. Further detail of the credit risk of loan receivables are set out in Note 24. 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.

32. Financial Instruments (continued)

Financial risk management objectives and policies (continued)

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. As at 31 December 2012, the Group has net current liabilities of approximately RMB892.2 million. The Group relies on cash generated from operating activities and borrowings as a significant source of liquidity. During the year ended 31 December 2012, the Group has cash generated from operating activities of approximately RMB315,023,000 (2011: RMB549,727,000) , and in the opinion of the directors, a majority of the Group's borrowings due within one year can be renewed upon maturity. 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 (other than bonds payable). The table has been drawn up based on the undiscounted cash flows of financial liabilities (other than bonds payable) based on the earliest date on which the Group can be required to pay. Although the maturity date of the bonds payable is 1 February 2014, the Group has classified the cash flows in respect of the bonds payable under the "3 months to 1 year" time band based on the expectation of the Group (see notes 29 and 39). 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 2012									
Non-interest bearing		–	599,262	188,986	102,851	–	–	891,099	891,099
Variable interest rate instruments	7.037	278,713	1,589	3,179	59,243	245,126	–	587,850	548,685
Fixed interest rate instruments	5.241	–	31,964	150,648	964,361	43,344	–	1,190,317	1,137,335
		278,713	632,815	342,813	1,126,455	288,470	–	2,669,266	2,577,119
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	–	17,786	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

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 2.85%. 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.

32. Financial Instruments (continued)

Financial risk management objectives and policies (continued)

Liquidity risk (continued)

	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 2012	—	27,296	81,473	182,411	—	291,180	278,713
31 December 2011	—	29,325	86,805	304,335	—	420,465	380,015

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

Fair value of financial instruments

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

- the fair value of financial assets 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 consolidated 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 2012	*31 December 2011*
	Level 1	*Level 1*
	RMB'000	*RMB'000*
Financial assets at FVTPL		
— Held for trading investments	20,399	19,984

33. 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.

(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

33. Acquisition of a Subsidiary (continued)

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

Included in the profit for the year ended 31 December 2011 was RMB634,000 generated by Guochen. Revenue for the year ended 31 December 2011 included RMB6,605,000 generated from Guochen.

Had the acquisition been completed on 1 January 2011, total group revenue for the year ended 31 December 2011 would have been RMB1,303,169,000, and profit for the year ended 31 December 2011 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.

34. Goodwill

	2012	*2011*
	RMB'000	*RMB'000*
COST		
Balance at beginning of year	22,974	—
Additional amounts recognised from acquisition of a subsidiary (Note 33)	—	22,974
Balance at end of year	22,974	22,974
ACCUMULATED IMPAIRMENT LOSSES		
Balance at beginning and end of year	—	—
CARRYING AMOUNT		
Balance at 31 December	22,974	22,974

Key assumptions of impairment testing on goodwill

For the purpose of impairment testing, goodwill has been allocated to the cash-generating unit of Guochen.

The recoverable amount of this unit has been determined based on value in use calculation.

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

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

The discount rate applied to the cash flow projections is approximately 13% per annum (2011: 10% per annum).

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

35. 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 2012	*31 December 2011*
	RMB'000	*RMB'000*
Bank balances and cash	1,300,699	1,711,164
Less: Time deposits with original maturity of over 3 months	—	387,319
Cash and cash equivalents	1,300,699	1,323,845

36. Operating Lease Commitments

The Group as Lessee

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

Lease payment recognised as an expense:

	2012	*2011*
	RMB'000	*RMB'000*
Minimum lease payments	150,217	141,046
Contingent rentals	10,816	12,874
	161,033	153,920

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

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

	31 December 2012	*31 December 2011*
	RMB'000	*RMB'000*
Within one year	155,469	120,289
In the second to fifth year inclusive	698,087	439,863
Over five years	2,025,795	1,025,395
	2,879,351	1,585,547

36. Operating Lease Commitments (continued)

The Group as Lessor

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

Rental income recognised:

	2012	*2011*
	RMB'000	*RMB'000*
Minimum lease payments	46,539	32,945
Contingent rentals	13,772	19,005
	60,311	51,950

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 2012	*31 December 2011*
	RMB'000	*RMB'000*
Within one year	13,775	14,277
In the second to fifth year inclusive	30,157	21,460
Over five years	4,195	3,392
	48,127	39,129

37. 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 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

37. Share-based Payment Transactions (continued)

(a) Equity-settled share option scheme (continued)

Vesting conditions:

Subject to the terms of the 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 be exercisable in respect of the employee still under service for the Group as at the vesting date.

(b) Movements in share options:

	Outstanding at 1 January 2012	Granted during the year	Exercised during the year	Forfeited during the year	Expired during the year	Outstanding at 31 December 2012
Option I	40,202,400	–	–	(1,136,200)	–	39,066,200
	40,202,400	–	–	(1,136,200)	–	39,066,200
Exercisable at the end of the year						39,066,200

	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

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).

The Group recognised the total expense of RMB3,472,000 for the year ended 31 December 2012 (2011: RMB8,622,000) in relation to share options granted by the Company.

38. 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 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
Beijing Aishang Chuntian Electronic Business Co., Ltd. 北京愛尚春天電子商務有限公司	Company controlled by the broader Chan family

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

	2012	*2011*
	RMB'000	*RMB'000*
Rental expense		
Scitech Group Company Limited (Note i)	47,710	47,710
Gift card handling expense		
Scitech Group Company Limited	2,059	—
Trademark fee		
Scitech Group Company Limited	100	100
Commission income		
Ports Fashion (Xiamen) Ltd.	4,561	5,024
Century Ports Apparel (Xiamen) Ltd.	23,947	23,947
Vivienne Tam Fashion (Xiamen) Ltd.	70	425
Beijing Aishang Chuntian Electronic Business Co., Ltd.	31	—
	28,609	29,396
Management consultancy service income		
PCD Ruijing	2,701	3,000
LDP (Note ii)	—	34,500
	2,701	37,500

38. Related Party Transactions (continued)

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

Notes:

(i) Pursuant to a lease entered into by Scitech Group Company Limited and the Group, Scitech Group Company Limited agreed to lease to the Group with effect from 1 July 2007 the Scitech Plaza, 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. After the expiration of the original lease contract on 29 December 2011, the agreement was extended for a three-year period to 31 December 2014.

(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 RMB36,000,000 per year. The GOSA was terminated on 15 December 2011 after the take-over of Beijing Scitech Outlets by the Group during the year ended 31 December 2011.

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

Amounts due from related parties

	31 December 2012	*31 December 2011*
	RMB'000	*RMB'000*
Trade in nature		
PCD Ruijing	503	3,114
Scitech Group Company Limited	20,265	—
Beijing Aishang Chuntian Electronic Business Co., Ltd	758	—
	21,526	3,114
Non-trade in nature		
PCD Stores Limited	—	11,499
	21,526	14,613

38. 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 services are rendered/goods are delivered at the end of the reporting period:

	31 December 2012	*31 December 2011*
	RMB'000	*RMB'000*
Within 60 days	21,526	3,114

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 2012 and 31 December 2011, thus the Group has not provided for impairment loss at the end of the reporting period.

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

	2012	*2011*
	RMB'000	*RMB'000*
PCD Stores Limited	11,499	16,394

Amounts due to related parties

	31 December 2012	*31 December 2011*
	RMB'000	*RMB'000*
Trade in nature		
Century Ports Apparel (Xiamen) Ltd.	16,874	23,560
Ports Fashion (Xiamen) Ltd.	3,047	4,531
Scitech Group Company Limited	—	33,906
Vivienne Tam Fashion (Xiamen) Ltd.	101	901
	20,022	62,898
Non-trade in nature		
LDP	—	1,401
	20,022	64,299

38. 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 (continued)

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

	31 December 2012	*31 December 2011*
	RMB'000	*RMB'000*
Within 60 days	20,022	38,992
61 days to 120 days	—	16,991
121 days to 1 year	—	6,915
	20,022	62,898

(d) *Compensation of key management personnel*

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

	2012	*2011*
	RMB'000	*RMB'000*
Salaries and other benefits	7,862	5,348
Retirement benefit schemes contributions	1,400	525
Equity-settled share-based payments	188	612
	9,450	6,485

39. Event after the Reporting Period

The Sale Agreements

Pursuant to the Company's announcement dated 31 January 2013, the Company was informed by Bluestone Global Holdings Limited ("Bluestone", parent of the Company) and Portico Global Limited ("PGL", a shareholder of the Company) that, on 24 January 2013, Belmont Hong Kong Ltd. (the "Offeror", a wholly-owned subsidiary of Beijing Wangfujing International Commercial Development Co., Ltd. ("WFJ International")) entered into the Bluestone Sale Agreement with Bluestone and the PGL Sale Agreement with PGL. Pursuant to the Bluestone Sale Agreement, Bluestone has conditionally agreed to sell, and the Offeror has conditionally agreed to acquire, 1,594,139,851 Shares in aggregate at the purchase price of HK$1.20 per Share, for a total cash consideration of HK$1,912,967,821.20. Pursuant to the PGL Sale Agreement, PGL has conditionally agreed to sell, and the Offeror has conditionally agreed to acquire, 70,000,000 Shares in aggregate at the purchase price of HK$1.20 per Share, for a total cash consideration of HK$84,000,000.

39. Event after the Reporting Period (continued)

The Offeror's obligation to complete the purchase of the Bluestone sale of Shares under the Bluestone Sale Agreement is conditional upon satisfaction or waiver of the following conditions:

(a) all authorisations which are required from the Ministry of Commerce of the PRC or its authorised local agency (the "MOC"), the National Development and Reform Committee of the PRC or its authorised local agency (the "NDRC"), the State-owned Assets Supervision and Administration Commission of the PRC or its authorised local agency (the "SASAC") and the State Administration of Foreign Exchange of the PRC or its authorised local agency (the "SAFE") for the performance of the obligations under the Bluestone Sale Agreement by the Offeror having been obtained and all filings with the MOC, the NDRC, the SASAC and the SAFE which are required for the entering into and the implementation of the Bluestone Sale Agreement having been made (and such authorisations remaining in full force and effect at the simultaneous completion of the Bluestone Sale Agreement and the PGL Sale Agreement (the "Completion")) and there being no statement, notification or intimation of an intention to revoke or not to renew the same having been made by the relevant authority;

(b) all consents and approvals of the MOC required in respect of any merger control notification or filing which is required in connection with the sale and purchase of the Bluestone sale of shares and the conditional mandatory cash offer by Somerley Limited (the "Somerley"), the independent financial adviser to the Offeror, on behalf of the Offeror to acquire all of the issued and to be issued ordinary shares of US$0.005 each in the capital of the Company (the "Shares") (other than those Shares already owned by or agreed to be acquired by the Offeror and parties acting in concert with it at the time the Share Offer is made) at HK$1.20 per share in accordance with the Takeovers Code (the "Share Offer") having been obtained either unconditionally or on terms reasonably satisfactory to the Offeror;

(c) no governmental action, court order, proceeding, enquiry or investigation having been taken or made at any time prior to completion that has the effect of making unlawful or otherwise prohibiting or restricting the transfer of the Bluestone sale of shares to the Offeror or the Share Offer;

(d) the intellectual property rights in respect of certain trademarks (including those that are registered in the PRC in the name of Bluestone or one of its affiliates and currently used in the business of the group) having been licensed to the Group free of charge for the remainder of their respective periods of registration, and undertakings having been given by the registered owners (on terms reasonably satisfactory to the Offeror) to apply for renewals of the relevant registrations and, if the renewals are granted, to continue to license the respective registrations free of charge for the entire period of such renewal(s) (for a period of 50 years in total);

(e) there having been no material breach of the warranties given by Bluestone (and no fact, event or circumstances having occurred or existing which would result in a material breach of the warranties given by Bluestone when repeated at Completion); and

(f) there having been no material breach by Bluestone of its pre-Completion obligations under the Bluestone Sale Agreement.

39. Event after the Reporting Period (continued)

The Offeror's obligation to complete the purchase of the PGL Sale of shares under the PGL Sale Agreement is conditional upon the Bluestone Sale Agreement becoming unconditional in all respects.

Possible conditional mandatory cash offers

Pursuant to Rule 26.1 of the Takeovers Code, the Offeror will, following the completion of the acquisition of the Shares under Bluestone Sale Agreement and PGL Sale Agreement, then be required to make the Share Offer for all the issued Shares (other than those Shares already owned by or agreed to be acquired by the Offeror and parties acting in concert with it at the time the Share Offer is made). The Offeror will also be required to make the option offer for the cancellation of all outstanding options of the Company pursuant to Rule 13 of the Takeovers Code.

Compulsory acquisition and withdrawal of listing of the Company

The Offeror intends to consider availing itself of exercising the right under section 88 of the Cayman Islands Companies Law to compulsorily acquire those Shares not acquired by the Offeror under the Share Offer if, within four months after the dispatch of related offer document and the offeree board circular, it has acquired not less than 90% of the Shares subject to the Share Offer in accordance with Rule 2.11 of the Takeovers Code. On completion of the compulsory acquisition (if applicable), the Company will become a wholly-owned subsidiary of the Offeror and an application will then be made for the withdrawal of the listing of the Shares from the Stock Exchange pursuant to Rule 6.15 of the Listing Rules.

As at the date of approval of these consolidated financial statements, the parties are in the process of obtaining relevant consent or approval from the respective PRC government authorities for execution of the Bluestone Sale Agreement.

40. Capital Commitments

	31 December 2012	*31 December 2011*
	RMB'000	*RMB'000*
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	109,145	29,595

41. 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 2012 Direct %	31 December 2012 Indirect %	31 December 2011 Direct %	31 December 2011 Indirect %	Principal activities
PCD China Real Estate	The BVI	US$1	100	—	100	—	Investment holding
Zhongshan PCD (Xiamen) Department Stores Co., Ltd. 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) Co., Ltd. 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 Department Stores (Xiamen) Co., Ltd. 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) Co., Ltd. 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) Limited. 廈門巴黎春天百貨信息諮詢有限公司	The PRC	RMB2,000,000	—	100	—	100	Information consulting
PCD Development Limited (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

41. 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 2012 Direct %	31 December 2012 Indirect %	31 December 2011 Direct %	31 December 2011 Indirect %	Principal activities
Qingdao Century Chuntian Information Consulting Co., Ltd. 青島世紀春天信息諮詢有限公司	The PRC	RMB1,000,000	–	100	–	100	Information consulting
Beijing Yuanyongxin Information Consulting Company Limited 北京源永信信息諮詢有限公司	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 Investments Limited	The BVI	US$1	100	–	100	–	Investment holding
Gain Win Limited	Hong Kong	US$1,000	–	100	–	100	Investment holding
Guomao Guangchang Commercial Trading Co., Ltd. 貴陽國貿廣場商貿有限公司	The PRC	RMB16,000,000	–	75	–	75	Retailing business
Guiyang Nanguo Huajin Department Stores Limited 貴陽南國花錦春天百貨有限公司	The PRC	RMB10,000,000	–	75	–	75	Retailing business
Liupanshui Guomao Guangchang Chun Tian Department Stores Limited 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 貴陽鼎順達網絡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 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
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 瀋陽賽特奧萊商貿有限公司	The PRC	US$25,000,000	–	100	–	100	Retailing business
Even Time Investments Limited	The BVI	US$1	100	–	100	–	Investment holding
Prime Wave Limited	Hong Kong	US$100	–	100	–	100	Investment holding
Beijing Scitech Outlets Commerce & Trading Co. Ltd. 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 Co., Ltd. 北京春天房地產開發有限公司	The PRC	RMB10,000,000	–	100	–	100	Property leasing

41. 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 2012		31 December 2011		Principal activities
			Direct	*Indirect*	*Direct*	*Indirect*	
			%	%	%	%	
Universe River Real Estate (Xiamen) Ltd. 巴黎春天物產經營(廈門)有限公司	The PRC	RMB42,026,500	100	—	100	—	Property management
Guizhou Guochen Department Store Co., Ltd 貴陽國晨百貨有限公司	The PRC	RMB2,000,000	—	75	—	75	Retailing business
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	—	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	—	60	Property management
Shanxi Chuntian Catering Co., Ltd. 山西春天餐飲有限公司	The PRC	RMB5,000,000	—	51	—	51	Catering business
Shanxi Scitech Guomao Co., Ltd. 陝西賽特國貿有限公司*	The PRC	RMB100,000,000	—	100	—	—	Retailing business
Liaoning Shengjing Hotel Management Co., Ltd. 遼寧聖鯨酒店管理有限公司*	The PRC	RMB7,000,000	—	51	—	—	Catering business
Beijing Shangmei Chuntian Electronic Business Co., Ltd. 北京尚美春天電子商務有限公司*	The PRC	RMB10,000,000	—	100	—	—	Retailing business
Beijing Pin Wei Ba Fang Catering Management Co. Ltd. 北京品味八方餐飲管理有限公司*	The PRC	RMB10,000,000	—	100	—	—	Catering business

* Newly established during the year ended 31 December 2012.

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

Other than the bonds issued by the Company, none of the subsidiaries had issued any debt securities at the end of the year.

42. 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:

	31 December 2012	*31 December 2011*
	RMB'000	*RMB'000*
Non-current Assets		
Property, plant and equipment	12	9
Investments in subsidiaries	1,647,063	1,039,428
Amounts due from subsidiaries	192,105	679,555
Deferred tax assets	—	—
	1,839,180	1,718,992
Current Assets		
Prepayments, trade and other receivables	350	19,964
Amounts due from subsidiaries	232,463	6,044
Held for trading investments	20,399	19,984
Bank balances and cash	211,754	722,033
	464,966	768,025
Current Liabilities		
Trade and other payables	134	742
Bonds payable	748,335	16,406
Dividend payables to owners of the Company	157	129
Amount due to subsidiaries	—	—
	748,626	17,277
NET CURRENT (LIABILITIES) ASSETS	(283,660)	750,748
TOTAL ASSETS LESS CURRENT LIABILITIES	1,555,520	2,469,740
NON-CURRENT LIABILITIES		
Bonds payable	—	743,349
Deferred tax liabilities	13,855	13,855
	13,855	757,204
	1,541,665	1,712,536
Capital and Reserves		
Share capital	143,769	144,271
Share premium and reserves	1,397,896	1,568,265
Total equity	1,541,665	1,712,536

42. Information about the Statement of Financial Position of the Company (continued)

Movement in reserves

	Share premium	Capital redemption reserve	Translation reserve	Share options reserve	Retained earnings	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2011	1,890,017	—	(25,299)	18,655	(119,722)	1,763,651
Profit and total comprehensive income for the year	—	—	—	—	(47,683)	(47,683)
Recognition of share-based payments	—	—	—	8,622	—	8,622
Payment of dividends	—	—	—	—	(156,325)	(156,325)
At 31 December 2011	1,890,017	—	(25,299)	27,277	(323,730)	1,568,265
Profit and total comprehensive income for the year	—	—	—	—	(43,388)	(43,388)
Recognition of share-based payments	—	—	—	3,472	—	3,472
Payment of dividends	—	—	—	—	(122,378)	(122,378)
Share repurchase and cancelled	(8,075)	502	—	—	(502)	(8,075)
At 31 December 2012	1,881,942	502	(25,299)	30,749	(489,998)	1,397,896