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**PCD Stores (Group) Limited**

**中國春天百貨集團有限公司\***

**(Incorporated in the Cayman Islands with limited liability)**

**(Stock Code: 331)**

**FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2010**

The Board of Directors of PCD Stores (Group) Limited (the “Company”) is pleased to announce the condensed consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 December, 2010, which had been reviewed by the audit committee of the Company (the “Audit Committee”) with the comparative figures for the corresponding period in 2009 as follows:

\*For identification only

CONSOLIDATED INCOME STATEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2010

	<u>Notes</u>	<u>2010</u> RMB'000	<u>2009</u> RMB'000 [Restated]
Revenue	3	1,084,365	927,049
Other income	4	144,551	112,825
Gain on disposal of subsidiaries	16	1,115	-
Change in fair value of investment properties		10,180	20,000
Purchase of and changes in inventories		(220,649)	(184,233)
Employee benefits expense	5	(131,912)	(109,582)
Depreciation and amortisation		(51,534)	(47,636)
Operating lease rental expense		(113,906)	(106,173)
Other operating expenses	6	(206,120)	(204,024)
Finance costs	7	(33,879)	(53,553)
Profit before tax		482,211	354,673
Income tax charge	8	(127,884)	(89,300)
Profit for the year		<u>354,327</u>	<u>265,373</u>
Profit for the year attributable to:			
Owners of the Company		334,728	253,439
Non-controlling interests		19,599	11,934
		<u>354,327</u>	<u>265,373</u>
Earnings per share	10		
Basic (RMB cents)		<u>7.93</u>	<u>8.32</u>
Diluted (RMB cents)		<u>7.93</u>	<u>8.31</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2010

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

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**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AT 31 DECEMBER 2010**

	Notes	31 December 2010 RMB'000	31 December 2009 RMB'000 [Restated]	1 January 2009 RMB'000 [Restated]
<b>NON-CURRENT ASSETS</b>				
Property, plant and equipment		1,888,499	1,035,006	780,394
Prepayment for acquisition of property, plant and equipment		100,000	-	-
Investment properties		629,500	510,000	490,000
Land use rights		62,404	64,417	66,430
Goodwill	16	-	2,008	2,008
Long-term prepaid rentals		702	39,443	43,353
Loan receivable		100,000	-	-
Deferred tax assets		12,105	5,441	1,762
Restricted bank balances		12,000	12,000	12,000
		<u>2,805,210</u>	<u>1,668,315</u>	<u>1,395,947</u>
<b>CURRENT ASSETS</b>				
Inventories		47,083	45,470	42,981
Prepayments, trade and other receivables	11	105,204	120,645	131,250
Land use rights		2,013	2,013	2,013
Amounts due from related parties	18	117,914	14,788	200,249
Held for trading investments	12	27,754	-	-
Restricted bank balances		115,714	-	11,500
Bank balances and cash		1,401,908	2,120,115	167,850
		<u>1,817,590</u>	<u>2,303,031</u>	<u>555,843</u>
<b>CURRENT LIABILITIES</b>				
Trade and other payables	13	940,320	809,434	763,713
Tax payable		43,871	17,533	21,506
Dividend payables to owners of the Company/minority shareholders		52	-	1,250
Borrowings - due within one year	14	838,931	381,930	394,780
Amounts due to related parties	18	72,830	284,149	161,636
		<u>1,896,004</u>	<u>1,493,046</u>	<u>1,342,885</u>
<b>NET CURRENT ASSETS (LIABILITIES)</b>		<u>(78,414)</u>	<u>809,985</u>	<u>(787,042)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>2,726,796</u>	<u>2,478,300</u>	<u>608,905</u>
<b>NON-CURRENT LIABILITIES</b>				
Borrowings - due after one year	14	256,804	300,276	342,659
Deferred tax liabilities		104,460	88,550	79,766
		<u>361,264</u>	<u>388,826</u>	<u>422,425</u>
		<u>2,365,532</u>	<u>2,089,474</u>	<u>186,480</u>
<b>CAPITAL AND RESERVES</b>				
Share capital	15	144,271	136,590	382
Share premium and reserves		2,196,493	1,927,022	169,308
Equity attributable to owners of the Company		<u>2,340,764</u>	<u>2,063,612</u>	<u>169,690</u>
Non-controlling interests		24,768	25,862	16,790
		<u>2,365,532</u>	<u>2,089,474</u>	<u>186,480</u>

## 1. BASIS OF PREPARATION

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

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and by the Companies Ordinance (Cap. 32 of the Laws of Hong Kong).

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

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

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

## 2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

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

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

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

<sup>1</sup>Effective for annual periods beginning on or after 1 July 2010 or 1 January 2011, as appropriate.

<sup>2</sup>Effective for annual periods beginning on or after 1 July 2010.

<sup>3</sup>Effective for annual periods beginning on or after 1 July 2011.

<sup>4</sup>Effective for annual periods beginning on or after 1 January 2013.

<sup>5</sup>Effective for annual periods beginning on or after 1 January 2012.

<sup>6</sup>Effective for annual periods beginning on or after 1 January 2011.

<sup>7</sup>Effective for annual periods beginning on or after 1 February 2010.

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

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

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

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

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

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

The Directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the consolidated financial statements.

## 3. REVENUE AND SEGMENT INFORMATION

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

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

Note:

The commissions from concessionaire sales is analysed as follows:

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

4.	OTHER INCOME	<u>2010</u> RMB'000	<u>2009</u> RMB'000
	Property management income	25,548	20,286
	Advertisement and promotion administration income	44,091	41,169
	Display space leasing income	4,956	5,259
	Interest income from a related party	-	10,710
	Bank interest income	22,392	3,217
	Credit card handling income	21,966	17,181
	Change in fair value of held for trading investments	228	-
	Others	25,370	15,003
		<u>144,551</u>	<u>112,825</u>
5.	EMPLOYEE BENEFITS EXPENSE	<u>2010</u> RMB'000	<u>2009</u> RMB'000
	Salaries, bonuses and allowances	90,920	86,007
	Contributions to retirement benefit schemes	23,038	22,874
	Equity-settled share-base payment	17,954	701
		<u>131,912</u>	<u>109,582</u>
6.	OTHER OPERATING EXPENSES		
	Other operating expenses are analysed as follows:		
		<u>2010</u> RMB'000	<u>2009</u> RMB'000
	Auditors' remuneration	1,850	1,165
	Professional service fee	1,225	21,493
	Promotion, advertising and related expenses	47,965	41,421
	Water, electricity and heating	31,428	33,344
	Other taxes	43,071	41,496
	Bank charges	28,942	24,519
	Net foreign exchange loss	9,835	703
	Others	41,804	39,883
		<u>206,120</u>	<u>204,024</u>
7.	FINANCE COSTS	<u>2010</u> RMB'000	<u>2009</u> RMB'000
	Interest expenses on:		
	Bank borrowings and other borrowings, wholly repayable within five years	20,509	31,745
	Bank borrowings and other borrowings, not wholly repayable within five years	13,370	21,808
		<u>33,879</u>	<u>53,553</u>

8. INCOME TAX CHARGE	<u>2010</u> RMB'000	<u>2009</u> RMB'000
The charge comprises:		
PRC Enterprise Income Tax	118,638	81,045
PRC withholding tax	-	3,150
Deferred tax	9,246	5,105
	<u>127,884</u>	<u>89,300</u>

9. DIVIDENDS	<u>2010</u> RMB'000	<u>2009</u> RMB'000
Dividends recognised as distribution during the year:		
2010 Interim - RMB1.5 cents (2009: Nil) per share	63,375	-
	<u>63,375</u>	<u>-</u>

The final dividend of RMB 1.9 cents in respect of the year ended 31 December 2010 (2009: Nil) per share has been proposed by the Directors and is subject to approval by the shareholders in general meeting.

10. EARNINGS PER SHARE		
<u>Earnings</u>	<u>2010</u> RMB'000	<u>2009</u> RMB'000
Earnings for the purpose of basic and diluted earnings per share (profit for the year attributable to owners of the Company)	<u>334,728</u>	<u>253,439</u>
<u>Number of shares</u>	<u>2010</u> '000	<u>2009</u> '000
Weighted average number of ordinary shares for the purpose of basic earnings per share	4,221,918	3,046,575
Effect of dilutive potential ordinary shares relating to outstanding over-allotment options	<u>503</u>	<u>3,473</u>
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	<u>4,222,421</u>	<u>3,050,048</u>

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

## 11. PREPAYMENTS, TRADE AND OTHER RECEIVABLES

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

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

## 12. HELD FOR TRADING INVESTMENTS

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

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

### 13. TRADE AND OTHER PAYABLES

The average credit period taken for the settlement of concessionaire sales and trade purchases is 30 to 60 days. The following is an aged analysis of trade payables presented based on invoice date at the ending of the reporting period:

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

### 14. BORROWINGS

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

14. BORROWINGS - continued

The borrowings comprise:

	<u>31 December 2010</u> RMB'000	<u>31 December 2009</u> RMB'000
Fixed-rate borrowings	<u>302,000</u>	<u>162,000</u>
Variable-rate borrowings	<u>793,735</u>	<u>520,206</u>

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

	<u>31 December 2010</u> %	<u>31 December 2009</u> %
Fixed-rate borrowings	<u>4.374~5.960</u>	<u>5.310~5.960</u>
Variable-rate borrowings	<u>2.770~6.938</u>	<u>4.375~6.712</u>

The loans were secured by certain property, plant and equipment, investment properties, land use rights and bank balances owned by the Group.

The RMB-denominated loans carried interest at rates ranging from 90% to 113% of the market rates set by the People's Bank of China, whereas HK\$-denominated loans carried interest at a rate of 2.45% over the Hong Kong Interbank Offer Rate. HK\$-denominated loans amounted to RMB425,450,000 as at 31 December 2010 (31 December 2009: Nil)

15. SHARE CAPITAL

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

	<u>Number of shares</u>	<u>Share capital</u> US\$'000
Authorised		
Ordinary shares of US\$0.005 each		
At 1 January 2009, 31 December 2009 and 31 December 2010	<u>5,000,000,000</u>	<u>25,000</u>
Issued and fully paid		
Ordinary shares of US\$0.005 each		
At 1 January 2009	10,200,000	51
Issue of new shares on 15 December 2009	1,000,000,000	5,000
Issue by capitalisation of share premium	<u>2,989,800,000</u>	<u>14,949</u>
At 31 December 2009	<u>4,000,000,000</u>	<u>20,000</u>
Issue of new shares on 5 January 2010	<u>225,000,000</u>	<u>1,125</u>
At 31 December 2010	<u>4,225,000,000</u>	<u>21,125</u>
	<u>31 December 2010</u> RMB'000	<u>31 December 2009</u> RMB'000
Presented as	<u>144,271</u>	<u>136,590</u>

## 16. DISPOSAL OF SUBSIDIARIES

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

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

## 17. SHARE-BASED PAYMENT TRANSACTIONS

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

<u>Option I</u>	<u>Date of grant</u>	<u>Vesting period</u>	<u>Exercise period</u>	<u>Exercise price</u>
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
<u>Option II</u>	<u>Date of grant</u>	<u>Vesting period</u>	<u>Exercise period</u>	<u>Exercise price</u>
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

### (b) Movements in share options:

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

## 17. SHARE-BASED PAYMENT TRANSACTIONS – continued

### (b) Movements in share options – continued:

	Outstanding at 1 January 2009	Granted during the year	Exercised during the year	Forfeited during the year	Expired during the year	Outstanding at 31 December
<u>2009</u>						
Option I	-	42,000,000	-	-	-	42,000,000
Exercisable at the end of the year						-

### (c) Fair value of share options granted

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

	<u>2010</u>	<u>2009</u>
Exercise price	HK\$2.67	HK\$2.36
Expected volatility	57.23%	51.58%
Contractual life	10 Years	10 Years
Risk-free rate	2.80%	2.40%
Expected dividend yield	1.50%	1.50%

## 18. RELATED PARTY TRANSACTIONS

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

<u>Name</u>	<u>Relationship</u>
Ports International Enterprises Limited ("PIEL")	Ultimate holding company, controlled by Alfred Chan and Edward (the "Chan family")
Century Ports Apparel (Xiamen) Ltd.	Company controlled by PIEL
PCD Stores (Xiamen)	Company controlled by the Chan family
Scitech Group Company Limited	Company controlled by Alfred Chan and Edward Tan's immediate family members (the "broader Chan family")
Even Time Investments Limited ("Even Time")	Company controlled by the broader Chan family
LDP Management Limited ("LDP")	Company controlled by the broader Chan family
Ports Fashion (Xiamen) Ltd. 黛美服飾(廈門)有限公司	Company controlled by the broader Chan family
Beijing Scitech Outlet Commerce & Trading Co., Ltd ("Beijing Scitech Outlet") 北京奧特萊斯商貿有限公司	Company controlled by the broader Chan family
Vivienne Tam Fashion (Xiamen) Ltd. 韋薇服飾(廈門)有限公司	Company controlled by the broader Chan family
Xiamen Ruijing Chun Tian Department Co., Ltd ("PCD Ruijing") 廈門瑞景春天百貨有限公司	Company controlled by the broader Chan family
Jacqueline K Tan	Chan family member
Prime Wave Ltd.	Company controlled by PIEL

18. RELATED PARTY TRANSACTIONS – continued

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

	<u>31 December 2010</u>	<u>31 December 2009</u>
	RMB'000	RMB'000
<u>Commission income</u>		
Ports Fashion (Xiamen) Ltd.	3,012	1,820
Century Ports Apparel (Xiamen) Ltd.	15,731	16,912
Vivienne Tam Fashion (Xiamen) Ltd.	227	171
	<u>18,970</u>	<u>18,903</u>
<u>Management consultancy service income</u>		
PCD Ruijing	3,000	1,169
Even Time	11,539	3,550
LDP	36,000	18,000
	<u>50,539</u>	<u>22,719</u>
<u>Rental expense</u>		
Scitech Group Company Limited	46,011	47,836
<u>Interest income</u>		
PCD Stores (Xiamen)	-	10,710
	<u>-</u>	<u>10,710</u>

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

Amounts due from related parties

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

Note:

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

18. 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

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

- (d) Compensation of key management personnel

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

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

19. SUBSEQUENT EVENTS

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

## Management Discussion and Analysis

### Review

China's retail industry has shown a healthy growth in 2010, driven by the Chinese government's expansionary policy on domestic consumption as well as strong economic growth during the year. Our Group continued to execute our strategy of (i) focusing on the high-income consumer market, and (ii) expanding into other regions with high growth potential, both of these strategies had continued to result in tremendous success for the year 2010. As such, we are pleased to announce that in 2010, our revenue grew by 17.0%, reaching RMB 1,084.4 million in 2010 and our gross sales increased by 14.6%, reaching RMB 3,638.5 million. Our profit for the year amounted to RMB 354.3 million, representing an increase of 33.5%. After tax net profit to shareholders was RMB 334.7 million, representing a growth of 32.1%.

In September 2010, our Group successfully completed the acquisition of three department stores in Guizhou province from our Controlling Shareholders. The total consideration of the acquisition was approximately RMB 551.0 million, representing a discount of more than 40% to the fair market value. Our Group considered this acquisition as another important milestone in our business development and expansion. The addition of these three department stores to our store network has enabled the Group to establish a very solid footprint in Guizhou, a province that has demonstrated continuous strong retail growth for the past several years. The three newly acquired department stores have performed well during 2010, and continue to enjoy robust growth in both revenue and profit. With the success of this acquisition, our Group has plans to further bolster our presence in the region. Two additional department stores are planned. Both are located in prime locations in Guiyang, the provincial capital of Guizhou, with one department store scheduled for opening in 2011. Upon the opening of this department store and together with two other existing managed stores in Guizhou, our Group will be firmly entrenched with six department stores in operation during 2011. This will strengthen our dominance in this high-growth region in China.

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

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

## **Outlook**

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

To equip ourselves to take on attractive opportunities available in the market, our Group decided to broaden its sources of funding and extend its credit profile to tie in with its investment horizon. On 1 February 2011, our Group issued a 3-year RMB-denominated guaranteed bonds. The total amount of the bonds issued was RMB 750 million, at an annual coupon rate of 5.25%. The bonds were listed on the Singapore Stock Exchange and our Directors were encouraged that the bonds were very well received by international investors. The successful offering of the bonds signified a strong endorsement by investors to our Group's financial performance as well as its ability to deliver continuous and sustainable growth.

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

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

The Directors are satisfied and continue to be confident about our Group's development. The Board has decided to declare a year-end dividend of RMB 0.019 per share. With our financial resources supported by a prudent fiscal policy, our management team strives to execute our Group's expansion strategy, build a strong foundation and deliver satisfactory returns to our stakeholders in this exciting market.

## **Financial Overview**

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

In 2010, the Group's revenue grew by 17.0% reaching RMB 1,084.4 million and net profit grew by 33.5% reaching RMB 354.3 million, from RMB 927.0 million and RMB 265.4 million in 2009 respectively. Prior to restatement, the Group's revenue and net profit in 2009 were RMB 766.3 million and RMB 242.6 million respectively.

### **Revenue**

The Group's GSP reached RMB 3,638.5 million in 2010, increased by RMB 463.3 million or 14.6% from RMB 3,175.2 million of 2009, with a gross margin (combination of concessionaire and direct sales margins) of 19.7% in 2010 as compared with 19.9% in 2009. Concessionaire sales contributed approximately 92.2% of the total GSP and direct sales accounted for the remaining 7.8% compared with 92.5% and 7.5% in 2009 respectively. With this sales growth as well as the management income stream from Beijing Scitech Premium Outlet Mall, the Group managed to increase revenue by RMB 157.3 million or 17.0% to RMB 1,084.4 million as compared with 2009.

### **Other Income**

Other income increased by RMB 31.7 million or 28.1% to RMB 144.6 million as compared with 2009, which was mainly due to the interest income generated from the proceeds of the successful listing of the Company in 2009. As a percentage of revenue, other income rose from 12.2% to 13.3% as compared with 2009.

### **Purchase of Goods and Changes in Inventories**

The purchase of goods and changes in inventories include costs incurred for direct sales and changes in those inventories. Purchase of goods and changes in inventories were up by RMB 36.4 million or 19.8% to RMB 220.6 million as compared with 2009.

### **Employee Benefits Expense**

Employee benefits expense increased by RMB 22.3 million or 20.4% to RMB 131.9 million when compared with 2009. The increase was primarily attributable to a RMB 18.0 million of non-cash expense related to stock options granted to our employees. As a percentage of revenue, the employee benefits expense increased from 11.8% to 12.2% as compared with 2009.

### **Depreciation and Amortization**

Depreciation and amortization increased by RMB 3.9 million or 8.2% to RMB 51.5 million compared with 2009. This was mainly attributable to the depreciation of leasehold improvement on existing properties incurred in 2009.

### **Operating Lease Rental Expense**

Operating lease rental expense recorded at RMB 113.9 million, representing an increase of RMB 7.7 million or 7.3% when compared with 2009 - a growth rate which was lower than that of sales growth - due to a large proportion of rental expense being calculated on a fixed basis. As a percentage of revenue, operating lease rental expense decreased from 11.5% to 10.5% when compared with 2009.

### **Other Operating Expenses**

Other operating expenses increased by RMB 2.1 million or 1.0% to RMB 206.1 million. Excluding the listing expenses incurred in 2009 which was one-off in nature, other operating expenses would have increased by RMB 18.6 million or 9.9% as compared with 2009.

### **Finance Costs**

Finance costs decreased by RMB 19.7 million or 36.7% to RMB 33.9 million when compared with 2009. This was mainly due to the reduction in bank borrowings during the year.

### **Income Tax Charge**

The Group's income tax expense increased by RMB 38.6 million or 43.2% to RMB 127.9 million when compared with 2009. The effective tax rate in 2010 was 26.5%, which was higher than that of 25.2% in 2009 due to deferred tax liabilities relating to investment property and withholding tax.

### **Profit for the Year**

As a result of the improvement in revenue and better cost structure, despite the higher effective tax rate, the profit for the year reached RMB 354.3 million, representing an improvement of RMB 89.0 million or 33.5% as compared with 2009. As a percentage of revenue, profit for the year improved from 28.6% to 32.7% as compared with 2009.

### **Profit Attributable to the Owners of the Company**

Profit attributable to the owners of the Company increased by RMB 81.3 million or 32.1% to RMB 334.7 million when compared with 2009.

### **Liquidity and Financial Resources**

Bank balances and cash of the Group decreased by RMB 718.2 million or 33.9% to RMB 1,401.9 million when compared with 2009, which was mainly due to capital expenditure incurred for Xian Phase II project and acquisition of three department stores in Guizhou province.

The Group had RMB 1,095.7 million of borrowings as at 31 December 2010, 37.7% of the total borrowings is repayable within one year, 23.4% is repayable within two to five years and the remaining 38.9% is not repayable within one year but contain a repayment on demand clause. The increase in bank borrowings by RMB 413.5 million or 60.6% was mainly due to the additional loan financing of the Xian Phase II project during the year, as well as the acquisition of three department stores in Guizhou province in the second half of 2010.

### **Material Acquisitions**

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

### **Capital Commitments**

The capital commitments of the Group as at 31 December 2010 were RMB 589.6 million.

### **Net Current Assets and Net Assets**

The Group's net current liabilities as at 31 December 2010 were RMB 78.4 million compared with net current assets of RMB 810.0 million as at 31 December 2009. The decrease is mainly attributable to the cash payment in relation to capital expenditure for Xian Phase II project as well as a 5-year term loan of RMB 425.5 million raised for the acquisition of the three department stores in Guizhou province. This 5-year term loan is classified as current liabilities because it contains a repayment on demand clause. Net assets of the Group reached RMB 2,365.5 million as at 31 December 2010 due to increase in retained earnings of the Group.

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

### **Pledge of Assets**

As at 31 December 2010, certain of the Group's properties with an aggregate carrying amount of RMB 315.3 million (31 December 2009: RMB 457.4 million) were pledged as security for the bank loans of the Group.

### **Segment Information**

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

### **Employees**

As at 31 December 2010, the total number of employees for the Group was approximately 2,100. The Group's remuneration policies are reviewed annually, and are formulated according to the experience, skills and performance of individual employees, as well as market practice.

### **Contingent Liabilities**

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

### **Treasury Policies**

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

### **Purchase, Sale or Redemption of Listed Shares of the Company**

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

### **Code on Corporate Governance Practice**

In the opinion of the Directors, the Company had complied with the Code on Corporate Governance Practice, as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") for the year ended 31 December 2010.

### **Model Code for Securities Transactions**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules (the "Model Code"). The Directors have confirmed that they had complied with the standard set out in the Model Code for the year ended 31 December 2010.

**Announcement of Detailed Results**

The Company's annual report for the period 1 January 2010 to 31 December 2010 containing all the information required by Appendix 16 to the Listing Rules will be dispatched to shareholders and published on the Stock Exchange's website (<http://www.hkexnews.hk>) within the prescribed period under the Listing Rules. This announcement can also be accessed on the Company's website: [www.pcds.com.cn](http://www.pcds.com.cn).

**Audit Committee**

The Audit Committee of the Company has reviewed the annual results of the Group for the year ended 31 December 2010 and recommended its adoption by the Board.

**Annual General Meeting**

The 2011 Annual General Meeting of the Company will be held on 31 May 2011. Notice of the 2010 Annual General Meeting will be published and issued to the shareholders in due course.

By Order of the Board  
PCD Stores (Group) Limited  
Charlotte So  
Company Secretary

Hong Kong, 29 March 2011

*As at the date of this announcement, the Executive Directors of the Company are Mr. Alfred Chan, Mr. Edward Tan and Mr. Tony Lau; and the Independent Non-Executive Directors are Mr. Randolph Yu, Mr. Ainsley Tai and Mr. Li Chang Qing.*