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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)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2011

HIGHLIGHTS OF INTERIM RESULTS

- Same store sales growth of entire network of self-owned and managed stores was 24.2%
- Revenue grew at 12.8% reaching RMB 582.5 million
- EBIT increased to RMB 301.0 million, representing a y-o-y growth of 17.9%
- EBIT margin increased from 49.5% to 51.7%
- Earnings per share was RMB 4.29 cents
- Interim dividend declared was RMB 1.8 cents

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2011

The Board of Directors of PCD Stores (Group) Limited (the “Company”) is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2011 with comparative figures for the same period in 2010 as follows:

**For identification purpose*

CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2011

| | | Six months ended | |
|---|--------------|---------------------|-----------------------------|
| | <u>Notes</u> | <u>30 June 2011</u> | <u>30 June 2010</u> |
| | | RMB'000 | RMB'000 |
| | | (unaudited) | (unaudited and restated) |
| Revenue | 3 | 582,457 | 516,259 |
| Other income | 4 | 73,359 | 64,086 |
| Change in fair value of investment property | | 10,360 | 10,000 |
| Purchase of and changes in inventories | | (124,863) | (102,080) |
| Gain on disposal of a subsidiary | | - | 729 |
| Employee benefits expense | | (65,827) | (61,045) |
| Depreciation and amortisation | | (24,651) | (25,097) |
| Operating lease rental expense | | (54,455) | (56,678) |
| Other operating expenses | 5 | (95,415) | (90,833) |
| Finance costs | 6 | (41,253) | (14,572) |
| Profit before tax | | 259,712 | 240,769 |
| Income tax charge | 7 | (65,329) | (68,770) |
| Profit for the period | | <u>194,383</u> | <u>171,999</u> |
| Profit for the period attributable to: | | | |
| Owners of the Company | | 181,307 | 161,095 |
| Non-controlling interests | | 13,076 | 10,904 |
| | | <u>194,383</u> | <u>171,999</u> |
| Earnings per share | | | |
| Basic (RMB cents) | 9 | <u>4.29</u> | <u>3.82</u> |
| Diluted (RMB cents) | 9 | <u>4.29</u> | <u>3.82</u> |

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2011

| | Six months ended | |
|--|---------------------|-----------------------------|
| | <u>30 June 2011</u> | <u>30 June 2010</u> |
| | RMB'000 | RMB'000 |
| | (unaudited) | (unaudited and restated) |
| Profit for the period | 194,383 | 171,999 |
| Other comprehensive loss | | |
| Exchange differences arising on translation | - | (13,625) |
| Total comprehensive income for the period | <u>194,383</u> | <u>158,374</u> |
| Total comprehensive income for the period attributable to: | | |
| Owners of the Company | 181,307 | 147,470 |
| Non-controlling interests | <u>13,076</u> | <u>10,904</u> |
| | <u>194,383</u> | <u>158,374</u> |

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 JUNE 2011

| | <u>Notes</u> | <u>30 June 2011</u> RMB'000 (unaudited) | <u>31 December 2010</u> RMB'000 (audited) |
|---|--------------|---|---|
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | 10 | 1,936,371 | 1,888,499 |
| Prepayment for acquisition of property, plant and equipment | | 30,000 | 100,000 |
| Investment properties | 10 | 674,400 | 629,500 |
| Land use rights | | 61,398 | 62,404 |
| Interests in associate | | 1,500 | - |
| Long-term prepaid rentals | 11 | 1,122 | 702 |
| Loan receivable | | - | 100,000 |
| Deferred tax assets | | 10,412 | 12,105 |
| Restricted bank balances | | 12,000 | 12,000 |
| | | <u>2,727,203</u> | <u>2,805,210</u> |
| CURRENT ASSETS | | | |
| Inventories | | 51,491 | 47,083 |
| Prepayments, trade and other receivables | 11 | 136,251 | 105,204 |
| Land use rights | | 2,013 | 2,013 |
| Loan receivable | | 100,000 | - |
| Amounts due from related parties | 18(c) | 35,509 | 117,914 |
| Held-for-trading investments | 12 | 20,593 | 27,754 |
| Restricted bank balances | | 118,568 | 115,714 |
| Bank balances and cash | | 2,129,155 | 1,401,908 |
| | | <u>2,593,580</u> | <u>1,817,590</u> |
| CURRENT LIABILITIES | | | |
| Trade and other payables | 13 | 747,528 | 940,320 |
| Tax payable | | 27,873 | 43,871 |
| Dividend payables | | 15,031 | 52 |
| Borrowings - due within one year | 14 | 980,020 | 838,931 |
| Amounts due to related parties | 18(c) | 8,015 | 72,830 |
| | | <u>1,778,467</u> | <u>1,896,004</u> |
| NET CURRENT ASSETS (LIABILITIES) | | <u>815,113</u> | <u>(78,414)</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | <u>3,542,316</u> | <u>2,726,796</u> |
| NON-CURRENT LIABILITIES | | | |
| Borrowings - due after one year | 14 | 234,611 | 256,804 |
| Deferred tax liabilities | | 104,575 | 104,460 |
| Bonds payable | 15 | 741,821 | - |
| | | <u>1,081,007</u> | <u>361,264</u> |
| | | <u>2,461,309</u> | <u>2,365,532</u> |
| CAPITAL AND RESERVES | | | |
| Share capital | 16 | 144,271 | 144,271 |
| Share premium and reserves | | 2,302,027 | 2,196,493 |
| Equity attributable to owners of the Company | | 2,446,298 | 2,340,764 |
| Non-controlling interests | | 15,011 | 24,768 |
| | | <u>2,461,309</u> | <u>2,365,532</u> |

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2011

| | Attributable to the owners of the Company | | | | | | | Non-controlling | | Total |
|---|---|--------------------------|--------------------------|--------------------------------------|----------------------------------|--------------------------------|------------------------------|---------------------|----------------------|-----------|
| | Share capital RMB'000 | Share premium RMB'000 | Other reserve RMB'000 | Statutory surplus reserve RMB'000 | Share options reserve RMB'000 | Translation reserve RMB'000 | Retained earnings RMB'000 | Subtotal RMB'000 | interests RMB'000 | |
| At 1 January 2010 (restated) | 136,590 | 1,522,866 | (150,622) | 73,490 | 701 | - | 480,588 | 2,063,612 | 25,862 | 2,089,474 |
| Profit for the period (restated) | - | - | - | - | - | - | 161,095 | 161,095 | 10,904 | 171,999 |
| Exchange differences arising on translation | - | - | - | - | - | (13,625) | - | (13,625) | - | (13,625) |
| Total comprehensive income for the period | - | - | - | - | - | (13,625) | 161,095 | 147,470 | 10,904 | 158,374 |
| Issue of new shares | 7,681 | 367,151 | - | - | - | - | - | 374,832 | - | 374,832 |
| Recognition of equity-settled share option | - | - | - | - | 9,076 | - | - | 9,076 | - | 9,076 |
| Disposal of a subsidiary | - | - | - | - | - | - | - | - | (971) | (971) |
| Acquisition of additional interest in subsidiaries | - | - | (80,854) | - | - | - | - | (80,854) | (9,734) | (90,588) |
| Dividends paid by a subsidiary acquired through the business combination under common control | - | - | - | - | - | - | - | - | (11,445) | (11,445) |
| At 30 June 2010 (unaudited and restated) | 144,271 | 1,890,017 | (231,476) | 73,490 | 9,777 | (13,625) | 641,683 | 2,514,136 | 14,616 | 2,528,752 |
| At 1 January 2011 (audited) | 144,271 | 1,890,017 | (512,739) | 80,847 | 18,655 | (13,651) | 733,363 | 2,340,764 | 24,768 | 2,365,532 |
| Profit for the period | - | - | - | - | - | - | 181,307 | 181,307 | 13,076 | 194,383 |
| Total comprehensive income for the period | - | - | - | - | - | - | 181,307 | 181,307 | 13,076 | 194,383 |
| Recognition of equity-settled share option | - | - | - | - | 4,503 | - | - | 4,503 | - | 4,503 |
| Contributions from the Non-controlling shareholders | - | - | - | - | - | - | - | - | 2,450 | 2,450 |
| Dividends paid to non-controlling shareholders of subsidiaries | - | - | - | - | - | - | - | - | (25,283) | (25,283) |
| Dividends paid to the owner of the Company | - | - | - | - | - | - | (80,275) | (80,275) | - | (80,275) |
| At 30 June 2011 (unaudited) | 144,271 | 1,890,017 | (512,739) | 80,847 | 23,158 | (13,651) | 834,395 | 2,446,298 | 15,011 | 2,461,309 |

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30 JUNE 2011

| | Six months ended | |
|---|-------------------------|-----------------------------|
| | <u>30 June 2011</u> | <u>30 June 2010</u> |
| | RMB'000 | RMB'000 |
| | (unaudited) | (unaudited and restated) |
| NET CASH (USED IN) FROM OPERATING ACTIVITIES | <u>(81,304)</u> | <u>109,151</u> |
| NET CASH FROM (USED IN) INVESTING ACTIVITIES | | |
| Interest received | 12,236 | 5,062 |
| Loan receivable | - | (100,000) |
| Purchases of property, plant and equipment | (71,526) | (942,717) |
| Prepayment for acquisition of property, plant and equipment | 70,000 | (30,000) |
| Purchases of investment property | (34,540) | - |
| Repayment from related parties | 90,588 | 46,514 |
| Payment to related party | (2,032) | - |
| Investment in an associate | (1,500) | - |
| Proceeds from disposal of property, plant and equipment | 8 | 28 |
| Proceeds from disposal of a subsidiary | - | 8,115 |
| Increase in restricted bank balances | (2,854) | (23,988) |
| | <u>60,380</u> | <u>(1,036,986)</u> |
| NET CASH FROM FINANCING ACTIVITIES | | |
| Proceeds from issue of new shares | - | 374,832 |
| Interest paid | (22,933) | (14,615) |
| Payment of dividends to owner of the Company/non-controlling shareholders of subsidiaries | (90,579) | (11,445) |
| Contribution from non-controlling shareholders | 2,450 | - |
| New bank borrowings raised | 440,000 | 723,354 |
| Repayment of bank borrowings | (311,453) | (667,100) |
| Issuance guaranteed bonds | 750,000 | - |
| Bonds issuance cost | (9,375) | - |
| | <u>758,110</u> | <u>405,026</u> |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 737,186 | (522,809) |
| CASH AND CASH EQUIVALENTS AT 1 JANUARY | 1,401,908 | 2,120,115 |
| Effect of foreign exchange rate changes | (9,939) | (14,782) |
| CASH AND CASH EQUIVALENTS AT 30 JUNE, represented by | | |
| Bank balances and cash | <u><u>2,129,155</u></u> | <u><u>1,582,524</u></u> |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2011

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and with International Accounting Standard 34, Interim Financial Reporting.

In September 2010, the Group completed its acquisition of the entire issued share capital of Goal Gain Investments Limited (the "Goal Gain"), an investment holding company 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.

As described in the Company's annual consolidated financial statements for the year ended 31 December 2010, the acquisition of Goal Gain is regarded as a business combination under common control, the principles of merger accounting have therefore been applied. As a result, comparative information presented in the condensed consolidated income statement, consolidated statement of comprehensive income, statement of change in equity and statement of cash flows for the six months ended 30 June 2010 have been restated.

2. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies and methods of computation used in the condensed consolidated financial statements are the same as those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2010.

In the current interim period, the Group has applied, for the first time, a number of new or revised standards and interpretation ("new and revised IFRSs") issued by International Accounting Standards Board.

The application of the new and revised IFRSs has had no material effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

The Group has not early applied new or revised standards or amendments that have been issued but are not yet effective. The Group is in the process of making an assessment of the potential impact of these standards or amendments.

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:

| | Six months ended | |
|--|---------------------|---------------------|
| | <u>30 June 2011</u> | <u>30 June 2010</u> |
| | RMB'000 | RMB'000 |
| Commission income from concessionaire sales (Note) | 333,906 | 311,768 |
| Sales of goods | 162,319 | 132,160 |
| Rental income | 22,436 | 22,116 |
| Management consultancy service income | 63,796 | 50,215 |
| | <u>582,457</u> | <u>516,259</u> |

Note:

The commission income from concessionaire sales is analysed as follows:

| | Six months ended | |
|---|---------------------|---------------------|
| | <u>30 June 2011</u> | <u>30 June 2010</u> |
| | RMB'000 | RMB'000 |
| Gross revenue from concessionaire sales | 1,687,583 | 1,572,893 |
| Commission income from concessionaire sales | <u>333,906</u> | <u>311,768</u> |

4. OTHER INCOME

| | Six months ended | |
|---|---------------------|---------------------|
| | <u>30 June 2011</u> | <u>30 June 2010</u> |
| | RMB'000 | RMB'000 |
| Property management income | 9,863 | 11,540 |
| Advertisement and promotion administration income | 18,948 | 19,776 |
| Display space leasing income | 2,137 | 2,773 |
| Interest income | 19,562 | 8,642 |
| Credit card handling income | 11,532 | 10,504 |
| Changes in fair value of held-for-trading investments | 409 | 631 |
| Others | 10,908 | 10,220 |
| | <u>73,359</u> | <u>64,086</u> |

5. OTHER OPERATING EXPENSES

Other operating expenses are analysed as follows:

| | Six months ended | |
|---|---------------------|---------------------|
| | <u>30 June 2011</u> | <u>30 June 2010</u> |
| | RMB'000 | RMB'000 |
| Promotion, advertising and related expenses | 20,260 | 22,466 |
| Water, electricity and heating | 11,233 | 14,457 |
| Other taxes | 26,572 | 18,839 |
| Bank charges | 15,283 | 13,344 |
| Net foreign exchange losses | 903 | 1,513 |
| Others | <u>21,164</u> | <u>20,214</u> |
| | <u>95,415</u> | <u>90,833</u> |

6. FINANCE COSTS

| | Six months ended | |
|---|---------------------|---------------------|
| | <u>30 June 2011</u> | <u>30 June 2010</u> |
| | RMB'000 | RMB'000 |
| Interest expenses on: | | |
| Bank borrowings, wholly repayable within five years | 17,262 | 5,388 |
| Bank borrowings, not wholly repayable within five years | 6,389 | 9,184 |
| Bonds payable | <u>17,602</u> | <u>-</u> |
| | <u>41,253</u> | <u>14,572</u> |

7. INCOME TAX CHARGE

| | Six months ended | |
|---------------------------|---------------------|---------------------|
| | <u>30 June 2011</u> | <u>30 June 2010</u> |
| | RMB'000 | RMB'000 |
| The charge comprises: | | |
| PRC Enterprise Income Tax | 63,521 | 62,754 |
| Deferred tax | <u>1,808</u> | <u>6,016</u> |
| | <u>65,329</u> | <u>68,770</u> |

8. DIVIDENDS

During the current interim period, a final dividend of RMB1.9 cents per share in respect of the year ended 31 December 2010 (2009: Nil) was declared and paid to the owners of the Company. The aggregate amount of the final dividend declared and paid in the current interim period amounted to RMB80,275,000.

Subsequent to the end of the interim period, the Board of Directors determined that an interim dividend of RMB1.8 cents per share (2010: RMB1.5 cents per share) will be paid to the owners of the Company.

9. EARNINGS PER SHARE

| <u>Earnings</u> | Six months ended | |
|---|---------------------------------|---------------------------------|
| | <u>30 June 2011</u> RMB'000 | <u>30 June 2010</u> RMB'000 |
| Earnings for the purposes of basic and diluted earnings per share (profit for the period attributable to owners of the Company) | <u>181,307</u> | <u>161,095</u> |
| <u>Number of shares</u> | <u>30 June 2011</u> '000 | <u>30 June 2010</u> '000 |
| Weighted average number of ordinary shares for the purpose of basic earnings per share | 4,225,000 | 4,218,785 |
| Effect of dilutive potential ordinary shares relating to outstanding over-allotment options | <u>-</u> | <u>503</u> |
| Weighted average number of ordinary shares for the purpose of diluted earnings per share | <u>4,225,000</u> | <u>4,219,288</u> |

10. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTY

During the period, the addition of the property, plant and equipment of the Group amounted to RMB71,526,000 (six months ended 30 June 2010: RMB819,736,000), that are mainly related to construction and renovation of its department stores in order to expand and/ or upgrade its operating capabilities.

As at 30 June 2011, certain of the Group's buildings with an aggregate carrying amount of RMB299,675,000 (31 December 2010: RMB315, 268,000) were pledged as security for bank loans of the Group.

As at 30 June 2011, the Group is in the process of obtaining the property ownership certificate of a building with a carrying amount of RMB230,880,000 (31 December 2010: RMB238, 532,000).

10. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTY - continued

During the period, the addition of the investment property of the Group amounted to RMB34,540,000 (six months ended 30 June 2010: Nil).

The Group's investment property was fair valued by DTZ Debenham Tie Leung Limited ("DTZ") at 30 June 2011, an independent qualified professional valuer. 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. The resulting increase in fair value of investment property of RMB10,360,000 has been recognised directly in profit or loss for the six months ended 30 June 2011.

Certain of the investment properties of the Group were pledged as security for bank loans of the Group.

11. PREPAYMENTS, TRADE AND OTHER RECEIVABLES

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

| | <u>30 June 2011</u> | <u>31 December 2010</u> |
|---|-----------------------|-------------------------|
| | RMB'000 | RMB'000 |
| Trade receivables | | |
| within 60 days | 18,598 | 20,887 |
| 61 days to 120 days | 2,747 | 4,803 |
| 121 days to 360 days | 5,852 | - |
| Prepaid rentals | 4,122 | 3,702 |
| Advances to suppliers | 8,302 | 7,796 |
| Prepaid value-added tax | 25,975 | 9,178 |
| Advance to non-controlling shareholders | 14,049 | 12,665 |
| Others | <u>57,728</u> | <u>46,875</u> |
| | 137,373 | 105,906 |
| Less: Long-term prepaid rentals | <u>(1,122)</u> | <u>(702)</u> |
| | <u><u>136,251</u></u> | <u><u>105,204</u></u> |

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

12. HELD-FOR-TRADING INVESTMENTS

| | <u>30 June 2011</u> RMB'000 | <u>31 December 2010</u> RMB'000 |
|---|--------------------------------|------------------------------------|
| Debentures with fixed interest of 4.63% and maturity date on 11 September 2015 | 20,593 | 20,659 |
| Debentures with fixed interest of 7.4% and maturity date on 15 June 2011 | - | 7,095 |
| | <u>20,593</u> | <u>27,754</u> |

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

13. TRADE AND OTHER PAYABLES

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

| | <u>30 June 2011</u> RMB'000 | <u>31 December 2010</u> RMB'000 |
|---|--------------------------------|------------------------------------|
| Trade payables | | |
| Within 60 days | 310,638 | 466,895 |
| 61 days to 120 days | 26,219 | 15,171 |
| 121 days to 1 year | 6,311 | 8,577 |
| Over 1 year | 3,214 | 2,620 |
| | <u>346,382</u> | <u>493,263</u> |
| Payable for purchase of property, plant and equipment | 1,801 | 1,801 |
| Accruals | 10,975 | 7,721 |
| Accrued staff costs | 11,260 | 19,267 |
| Deposits from concessionaire suppliers | 31,587 | 30,900 |
| Customer prepaid gift cards | 203,444 | 253,227 |
| Other PRC tax payable | 13,108 | 36,051 |
| Advances from third parties | 63,019 | 54,475 |
| Bonds interest payables | 16,406 | - |
| Others | 49,546 | 43,615 |
| | <u>401,146</u> | <u>447,057</u> |
| | <u>747,528</u> | <u>940,320</u> |

14. BORROWINGS

| | <u>30 June 2011</u> RMB'000 | <u>31 December 2010</u> RMB'000 |
|---|--------------------------------|------------------------------------|
| Secured bank borrowings (Note) | 1,172,631 | 1,053,735 |
| Other borrowings | <u>42,000</u> | <u>42,000</u> |
| | <u>1,214,631</u> | <u>1,095,735</u> |
| Carrying amount repayable: | | |
| Within one year | 564,220 | 413,481 |
| More than one year, but not exceeding two years | 46,434 | 45,529 |
| More than two year, but not exceeding five years | 181,070 | 186,938 |
| More than five years | <u>7,107</u> | <u>24,337</u> |
| | 798,831 | 670,285 |
| 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) | <u>415,800</u> | <u>425,450</u> |
| | 1,214,631 | 1,095,735 |
| Less: Amounts due within one year shown under current liabilities | <u>(980,020)</u> | <u>(838,931)</u> |
| | <u>234,611</u> | <u>256,804</u> |

Notes:

The loans were secured by certain property, plant and equipment, investment property, land use right owned by the Group.

During the current period, the Group obtained new bank loans amounting to RMB440,000,000 (2010: RMB723,354,000) and repaid bank loans amounting to RMB311,453,000 (2010: RMB667,100,000).

15. BONDS PAYABLE

The Company issued RMB750,000,000 bonds with a term of three years on 2 February 2011. The fixed interest rate is 5.25% per annum, payable semi-annually in arrear on 1 February and 1 August each year.

The bonds use the effective interest method to amortised, and the effective interest rate is 5.79% per annum.

The movement of the bonds payable for the period is set out below:

| | <u>30 June 2011</u> | <u>31 December 2010</u> |
|--|-----------------------|-------------------------|
| | RMB'000 | RMB'000 |
| Issuance of bonds payable | 740,625 | - |
| Interest charge | <u>17,602</u> | <u>-</u> |
| Carrying amount at the end of the period | 758,227 | - |
| Less: Interest payables included in other payables shown under current liabilities | <u>(16,406)</u> | <u>-</u> |
| | <u><u>741,821</u></u> | <u><u>-</u></u> |

16. 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 2010, 30 June 2010, 1 January 2011 and 30 June 2011 | <u>5,000,000,000</u> | <u>25,000</u> |
| Issued and fully paid | | |
| Ordinary shares of US\$0.005 each | | |
| At 1 January 2010 | 4,000,000,000 | 20,000 |
| Issue of new shares on 5 January 2010 | <u>225,000,000</u> | <u>1,125</u> |
| At 30 June 2010, 1 January 2011, and 30 June 2011 | <u>4,225,000,000</u> | <u>21,125</u> |
| | <u>30 June 2011</u> | <u>31 December 2010</u> |
| | RMB'000 | RMB'000 |
| Presented as | <u>144,271</u> | <u>144,271</u> |

17. OPERATING LEASE COMMITMENTS

At the end of the reporting period, the Group was committed to making future minimum lease payments in respect of land and buildings rented under non-cancellable operating leases which fall due as follows:

| | <u>30 June 2011</u> | <u>31 December 2010</u> |
|---------------------------------------|---------------------|-------------------------|
| | RMB'000 | RMB'000 |
| Within one year | 96,223 | 87,489 |
| In the second to fifth year inclusive | 373,209 | 300,893 |
| Over five years | 809,911 | 284,821 |
| | <u>1,279,343</u> | <u>673,203</u> |

18. RELATED PARTY DISCLOSURE

(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 Tan (the "Chan family") |
| Century Ports Apparel (Xiamen) Ltd. 世纪宝姿服装(厦门)有限公司 | Company controlled by PIEL |
| Scitech Group Company Limited 赛特集团有限公司 | 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. 黛美服饰(厦门)有限公司 | Company controlled by the broader Chan family |
| Beijing Scitech Outlet Commerce & Trading Co., Ltd ("Beijing Scitech Outlet") 北京奥特莱斯商贸有限公司 | Company controlled by the broader Chan family |
| Vivienne Tam Fashion (Xiamen) Ltd. 韦薇服饰(厦门)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 |

18. RELATED PARTY DISCLOSURE - continued

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

| | Six months ended | |
|--|---------------------|---------------------|
| | <u>30 June 2011</u> | <u>30 June 2010</u> |
| | RMB'000 | RMB'000 |
| <u>Commission income</u> | | |
| Ports Fashion (Xiamen) Ltd. | 2,302 | 1,318 |
| Century Ports Apparel (Xiamen) Ltd. | 7,979 | 7,390 |
| Vivienne Tam Fashion (Xiamen) Ltd. | 223 | 131 |
| | <u>10,504</u> | <u>8,839</u> |
| <u>Management consultancy service income</u> | | |
| PCD Ruijing | 1,500 | 1,500 |
| Even Time | 8,298 | 4,772 |
| LDP | 18,000 | 18,000 |
| | <u>27,798</u> | <u>24,272</u> |
| <u>Rental expense</u> | | |
| Scitech Group Company Limited | 23,666 | 23,666 |
| | <u>23,666</u> | <u>23,666</u> |

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

| <u>Amounts due from related parties</u> | <u>30 June 2011</u> | <u>31 December 2010</u> |
|---|---------------------|-------------------------|
| | RMB'000 | RMB'000 |
| <u>Trade nature</u> | | |
| PCD Ruijing | 21,856 | 8,343 |
| LDP | 9,039 | 8,978 |
| Even Time | 4,357 | 3,948 |
| Beijing Scitech Outlet | - | 6,057 |
| Century Ports Apparel (Xiamen) Ltd. | 257 | - |
| | <u>35,509</u> | <u>27,326</u> |
| <u>Non-trade in nature</u> | | |
| LDP | - | 90,588 |
| | <u>-</u> | <u>90,588</u> |
| | <u>35,509</u> | <u>117,914</u> |

18. RELATED PARTY DISCLOSURE – 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>30 June 2011</u> RMB'000 | <u>31 December 2010</u> RMB'000 |
|-------------------------------------|--------------------------------|------------------------------------|
| <u>Trade in nature</u> | | |
| Century Ports Apparel (Xiamen) Ltd. | - | 17,253 |
| Ports Fashion (Xiamen) Ltd. | 2,814 | 4,268 |
| Scitech Group Company Limited | 3,151 | 38,803 |
| Vivienne Tam Fashion (Xiamen) Ltd. | 198 | 397 |
| PCD Ruijing | - | 10,077 |
| Beijing Scitech Outlet | 1,852 | - |
| | <u>8,015</u> | <u>70,798</u> |
| <u>Non-trade in nature</u> | | |
| LDP | - | 2,032 |
| | <u>8,015</u> | <u>72,830</u> |

- (d) Compensation of key management personnel

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

| | Six months ended | |
|-------------------------------------|--------------------------------|--------------------------------|
| | <u>30 June 2011</u> RMB'000 | <u>30 June 2010</u> RMB'000 |
| Short-term employee benefits | 2,318 | 2,433 |
| Post-employment benefits | 210 | 158 |
| Equity-settled share-based payments | 452 | 686 |
| | <u>2,980</u> | <u>3,277</u> |

19. CAPITAL COMMITMENTS

| | <u>30 June 2011</u> RMB'000 | <u>31 December 2010</u> RMB'000 |
|---|--------------------------------|------------------------------------|
| Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the condensed consolidated financial statements | <u>177,940</u> | <u>589,616</u> |

Management Discussion and Analysis

Business Review

In the first half of 2011 (“1H2011”), the Group continued to improve on its operations and prepare for the planning of new store openings for the next twelve months. The Board of Directors is pleased to announce that the Group experienced healthy growth in its business, recording same store sales growth of 15.4% for our network of self-operated stores network. When taking into account the entire network of self-operated and managed stores, same store sales growth would have increased by 24.2%. The Group’s revenue grew by 12.8% as compared with 1H2010, reaching RMB 582.5 million in 1H2011 with the EBIT growth rate at 17.9%. Net profits of the Group reached RMB 194.4 million, representing an increase of 13.0% over 1H2011. The Group’s after tax net profit to its shareholders was RMB 181.3 million, representing an increase of 12.5% as compared with the same period in 2010.

While the Group continues to look for potential acquisitions of prime retail sites for our department store expansion, our network of managed stores is showing solid improvement and is considered to be our prime acquisition targets. To equip the Group with financial resources to capture potential investment opportunities, we issued a RMB 750.0 million 3-year RMB-denominated guaranteed bond in February 2011. The successful issuance of the bonds helps diversify the Group’s funding sources and provides a longer tenure loan profile, which matches our investment horizon. Although in the short run, the Group would incur additional finance costs, nonetheless, the additional funding equips us with financial capabilities to promptly take on attractive opportunities available in the market, which will help the Group deliver stronger profit growth in future. We will announce any potential acquisitions to our shareholders when appropriate.

The Group primarily targets the high-end customer segment, therefore, significant amount of resources have been devoted to improve the VIP customer experiences. At our flagship Beijing store, we recently launched our top-tier “Black Card Program” for our super VIPs. Qualified customers with annual spending of over RMB 500,000 are invited to join the program. The Black Card Program aims to provide additional tailored services to our super VIPs, such as one-on-one concierge service and exclusive VIP events. Such program may be implemented in other parts of our network.

We continue to build our experiences and capabilities in developing our outlet mall business into a strong growth driver for the Company in the future. We are pleased to report to our shareholders that the growth momentum of the Beijing Scitech Premium Outlet Mall has remained strong since its opening. Despite increasing competition in the outlet mall business, the sales of our Beijing Scitech Premium Outlet Mall has grown at a rate of more than 70% for the first six months in 2011. The strong growth rate was a result of increasing market awareness of our outlet mall due to frequent marketing activities, improvements on the mall layout and hardware as well as the retail tenant mix and F&B (Food and Beverage) offerings. New brands added to our mall include Hugo Boss, Brooks Brothers, Aigle, Gant, Victorinox, Burgers & Beer, Yoshinoya and KFC. Many of the existing brands are performing well, and have requested expansion of their retail shops at the outlet mall. This bodes well for the future expansion of Phase 2 of the outlet mall.

Outlook

The Group is cautiously optimistic towards the second half of 2011 (“2H2011”). As evidenced by the global events in the past few months, the global economic environment is likely to remain volatile in the short run. Whilst we remain positive in the long-term growth prospect of China, the central government’s policy on credit tightening and inflation control may potentially trigger unforeseen adverse impact on the domestic consumption market. We will continue to work on the planned new store opening, improve the operations of our existing network of stores and invest in new projects with a cautious approach.

In the fourth quarter of 2011 (“4Q2011”), the Group targets to open 1 new department store in Guiyang and 1 outlet mall in Qingdao. These two projects will add approximately 80,000 square meters of gross floor area to our self-operated stores network. The new store in Guiyang will further solidify our dominance in the department store market in this high-growth region. The new outlet mall in Qingdao will mark our first foray into tier-2 cities in China with our outlet format and provide us with valuable market knowledge. The feedback from our potential tenants, including brands such as Trussardi Jeans, CK Jeans, Esprit, Nike, Adidas, Dairy Queen, Starbucks, etc, is encouraging.

Encouraged by the strong performance of our Beijing Scitech Premium Outlet Mall, the management has commenced preparation work in connection with the potential acquisition of this outlet mall from our parent company. The management will present and explain the proposal to the shareholders for approval when the progress of requisite works is sufficiently advanced for disclosure. We strongly believe that the outlet mall business will become a strong growth driver for the Group in the near future.

Looking ahead into 2012, we are planning to launch our PCD Shenyang Outlet and the enlarged PCD Xian Department Store (“PCD Xian”). PCD Xian will offer the most upscale shopping environment with a total gross floor area of more than 70,000 sqm while PCD Shenyang Outlet will be the first outlet mall in the city anchored with top-tier international brands. These projects will inject further growth momentum for the Group.

The Directors remain optimistic about the Group’s business and have proposed to declare an interim dividend of RMB 1.8 cents per share. With a prudent financial policy and expansion strategy, our Group continually strives to utilize its financial resources efficiently with the aim to increase profitability and earnings for our shareholders.

Financial Overview

In the first half of 2011 (“1H2011”), the Group’s revenue grew by 12.8% reaching Renminbi (“RMB”) 582.5 million, as compared to RMB 516.3 million for the first half of 2010 (1H2010”). With a continuous success in cost control, the Group achieved an increase of 17.9% in operating profit (i.e. earnings before interest and tax (“EBIT”)), giving an EBIT margin of 51.7% in 1H2011 as compared with 49.5% in the 1H2010.

With the issuance of a RMB 750.0 million 3-year RMB-denominated guaranteed bonds (“RMB Bond”) in February 2011, the Group is equipped financially to take on attractive investment opportunities available in the market.

Significant Change in Preparation Basis of Financial Statements

In September 2010, the Group acquired Goal Gain Investments Limited and its subsidiaries from our controlling shareholders, and therefore, the principles of merger accounting have been applied as the Group and Goal Gain were under common control. As a result, the consolidated financial statements of the Company for 1H2010 have been restated as if Goal Gain and its subsidiaries had been the subsidiaries of the Group throughout the period ended 30 June 2010, however, the accounting policies and methods of computation used are the same as those used in the preparation of the Group’s annual consolidated financial statement for the year ended 31 December 2010.

Revenue

The Group’s revenue grew by 12.8% to RMB 582.5 million, representing an increase of RMB 66.2 million as compared with 1H2010 (1H2010: RMB 516.3 million). In particular, the revenue stream from management consultancy services increased by RMB 13.6 million or 27.0% due to increasing contribution from Beijing Scitech Premium Outlet Mall and other new managed stores. Same store sales growth for the Group was 15.4% for the six months ended 30 June 2011. The Group’s gross sales proceeds (“GSP”) reached RMB 1,849.9 million in 1H2011, representing an increase of 8.5% or RMB 144.8 million compared with the same period last year (1H2010: RMB 1,705.1 million). The growth rate of GSP was lower than the same store sales growth rate due to the conversion of PCD Changchun into a managed store in December 2010, and thus, the GSP of PCD Changchun was not accounted for by the Group. Concessionaire sales contributed 91.2% of the total GSP and direct sales accounted for the remaining 8.8% in 1H2011 compared with 92.2% and 7.8% in the 1H2010, respectively. Gross margin (i.e. combination of concessionaire and direct sales margins) increased from 20.0% in 1H2010 to 20.1% in 1H2011.

Other Income

Other income increased by RMB 9.3 million or 14.5% to RMB 73.4 million as compared with RMB 64.1 million in 1H2010, which was attributable to the additional interest income. As a percentage of revenue, other income rose from 12.4% to 12.6% as compared with 1H2010.

Purchase of Goods and Changes in Inventories

The purchase of goods and changes in inventories include costs incurred for direct sales and changes in inventories. Purchase of goods and changes in inventories were up by RMB 22.8 million or 22.3% to RMB 124.9 million, as compared with RMB 102.1 million in 1H2010 due to the increase in sales of goods.

Employee Benefits Expense

Employee benefits expense increased by RMB 4.8 million or 7.8%, from RMB 61.0 million to RMB 65.8 million when compared with 1H2010. The increase was primarily attributable to the increase in employee salary due to tightened labour market in the PRC. As a percentage of revenue, the employee benefits expense decreased from 11.8% to 11.3% as compared with 1H2010.

Depreciation and Amortization

Depreciation and amortization decreased by RMB 0.4 million or 1.8%, from RMB 25.1 million to RMB 24.7 million as compared with 1H2010. The decrease was attributable to the exclusion of the depreciation expense on leasehold improvement of PCD Changchun as a result of converting the store into a managed store.

Operating Lease Rental Expense

Operating lease rental expense was RMB 54.5 million, representing a decrease of RMB 2.2 million or 3.9% when compared with 1H2010 (1H2010: RMB 56.7 million). The decrease was attributable to the exclusion of the operating lease rental expenses of PCD Changchun, as a result of its conversion into a managed store. As a percentage of revenue, operating lease rental expense decreased from 11.0% to 9.3% when compared with 1H2010 due to the large proportion of rental expense being calculated on a fixed basis.

Other Operating Expenses

Other operating expenses increased by RMB 4.6 million or 5.0%, from RMB 90.8 million to RMB 95.4 million as compared with the corresponding period last year. The increase was mainly attributable to the elimination of exemption of tax tariffs in 2011. As a percentage of revenue, other operating expenses decreased from 17.6% to 16.4% when compared with 1H2010.

Finance Costs

Finance costs increased by RMB 26.7 million or 183.1% to RMB 41.3 million when compared with 1H2010 (1H2010: RMB 14.6 million). This was mainly due to the increase in interest expenses related to additional bank borrowings to finance the acquisition of Guizhou stores in September 2010 as well as the issuance of RMB Bond in February 2011.

Income Tax Charge

The Group's income tax expense decreased by RMB 3.4 million or 5.0% to RMB 65.3 million when compared with 1H2010 (1H2010: RMB 68.8 million). The effective tax rate in 1H2011 was 25.2%, which was lower than that of 28.6% in 1H2010 due to one-off tax expense incurred in 1H2010.

Profit for 1H2011

As a result of the improvement in revenue and cost structure, despite the increase in finance cost, the profit for 1H2011 reached RMB 194.4 million, representing an improvement of RMB 22.4 million or 13.0% as compared with 1H2010 (1H2010: RMB 172.0 million). As a percentage of revenue, profit for 1H2011 decreased slightly from 33.3% to 33.4% as compared with 1H2010 due to the increase in finance cost.

Profit Attributable to the Owners of the Company

Profit attributable to the owners of the Company increased by RMB 20.2 million or 12.5% to RMB 181.3 million, as compared with the same period last year (1H2010: RMB 161.1 million).

Liquidity and Financial Resources

Bank balances and cash of the Group increased by RMB 727.2 million or 51.9% to RMB 2,129.2 million when compared with 1H2010 (1H2010: RMB 1,401.9 million), which was mainly due to the cash proceed received from the issuance of RMB Bond in February 2011.

The Group had RMB 1,956.5 million of borrowings as at 30 June 2011, 28.8% of the total borrowings was bank borrowings repayable within one year; 12.0% was bank borrowings repayable within two to five years; 21.3% was bank borrowings not repayable within one year but contain a repayment on demand clause; and the remaining 37.9% was bond payable due in January 2014. The increase in outstanding loan of RMB 860.7 million or 78.6% was mainly due to the issuance of RMB Bond in February 2011.

Capital Commitments

The capital commitments of the Group as at 30 June 2011 were RMB 177.9 million.

Net Current Assets and Net Assets

The Group's net current assets as at 30 June 2011 were RMB 815.1 million compared with net current liabilities of RMB 78.4 million as at 31 December 2010. The increase in the net current assets was mainly attributable to the cash proceed received from the issuance of RMB Bond in February 2011. Net assets of the Group reached RMB 2,461.3 million as at 30 June 2011 compared with net assets of RMB 2,365.5 million as at 31 December 2010 due to the increase in retained earnings of the Group.

The gearing ratio as at 30 June 2011 was 0.80, which was calculated by dividing total borrowings by total equity.

Pledge of Assets

As at 30 June 2011, certain of the Group's buildings with an aggregate carrying amount of RMB 299.7 million (31 December 2010: RMB 315.3 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 30 June 2011, the total number of employees for the Group was approximately 2,150. The Group's remuneration policies are reviewed annually, and are formulated according to the experiences, skills and performance of individual employees, as well as market practices.

Contingent Liabilities

As at 30 June 2011, the Group did not have any significant contingent liabilities.

Treasury Policies

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

Purchase, Sale or Redemption of the Company's Listed Securities

During the six months ended 30 June 2011, the Company had not redeemed, and neither the Company nor any of its subsidiaries had purchased or sold, any of the Company's listed securities.

Acquisitions, Disposals of Subsidiaries and Associated Companies

The Group did not engage in any material acquisitions or disposals of any subsidiaries or associated companies in the six months ended 30 June 2011.

Significant Events

There have been no significant events affecting the Group which have occurred since the 1H2011. There have been no material changes in the development of the business of the Group during the financial period and of their financial position as at 30 June 2011 and there have been no material changes in respect of likely future developments in the business of the Group, including the Company's prospects for the current financial year.

Review of Accounts

The unaudited condensed consolidated accounts of the Company and its subsidiary companies for the six months ended 30 June 2011 have been reviewed by the Company's auditor, Deloitte Touche Tohmatsu, in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. The auditor's independent review report will be included in the Interim Report to shareholders. The unaudited condensed consolidated accounts of the Company and its subsidiary companies for the six months ended 30 June 2011 have also been reviewed by the audit committee of the Company.

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

Compliance with the Code on Corporate Governance Practices

The Company is committed to maintain the highest levels of corporate governance. During the six months ended 30 June 2011, the Company has been in full compliance with the code provisions of the Code on Corporate Governance Practices contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

Compliance with the Model Code for Securities Transactions by Directors of Listed Issuers

The Board has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules as the Group's code of conduct regarding Directors' securities transactions. All Directors of the Company have confirmed that throughout the six months ended 30 June 2011, they have complied with the provisions of the Model Code.

Closure of Register of Members

The register of the Company will be closed from 26 October 2011 to 28 October 2011, both days inclusive. In order to qualify for the interim dividend, all transfers, accompanied by the relevant share certificates, must be lodged with the Company's share registrars, Computershare Hong Kong Investor Services Limited, at Rooms 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on 25 October 2011.

Audit Committee

An Audit Committee ("Committee") has been established by the Company to review and supervise the financial reporting process and internal control procedures of the Group. The Committee has reviewed the Group's results for the period 1H2011. The Committee comprises the three independent non-executive directors of the Company.

Announcement of Detailed Results

The 2011 Interim Report for the period 1 January 2011 to 30 June 2011 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. This announcement can also be accessed on the Company's website: www.pcds.com.cn.

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

By Order of the Board
Charlotte So
Company Secretary

Hong Kong, 25 August 2011