



INTRODUCTION

In 2008, China's economy forged ahead among difficulties and fluctuations. In addition to the external strike of global financial crises and global economic slowdown triggered by the American subprime mortgage crisis, China's economy suffered from many domestic strikes. The Group overcame the external pressure, by unitized dedication, its operational results maintained stable rapid growth. We are pleased to report that in 2008, the sales proceeds of the Group recorded RMB 6,249.0 million, representing a year-on-year increase of 28.6%. The same store sales growth maintained its leading position in the industry with an increase of 21.5%. Net profit attributable to shareholders increased by 60.1%.

INDUSTRY OVERVIEW

According to the economic statistics of 2008 published by the National Bureau of Statistics of China, the PRC economy experienced a slowdown after a robust development during the year, with a year-on-year increase of 9% in the gross domestic product ("GDP") which was the lowest growth in the past seven years. On the other hand, total retail sales of consumer goods for the year recorded a year-on-year increase of 21.6% as compared to 2007, being the highest growth since 1996. After excluding the factor of inflation, actual growth of the total retail sales of consumer goods for the year 2008 was 14.8%, representing an increment of 2.3 percentage points as compared to that of 2007, and 5.8 percentage points higher than GDP growth rate. These figures show that domestic consumption has driven economic growth of the PRC.

The GDP and the total retail sales of consumer goods of Jiangsu province, where the Group is in its leading market position, increased 12.5% and 23.3% respectively as compared to that of last year. The disposable income per capita of urban residents of Jiangsu province recorded a year-on-year increase of 15.5%. The economic development of Jiangsu province surpassed the average level of the country, with its size of economy ranked third in the country.

In 2008, in order to stimulate economic growth, the PRC government promulgated a series of policies, such as implementing prudent yet flexible monetary policy to reduce the costs of business operations, introducing additional large scale infrastructure construction projects to promote domestic demand, increasing the disposable income of urban residents to stimulate consumption and expand domestic demand as well as increasing tax rebates to stabilize export, with the aim of ensuring the stable yet rapid development of the economy.

OUTLOOK

The economic turbulence resulted from the financial crisis and its impact on the economy cannot be recovered in the near future, which exposes the PRC economy to a challenging environment in 2009. It is expected that the PRC government will continue to promulgate financial and monetary policies to stimulate the economy, and to encourage domestic demand and stabilize external demand. Through adopting stronger measures to expand domestic consumption, the PRC government aims to promote the economic development.

As the impact of financial storm continues, it will certainly be challenging to maintain business growth in the short term. However, we are still confident in the future growth of the China's economy. The rise of middle class and the sustainable growth of the disposable income of citizens will be the growth driver of the department store sector.

In 2009, the Group will continue to focus on the growth of the existing stores and enlarge market share by maintaining competitive brands portfolio, carrying out creative promotion campaigns and enhancing loyalty of the VIP customers. Meanwhile, the Group will implement effective cost control to improve its profitability. Besides, through merger and acquisition, self-owned and leased properties, the Group will continue to open new stores and, in particular, the Group will further expand its stores in the areas where our brand awareness was established, so as to strengthen our market position. Besides, the Group will continue to promote information-based management and optimize the operation flow, in order to lower costs, improve efficiency, strengthen teamwork and service consciousness, so as to establish good corporation environment.

I would like to express my appreciation for the hard work and contribution of the Board, the management and the entire staff team of the Group. I would also like to express my sincere appreciation for the kind support of the Shareholders, suppliers, business partners, relevant government departments and our loyal customers. In 2009, the management and the entire staff team of the Group will continue to collaborate with each other to overcome the challenge, so as to optimize corporate value and Shareholders' returns.

Golden Eagle Retail Group Limited

Wang Hung, Roger

Chairman

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