



Enrich life with styles!

In 2008, with the endeavors of the entire staff team, the Group continued to maintain a prudent growth despite the challenging operating environment. We hereby report that in 2008, the Group's gross sales proceeds amounted to RMB6,249.0 million, representing a year-on-year increase of 28.6%. Profit of the year reached RMB617.7 million, representing a year-on-year increase of 60.1%. Earnings per share were RMB0.341, representing a year-on-year increase of 60.8%. In 2008, the Group continued to steadily expand its chain stores, with Jiangsu Huai'an Store and Yancheng Store opened during the year. Thus, the total number of stores increased to 12 from 10, with the total GFA increase to approximately 400,000 sq. m from approximately 290,000 sq. m, representing an increase of 37.9% of store area.

BUSINESS REVIEW

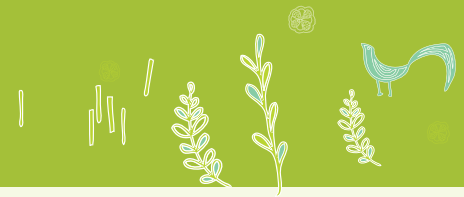
In order to upgrade the brands' performance, each chain store of the Group carried out spring and autumn adjustments by re-defining merchandise mix, reorganising and upgrading brand mix and revamping sales counters according to the change of needs of our target customers and the performance of the brands. In addition, in order to improve the shopping environment to cater for the needs of individual stores and further enhance the comfort of our stores and customer satisfaction, Yangzhou Store has carried out interior renovation to increase its operating areas, Nantong Store has carried out exterior renovation and other chain stores has also carried out certain enhancement renovations during the year.

Driven by the strong purchasing power of customers and the continuous improvements of the Group's brand mix, the Group's average sales per ticket in 2008 amounted to RMB498, representing a year-on-year increase of 9.7%. In response to the slowing PRC macro-economy and the weakening consumption confidence of our target customers, the Group placed more efforts in expediting sales of its stores by strengthening promotion and organising distinctive marketing campaigns. The number of sales tickets throughout the year 2008 increased approximately 17.4% on a year-on-year basis. The Group's same store sales growth and sales per unit area growth were maintained at a relatively high level.

During the year under review, the Group continued to focus on the enhancement and development of its VIP programme. By providing various value-added services to its VIP customers, the loyalty of the VIP customers was further strengthened and sales contributed by VIP customers to total gross sales proceeds ("GSP") of the Group were further increased. As at 31 December 2008, the Group had over 600,000 VIP customers, and sales attributable to VIP customers contributed approximately 64.6% of the Group's total GSP.

We have strengthened day-to-day communications with our suppliers to ensure that we have sufficient inventories on hand to capture the everchanging market opportunities. In 2009, the Group will further expand its scale of self-operated purchasing operation, with the focus on the purchase of seasonal merchandise and concessionary priced merchandise, enabling us to have different categories and varieties of inventories to cope with the current economic environment in an active manner.

In order to facilitate the Group's development and to reinforce the management over and the cooperation between chain stores, the Group will further enhance its organization structure through recruitment of talents, job rotation and promotion for employees in each functional department.



EXPANSION OF NEW STORES

The Group continued to open new stores to reinforce its leading market position in Jiangsu province. Huai'an Store, which is located at the core business area of Huai'an city, commenced its soft opening on 28 August 2008. The performance of Huai'an Store met our expectation and it has successfully positioned itself as a mid-to-high end department store and became a favoured location for customers with high purchasing power. On 28 December 2008, Yancheng Store commenced its soft opening. The store recorded approximately RMB4 million of GSP on its first day of operation. Yancheng Store currently houses approximately 500 well-known international and domestic brands and about half of them are exclusive brands first entering Yancheng.

The Group also continued to strengthen its leading market position in Nanjing city. In order to create a favorable environment for Nanjing Zhujiang Store to further enrich its brand categories and diversify its brand mix, the Group has, on 29 December 2008, entered into a supplemental leasing agreement with a related party, pursuant to which the leased area of Nanjing Zhujiang Store has been increased to approximately 24,500 square meters. The additional leased area of Nanjing Zhujiang Store is expected to commence business in May 2009. Nanjing Orient Department Store has become the management store of the Group since 1 January 2009. Nanjing Orient Department Store, located at the core business circle of Nanjing Xinjiekou, has successfully introduced various well-known international brands, such as GUCCI, EMPORIO ARMANI, FENDI, CHANEL, ROLEX and LANCOME into the store.

With the entering of the Yangzhou Second Store and Shanghai Store lease agreements, the expansion plan of new stores in 2009 is underway as scheduled. Yangzhou Second Store will be located at Yangzhou New Area and is currently under various pre-opening preparation works. The Group wishes to further expand its operating scales and to strengthen its market share in Yangzhou city through the opening of Yangzhou Second Store. Shanghai Store will be located at West Nanjing Road, the prime business circle in Shanghai. The Group wishes to make use of the Shanghai Store to commence its self-operated business in Shanghai city and to create a platform for the Group to cooperate with international brands. Various renovation and preparation works of the Shanghai store are carrying out as scheduled. It is expected these two stores will commence business in the second quarter of 2009.

OUTLOOK

In 2009, the global economy is overcasted by uncertainties. However, there is no doubt that governments of most major countries have implemented various policies to stimulate economic growth, so as to overcome the challenges of global economic recession. In order to accelerate the recovery of the economy, the PRC government has promulgated several monetary and financial policies together with revival plans for some major industries to boost economic growth. While the country's export is being affected, the PRC government will definitely expand further the domestic demand in order to facilitate economic growth. The PRC government will also implement various measures to expand domestic demand, such as improving employment rate and increasing disposable income of residents. The management believes that in light of the endeavour of the PRC government in various aspects, the economic environment in the PRC will gradually improve in the year of 2009. Increasing domestic demand and disposable income of its residents will bring positive impact on the Group's business growth.



Report of the Chief Operating Officer

The Group will continue to work on the preparation and renovations of the Yangzhou Second Store and Shanghai Store in order to ensure that these two stores will commence business as scheduled. We will enhance the productivity and profitability of existing stores by implementing a number of strategies, including strengthening of budget management and cost control, facilitating co-operation contracts and adopting innovative management approach. In addition, we will improve the performance of our new stores through effective brand portfolio management and promotion campaigns, so as to shorten their cultivated period and increase their contribution to the Group.

The Group will continue to expand its chain store by strengthening its coverage within Jiangsu province, including Nanjing city, and establish a strategic network in neighbouring provinces, such as Anhui and Shandong. At the same time, we will continue to identify potential merger and acquisition targets which satisfy the Group's requirements in respect of development strategy, shop location and capital return.

We will put effort on both training and nurturing of qualified person at each level and devotion of corporate human resources. We will carry out long-term and systematic training for our staffs to enhance their overall management quality and professional skills, so as to build up a necessary base of qualified person for our strategic expansion in order to capture the coming economic growth cycle.

I would like to take this opportunity to extend my gratitude to our shareholders for their attention and confidence in the Company. I would also like to express my sincere appreciation for the hard work of the board, senior management and staff as well as our business partners who showed strong support to us. 2009 is a challenging year, but all staff members of the Group are fully confident of the future. We believe that with the concerted efforts of the staff, the support and trust of our business partners and the exertions of our management in propelling business development, we shall achieve excellent results and performance and maximise the returns for our shareholders.

Golden Eagle Retail Group Limited

Zheng Shuyun

Chief Operating Officer

25 March 2009