

Chairman's Statement

1. INTRODUCTION

2006 has been a distinguished year in the development of the Group:

We have engaged Warburg Pincus as our strategic investor;

We have arranged and prepared for an overseas listing;

We have prepared for the opening of two new stores in Wenzhou and Jinhua;

We have entered into a joint venture agreement with Lotte Shopping Company Limited ("Lotte"), a leading department store operator in Korea;

We have ventured outside of Zhejiang province and invested in Wuhan Department Store Group Co. Ltd. ("Wushang"), the largest department store group in Hubei province.

Passing through eight years of development and keeping with our operating motto "Bring you a new lifestyle", the Group has gradually developed into the largest department store chain in Zhejiang province. We currently own one store each in Hangzhou, Wenzhou and Jinhua, and two in Ningbo. Meanwhile, the Group has during 2006 acquired equity interests which as of 31 December 2006 amounted to 29.88% and 22.62% respectively in Baida Group Co., Ltd. ("Baida") and Wushang respectively. Our subsidiary Zhejiang Intime Department Store Co., Ltd. ("Zhejiang Intime") entered into an agreement with Lotte to jointly operate a department store to be located at the prime location in Wangfujing, Beijing.

The Group implemented its listing plan during the year and successfully completed its initial public offer and the Company was listed on the Stock Exchange on 20 March 2007.

On behalf of the board (the "Board") of directors of the Company (collectively, the "Directors", each a "Director"), I am pleased to present the first annual results of the Group since its listing on the Stock Exchange to the shareholders and announce that the performance of the Group in 2006 surpassed the profit estimate set out in the Prospectus:

The Group's revenue in 2006 was approximately RMB676,342,000, representing an increase of approximately 42% over the previous year. Consolidated profit attributable to equity holders of the Company was approximately RMB206,406,000, representing an increase of approximately 140% over the previous year. Basic earnings per share was approximately RMB0.15.



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2. INDUSTRY

During the last twenty years, the PRC economy has undergone immense growth. With the rapid development of the economy, disposable income of urban residents has been rising continuously, which the Company believes will provide unprecedented opportunities for the development of the department store industry.

At the end of 2004, to fulfill its commitments relating to its entry into the World Trade Organisation, the PRC government significantly relaxed the restrictions on foreign investment in China's retail industry, which intensified the already keen competition in the PRC department store industry and the retail market. Nevertheless, the fact that the department store industry has experienced a prosperous era has demonstrated extensive space for development and exhilarating prospects to the Group.

3. STRATEGIES

To take advantage of development opportunities in the PRC department store industry, the overall strategies of the Group include capitalizing its strengths to expand its presence in Zhejiang; conducting selective acquisitions to enlarge regional predominance; establishing a nation-wide chain on the foundation of multi-regional predominance.

Since regionalization is the characteristic of the supplier network in the PRC's department store industry, the Group has based itself in Zhejiang province, one of the most affluent provinces in China. Based on its existing leading position within the region, the Group will further expand its presence within the province. Meanwhile, the Group will also seek targets to selectively acquire the assets, properties and business of attractive department stores outside the province when opportunities arise, with the aim of spreading existing regional predominance over such newly-entered regions and to gradually establish a nation-wide chain through leveraging on our leading positions in other regions.

4. OPERATIONS

During the year, the Group intensively focused on establishing the Intime brand name and developing its three existing stores within the province. With enhanced results of the department stores and strengthened core management capabilities, the Group has reinforced its leading position in the department store industry in Zhejiang province. In the meantime, the Group actively sought development opportunities and successfully opened its Jinhua Fuhua store and Wenzhou Shimao store in early 2007. In addition, the Group cooperated with a foreign leading partner, Lotte, the largest department store operator in Korea, by entering into a joint venture agreement to jointly own and operate a department store located in Wangfujing, Beijing with the aim to acquire advanced management expertise from Lotte and thus further improve the management capabilities of the Group.

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5. PROSPECTS

Looking into 2007, the Group will consistently implement its established development strategy to expand its presence in Zhejiang, which is to prepare for the opening of additional stores. In addition to further strengthening its leading position in the department store industry in Zhejiang, the Group will strive to obtain more influence on the companies in which it holds minority investments and explore opportunities for business integration.

6. APPRECIATION

As the chairman of the Board (the "Chairman") and on the behalf of the Directors, I would like to express my sincere gratitude to our excellent senior management and all our diligent staff. In addition, having held hands with Intime Department Store for eight years, I would also like to thank all of our shareholders, customers and suppliers on behalf of the Company for their continue support and trust.

Based on our past impressive performance, we will continually endeavour to create more brilliant achievements and strive to maximize shareholder value.

Shen Guojun

Chairman