



Introduction

This is the first annual report of Golden Eagle Retail Group Limited (the "Company" and together with its subsidiaries, the "Group") since its successful listing on the Main Board of The Stock Exchange of Hong Kong Limited (the "Listing") on 21 March 2006 (the "Listing Date"). We are pleased to report that, thanks to the dedication of the staff and the support from the business partners, the Company realised substantial improvements in both the results and the internal management of the Group. We hereby report that we recorded a 35.7% and 145.7% growth in gross sales proceeds and net profits attributable to our shareholders for the year respectively.

Business History

Golden Eagle's department stores' operation commenced in Nanjing, the PRC in 1996 and the chain store network has been established since 2000. Leveraging on the management, human resources and business relationship with suppliers, the Group expanded its department stores operation to Shaanxi Province in 2005, reaching a milestone for its nationwide expansion.

With the motto "we do better than we promise" and customer-oriented concepts, our department stores have strived to increase customer loyalty towards the "Golden Eagle" brand name by continuously improving our brand image, brand mix, merchandise selections and shopping environment, and offering the highest quality of services to our customers and shoppers. As at 31 December 2005, the Company has over 260,000 VIP members and the percentage of their purchases accounted for nearly 60% of the gross sales proceeds of the Group.

The Group's management team comprises outstanding management personnel from the United States, Japan, Taiwan, Hong Kong and the PRC, thereby integrating international vision of management with localised operating strategies. This enables us to further develop and expand in a highly competitive environment.

CHAIRMAN'S STATEMENT

There is no question that over a decade of operation, we have become one of the medium- to high-end chain department store operators with large operation scale and strong profitability.

Industry Overview

The department store retailing industry of the PRC has undergone major reforms and developments since late 2004. Since 11 December 2004, the retailing industry of the PRC has fully opened up for foreign enterprises to operate in the PRC retailing market and the competitive environment of the industry experienced significant changes due to the fierce competition. Meanwhile, the effective growth in total retail sales of consumer goods for 2005 reached about 12.9%, representing a record high since 1997. The strong purchasing power of PRC residents provides a solid foundation for the development of the department store retailing industry.

One of the PRC government's long-term economic policies is to stimulate consumption and domestic demand. With the persistent increase in the average residents' income in the PRC and the resulting robust demand in luxury goods and medium- and high-end consumer goods, retailing enterprises for premium and stylish merchandises will be benefited from such policy and the prospects for the retailing industry in the PRC is believed to be promising.

Outlook

Looking forward, the momentum of economic development of the PRC will continue to be strong and there will be increasingly fierce competition in the department store retailing industry, thus presenting both opportunities and challenges to the Group's business in the forthcoming years.

In view of the anticipated prosperous development of the PRC economy, we will continue to capitalise on our unique edge and expand our chain network to prime shopping locations in cities with rapid economic growth by means of mergers and acquisitions and/or purchase of properties. We will also make even greater effort in developing and enhancing our enterprise resources planning system and internal management, so as to sustain the development of the Group and create greater value for our shareholders.

On behalf of the Board, I would like to express my sincere gratitude towards our staff for their dedication and contributions, as well as our shareholders and business partners for their remarkable support. Last but not least, I would also like to thank our Board members and senior management for their full contributions to value creation.

Wang Hung, Roger

Chairman

24 April 2006