

In 2005, the rapid and stable development of the PRC economy and continued consumer confidence contributed to the outstanding results of the Group. For the year ended 31 December 2005, operating results of the Group maintained its rapid trend of growth, with strong improvements in terms of our gross sales proceeds, turnover and net profit.

### Corporate Development

With the joint effort by our staff and professionals, the Company achieved great success during the initial public offering of its shares in March 2006. The Hong Kong public offer tranche of our initial public offering was oversubscribed by more than 300 times. The listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") took place on 21 March 2006 and raised over HK\$1 billion net proceeds, which would mainly be utilised for the opening of new chain stores in order to further expand the Group's chain store network in the PRC and the enhancement of the operating results of our existing stores.

The success of our listing on the Stock Exchange would promote the domestic and international awareness of the our brand name "Golden Eagle", the strategic partnership with business partners of renowned brands and the expansion of the Group in selected target cities.

### Business Review

In order to offer stylish and premium merchandise for our customers, we have strived to adjust and improve our merchandise and brand mix. During the year, our chain stores' merchandise mix reshuffle was conducted in spring and autumn by phasing out brands with unsatisfactory performance, adjusting merchandise mix and designing new and stylish images for brand counters.

We also focused on improving the shopping environment in our stores. During the year, our chain stores underwent renovations according to their respective circumstances, aiming at providing customers and shoppers with an elegant and comfortable shopping environment.

The broadening of VIP customer base is another emphasis of the Group. As at 31 December 2005, by extending and promoting VIP value-added services, which served for the purpose of increasing our VIP customers' loyalty and satisfaction, there were over 260,000 VIP customers and the percentage of VIP customers' purchases accounted for nearly 60% of our gross sales proceeds.

With the aim of improving customer service, catering to customers' needs and developing more value-added services, Nanjing Xinjiekou Store has increased the number of value-added services offered from 26 to 32 and such services will be extended to other chain stores of the Group in the near future.

By enhancing working efficiency via training and recruiting of our staff, we are able to lay a solid foundation for its sustainable and healthy development of the Group.

### Outlook

The satisfactory performance in 2005 and the established development and competitive edge have set the foundation for the further expansion of our chain network of department store operation by way of opening of new store and mergers and acquisitions.

## PRESIDENT'S STATEMENT

The soft opening of the Group's new Xi'an Gaoxin Store took place on 18 April 2006. The commencement of operation of the store, with a gross floor area of about 27,000 sq.m., strengthened our presence in the northwest region of the PRC and our plan for nationwide expansion. We believe that our healthy financial and cash position and good business relationship with financial institutions provide stable financial support for our further expansion.

Throughout our decade of operating history, we have established good business relationship with numerous renowned brand suppliers in the PRC and overseas. Looking forward, we will continue to improve our relationship with our business partners and provide them with better services so as to achieve a win-win situation. The Company, as always, fine-tunes and improves our merchandise selection and brand mix by closely monitoring the changes in the needs, tastes and preferences of our customers, and by introducing premium merchandise to meet our customers' requirements, thereby achieving promising results for the Group.

As disclosed in the prospectus of the Company dated 8 March 2006 (the "Prospectus"), the Group will set aside about HK\$30 million for the improvement in the exterior and interior decorations of our stores in order to provide our customers and shoppers with an elegant and comfortable shopping environment. The Group will maintain its focus on upgrading our quality of service. By extending our VIP value-added services and improving store convenience services, we aim at providing customers with unique shopping experience.

As disclosed in the Prospectus, the Group will utilise about HK\$30 million for the upgrade of hardware and software of our enterprise resources planning system, so as to enhance the function of the system and thus provide accurate data for the operation decision-making process in an efficient manner.

It is believed that human resources are critical for the Group's development. In this regard, the Group will devote more resources to staff training in 2006. Improvement in quality and skill of services enable us to provide better quality service for our customers and achieve mutual development of our staff and the Group.

We believe that with our dedicated effort, the "Golden Eagle" brand name will be more widely recognised by consumers looking for stylish and premium merchandises, and we will become one of the leading department store operators in the PRC.

I would like to take this opportunity to express my deep gratitude for the support from our business partners, contributions from our staff, commitments from our senior management, as well as guidance and direction from the Board, all of which contributed to the success of the Group. I would also like to thank our shareholders for their confidence in the Company. The outstanding results of 2005 will drive us in placing an even greater effort to another milestone year for the Group. We firmly believe that the joint effort of our staff, the strong support from our business partners and the loyal service of our management will shape the promising future for our development and maximise the returns for our shareholders.

**Kawauchi Takuya**

*President*

24 April 2006