

INTRODUCTION

This is the second annual report published since our listing on the Main Board of the Stock Exchange on 21 March 2006. We are pleased to report that with the hard work of the management and staff of the Company and the support of business partners, the Group posted continued growth in results of 2006 with important breakthroughs in the expansion of store chain as well as improvement in internal management and services. We hereby report that the gross sales proceeds of the Group for the year 2006 amounted to about RMB3,577.0 million, or an increase of about 25.1%.

INDUSTRY OVERVIEW

The Gross Domestic Product (the "GDP") of the PRC for 2006 amounted to about RMB20,940.7 billion, an increase of about 10.7% over the previous year. The full-year gross sales proceeds from retail goods amounted to about RMB7,641 billion, an increase of about 13.7% over the previous year. The percentage growth in gross sales proceeds surpassed the growth in GDP.



2006 represents the first year for the implementation of the Eleventh Five-Year Plan of the PRC. The PRC government adopted several measures to maintain the steady yet fast growth of the economy, whereby the domestic demand has been whetted. The government re-balanced the investment and consumption relationship and boosted the effect of growth of consumption on the economic growth, thus enhancing consumption structure. According to the survey report of a renowned institute, Chinese consumers have become the third largest consumer community in the world for luxury goods, accounting for about 12% of the global sales. It is considered that by 2015, consumption of luxury goods in the PRC will surpass Japan and become the largest consumer market in the world for luxury goods.

At this post-transition period following China's accession to the WTO, the international features of the domestic market has become more prominent, where the domestic trade and development have found opportunities amid challenges. There will be new ways and new areas for foreign investment to enter the market, while competition of the domestic market is becoming more intense with merger and acquisition being the theme for the store retail business of China.

OUTLOOK

The Directors believe that, giving an impetus to consume, promoting internal demand will be one of the principal tasks for the PRC government for its efforts on the economy. With such an impetus, we are optimistic about the economic growth of the PRC and the growth in the middle-class consumer community, and believe that these will have a positive effect on the growth of our results.



In 2007, we expect the PRC government will introduce laws and regulation to regulate the businesses of commodity circulation, and will further regulate commercial acts so as to promote the orderly development of the market, so that competition of the retail of the general merchandise will go on in a better and more level playing field.

Chairman's Statement

In 2007, the Group will continue to be aggressive with initiatives such as mergers and acquisitions with players in the industry combined with the organic growth by building and leasing properties in target cities to set up new stores; on the other hand, we will not forget about quality in our fast expansion to ensure a healthy development of the Group.

We believe human resources are the basis for the sustainable development of a corporation. In this new year, we will put even more emphasis on the training and nurturing of our staff, and by establishing a reasonable hierarchy of people, our strategic targets will not be far from being achieved.

During the period under review, we have had the support of our shareholders, suppliers, concessionaires and the relevant authorities of the government, and I must express my gratitude for them. Also, I am grateful for the management and our staff, who together have created the legend for Golden Eagle with their wisdom and dedication.

Golden Eagle Retail Group Limited

Chairman

Wang Hung, Roger

18 April 2007

