GRANEAGLE HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock code: 147)

ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED MARCH 31, 2006

The Directors of Graneagle Holdings Limited (the "Company") announce that the audited consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended March 31, 2006 together with comparative figures for the previous year are as follows:

CONSOLIDATED INCOME STATEMENT

		For the year ended March 31,	
		2006	2005
	NOTES	***HK$'000***	*HK$'000*
Turnover	*3*	**152,761**	176,258
Cost of sales		**(129,353)**	(151,867)
Gross profit		**23,408**	24,391
Other operating income		**1,248**	200
Distribution costs		**(1,106)**	(1,131)
Administrative expenses		**(11,273)**	(11,759)
Profit before taxation		**12,277**	11,701
Taxation charge	*4*	**(1,225)**	(1,165)
Profit for the year		**11,052**	10,536
Earnings per share – basic	*6*	**6.62 HKcents**	6.31 HKcents

CONSOLIDATED BALANCE SHEET

	As at March 31, **2006** *HK$'000*	2005 *HK$'000*
Non-current assets		
Property, plant and equipment	**3,477**	4,438
Current assets		
Inventories	**22,696**	32,283
Trade and other receivables	**11,619**	16,418
Pledged bank deposit	**8,579**	8,144
Bank balances and cash	**42,831**	32,072
	85,725	88,917
Current liabilities		
Trade and other payables	**12,326**	23,903
Taxation payable	**341**	759
	12,667	24,662
Net current assets	**73,058**	64,255
Total assets less current liabilities	**76,535**	68,693
Non-current liability		
Deferred taxation	**127**	204
	76,408	68,489
Capital and reserves		
Share capital	**1,670**	1,670
Reserves	**74,738**	66,819
Equity attributable to equity holders of the Company	**76,408**	68,489

NOTES:

1. Basis of presentation

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by Hong Kong Institute of Certified Public Accountants. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

The principal accounting policies adopted in preparing the consolidated financial statements of the Company for the year ended March 31, 2006 are consistent with those adopted in the 2005 annual financial statements, except for the accounting policy changes which set out in note 2 below.

2. Changes in accounting policy

Financial assets and financial liabilities other than debt and equity securities

From January 1, 2005 onwards, the Group has classified and measured its financial assets and financial liabilities other than debt and equity securities (which were previously outside the scope of Statements of Standard Accounting Practice 24 "SSAP 24") in accordance with the requirements of Hong Kong Accounting Standards (“HKASs”) 39. Financial assets under HKAS 39 are classified as "financial assets at fair value through profit or loss", "available-for-sale financial assets", "loans and receivables" or "held-to-maturity financial assets". Financial liabilities are generally classified as "financial liabilities at fair value through profit or loss" or "other financial liabilities". Financial liabilities at fair value through profit or loss are measured at fair value, with changes in fair value being recognised in profit or loss directly. Other financial liabilities are carried at amortised cost using the effective interest method after initial recognition. There is no significant impact on the Group’s financial position and operating results.

In the current year, the Group has applied HKFRS 3 "Business combinations" ("HKFRS 3") which is effective for business combinations for which the agreement date is on or after January 1, 2005. The principal effects of the application of HKFRS 3 to the Group are summarised below:

Excess of the Group’s interest in the net fair value of acquiree’s identifiable assets, liabilities and contingent liabilities over cost (previously known as "negative goodwill")

In accordance with HKFRS 3, any excess of the Group’s interest in the net fair value of acquiree’s identifiable assets, liabilities and contingent liabilities over the cost of acquisition ("discount on acquisition") is recognised immediately in profit or loss in the period in which the acquisition takes place. In previous periods, negative goodwill arising on acquisitions prior to April 1, 2001 was held in reserves. In accordance with the relevant transitional provisions in HKFRS 3, the Group has derecognised all negative goodwill (capital reserve) on April 1, 2005 of HK$7,903,000 with a corresponding decrease to accumulated losses.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments which are measured at fair values.

3. TURNOVER AND SEGMENT INFORMATION

Turnover represents the net amounts received and receivable for goods sold during the year.

(A) Business segments

The Group’s entire turnover and the group’s entire assets are contributed by its garment business and therefore no business segment analysis is presented.

(B) Geographical segments

The Group’s operations are located in Hong Kong. All the Group’s turnover and contribution to results were derived from the sales to the United States of America ("USA").

The following is an analysis of the carrying amount of segment assets, and additions to property, plant and equipment, analysed by the geographical area in which the assets are located:

	Carrying amount of segment assets		Additions to property, plant and equipment	
	2006	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
USA	**11,195**	16,025	**–**	–
Hong Kong	**42,950**	37,260	**–**	–
Mainland China (the "PRC")	**35,057**	40,070	**789**	986
	89,202	93,355	**789**	986

4. TAXATION CHARGE

	2006	2005
	HK$'000	*HK$'000*
The taxation charge comprises:		
Hong Kong Profits Tax		
– current year	**(1,304)**	(1,289)
– overprovision in prior years	**2**	–
	(1,302)	(1,289)
Deferred taxation		
– deferred taxation credit	**77**	124
	(1,225)	(1,165)

Hong Kong Profits Tax is calculated at 17.5% (2005: 17.5%) of the estimated assessable profit for the year.

The charge for the year can be reconciled to the profit before taxation per the consolidated income statement as follows:

	2006	2005
	HK$'000	*HK$'000*
Profit before taxation	**12,277**	11,701
Tax at the domestic income tax rate of 17.5% (2005: 17.5%)	**(2,148)**	(2,048)
Tax effect of expenses that are not deductible in determining taxable profit	**(89)**	(433)
Tax effect of income that is not taxable in determining taxable profit	**82**	246
Tax exemption for operations in other jurisdictions	**1,305**	1,288
Overprovision in prior years	**2**	–
Tax effect of unrecognised tax losses	**(597)**	(466)
Effect of different tax rate of a subsidiary operating in other jurisdiction	**220**	188
Others	**–**	60
Tax charge for the year	**(1,225)**	(1,165)

5. DIVIDEND

	2006	2005
	HK$'000	*HK$'000*
Proposed final dividend of HK$0.03 per share (2005: HK$0.02 per share)	**5,011**	3,341

The final dividend of 3 HK cents per share has been proposed by the directors and is subject to approval by the shareholders in general meeting.

6. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the Group's profit for the year of HK$11,052,000 (2005: HK$10,536,000) and on 167,031,016 (2005: 167,031,016) ordinary shares in issue during the year.

No diluted earnings per share figures have been shown as there were no potential ordinary shares outstanding in both years.

BUSINESS REVIEW

Financial Results

The Group's consolidated turnover and profit before taxation for the year ended March 31, 2006 amounted to approximately HK$153 million and HK$12.3 million respectively, representing a decrease of 13% and an increase of 5% respectively from last year. The Group's decrease in turnover was attributed to the uncertainties of the trade environment during the negotiations between the United States ("US") and the People's Republic of China (the "PRC") in the last quarter of 2005, US importers and buyers have held up and transferred their orders of garment products to other countries. However, a three-year agreement on imports of Chinese clothing and textiles was reached between the US and the PRC in November 2005 and has been effective from January 1, 2006 till December 31, 2008. This agreement has removed the uncertainties for buyers and create a stable and predictable environment for the US importers to place orders again starting from the first quarter of 2006.

The increase in profit before taxation was due to the higher profit margin and also an increase in the other operating income. During the year, the Group has changed the composition of the Group's garment product mix by increasing the sales of its high-end lines of ladies fashion, which contributing to the higher selling price and profit margin. The Group's gross profit margin increased to 15.3% in 2006 from 13.8% in 2005. The increase in other operating income was due to the increase in bank interest income which attributed to the increasing interest rate. The demand for the Group's garment products from its US customers remains stable as evidenced by the Group's five months' worth of back orders.

The Group was able to maintain overheads in line with the level of its business activities. The Group's 2006 profit attributable to shareholders increased by 4.9% to reach HK$11.1 million for the year and the Group's basic earnings per share was 6.62 HK cents, an increase of 4.9% from 6.31 HK cents in 2005.

Financial position and liquidity

The Group's financial position remained strong during the year, allowing the Group to rely principally on internal resources to fund its operation and investment activities. As at March 31, 2006, the Group's net currents assets were HK$73 million, with cash and bank balances of HK$51 million as compared to HK$64 million in net current assets and HK$40 million in cash and bank balances as at March 31, 2005. As at March 31, 2006, the Group's gearing ratio and current ratio were 0% (2005: 0%) and 6.8 times (2005: 3.6 times) respectively. The gearing ratio of the Group is expressed as a percentage of total borrowings to shareholders' funds.

As at March 31, 2006, the Company pledged its bank deposit of HK$8.6 million to secure the banking facilities granted to the Company. The Company has contingent liabilities of HK$20 million in the form of a corporate guarantee to secure general banking facilities granted to a subsidiary. The Group's exposure to foreign currency risk is insignificant because the majority of its income and expenses are U.S. Dollar based.

Future plan and Prospects

The Group remains optimistic about the prospect of its core business. The bilateral agreement between the PRC and the US, as mentioned above, has strengthened the confidence of US importers to place orders again since the first quarter of 2006. Therefore, the future of our garment business will be on track. In fact, we are planning to expand our production facilities in the next three years for the possible booming of sales.

Regarding our health supplement business, due to the release of our Chief Operating Officer who is also the key member of our Research and Development team of our health supplement products, the Board of Directors decided to put on hold of the Group's health supplement business until we find a replacement as the successor.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

REVIEW OF FINANCIAL STATEMENTS

The audit committee of the Company has reviewed with the management the consolidated financial statements for the year ended March 31, 2006, the accounting principles and practices adopted by the Group and also discussed auditing, internal control and financial reporting matters.

CORPORATE GOVERNANCE

Code On Corporate Governance Practices

The Company has complied with the code provisions as set out in the "Code On Corporate Governance Practices" contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") during the year ended March 31, 2006, except for the following deviations:

Code Provision A.4.1

Under Code Provision A.4.1, the non-executive directors should be appointed for a specific term, subject to re-election. The non-executive directors of the Company are not appointed for specific terms. However, under the Bye-laws of the Company, at each annual general meeting, one third of the Directors shall retire from office by rotation and every Director shall be subject to retirement at least once every three years. In the opinion of the Board, this meets the same objectives and is no less exacting than those in the Code.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, September 11, 2006 to Friday, September 15, 2006, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the proposed dividend and ascertain the right to attend the meeting, all share transfers, accompanied by the relevant share certificates must be lodged with the Company's branch registrars, Secretaries Limited, at 26/F Tesbury Centre, 28 Queen's Road East, Hong Kong not later than 4:00 p.m. on Friday, September 8, 2006.

As at the date of this announcement, the Board comprises Mr. Ling Tai Yuk, John, Mr. Kong Ho Pak, Mr. Pang Hon Chung as executive directors, Mr. Ng Tze Kin, David and Mr. Chau Wai Yin, Jonathan as non-executive directors, Mr. James Keir, Mr. Lee Tsoh Ching, Jonathan and Mr. Leung Shu Yin, William as independent non-executive directors.

By Order of the Board
Kong Ho Pak
Chairman

Hong Kong, July 7, 2006