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## **GRANEAGLE HOLDINGS LIMITED**

**鷹馳實業有限公司\***

*(Incorporated in Bermuda with limited liability)*

(Stock Code: 00147)

### **ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED MARCH 31, 2007**

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, 2007 together with comparative figures for the previous year are as follows:

#### **CONSOLIDATED INCOME STATEMENT**

*FOR THE YEAR ENDED MARCH 31, 2007*

	<i>NOTES</i>	<b>2007</b> <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Turnover	2	<b>161,850</b>	152,761
Cost of sales		<b>(137,213)</b>	(129,353)
Gross profit		<b>24,637</b>	23,408
Other income		<b>2,167</b>	1,248
Distribution and selling expenses		<b>(1,485)</b>	(1,106)
Administrative expenses		<b>(9,422)</b>	(11,273)
Profit before taxation		<b>15,897</b>	12,277
Taxation	3	<b>(1,341)</b>	(1,225)
Profit for the year		<b><u>14,556</u></b>	<u>11,052</u>
Earnings per share – basic	4	<b><u>8.71 HKcents</u></b>	<u>6.62 HKcents</u>

\* *for identification purpose only*

## CONSOLIDATED BALANCE SHEET

AT MARCH 31, 2007

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Non-current asset		
Property, plant and equipment	<u>2,769</u>	<u>3,477</u>
Current assets		
Inventories	30,715	22,696
Trade and other receivables	18,190	11,619
Pledged bank deposit	9,040	8,579
Bank balances and cash	<u>44,182</u>	<u>42,831</u>
	<u>102,127</u>	<u>85,725</u>
Current liabilities		
Trade and other payables	18,311	12,326
Taxation payable	<u>84</u>	<u>341</u>
	<u>18,395</u>	<u>12,667</u>
Net current assets	<u>83,732</u>	<u>73,058</u>
Total assets less current liabilities	86,501	76,535
Non-current liability		
Deferred taxation	<u>(62)</u>	<u>(127)</u>
Net assets	<u><u>86,439</u></u>	<u><u>76,408</u></u>
Capital and reserves		
Share capital	1,670	1,670
Reserves	<u>84,769</u>	<u>74,738</u>
Total equity	<u><u>86,439</u></u>	<u><u>76,408</u></u>

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 (the “HKICPA”). 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 (the “Listing Rules”) and by the Hong Kong Companies Ordinance.

In the current year, the Group has applied, for the first time, a number of new standard, amendment and interpretations, (hereinafter collectively referred to as “new HKFRSs”) issued by the HKICPA, which are either effective for accounting periods beginning on or after December 1, 2005, January 1, 2006 or March 1, 2006. The adoption of the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

**2. 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 more than ninety percent of the group’s 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	
	2007	2006	2007	2006
	HK\$’000	HK\$’000	HK\$’000	HK\$’000
USA	17,605	11,195	–	–
Hong Kong	45,111	42,950	2	–
Mainland China (the “PRC”)	33,301	25,590	1,077	789
	<u>96,017</u>	<u>79,735</u>	<u>1,079</u>	<u>789</u>
Unallocated	8,879	9,467	–	–
	<u>104,896</u>	<u>89,202</u>	<u>1,079</u>	<u>789</u>

### 3. TAXATION

The taxation charge comprises:

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Hong Kong Profits Tax		
– current year	1,398	1,304
– under(over)provision in prior years	<u>8</u>	<u>(2)</u>
	1,406	1,302
Deferred taxation		
– deferred taxation credit	<u>(65)</u>	<u>(77)</u>
	<u><u>1,341</u></u>	<u><u>1,225</u></u>

Hong Kong Profits Tax is calculated at 17.5% (2006: 17.5%) of the estimated assessable profit for the year.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

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

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Profit before taxation	<u><u>15,897</u></u>	<u><u>12,277</u></u>
Tax at the domestic income tax rate of 17.5% (2006: 17.5%)	2,782	2,148
Tax effect of expenses that are not deductible in determining taxable profit	30	89
Tax effect of income that is not taxable in determining taxable profit	(1,696)	(1,387)
Under(over)provision in prior years	8	(2)
Tax effect of unrecognised tax losses	272	597
Effect of different tax rate of a subsidiary operating in other jurisdiction	<u>(55)</u>	<u>(220)</u>
Tax charge for the year	<u><u>1,341</u></u>	<u><u>1,225</u></u>

### 4. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the Group's profit for the year of HK\$14,556,000 (2006: HK\$11,052,000) and on 167,031,016 (2006: 167,031,016) ordinary shares in issue during the year.

No diluted earnings per share has been presented as there were no potential ordinary shares outstanding in both years.

## 5. DIVIDENDS

2007	2006
<i>HK\$'000</i>	<i>HK\$'000</i>

Dividends recognised as distribution during the year:

Ordinary shares:

Final dividend paid – HK3 cents per share for the year ended March 31, 2006

(2006: HK2 cents for the year ended March 31, 2005)

<u>5,011</u>	<u>3,341</u>
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A final dividend of HK3 cents per share and a special dividend of HK29 cents per share for the year ended March 31, 2007 have been proposed by the directors and are subject to approval by the shareholders in the forthcoming annual general meeting. If approved, the dividends will be paid on September 17, 2007 to shareholders whose names appear on the Register of Members of the Company on August 24, 2007.

## 6. POST BALANCE SHEET EVENT

On May 11, 2007, the Company entered into an agreement with an independent third party, Trump Star Limited, to dispose of a wholly-owned subsidiary of the Company, Gentech (Asia) Limited (“Gentech”), and the related loan advanced by the Group to Gentech at a consideration of HK\$8,879,000. The directors are in the process of estimating the financial impact of such disposal.

Gentech was originally engaged in the development, production and distribution of health food and supplement products in the PRC and became inactive during the year ended March 31, 2007. The disposal was effected in order to allow the Group to focus on its core businesses, i.e. garment manufacture and trading, and to generate cash flows for providing the Group with additional working capital.

## **BUSINESS REVIEW**

### **Financial Results**

The Group's consolidated turnover and profit before taxation for the year ended March 31, 2007 amounted to approximately HK\$162 million and HK\$15.9 million respectively, representing an increase of 6% and 29% respectively from last year.

The Group's gross profit margin remains at 15% in 2007. The increase in turnover was due to the increase in sales volume to our United States ("US") importers and buyers. The three-year agreement on imports of Chinese clothing and textiles between the US and the People's Republic of China has strengthened the confidence of US importers to place orders with our Group. The increase in profit before taxation was not only due to the increase in the sales turnover but also due to the decrease in the administrative expenses by 16.4% in 2007. The decrease in administrative expenses was a result of the suspension of our health supplement business since the year-end of 2006 and a decrease in the headcount of the staff. Moreover, the increase in bank interest income as a result of the increasing interest rate also contributed to the increase in profit before taxation.

The Group's 2007 profit attributable to shareholders increased by 32% to reach HK\$14.6 million for the year and the Group's basic earnings per share was HK8.71 cents, an increase of 32% from HK6.62 cents in 2006.

### **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, 2007, the Group's net current assets were HK\$84 million, with cash and bank balances of HK\$53 million as compared to HK\$73 million in net current assets and HK\$51 million in cash and bank balances as at March 31, 2006. As at March 31, 2007, the Group's gearing ratio and current ratio were 0% (2006: 0%) and 5.6 times (2006: 6.8 times) respectively. The gearing ratio of the Group is expressed as a percentage of total borrowings to shareholders' funds.

As at March 31, 2007, the Company pledged its bank deposit of HK\$9 million to secure the banking facilities granted to the Company. The Group's exposure to foreign currency risk is insignificant because the majority of its income and expenses are U.S. Dollar based.

### **Employees**

The Group maintains 16 employees, whose salaries are reviewed and adjusted annually based on their performance and experience. The Group's employee benefits include mandatory provident fund and an education subsidy to encourage staff's professional development. The Group also has a discretionary share option scheme in place designed to award employees for their performance. There was no share option granted to any employee during the year.

## **Future plan and Prospects**

The Group remains optimistic about the prospect of its core business. The bilateral agreement on imports of Chinese clothing and textiles between the PRC and US has strengthened the confidence of US importers to place orders. The demand for the Group's garment products from its US customers remains stable as evidenced by the Group's six months' worth of back orders.

Therefore, we expect our garment business will go up steadily in future. In order to meet the potential growth of sales, we are planning to expand our production capacities in the coming years.

The Directors has decided to reformulate the Group's business strategy by disposing the health supplement businesses, therefore, the Group has disposed the wholly-owned subsidiary, Genetech (Asia) Limited, to an independent third party on May 11, 2007. The Directors consider that the disposal will allow the Group to focus on its other core businesses, i.e. garment manufacture and trading. Further, the sale proceeds of approximately HK\$8.88 million generated by the disposal will provide additional working capital for the Group.

## **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, 2007, 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" ("CG Code") contained in Appendix 14 of the Listing Rules for the year ended March 31, 2007, except for the following deviations:

Under the code provision A.4.1, the non-executive directors should be appointed for specific terms, subject to re-election. All of the Company's non-executive directors 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 CG Code.

## **CLOSURE OF REGISTER OF MEMBERS**

The register of members of the Company will be closed from Wednesday, August 22, 2007 to Friday, August 24, 2007, 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 Tuesday, August 21, 2007.

By Order of the Board

**Kong Ho Pak**

*Chairman*

Hong Kong, July 6, 2007

*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, Mr. Chau Wai Yin, Jonathan as Non-executive Directors, Mr. Leung Shu Yin, William, Mr. James Keir and Mr. Lee Tsoh Ching, Jonathan as Independent Non-executive Directors.*