



GRANEAGLE HOLDINGS LIMITED

(鷹馳實業有限公司[#])

(Incorporated in Bermuda with limited liability)

(Stock Code: 00147)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2006

The Board of Directors of Graneagle Holdings Limited (the "Company") is pleased to announce the unaudited results of the Company and its subsidiaries (the "Group") for the six month period ended 30 September, 2006. The interim results for the six months ended 30 September, 2006 have been reviewed by the Company's audit committee.

CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	Unaudited six months ended 30 September	
		2006 HK\$'000	2005 HK\$'000
Turnover	1	78,101	95,562
Cost of sales		(67,450)	(80,277)
Gross profit		10,651	15,285
Other operating income		1,056	412
Distribution costs		(529)	(640)
Administration expenses		(4,386)	(5,893)
Profit before taxation	2	6,792	9,164
Taxation charge	3	(540)	(864)
Profit for the period		6,252	8,300
Earnings per share – basic	4	3.74 cents	4.97 cents

CONDENSED CONSOLIDATED BALANCE SHEET

	Unaudited at 30 September 2006 HK\$'000	Audited at 31 March 2006 HK\$'000
Non-current assets		
Property, plant and equipment	3,336	3,477
Current assets		
Inventories	19,154	22,696
Trade and other receivables	13,842	11,619
Pledged bank deposit	8,822	8,579
Bank balances and cash	49,850	42,831
	91,668	85,725
Current liabilities		
Trade and other payables	16,492	12,326
Taxation payable	582	341
	17,074	12,667
Net current assets	74,594	73,058
Total assets less current liabilities	77,930	76,535
Non-current liability		
Deferred taxation	105	127
	77,825	76,408
Capital and reserves		
Share capital	1,670	1,670
Reserves	76,155	74,738
Equity attributable to equity holder of the Company	77,825	76,408

Notes:

- Turnover and Segment information**
 - Business segment**
The Group's turnover and operating profit were solely contributed by garment business during the periods ended 30 September, 2006 and 2005.
 - Geographical segment**
Sales revenue from the Group's operations was solely from the United States of America, irrespective of the origin of the goods/services.
- Profit before taxation**

	Six months ended 30 September	
	2006 HK\$'000	2005 HK\$'000
Profit before taxation has been arrived at after charging:		
Directors' emoluments	300	180
Other staff costs	1,658	2,423
Other staff's retirement benefit scheme contributions	70	84
	2,028	2,687
Allowance for inventories	1,565	1,616
Depreciation	777	926
Operating lease rentals in respect of:		
– rented premises	487	460
– motor vehicle	78	120
Textile quota expenses	1,512	–
Cost of inventories recognised as expense and after crediting:	64,373	78,661
Bank interest income	1,021	408

3. Taxation (charge)/credit

	Six months ended 30 September	
	2006 HK\$'000	2005 HK\$'000
Hong Kong profits tax	(562)	(1,059)
Deferred taxation	22	195
	(540)	(864)

Hong Kong profits tax has been provided at the rate of 17.5% (2005: 17.5%) on the estimated assessable profits arising in Hong Kong during the period.

At the balance sheet date, the Group has unused tax losses of approximately HK\$12,734,000 (31 March, 2006: HK\$12,343,000) available for offset against future profits. No deferred tax asset has been recognized due to the unpredictability of future profit streams.

4. Earnings per share

The calculation of basic earnings per share is based on the Group's unaudited consolidated profit attributable to shareholders for the period of HK\$6,252,000 (2005: HK\$8,300,000) and on the weighted average number of 167,031,016 (2005: 167,031,016) ordinary shares in issue during the period.

No diluted earnings per share figures have been shown as there were no dilutive potential ordinary shares outstanding for both of the periods.

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend in respect of the six month period ended 30 September, 2006.

BUSINESS REVIEW

Financial Results

Although there was a decrease in the sales volume and selling price of the garment products to our U.S. customers, the Group has, for the 2006 interim period, secured 82% of the Group's sales turnover for the corresponding period in 2005. Despite the Group's gross profit margin has decreased from 16% for the 2005 interim period to 13.6% for the 2006 interim period, the Group has, for the current interim period, still maintained 70% of its total gross profit for the corresponding period in 2005. In the absence of unforeseeable circumstances, the Group anticipates its sales turnover and gross profit for the second half year would improve and the Group's results for the whole year would be similar to those in the previous year.

In spite of the decrease in the Group's sales turnover and gross profit, the Group succeeded in lowering its administration expenses as a result of the management's efforts on cost rationalization. As a result, the administration expenses have decreased 26% as compared with the corresponding period in 2005. In addition, the demand for the Group's garment products from its US customers remains stable and the Group is presently maintaining 5 months' worth of back orders.

The Group's net profit for the period decreased 25% from HK\$8.3 million in 2005 to HK\$6.3 million in 2006 while the basic earnings per share decreased from 4.97 cents in 2005 to 3.74 cents in 2006.

Financial position and liquidity

The Group's financial position remained strong during the period, allowing the Group to rely principally on its internal resources to fund its operation and investment activities. The gearing ratio of the Group, which is expressed as a percentage of total borrowings to shareholder's funds, remains at 0% for the last six months. As at September 30, 2006, the Company pledged HK\$8.8 million in bank deposit to secure a banking facility granted to the Company. The Company has contingent liabilities of HK\$20 million in the form of a corporate guarantee provided to secure general banking facilities for 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 on imports of Chinese clothing and textiles between the PRC and US has strengthened the confidence of US importers to place 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.

Due to many uncertainties, we decided to suspend our health supplement product, Zidane Inulin Tablet, indefinitely. However, we are still interested in health supplement products for Mainland China market. We are now in discussion with a Canadian supplier for multivitamins products to be manufactured in Beijing, China.

The Group is also looking forward to other suitable investment opportunities in healthcare-related businesses in the PRC. As people nowadays are becoming more and more concerned about their health and well being, the Group is considering and evaluating an investment in a privately owned hospital in the PRC.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

The Company had not redeemed any of its shares during the six month period ended 30 September, 2006. Neither the Company nor any of its subsidiaries had purchased or sold any of its listed securities during the six month period ended 30 September, 2006.

CORPORATE GOVERNANCE

Throughout the interim period, the Company has complied with the Code Provisions set out in the Code on Corporate Governance Practices (the "CG Code") in Appendix 14 of the Listing Rules except for the deviations from code provision A.4.1.

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.

REVIEW OF FINANCIAL STATEMENTS

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed with the management the auditing practices, the internal controls and the financial reporting. In addition, the Audit Committee has reviewed the unaudited interim financial statements for the six month period ended 30 September, 2006.

By Order of the Board
Kong Ho Pak
Chairman

Hong Kong, 6 December, 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, 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.