



# SAINT HONORE HOLDINGS LIMITED

## 聖安娜控股有限公司

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 192)**

*Website: <http://www.sthonore.com>*

## RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2005

<b>RESULTS HIGHLIGHT</b>	<b>2005</b>	<b>2004</b>	<b>Change</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>+ / (-)</i>
<b>Turnover</b>	<b>568,901</b>	537,516	5.8%
<b>Profit before taxation and gain on disposal of properties</b>	<b>45,384</b>	45,771	(0.8%)
<b>Gain on disposal of properties</b>	<b>26,113</b>	7,159	264.8%
<b>Profit before taxation</b>	<b>71,497</b>	52,930	35.1%

The board of directors (the “Board”) of Saint Honore Holdings Limited (the “Company”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 March 2005 as follows:

## AUDITED CONSOLIDATED RESULTS

	<i>Note</i>	<b>2005</b> <b>HK\$'000</b>	2004 <i>HK\$'000</i>
<b>Turnover</b>	2	<b>568,901</b>	537,516
<b>Other revenues</b>	3	<b>2,592</b>	1,702
<b>Costs of inventories consumed</b>		<b>(176,790)</b>	(158,127)
<b>Staff costs</b>	4	<b>(174,228)</b>	(170,163)
<b>Operating lease rentals</b>		<b>(54,296)</b>	(48,542)
<b>Depreciation of fixed assets</b>		<b>(28,923)</b>	(29,823)
<b>Other operating expenses</b>		<b>(87,272)</b>	(82,192)
<b>Amortization of intangible assets</b>		<b>(4,600)</b>	(4,600)
<b>Gain on disposal of properties</b>	5	<b>26,113</b>	7,159
<b>Profit before taxation</b>	5	<b>71,497</b>	52,930
<b>Taxation</b>	6	<b>(12,458)</b>	(7,571)
<b>Profit attributable to shareholders</b>		<b>59,039</b>	45,359
<b>Dividends</b>	7	<b>29,627</b>	27,342
<b>Earnings per share</b>	8		
Basic		<b>27.9 cents</b>	22.6 cents
Diluted		<b>27.6 cents</b>	21.9 cents

*Notes:*

### 1. Principal accounting policies

The accounts have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). They are also prepared under the historical cost convention except that the investment properties are stated at fair value.

The HKICPA has issued a number of new and revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards (“new HKFRSs”) which are effective for accounting periods beginning on or after 1 January 2005. The Group has not early adopted these new HKFRSs in the accounts for the year ended 31 March 2005. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a significant impact on its results of operations and financial position.

### 2. Turnover and segment information

For management purpose, the Group is currently organized into two main business segments – bakery and eatery. These segments are the basis on which the Group reports its primary segment information.

- Bakery – manufacturing and retailing of bakery products
- Eatery – operating eateries

There are no significant sales between the business segments. An analysis of the Group's turnover and results by business segments is as follows:

	2005			2004		
	Bakery <i>HK\$'000</i>	Eatery <i>HK\$'000</i>	Group <i>HK\$'000</i>	Bakery <i>HK\$'000</i>	Eatery <i>HK\$'000</i>	Group <i>HK\$'000</i>
Turnover	<b>539,351</b>	<b>29,550</b>	<b>568,901</b>	508,386	29,130	537,516
Segment results	<b>69,216</b>	<b>320</b>	<b>69,536</b>	42,982	1,679	44,661
Unallocated revenues			<b>1,961</b>			8,269
Profit before taxation			<b>71,497</b>			52,930
Taxation			<b>(12,458)</b>			(7,571)
Profit attributable to shareholders			<b>59,039</b>			45,359

The gain on disposal of a self-occupied property amounting to HK\$26.1 million was allocated to the segment results for the bakery operation in current year and the gain on disposal of an investment property of HK\$7.2 million was included as unallocated revenues in last year results.

No geographical analysis is provided as less than 10% of the Group's turnover and less than 10% of the consolidated results of the Group are attributable to markets outside Hong Kong and Macau.

### 3. Other revenues

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Interest income	<b>631</b>	592
Rental income from an investment property	–	542
Rental income from other properties	<b>1,961</b>	568
	<b>2,592</b>	1,702

### 4. Staff costs and remuneration policy

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Wages and salaries, including directors' fees	<b>155,995</b>	155,282
Termination benefits	<b>495</b>	89
Provision for/(reversal of) leave balance	<b>1,321</b>	(47)
Retirement benefit costs – defined contribution scheme	<b>7,099</b>	6,652
Provision for long service payments	<b>493</b>	518
Other staff costs	<b>8,825</b>	7,669
	<b>174,228</b>	170,163

At 31 March 2005, the Group had a total of 1,970 (2004: 1,748) full time employees of which 720 (2004: 519) staff were based in mainland China and Macau. Employees' remuneration package was determined with references to prevailing market practices and individual performance. Remuneration package includes basic salaries, sales incentives (which are only payable to some operational staff), medical and retirement benefit schemes. Discretionary bonus may be granted to eligible employees based on the performance of individual employees and the Group. Though the share option scheme of the Company had become invalid since 2001, there were still some share options previously granted by the Company that remained unexercised at the year end.

## 5. Profit before taxation

Profit before taxation is stated after charging/(crediting) the following:

	<b>2005</b> <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Auditors' remuneration	772	733
Non-audit service fees paid to the Company's auditors	80	214
Gain on disposal of an investment property	–	(7,159)
Gain on disposal of other property	<b>(26,113)</b>	–
(Gain)/loss on disposal of other fixed assets	<b>(19)</b>	347
Net exchange (gain)/losses	<b>(118)</b>	512
	<b>—————</b>	<b>—————</b>

## 6. Taxation

The amount of taxation charged to the audited consolidated results represents:

	<b>2005</b> <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Current taxation		
Hong Kong profits tax	<b>6,428</b>	6,419
Overseas taxation	<b>6,453</b>	2,422
Under/(over) provision in prior years	<b>18</b>	(49)
Deferred taxation credit	<b>(441)</b>	(1,221)
	<b>—————</b>	<b>—————</b>
Taxation charge	<b>12,458</b>	7,571
	<b>—————</b>	<b>—————</b>

Hong Kong profits tax has been provided at the rate of 17.5% (2004: 17.5%) on the estimated assessable profits for the year. Taxation on overseas profits has been calculated on the estimated assessable profits for the year at the rates of taxation prevailing in the countries in which the Group operates.

Overseas taxation included HK\$4.1 million relating to the sale of a Macau property (2004: Nil).

## 7. Dividends

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Under-provision of dividend in previous year	9	–
Interim, paid, of HK5.0 cents (2004: HK4.0 cents) per ordinary share	10,578	8,311
Final, proposed, of HK9.0 cents (2004: HK9.0 cents) per ordinary share	19,040	19,031
	<u>29,627</u>	<u>27,342</u>

## 8. Earnings per share

The calculation of the basic and diluted earnings per share is based on the following:

	2005 <i>HK\$</i>	2004 <i>HK\$</i>
<i>Earnings</i>		
Earnings for the purpose of the calculation of basic and diluted earnings per share	<u>59,039,353</u>	<u>45,358,971</u>
	2005	2004
<i>Number of shares</i>		
Weighted average number of ordinary shares for the purpose of the calculation of basic earnings per share	211,520,616	200,753,104
Effect of dilutive potential ordinary shares	<u>2,033,914</u>	<u>6,181,846</u>
Weighted average number of ordinary shares for the purpose of the calculation of diluted earnings per share	<u>213,554,530</u>	<u>206,934,950</u>

## FINAL DIVIDEND

The directors recommend a final dividend of HK9.0 cents (2004: HK9.0 cents) per ordinary share for the year ended 31 March 2005 to be payable to shareholders whose names appear in the register of members of the Company on 8 September 2005. Subject to the passing of the necessary resolutions at the forthcoming annual general meeting, such dividend will be payable on or about 21 September 2005.

## **CLOSURE OF REGISTER**

The register of members of the Company will be closed from 3 September 2005 (Saturday) to 8 September 2005 (Thursday), both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the proposed final dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong Branch Share Transfer Office, Computershare Hong Kong Investor Services Limited at Shops 1712-6, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:00 p.m. on 2 September 2005 (Friday).

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **Business Review**

Turnover of cake and bread products increased marginally by 3.1% mainly attributed to the addition of new outlets. Sales of our festive products recorded a 26.2% growth due to the introduction of new products and effective marketing campaigns. Despite the rebound of the Hong Kong economy, our customers are still very price sensitive when making their daily purchases of bakery products and we have not been able to adjust our selling prices very aggressively. On the other hand, our main ingredients like flour, sugar and dairy produces have all suffered double-digit price increase. We had made efforts to safeguard our gross margin by reducing discounts given to customers, nevertheless, the full year gross profit margin was being eroded by 1.7%. Occupancy costs had increased by nearly 12% partly due to the absence of concession granted after the Severe Acute Respiratory Syndrome in fiscal year 2003/04, higher rental charges demanded by landlords as the retail/property market continued to improve especially in the second half of the fiscal year as well as the addition of outlets. We have exerted tighter control over other expenses including payroll and general operational costs in order to compensate the unavoidable pressure from food costs and rental charges.

To take advantage of the property market boom in Macau, we disposed one of the self-occupied shop premises there and realized an after-tax capital gain of HK\$22.0 million. The Group has made use of the proceeds from this disposal to further develop the bakery market in Macau. We replenished the property disposed with 2 shop premises in less touristy districts as well as acquiring a factory floor of 12,000 square feet for a new central workshop which can further support our outlet growth there. The new workshop has already started production since December 2004 and there were a total of 3 outlets at year end.

The past year has been a fruitful year for our PRC market with turnover there nearly doubled, driven primarily by mooncake sales. We had commissioned a new central workshop in Guangzhou which started production in March 2005 and will support the development of the retail market which was only served by 4 outlets at year end. We also acquired a factory block with a total area of 100,000 square feet next to the existing Shenzhen workshop. By so doing we have secured extra production capacity which is in great demand in PRC at the moment. All together, we spent HK\$38.2 million to complete the acquisitions of workshops and outlets mentioned above as well as another 11,000 square feet of factory space in Hong Kong for warehousing purpose.

### **Prospect**

We expect the economic growth of Hong Kong will moderate as interest rate is set to increase. Although the costs of the raw materials have become steady recently, the pressure from rising payroll and rental expenses continue. Other than inducing sales by discounts, we have invested more resources in new product development to enrich our product mix. For instance, the steamed bun product-line introduced earlier on was well-received by our customers which led us to put forward the schedule of steamer installation to all feasible outlets by the end of the fiscal year. We will streamline our operation to further reduce our expenses apart from sourcing more cost effective materials to improve our gross profit; leases for loss-making outlets will not be renewed once they expire.

The development of the Macau and PRC markets will be continued. With the 2 new central workshops at Macau and Guangzhou became operative, we plan to increase the respective number of outlets to 8 and 10 at these locations.

### **Liquidity and Capital Resources**

Our freely-held cash on hand slightly decreased from approximately HK\$131.0 million as at 31 March 2004 to about HK\$129.6 million as at 31 March 2005 as we had spent over HK\$70 million on capital expenditure during the year. The Group's financial position stays healthy with zero gearing. The Group plans to invest about HK\$27.1 million to further expand and upgrade the outlet network and production capacity. These projects will be financed internally and there is no immediate need for external fund raising.

### **Pledge of Assets**

No assets were pledged throughout the year.

### **Exposure to Fluctuations in Exchange Rates and Related Hedges**

The Group conducts most of its business transactions in Hong Kong dollars and Renminbi (“RMB”). As at 31 March 2005, the Group did not have any outstanding RMB forward exchange contracts (2004: HK\$23.0 million). In view of the possible RMB revaluation after fiscal year end, the Group has since committed HK\$40.0 million in RMB forward exchange contracts which will all expire within the next fiscal year.

### **Contingent Liabilities**

The Group had no significant contingent liabilities as at 31 March 2005.

### **PURCHASE, SALE OR REDEMPTION OF SHARES**

The Company has not redeemed any of its shares during the year and neither the Company nor any of its subsidiaries has purchased or sold any of the Company’s shares during the year.

### **COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES (THE “CODE”)**

Throughout the year, the Company was in compliance with the Code of Best Practice as set out in Appendix 14 of the The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) which was in force prior to 1 January 2005 except in relation to guideline No.7 that the service contracts of non-executive directors were renewed with no specific tenure, but they are determinable by either party with at least one month written notice in advance.

The Code of Best Practice was replaced by the Code which took effect on 1 January 2005. Upon its implementation, the Company has taken the following measures to comply with the new requirements:

1. Subject to shareholders’ approval in the forthcoming annual general meeting, we will amend the Bye-laws so that all directors will be subject to retirement by rotation in accordance with the Code.
2. The Company has adopted its own code for securities transactions in March 2005. The code applies to all directors of the Company and specified employees of the Group who are regarded as in possession of the price-sensitive information of the Group. Having made the necessary enquiry with all directors, they confirmed that they had complied with the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules.
3. Proper physical meetings of the Board are being held at least quarterly each year.

4. Directors and officers liabilities insurance has been in place to protect our executives in discharging their duties and responsibilities.

### **AUDIT COMMITTEE**

The Audit Committee (the “Committee”) has been established since 2000. Due to the implementation of the Code on 1 January 2005, the Committee adopted the rectified terms of reference in July 2005. The Committee is responsible for reviewing the Group’s financial reporting process, internal controls and risk evaluation. The Committee comprises three independent non-executive directors namely Dr. Cheung Wai Lam, William, Dr. Ho Sai Wah, David and Mr. Bingley Wong and also one non-executive director, Mr. Chan Ka Lai, Joseph with Dr. Cheung Wai Lam, William nominated as the Committee chairman. 2 meetings were held during the year.

### **DETAILED RESULTS ANNOUNCEMENT ON EXCHANGE’S WEBSITE**

A detailed results announcement containing all the information required by paragraphs 45(1) to 45(3) of Appendix 16 of the Listing Rules will be published on the website of The Stock Exchange of Hong Kong Limited in due course.

On behalf of the Board  
**Chan Wai Cheung, Glenn**  
*Chairman*

Hong Kong, 13 July 2005

As at the date of this announcement, the Board comprises Mr. Chan Wai Cheung, Glenn, Mr. Shum Wing Hon, Mrs. Chan Wong Man Li, Carrina, Mr. Chan Ka Shun, Raymond and Mr. Wong Chung Piu, Billy as executive directors, Mr. Chan Ka Lai, Joseph and Mrs. Chan King Catherine as non-executive directors, and Dr. Cheung Wai Lam, William, Dr. Ho Sai Wah, David and Mr. Bingley Wong as independent non-executive directors.

“Please also refer to the published version of this announcement in China Daily.”