Chairman's Statement

On behalf of the board of directors (the "Board"), I am pleased to present the annual report of Saint Honore Holdings Limited (the "Company") and its subsidiaries (collectively called the "Group") for the year ended 31 March 2005.

RESULTS

Our consolidated turnover increased by 5.8% to HK$568.9 million (2004: HK$537.5 million) while our profit attributable to shareholders increased by 30.2% to HK$59.0 million (2004: HK$45.4 million) after accounting for the after-tax gain on disposal of a property in Macau amounting to HK$22.0 million (2004: HK$7.2 million gain on disposal of an investment property).

DIVIDENDS

The directors recommended a final dividend of HK9.0 cents (2004: HK9.0 cents) per ordinary share, which together with the interim dividend of HK5.0 cents (2004: HK4.0 cents) per ordinary share paid on 26 January 2005 makes a total dividend of HK14.0 cents (2004: HK13.0 cents) per ordinary share for the financial year ended 31 March 2005. Subject to approval by the shareholders at the annual general meeting on 8 September 2005, the final dividend will be payable on or about 21 September 2005 to shareholders whose names appear in the register of members on 8 September 2005.

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.

Fiscal year 2004/05 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 continues. 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, we will not renew the leases for loss-making outlets 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.

ACKNOWLEDGEMENTS

On behalf of the Board, I must take this opportunity to express our most sincere appreciation of our business partners and staff for their unfailing support throughout the year.

Chan Wai Cheung, Glenn
Chairman

Hong Kong, 13 July 2005