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 2006

RESULTS HIGHLIGHT

	2006 *HK$'000*	(Restated) 2005 *HK$'000*	Change +/(-)
Turnover	**589,421**	568,901	3.6%
Profit before income tax, amortization of trademarks and (loss)/gain on disposal of leasehold land and properties	**49,952**	50,159	(0.4%)
Amortization of trademarks	**–**	(4,600)	(100.0%)
(Loss)/gain on disposal of leasehold land and properties	**(307)**	26,113	(101.2%)
Profit before income tax	**49,645**	71,672	(30.7%)

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 2006 as follows:

CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2006

	Note	2006 HK$'000	(Restated) 2005 HK$'000
Turnover	*2*	**589,421**	568,901
Other revenues		**4,019**	2,592
Costs of inventories consumed		**(192,332)**	(176,790)
Staff costs		**(172,701)**	(171,719)
Operating lease rentals		**(54,615)**	(55,744)
Depreciation of property, plant and equipment		**(27,484)**	(27,300)
Other operating expenses		**(96,356)**	(89,781)
Amortization of trademarks		**–**	(4,600)
(Loss)/gain on disposal of leasehold land and properties		**(307)**	26,113
Profit before income tax	*3*	**49,645**	71,672
Income tax expense	*4*	**(8,679)**	(12,458)
Profit for the year attributable to shareholders of the Company		**40,966**	59,214
Dividends	*5*	**23,631**	29,627
Earnings per share			
Basic	*6*	**19.3 cents**	28.0 cents
Diluted	6	**19.2 cents**	27.7 cents

CONSOLIDATED BALANCE SHEET

AT 31 MARCH 2006

	Note	2006 HK$'000	(Restated) 2005 HK$'000
ASSETS			
Non-current assets			
Trademarks		**27,600**	27,600
Property, plant and equipment		**142,091**	136,354
Leasehold land and land use rights		**74,154**	74,398
Deposits for purchase of properties		**–**	3,576
Held-to-maturity investments		**3,875**	–
Rental deposits paid		**11,554**	11,531
Deferred income tax assets		**833**	2,393
		260,107	255,852
Current assets			
Inventories		**11,566**	10,105
Trade receivables	*7*	**6,352**	4,752
Deposits, prepayments and other receivables		**14,866**	13,715
Tax recoverable		**–**	998
Cash and cash equivalents		**145,543**	129,558
		178,327	159,128
Total assets		**438,434**	414,980
LIABILITIES			
Current liabilities			
Amount due to the intermediate holding company		**5,576**	4,980
Trade payables	*8*	**15,484**	14,550
Other payables and accrued charges		**42,831**	46,107
Tax payable		**2,673**	6,527
Cake coupon liabilities		**132,010**	116,490
		198,574	188,654
Non-current liabilities			
Rental deposits received		**119**	71
Provision for long service payments		**6,176**	6,199
Deferred income tax liabilities		**1,370**	1,991
		7,665	8,261
Total liabilities		**206,239**	196,915
Total assets less current liabilities		**239,860**	226,326
Net current liabilities		**(20,247)**	(29,526)
Net assets		**232,195**	218,065
EQUITY			
Capital and reserves attributable to the Company's shareholders			
Share capital		**21,336**	21,156
Reserves		**195,924**	177,869
Dividend reserve		**14,935**	19,040
Total equity		**232,195**	218,065

Notes:

1. Principal accounting policies

The principal accounting policies applied in the preparation of the consolidated financial statements of the Group are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"), issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The consolidated financial statements have been prepared under the historical cost convention except that financial assets and financial liabilities at fair value through profit or loss and held-to-maturity investments are stated at amortized cost.

The adoption of new/revised HKFRS

For the accounting period commencing on 1 April 2005, the Group has adopted the new/revised standards and interpretations of HKFRS below, which are relevant to its operations. The 2004/05 comparatives have been amended as required, in accordance with the relevant requirements.

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 32	Financial Instruments: Disclosures and Presentation
HKAS 33	Earnings per Share
HKAS 36	Impairment of Assets
HKAS 38	Intangible Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS-Int15	Operating Leases – Incentives
HKFRS 2	Share-based Payment

The adoption of new/revised HKASs 1, 2, 7, 8, 10, 16, 21, 24, 27, 32, 33, 36, 39 and HKAS-Int 15 did not result in substantial changes to the Group's accounting policies. In summary:

– HKAS 1 has affected the presentation of cake coupon liabilities.

– HKASs 2, 7, 8, 10, 16, 21, 27, 32, 33, 36, 39 and HKAS-Int 15 had no material effect on the Group's accounting policies.

– HKAS 24 has affected the identification of related parties and some other related-party disclosures.

HKAS 1 has affected the presentation of cake coupon liabilities. In prior years, the estimated value of cake coupons which were expected to be redeemed in the next twelve months were classified as current liabilities on the balance sheet. With the adoption of HKAS 1, the cake coupon liabilities are classified under current liabilities as the Group does not have an unconditional right to defer the settlement of these cake coupon liabilities.

The adoption of the revised HKAS 17 has resulted in a change in the accounting policy relating to the reclassification of leasehold land and land use rights from property, plant and equipment to operating leases. The up-front prepayments made for the leasehold land and land use rights are expensed in the profit and loss account on a straight-line basis over the period of the lease or when there is impairment, the impairment is expensed in the profit and loss account. In prior years, the leasehold land was accounted for at cost less accumulated depreciation and accumulated impairment.

The Group has reassessed the useful lives of its intangible assets in accordance with the provisions of HKAS 38 and considered the trademarks held by the Group as having indefinite useful lives. Therefore, the trademarks are not amortized but will be tested for impairment. Previously the Group amortized its trademarks over 20 years. The transitional provision of HKAS 38 prohibits any adjustments to the carrying amount recognized on first adoption and any assessment of useful life shall be accounted for prospectively as a change in accounting estimate in accordance with HKAS 8.

The Group adopted the transitional provisions of HKFRS 2 which applies to grants of shares, share options or other equity instruments after 7 November 2002 and had not yet vested at the effective date of the HKFRS, the accounting period commencing on or after 1 January 2005. As the unexercised share options of the Group were granted before 7 November 2002 and were fully vested prior to the accounting period commencing 1 April 2005, there is no impact on the balance sheet and profit and loss account from adopting HKFRS 2.

All changes in the accounting policies have been made in accordance with the transitional provisions in the respective standards, wherever applicable. All standards adopted by the Group require retrospective application other than:

– HKAS 16 requires the initial measurement of an item of property, plant and equipment acquired in an exchange of assets transaction is accounted at fair value prospectively only to future transactions.

– HKAS-Int 15 does not require the recognition of incentives for leases beginning before 1 January 2005.

– HKFRS 2 only requires retrospective application for all equity instruments granted after 7 November 2002 and not vested at 1 January 2005.

The effect of the changes in the above accounting policies on the financial statements of the Group are summarized below:

(a) The adoption of HKAS 1 has resulted in:

	2006	2005
	HK$'000	*HK$'000*
Increase in current liabilities	**84,948**	75,110
Decrease in non-current liabilities	**(84,948)**	(75,110)

(b) The adoption of HKAS 17 has resulted in:

	2006	2005
	HK$'000	*HK$'000*
Increase in leasehold land and land use rights	**74,154**	74,398
Decrease in property, plant and equipment	**(74,154)**	(74,398)
Decrease in depreciation of property, plant and equipment	**(1,707)**	(1,448)
Increase in amortization of prepaid operating lease payments	**1,707**	1,448
Increase in freehold land	**2,039**	1,864
Decrease in depreciation of property, plant and equipment	**(175)**	(175)
Increase in retained earnings	**2,039**	1,864

(c) The adoption of HKAS 38 has resulted in:

	2006	2005
	HK$'000	*HK$'000*
Increase in trademarks	**4,600**	–
Decrease in amortization of trademarks	**(4,600)**	–

2. **Turnover, revenue and segment information**

The Group is currently organized into two business segments:

(i) Bakery – manufacturing and retailing of bakery products; and

(ii) 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:

	2006			(Restated) 2005		
	Bakery	**Eatery**	**Group**	Bakery	Eatery	Group
	HK$'000	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*	*HK$'000*
Turnover	**569,211**	**20,210**	**589,421**	539,351	29,550	568,901
Segment results	**50,114**	**(1,525)**	**48,589**	69,391	320	69,711
Unallocated revenues			**1,056**			1,961
Profit before income tax			**49,645**			71,672
Income tax expense			**(8,679)**			(12,458)
Profit for the year attributable to shareholders			**40,966**			59,214

Segment results of bakery business included a net loss on disposal of self-occupied properties amounting to HK$0.3 million (2005: net gain of HK$26.1 million).

Unallocated revenues mainly represent rental income from properties.

No geographical analysis on segment results 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. **Profit before income tax**

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

	2006	(Restated) 2005
	HK$'000	*HK$'000*
Auditors' remuneration	**1,073**	852
Amortization of prepaid operating lease payments	**1,707**	1,448
Loss/(gain) on disposal of other plant and equipment	**346**	(19)
Net exchange gain	**(735)**	(118)

4. **Income tax expense**

The amount of income tax charged to the consolidated profit and loss account represents:

	2006	2005
	HK$'000	*HK$'000*
Current income tax		
Hong Kong profits tax	**6,812**	6,428
Income tax arising from other jurisdictions	**2,234**	6,453
(Over)/under provision in prior years	**(1,306)**	18
Deferred income tax charge/(credit)	**939**	(441)
	8,679	12,458

Hong Kong profits tax has been provided at the rate of 17.5% (2005: 17.5%) on the estimated assessable profits for the year. Taxation on profits arising from other jurisdictions has been calculated on the estimated assessable profits for the year at the rates prevailing in the relevant jurisdictions.

5. Dividends

	2006	2005
	HK$'000	*HK$'000*
Under-provision of dividend in previous year	**162**	9
Interim, paid, of HK4 cents (2005: HK5 cents) per ordinary share	**8,534**	10,578
Final, proposed, of HK7 cents (2005: HK9 cents) per ordinary share	**14,935**	19,040
	23,631	29,627

6. Earnings per share

The calculations of basic and diluted earnings per share are based on the following:

	2006	(Restated) 2005
	HK$'000	*HK$'000*
Earnings		
Profit for the year attributable to shareholders of the Company	**40,966**	59,214
Number of shares	**2006**	2005
Weighted average number of ordinary shares in issue	**212,735,630**	211,520,616
Effect of potential dilutive ordinary shares *(Note)*	**1,102,110**	2,033,914
Weighted average number of ordinary shares for diluted earnings per share	**213,837,740**	213,554,530

Notes: Amount represents the weighted average number of shares deemed to be issued if all outstanding share options granted under the share option scheme of the Company had been exercised.

7. Trade receivables

At 31 March 2006, the ageing analysis of the trade receivables was as follows:

	2006	2005
	HK$'000	*HK$'000*
Current to 30 days	**5,258**	3,382
31 to 60 days	**443**	202
Over 60 days	**651**	1,168
	6,352	4,752

The majority of the Group's sales are conducted in cash or through redemption of cake coupons. Credit sales are mainly to certain corporate customers for purchases of normal bakery products, and cake coupons or festive products and they are normally granted respectively with credit terms of 30 days or 61 to 120 days. Overseas corporate customers are generally requested to pay deposits in the amount of 20% to 30% of their estimated purchase values.

8. Trade payables

At 31 March 2006, the ageing analysis of the trade payables was as follows:

	2006	2005
	HK$'000	*HK$'000*
Current to 30 days	**11,265**	11,138
31 to 60 days	**2,294**	1,673
Over 60 days	**1,925**	1,739
	15,484	14,550

9. Comparatives

Comparatives were restated primarily to reflect the effect of the adoption of HKFRS, and to present more fairly the nature of uniform expenses in the consolidated profit and loss account which was reclassified as 'Other operating expenses'. This expense was previously disclosed in 'Staff costs'.

FINAL DIVIDEND

The directors recommend a final dividend of HK7 cents (2005: HK9 cents) per ordinary share for the year ended 31 March 2006 to be payable to shareholders whose names appear in the register of members of the Company on 21 September 2006. Subject to the passing of the necessary resolutions at the forthcoming annual general meeting, such dividend will be payable on or about 5 October 2006.

CLOSURE OF REGISTER

The register of members of the Company will be closed from 15 September 2006 (Friday) to 21 September 2006 (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 Registrar, 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 14 September 2006 (Thursday).

BUSINESS REVIEW AND PROSPECT

Business review

The Group's consolidated turnover increased marginally by 3.6% while operating profit before taking into effect of the gain on disposal of properties and the amortization of trademarks was HK$50.0 million (2005: HK$50.2 million).

With the Hong Kong market reaching saturation, we would not have hold up turnover of our core cake and bread business in Hong Kong had it not been having year round promotions. Sales of traditional moon cakes were also showing a decline trend for the first time as competitors were offering bigger discounts. To hold our market share, we continue introducing innovative products to differentiate us from our competitors. Altogether, we added over 250 new items and more than doubled the product choices available to our customers for the past year. For instance, the newly launched coffee bun successfully captured the hearts of both young and old; our fresh chestnut cake and mini pastries were all well accepted by the market. With the population becoming more health conscious, health oriented products such as low-sugar moon cakes and low-sugar puddings are being developed to capture the growing demand of this market.

PRC and Macau remain our source of sales growth. We opened 3 new outlets in Macau and one in PRC during the year and the turnover in both regions increased by over 40% individually.

The increase in commodity prices and the inability to increase retail price have eaten into our gross margin. To compensate this, we have implemented further measures to control our expenses. Despite immense rental pressure, we achieved savings in our rental expenses through relocation of several of our outlets from prime commercial areas to less expensive residential zones. Our Shenzhen factory which is operating at a comparatively lower wage rate has sheltered us to some extent the effect of the latest round of pay rises brought about by the recovery of the Hong Kong economy.

We kicked off the implementation of an Enterprise Resources Planning System at our Shenzhen plant in the last quarter. This system once installed is expected to improve not only our production efficiency but to shorten our production lead time as well as our response time to changes in market demand in the future. Also, we have installed the Octopus payment system as a value-added customer service in most outlets with heavy traffic and this should cut short the transaction time and enhance operation efficiency.

The Board has planned to phase out the eatery operation when the respective leases of the current shop expires, the last of which is in November 2006.

Prospect

Looking ahead, the retail environment for bakery business remains to be challenging. We expect commodity prices to stabilize, but pressure from other operating expenses such as rent and wages will intensify. We will put more efforts into buying raw materials at their origins especially for major ingredients. The Company will explore possible cost savings from outsourcing certain support functions to competent third parties whereby benefiting from their economy of scale and specialization.

With the skeleton retail network and our centralized workshops now in place in Macau, we can capture sales through our retail outlets as well as through our corporate sales team to target the OEM market. However, the booming casino business in Macau has resulted in serious labour shortage and this problem is expected to worsen in the coming year when a few mega casinos and family resort hotels commence business. Our wage bill has already suffered a double-digit rise and we try to alleviate this with imported workers from PRC as well as migrating certain labor-intensive production processes from Macau to Shenzhen.

We will continue to develop our PRC market. A new marketing team has been set up to promote our products through established distribution network such as supermarket apart from increasing sales through our own retail network. We will take occupation of the factory block in Shenzhen acquired previously and we can double our production capacity once fitting out work is completed in next year.

We will also open our first shop at the Hong Kong Airport during the second half of the year as part of our plan to promote our brand image out of Hong Kong.

Liquidity and capital resources

Our freely-held cash on hand increased to about HK$145.5 million at 31 March 2006 (2005: HK$129.6 million) as capital expenditure for the year was considerably reduced to HK$36.6 million (2005: HK$70.6 million). The Group's financial position stays healthy with zero gearing. Apart from the HK$1.7 million (2005: HK$4.4 million) already committed and contracted at the year end, the Group plans to invest an additional sum of about HK$14.3 million (2005: HK$27.1 million) to 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.

EMPLOYEES AND REMUNERATION POLICIES

At 31 March 2006, the Group had a total of 1,950 (2005: 1,970) full time employees of which 770 (2005: 720) staff were local staff of mainland PRC and Macau. Employees' remuneration package was determined with reference 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 the Group and individual employees. 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.

PLEDGE OF ASSETS

No asset was 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"). The Group hedges its RMB exchange exposure by using foreign exchange forward contracts as well as holding surplus cash in RMB deposits. At 31 March 2006, the Group did not have any outstanding foreign exchange forward contract and had RMB fixed deposits amounted to RMB26.5 million.

CONTINGENT LIABILITIES

The Group had no significant contingent liabilities at 31 March 2006.

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.

CORPORATE GOVERNANCE

The Company has complied with all the code provisions in effect as set out in the Code on Corporate Governance Practices in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the year ended 31 March 2006 except the followings:

a. The non-executive directors ("NEDs") and independent non-executive directors ("INEDs") are not appointed with specific term as required by code provision A.4.1, but their appointments are determinable by either party with at least one month written notice in advance. The Board considers the one-month notice period for termination of NEDs' and INEDs' contracts provided adequate protection to either party and would not impose undue pressure of possible compensation liable by the Group for the termination. Besides, NEDs and INEDs are also subject to retirement by rotation and re-election in accordance with the Bye-laws of the Company.

b. A special resolution was passed in the annual general meeting held on 8 September 2005 to amend the Bye-laws whereby all directors including the chairman and managing director of the Company who were previously exempted are now subject to retirement by rotation and re-election.

c. The Board is in the opinion that the establishment of a remuneration committee as required by code provision B.1.1 is not justified after consideration of the size of the Group and the associated costs involved.

REVIEW OF FINANCIAL STATEMENTS

The Group's audited consolidated financial statements for the year ended 31 March 2006 including the accounting principles and practices adopted have been reviewed by the Audit Committee in conjunction with the Company's auditors. The figures in respect of this announcement have been compared by the Company's auditors to the amounts set out in the Group's financial statements for the year and the amounts were found to be in agreement.

PUBLICATION OF ANNUAL RESULT ANNOUNCEMENT ON THE WEBSITE OF THE STOCK EXCHANGE

The information as required under 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, 17 July 2006

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."