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 2006.

RESULTS

Our consolidated turnover increased by 3.6% to HK$589.4 million (2005: HK$568.9 million). There was no gain on disposal of properties (2005: after-tax gain on disposal of a property in Macau amounted to HK$22.0 million) and thus the corresponding profit for the year attributable to shareholders was reduced by 30.8% to HK$41 million (Restated 2005: HK$59.2 million).

The Group has changed certain of its accounting policies following its adoption of the new Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations (collectively refer to as the new "HKFRS") which are effective for all accounting periods after 31 March 2005. None of these changes affects the Group's underlying business operations or cash flow. Comparative figures in 2005 have been restated as required to conform with the new HKFRS.

DIVIDENDS

The directors recommended a final dividend of HK7 cents (2005: HK9 cents) per ordinary share, which together with the interim dividend of HK4 cents (2005: HK5 cents) per ordinary share paid on 25 January 2006 makes a total dividend of HK11 cents (2005: HK14 cents) per ordinary share for the financial year ended 31 March 2006. Subject to approval by the shareholders at the annual general meeting on 21 September 2006, the final dividend will be payable on or about 5 October 2006 to shareholders whose names appear in the register of members on 21 September 2006.

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 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. With the population becoming more health conscious, we have developed health oriented products to capture the growing demand of this market. PRC and Macau markets performed exceptionally well and will remain our source of future sales growth.

The increase in commodity prices and the inability to increase retail price have eaten into our gross margin. Other than adopted further cost control measures to make it up, we also invested in an Enterprise Resources Planning System for our Shenzhen plant which installation is expected to be completed by end of 2006. This system should improve our efficiency in production, inventory control and responses to changes in market demand in the future.

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 labour-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.

ACKNOWLEDGEMENTS

On behalf of the Board, I would like to express my sincere appreciation and thanks to our management, staff and valued business partners for the continued support.

Chan Wai Cheung, Glenn
Chairman

Hong Kong, 17 July 2006