



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>

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2006

INTERIM RESULTS

The board of directors (the “Board”) of Saint Honore Holdings Limited (the “Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 September 2006 as follows:

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the six months ended 30 September 2006

		Unaudited Six months ended 30 September	
		2006	(Restated) 2005
	Note	HK\$'000	HK\$'000
Turnover	2	301,379	315,587
Other revenues	3	2,839	1,543
Cost of inventories consumed		(99,879)	(105,686)
Staff costs		(92,159)	(90,318)
Operating lease rentals		(27,742)	(27,560)
Depreciation of property, plant and equipment		(12,928)	(13,488)
Other operating expenses		(47,869)	(52,644)
Loss on disposal of leasehold land and properties		–	(307)
Profit before income tax	4	23,641	27,127
Income tax expense	5	(4,408)	(5,102)
Profit attributable to shareholders of the Company		19,233	22,025
Dividend	6	6,425	8,696
Earnings per share	7		
Basic		9.0 cents	10.4 cents
Diluted		9.0 cents	10.3 cents

CONSOLIDATED BALANCE SHEET

At 30 September 2006

	<i>Note</i>	Unaudited 30 September 2006 HK\$'000	Audited 31 March 2006 HK\$'000
ASSETS			
Non-current assets			
Trademarks		27,600	27,600
Property, plant and equipment		138,535	142,092
Leasehold land and land use rights		73,297	74,154
Held-to-maturity investments		15,466	3,875
Rental deposits paid		12,335	11,554
Deferred income tax assets		338	832
		267,571	260,107
Current assets			
Inventories		19,328	11,566
Trade receivables	8	14,636	6,352
Deposits, prepayments and other receivables		20,311	14,865
Other financial assets at fair value through profit or loss		1,005	–
Cash and cash equivalents		161,295	145,543
		216,575	178,326
Total assets		484,146	438,433
LIABILITIES			
Current liabilities			
Amount due to the intermediate holding company		3,487	5,576
Trade payables	9	26,066	15,484
Other payables and accrued charges		62,604	42,831
Tax payable		5,657	2,673
Dividend payable		14,935	–
Cake coupon liabilities		127,059	132,010
		239,808	198,574
Non-current liabilities			
Rental deposits received		96	119
Provision for long service payments		6,379	6,176
Deferred tax liabilities		1,370	1,370
		7,845	7,665
Total liabilities		247,653	206,239

Total assets less current liabilities	244,338	239,859
Net current liabilities	(23,233)	(20,248)
Net assets	236,493	232,194
EQUITY		
Capital and reserves attributable to the Company's shareholders		
Share capital	21,336	21,336
Reserves	208,732	195,923
Dividend reserve	6,425	14,935
Total equity	236,493	232,194

Notes to the financial statements:

1. Basis of preparation and principle accounting policies

The unaudited condensed consolidated interim financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange Limited (the "Listing Rules") and with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The unaudited condensed consolidated interim financial statements have been prepared under the historical cost basis except for certain financial instruments, which are measured at fair values.

The accounting policies used in these unaudited condensed consolidated interim financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2006.

In the current interim period, the Group has applied the new standards, amendments and interpretations ("new HKFRSs") issued by the HKICPA, which are either effective for the accounting periods beginning on or after 1 April 2006. The application of these new HKFRSs has had no material effect on the results for the current and prior accounting periods.

The Group has not early applied the new HKFRSs that have been issued but not yet effective. The directors of the Company anticipate that the application of these standard, amendment or interpretations will have no material impact on the results and the financial position on the Group.

Comparatives were restated to reflect the effect of the adoption of Hong Kong Financial Reporting Standards issued by the HKICPA. In the 2005/06 annual financial statements, 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.

2. Turnover and segment information

The Group is currently organized into 2 main business segments – bakery and eatery:

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

An analysis of the Group's turnover and results for the period by business segments is as follows:

	Unaudited			Unaudited (Restated)		
	Six months ended 30 September 2006			Six months ended 30 September 2005		
	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	<u>295,488</u>	<u>5,891</u>	<u>301,379</u>	301,682	13,905	315,587
Segment results	<u>24,084</u>	<u>(874)</u>	<u>23,210</u>	<u>27,127</u>	<u>(539)</u>	26,588
Unallocated revenue			<u>431</u>			<u>539</u>
Profit before taxation			<u>23,641</u>			27,127
Taxation			<u>(4,408)</u>			<u>(5,102)</u>
Profit for the period attributable to shareholders of the Company			<u>19,233</u>			<u>22,025</u>

3. Other revenues

	Unaudited	
	Six months ended 30 September 2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Interest income	2,408	1,004
Rental income from other properties	<u>431</u>	<u>539</u>
	<u>2,839</u>	<u>1,543</u>

4. Profit before income tax

Profit before income tax is stated after charging the following:

	Unaudited	
	Six months ended 30 September 2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Amortization of prepaid operating lease payments	857	851
Loss on disposal of other plant and equipment	167	253
Provision for long service payments included in staff costs	203	191
Retirement benefit costs included in staff costs	<u>3,618</u>	<u>3,670</u>

5. Income tax expense

	Unaudited	
	Six months ended	
	30 September	
	2006	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current income tax		
Hong Kong profits tax	2,332	1,835
Income tax arising from other jurisdictions	1,507	2,205
Under provision in prior years	74	–
Deferred income tax charge	495	1,062
	<u>4,408</u>	<u>5,102</u>

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

6. Dividend

	Unaudited	
	Six months ended	
	30 September	
	2006	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>
Under-provision of dividend in previous year	–	162
Interim dividend, declared on 16 December 2006, of HK3 cents (2005: HK4 cents) per ordinary share	6,425	8,534
	<u>6,425</u>	<u>8,696</u>

7. Earnings per share

	Unaudited	
	Six months ended	
	30 September	
	2006	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>
		(Restated)
Earnings		
Profit for the period attributable to shareholders of the Company	<u>19,233</u>	<u>22,025</u>
	2006	2005
Number of shares		
Weighted average number of ordinary shares in issue	213,357,000	212,117,656
Effect of dilutive potential ordinary shares (<i>Note</i>)	578,351	1,644,731
	<u>213,935,351</u>	<u>213,762,387</u>

Note: The 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.

8. Trade receivables

Details of the ageing analysis are as follows:

	Unaudited 30 September 2006 <i>HK\$'000</i>	Audited 31 March 2006 <i>HK\$'000</i>
Current to 30 days	13,695	5,258
31 to 60 days	791	443
Over 60 days	150	651
	14,636	6,352

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.

9. Trade payables

Details of the ageing analysis are as follows:

	Unaudited 30 September 2006 <i>HK\$'000</i>	Audited 31 March 2006 <i>HK\$'000</i>
Current to 30 days	14,832	11,265
31 to 60 days	7,041	2,294
Over 60 days	4,193	1,925
	26,066	15,484

10. Subsequent events

On 14 November 2006 the Board has received a request from Convenience Retail Asia Limited to put forward a proposal to the Company's shareholders regarding a proposed takeover of the Company by way of a scheme of arrangement under Section 99 of the Company Act 1981 of Bermuda (the "Proposal"). The detail of the Proposal was announced on 17 November 2006. The Company is expected to send to the Company's shareholders a scheme document containing further details about the Proposal on or before 12 January 2007.

RESULTS

Consolidated turnover decreased by 4.5% to HK\$301.4 million (2005: HK\$315.6 million) while the profit attributable to shareholders of the Company decreased by 12.7% to HK\$19.2 million (2005: HK\$22.0 million).

INTERIM DIVIDEND

The Board declared an interim dividend of HK3 cents (2005: HK4 cents) per ordinary share for the period ended 30 September 2006. The dividend will be payable to the shareholders whose names appear in the register of members of the Company on 12 January 2007. The dividend will be payable on or about 24 January 2007.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 15 January 2007 to 18 January 2007, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the proposed interim dividend, all transfers of shares 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 12 January 2007.

MANAGEMENT DISCUSSION AND ANALYSIS OF THE OPERATIONS

Business review

With the Mid-autumn Festival fell in the month of October in 2006, more than 30% of mooncake sales will be recognized in the second half of this fiscal year. As a result, turnover of the Group for the period ended 30 September 2006 dropped by 4.5% to HK\$301.4 million (2005: HK\$315.6 million). Excluding sales of festive products, normal cake and bread business of the Group increased by 5%. Overall, gross profit margin slightly improved from 66.4% to 66.9% as prices of major raw materials except sugar have stabilized and the Group also benefited from direct sourcing at the origins of the supply chain. As at 30 September 2006, the Group operated a total of 76 outlets in Hong Kong, 6 in Macau and 6 in Guangzhou as compared to 73 outlets in Hong Kong, 5 in Macau and 5 in Guangzhou at the end of September last year.

Apart from the effect of having profit contributed to mooncake sales still not fully reflected in the interim results, our profit attributable to shareholders suffered a decrease to HK\$19.2 million (2005: HK\$22.0 million) which owed also to rising staff and occupancy costs. We adjusted our wage scale upward by 2.5% during the last annual review at the beginning of the fiscal year. Rental expenses for bakery business shown an increase of 4% though offset by savings from the closure of one eatery thus resulted in a net increase of 0.7% for the Group. Nevertheless, we managed to achieve savings in marketing expenses.

Prospect

Despite a positive outlook, the Board will still adopt a prudent and pragmatic approach on store development strategies in Hong Kong and Macau. We will continue exercising strict control over operating expenses as rising rental, public utility and staff costs has already borne impact on our bottom line. We are confident that there are tremendous growing opportunities in the PRC domestic market and will divert our efforts particularly in product development and marketing to speed up the expansion pace there.

The Board has agreed to put forward for all shareholders' consideration a proposal from Convenience Retail Asia Limited to privatize the Company. Shareholders can refer to the announcement dated 17 November 2006 for details and further information will be included in a scheme document which is expected to be dispatched to shareholders on or before 12 January 2007.

Liquidity and capital resources

At 30 September 2006 the Group's freehold cash on hand reached a record level of HK\$161.3 million (31 March 2006: HK\$145.5 million) with zero gearing. The capital commitments of HK\$7.7 million as at 30 September 2006 are mainly for the expansion of production facilities and also for enhancing the retail networks. All these projects will be financed internally.

Pledge of assets

No assets were pledged throughout the period.

Employees

At 30 September 2006, the Group had a total of 2,210 (31 March 2006: 1,950) full time employees of which 985 (31 March 2005: 770) were local staff of 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.

Contingent liabilities

The Group had no significant contingent liabilities as at 30 September 2006.

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 holding surplus cash in RMB deposits. At 30 September 2006, the Group had RMB fixed deposits amounted to RMB13.2 million (31 March 2006: RMB26.5 million).

PURCHASE, SALE OR REDEMPTION OF SHARES

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

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company acknowledges the importance of good corporate governance practices and believes that they are essential to the development of the Group and safeguard the interests of shareholders.

The Code on Corporate Governance Practices (the "CG Code") issued by The Hong Kong Stock Exchange Limited (the "Stock Exchange") came into effect on 1 January 2005. For the period ended 30 September 2006, the Company was in compliance with the CG Code except for the following:

- a. The 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 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, INEDs are also subject to retirement by rotation and re-election in accordance with the Bye-laws of the Company.

- b. 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.

COMPLIANCE WITH THE CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules (the “Model Code”) as its own code for dealing in securities of the Company by the directors. Having made specific enquiry of the directors, the Company confirmed that they all have complied with the required standard as set out in the Model Code during the period ended 30 September 2006.

AUDIT COMMITTEE

The Company’s Audit Committee has reviewed the Group’s unaudited condensed consolidated interim financial statements for the period ended 30 September 2006 and has also discussed the internal control, the accounting principles and practices adopted by the Group.

PUBLICATION OF RESULTS ON THE STOCK EXCHANGE’S WEBSITE

A detailed results announcement containing all the information required by paragraph 46(1) to 46(9) of Appendix 16 of the Listing Rules will be published on the Stock Exchange’s website in due course.

On behalf of the Board
Chan Wai Cheung, Glenn
Chairman

Hong Kong, 16 December 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.”