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Corporate Information

BOARD OF DIRECTORS

Executive directors
Mr. Chan Wai Cheung, Glenn, *Chairman*
Mr. Shum Wing Hon, *Deputy-chairman*
Mrs. Chan Wong Man Li, Carrina, *Managing Director*
Mr. Chan Ka Shun, Raymond
Mr. Wong Chung Piu, Billy

Non-executive directors
Mr. Chan Ka Lai, Joseph
Mrs. Chan King Catherine

Independent non-executive directors
Dr. Cheung Wai Lam, William
Dr. Ho Sai Wah, David
Mr. Bingley Wong

AUDIT COMMITTEE

Dr. Cheung Wai Lam, William, *Committee Chairman*
Mr. Chan Ka Lai, Joseph
Dr. Ho Sai Wah, David
Mr. Bingley Wong

COMPANY SECRETARY

Ms. Wong Tsui Yue, Lucy

AUTHORIZED REPRESENTATIVES

Mrs. Chan Wong Man Li, Carrina
Ms. Wong Tsui Yue, Lucy

REGISTERED OFFICE

Clarendon House 2
Church Street, Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

5/F., Express Industrial Building
43 Heung Yip Road
Wong Chuk Hang
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Fund Services (Bermuda) Limited
Rosebank Centre
11 Bermudiana Road
Pembroke
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND SHARE TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Shop 1712-6
17/F, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

PRINCIPAL BANKERS

Dah Sing Bank Limited
DBS Bank (Hong Kong) Limited
Hang Seng Bank Limited

SOLICITORS

Sidley Austin Brown & Wood
Conyers Dill & Pearman

AUDITORS

PricewaterhouseCoopers

STOCK CODE

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WEBSITE

http://www.sthonore.com

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

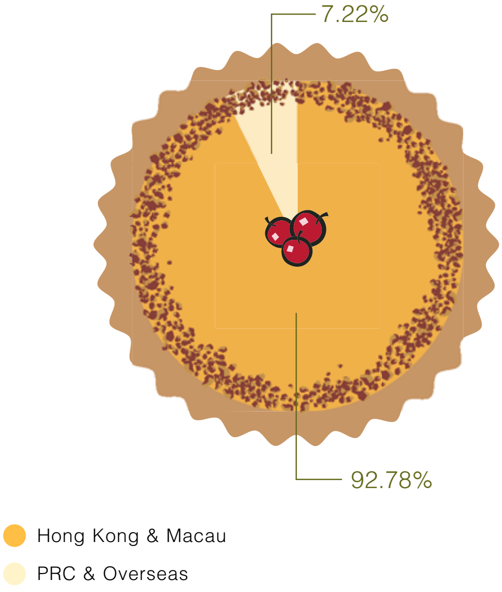
The number of outlets are summarized as follows:

	At 31 March 2006	At 31 March 2005	Net Increase/ (decrease)
Bakery outlets			
Saint Honore Cake Shop			
Hong Kong	**59**	56	3
Macau	**6**	3	3
PRC	**5**	4	1
Bread Boutique	**15**	15	–
	85	78	7
Eateries	**1**	2	(1)

SAINT HONORE CAKE SHOP

Turnover By Products

Turnover By Regions



"Happy Hour" Mango and Mixed Fruit Cakes

SAINT HONORE CAKE SHOP

Hong Kong Market

The Hong Kong market which contributed to around 70% of our consolidated turnover for the past year remained to be our major market segment. This market performed fairly in the past year. The core cake and bread business grew by 4% while turnover of our festive products on the other hand dropped by 9%. Overall, turnover in Hong Kong grew by a mere 2%.

Despite the steady recovery of local economy, fierce competitions among operators left us with little room to raise prices. In order to maintain our market share, we diverted our efforts to develop new products and to distinguish ourselves from our competitors. We added over 250 new items and more then doubled our product choices available to our customers. 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, more health oriented products such as high fiber grain bread and low-sugar content mooncake/festive puddings are being developed to capture the growing demands of this market. Also, sales of cake coupons jumped by 50% over the corresponding period due to active promotion thus securing advance sales for us in the future.

Our gross margin was eroded by 2% as direct food costs were bidden up in line with world commodity prices and our inability to pass them to our customers. We managed to make this up with savings on our rental and labour costs. During the year, we closed 6 outlets located at prime commercial areas upon expiry of leases and reopened 9 new one with a fresher look largely at residential areas commanding a lower rent. 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.

Deluxe XO Sauce Pork Floss & Chestnut Rice Dumpling

Macau Market

We opened 3 new outlets in Macau. Turnover recorded a growth of nearly 50% while the gross margin was reduced by 4.4% due to increase in raw material prices despite having a small raise in our selling prices during the year. We expect this market continues to be favorable due to booming casino business there. To tackle the labour shortage problem, we have started importing workers from PRC as well as transplanting some of the labour-intensive production processes to our PRC plant. With 6 retail outlets and a centralized workshop now in full operation, we can now capture the OEM and corporate sales market on top of the retail market.

PRC Market

Despite one outlet was added in Guangzhou, turnover grew by around 45% as the organic growth on existing outlets for both our normal cake and bread products as well as festive products remained strong. A new corporate sales team has also been setup to promote our products through established distribution network in PRC.

We expect shortly to take vacant possession of the whole factory block located next to our existing Shenzhen plant. The premises was acquired last year. We are in the process of drawing up a blue print to integrate the two buildings into a highly functional plant which should provide the capacity needed to support foreseeable expansion there.

Overall

In order to improve our production efficiency and to better react to market and sales demand, we are implementing a new Enterprise Resources Planning system that is expected to be implemented before end of 2006. According to the new HKFRS, we ceased amortizing our trademarks and correspondingly there has been an annual saving of HK$4.6 million from April 2005 onwards.

BREAD BOUTIQUE

Bread Boutique contributed to 19.7% of consolidated turnover. Sales performance of this chain was quite stable with the number of outlets remained at 15 for the past few years. Operating profit suffered a slight decline of 5.8% when compared to 2005 due to increment in food costs, rental and public utilities expenses. We will revamp the outlets by stages to refresh our image.

New Chinese New Year Gift Boxes

EC EATERY

Turnover contribution of our eatery business dropped by 32% due to the closure of Tsim Sha Tsui outlet earlier on in the fiscal year. Performance of the remaining shop at Causeway Bay was far from satisfactory ever since the access to the basement level where we are located was redesigned by the landlord resulted in a lesser pedestrian flow. Our gross margin was eroded by 1.8% due to rising food cost. As management has decided to concentrate its effort to develop the core bakery business, the eatery business will be phased out when the current rental lease expires in late 2006.

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.

Coffee Bun

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 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. The details of the share options are set out in the section headed "Share Option" in the report of the directors.

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 RMB 26.5 million.

CONTINGENT LIABILITIES

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

EXECUTIVE DIRECTORS

Mr. Chan Wai Cheung, Glenn, *Chairman, Aged 72*

Mr. Chan worked for the Hong Kong Government for more than 10 years in the then Urban Services Department. In 1972, he left the public sector and joined a catering group in Hong Kong. Approximately 2 years later, he co-founded Hong Kong Catering Management Limited ("HKCM") which obtained a listing status on the then The Hong Kong Stock Exchange Limited (the "Stock Exchange") in 1990 and is the intermediate holding company of the Company. He is now the chairman of HKCM. Mr. Chan provides leadership to the Board and is responsible for overall strategic planning and corporate development of the Group. Mr. Chan is the spouse of Mrs. Chan King Catherine and the father of Mr. Chan Ka Lai, Joseph and Mr. Chan Ka Shun, Raymond, all of them are directors of the Company.

Mr. Shum Wing Hon, *Deputy-chairman, Aged 64*

Mr. Shum is a founder of Saint Honore Cake Shop Limited ("Saint Honore") and possesses more than 40 years of experience in the bakery industry. Mr. Shum was appointed the deputy-chairman of the Company in July 2000. He has a direct responsibility over purchasing, production and project & maintenance function of the Group. He is also an executive director of HKCM.

Mrs. Chan Wong Man Li, Carrina, *Managing Director, Aged 43*

Mrs. Chan holds a master degree in business administration jointly conferred by the J.L. Kellogg Graduate School of Management, Northwestern University in the United States and the Hong Kong University of Science and Technology. Mrs. Chan also holds a bachelor degree in administrative studies from the Trent University in Canada. Mrs. Chan joined Saint Honore in 1986 and is now the managing director of the Group. Mrs. Chan is responsible for policy making and corporate management so as to implement the strategies approved by the Board in addition to having a direct responsibility over the Sales and Marketing function of the Group and the Macau operation.

Mr. Chan Ka Shun, Raymond, *Aged 42*

Mr. Chan obtained his master degree in business administration from the University of South Australia and a bachelor of science degree from the University of Denver in the United States. He joined Saint Honore in 1992 and was appointed a director of the Company in July 2000. He has a direct responsibility over the Group's logistics and quality assurance function plus serving as the management representative of the Group's ISO function as well. He is also the overall in-charge of operations in the PRC. Mr. Chan is the son of Mr. Chan Wai Cheung, Glenn and Mrs. Chan King Catherine as well as the brother of Mr. Chan Ka Lai, Joseph.

Mr. Wong Chung Piu, Billy, *Aged 47*

Mr. Wong joined Bread Boutique Limited ("BBL") in 1990 after working for a reputable bakery chain for 10 years. He is in charge of the Group's pre-packed bread production and the Bread Boutique bakery chain. He was appointed a director of the Company in July 2000.

NON-EXECUTIVE DIRECTORS

Mrs. Chan King Catherine, *Aged 72*

Mrs. Chan is the co-founder and an executive director of HKCM. She now assists in the overall management and control of HKCM. She is the spouse of Mr. Chan Wai Cheung, Glenn and the mother of Mr. Chan Ka Shun, Raymond and Mr. Chan Ka Lai, Joseph.

Mr. Chan Ka Lai, Joseph, *Aged 40*

Mr. Chan graduated from the Mcgill University in Canada with a degree in chemical engineering. He is the managing director of HKCM and is responsible for the overall management of the restaurant operation of HKCM. He was appointed a director of the Company in July 2000. Mr. Chan is the son of Mr. Chan Wai Cheung, Glenn and Mrs. Chan King Catherine as well as the brother of Mr. Chan Ka Shun, Raymond.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. Cheung Wai Lam, William, *Aged 47*

Dr. Cheung is a medical professional and has worked in the public hospital for 7 years before he started his own practice specializing in surgery. He has also been actively involved in applying information technology to improve the quality of medical practice and is currently the CEO of Fosson Limited.

Dr. Ho Sai Wah, David, *Aged 48*

Dr. Ho graduated from Sydney University with Honors in Medicine in 1984. After going through orthodox training in Internal Medicine and Cardiology, he went on and obtained a PhD (Medicine) from Sydney University and completed his Post Doc Fellowship in The University of Alabama in the United States. A renowned cardiologist, Dr. Ho has made numerous worldwide presentations and publications in the field of angioplasty and stenting for coronary and peripheral artery disease. He had been Associate Professor with the University of Hong Kong for 7 years before he started his own cardiology practice in 2000.

Mr. Bingley Wong, *Aged 76*

Mr. Wong has over 43 years extensive experience in accounting, auditing and taxation. He is a fellow member of a number of professional bodies: Hong Kong Institute of Certified Public Accountants, CPA Australia, Association of International Accountants, Institute of Chartered Secretaries and Administrators, Hong Kong Institute of Company Secretaries, Hong Kong Institute of Directors Limited and The Australian Institute of Company Directors and is also a member of Hong Kong Securities Institute and the Institute of Chartered Accountants in England and Wales. Mr. Wong is a certified public accountant and established Bingley Wong & Co., CPA after working over 20 years in the Inland Revenue Department and he is the managing directors of Bingley Consulting Limited and BW Nominee Limited and a director of Bingley Wong (CPA) Limited. He renders public services as a director of the Hong Kong Chiu Chow Chamber of Commerce Limited for over 10 years and Yan Oi Tong in 1983. He was appointed as independent non-executive director of the Company in July 2003.

SENIOR MANAGEMENT

Ms. Wong Tsui Yue, Lucy, *Aged 45*

Ms. Wong is the company secretary of both the Company and HKCM. She graduated from the Victoria University of Wellington in New Zealand with a bachelor degree in commerce. She is a fellow member of the Hong Kong Institute of Certified Public Accountants and an associate member of the Institute of Chartered Accountants in Australia. She has been an executive director of HKCM since 1997.

Mr. Chan Kin Kong, Allan, *Aged 42*

Mr. Chan is the financial controller of the Group. He joined Saint Honore in 1996 and has over 17 years of experience in accounting and financial management. Mr. Chan obtained his master degree in business administration from the City University of Hong Kong. Mr. Chan also holds a bachelor of social science degree from the University of Hong Kong. He is currently a fellow member of the Association of Chartered Certified Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants.

Mr. Cheng Kwok Hung, Terrence, *Aged 42*

Mr. Cheng is the sales and training manager of Saint Honore. Mr. Cheng obtained a higher diploma in institutional management and catering studies from the Hong Kong Polytechnic University. He joined Saint Honore in 1996 and has more than 18 years of sales and operational experience in the food and catering industry.

Ms. Chui Sau Man, Alice, *Aged 42*

Ms. Chui is the human resources and administration manager of Saint Honore. She joined Saint Honore in 2006 and has over 14 years of experience in human resources and administration field in various commercial sectors. Ms. Chui holds a master degree in business administration from the University of South Australia.

Mr. Lee Man Lung, Alvin, *Aged 34*

Mr. Lee is the information technology manager of Saint Honore. He joined Saint Honore in 2005 and has over 12 years of experience in information technology field. Mr. Lee obtained his master degree in e-commerce from the Hong Kong Polytechnic University. He also holds a bachelor degree in computing and information systems from the University of London.

Mr. Lee Sze Ming, Charles, *Aged 38*

Mr. Lee is the project manager of Saint Honore. He holds a bachelor degree in management studies from the University of Hong Kong. Mr. Lee joined the Group in 2002 and has 17 years of experience in project management.

Ms. Li Kwok Fong, Rebecca, *Aged 37*

Ms. Li is the assistant purchasing manager of Saint Honore. She joined Saint Honore in 2000 and has over 13 years of experience in purchasing field.

Ms. Shiu Man Shan, Cathy, *Aged 40*

Ms. Shiu is the marketing manager of Saint Honore. She holds a bachelor degree of arts from the University of Hong Kong. Ms. Shiu joined Saint Honore in 1999 and has 15 years of experience in marketing and public relations field in different commercial sectors.

Corporate Governance Report

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 Stock Exchange came into effect on 1 January 2005. For the year ended 31 March 2006, the Company was in compliance with the CG Code except for the following:

1. 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.

2. 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.

3. 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.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the "Model Code for Securities Transactions by Directors of Listed Issuers" (the "Model Code") as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") 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 year ended 31 March 2006.

THE BOARD

The Board comprises the chairman, the deputy-chairman, the managing director, 2 executive directors, 2 NEDs and 3 INEDs. The managing director of the Company serves the same capacity as the chief executive officer.

The Board is collectively accountable to the shareholders and is responsible for the leadership and control of the Group including overseeing the Group's businesses, formulating strategic directions, setting objectives and business development plans, and monitoring the performance of both the financial results and the senior management.

THE BOARD *(Continued)*

The INEDs serve the important function of ensuring and monitoring the basis for an effective corporate governance framework. Each of the INED has confirmed in his annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules and on this basis, the Company considers such directors to be independent. The INEDs are explicitly identified in all corporate communications.

All Directors have distinguished themselves in their field of expertise so as to give a balance of skills, knowledge and experience required for the running of an effective board. The Board has delegated the authority and responsibility for implementing its business strategies and managing the daily operation of its businesses to its executive directors and senior management. Biographical details and responsibilities of each board member and senior management are set out from page 11 to page 13 of this report. Except for the family relationship of Mr. Chan Wai Cheung, Glenn, Mr. Chan Ka Shun, Raymond, Mr. Chan Ka Lai, Joseph and Mrs. Chan King Catherine, there is no other relationship (including financial, business, family or other material relationship) among members of the Board.

Regular board meetings are held at approximately quarterly intervals and involve the active participation of Directors, either in person or through other electronic means of communications. The individual attendance of each director is set out below:

	Number of meetings attended
Executive directors	
Mr. Chan Wai Cheung, Glenn *(Chairman)*	4/4
Mr. Shum Wing Hon *(Deputy-Chairman)*	4/4
Mrs. Chan Wong Man Li, Carrina *(Managing Director)*	4/4
Mr. Chan Ka Shun, Raymond	4/4
Mr. Wong Chung Pui, Billy	4/4
Non-executive directors	
Mr. Chan Ka Lai, Joseph	4/4
Mrs. Chan King Catherine	4/4
Independent non-executive directors	
Dr. Cheung Wai Lam, William	4/4
Dr. Ho Sai Wah, David	4/4
Mr. Bingley Wong	4/4

NOMINATION OF DIRECTORS

According to the Bye-laws of the Company, the Board has the power to appoint any person as a director either to fill a casual vacancy or as an addition to the Board. The nomination should be taken into consideration of the nominee's qualification, ability and potential contributions to the Company. Since the full Board is involved in the appointment of new directors, the Company has not established a Nomination Committee. During the year, the Board considered that there was no immediate need to make any change in relation to its membership.

TERMS OF APPOINTMENTS AND RE-ELECTION OF DIRECTORS

According to the Bye-laws of the Company, one-third of the directors for the time being (or, if their number is not a multiple of 3, the number nearest to but not greater than one-third) should retire from office by rotation at each annual general meeting of the Company. Further, any director appointed to fill a casual vacancy or as an addition to the Board should hold office only until the next following annual general meeting and would then be eligible for re-election at that meeting. The NEDs and INEDs of the Company had no fixed term of office but their appointment are determinable by either party with at least one month written notice in advance, as well as subject to the aforesaid retirement from office on a rotational basis.

AUDIT COMMITTEE

The Audit Committee has been established since 2000 and comprises 3 INEDs, namely Dr. Cheung Wai Lam, William (Committee Chairman), Dr. Ho Sai Wah, David and Mr. Bingley Wong and one NED, Mr. Chan Ka Lai, Joseph as committee members. Mr. Bingley Wong possesses extensive experience in accounting and financial matters.

The Audit Committee is accountable to the Board and its principal duties include the review and supervision of the financial reporting process and internal controls system of the Group. The terms of reference of the Audit Committee incorporating all the duties set out in code provision C.3.3 of the CG Code were approved by the Board on July 2005 and is posted on the Company's website.

During the year ended 31 March 2006, the Audit Committee held 2 meetings. The Audit Committee reviewed the accounting policies and practices adopted by the Group and discussed auditing, the internal controls system and financial reporting matters. It also reviewed the financial statements of the Company, the Company's annual and interim reports, the management letter from the auditors of the Company and the connected transactions entered into by the Group.

AUDIT COMMITTEE *(Continued)*

The individual attendance of each committee member is set out below:

	Number of meetings attended
Independent non-executive directors	
Dr. Cheung Wai Lam, William *(Committee Chairman)*	2/2
Dr. Ho Sai Wah, David	2/2
Mr. Bingley Wong	2/2
Non-executive directors	
Mr. Chan Ka Lai, Joseph	2/2

DIRECTOR'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors acknowledge their responsibility to prepare financial statements that give a true and fair view of the state of affairs of the Group and of the results and cash flows for each financial period. The statements of the Company's auditors about their reporting responsibilities on financial statements are set out in the Auditors' Report on page 28.

AUDITORS' REMUNERATION

The remuneration paid to the Company's auditor, PricewaterhouseCoopers, and its affiliated firms, for services rendered is broken down below:

	Group	
	2006 HK$	2005 HK$
Audit fee	**746,468**	657,825
Non-audit service fees	**215,930**	80,261

INTERNAL CONTROL

The Board is responsible for maintaining a sound and effective system of internal controls and for reviewing its effectiveness through the Audit Committee. The Group's system of internal control includes a defined management structure with limits of authority, and is designed to help the Group in achieving its business objectives, safeguarding its assets against unauthorized use or disposition, ensuring the maintenance of proper accounting records for the provision of reliable financial information for internal use or for publication, and ensuring compliance with relevant laws and regulations. The system is designed to provide reasonable, but not absolute, assurance against material misstatement or loss, and to manage rather than eliminate risks of failure in the Group's operational systems and in the achievement of the Group's business objectives.

Pursuant to the code provision C.2.1, the Board should at least annually conduct a review of the effectiveness of the system of internal control of the Company and its subsidiaries and report to shareholders that they have done so in this report. Under the transitional arrangement, the said code provision will be implemented for accounting period commencing 1 April 2006.

The Board will make reference to the principles outlined in Internal Control and Risk Management – A Basic Framework issued by the Hong Kong Institute of Certified Public Accountants in conducting the annual review of internal controls.

The directors submit their report together with the audited financial statements for the year ended 31 March 2006.

PRINCIPAL ACTIVITIES AND ANALYSIS OF OPERATIONS

The Company is engaged in investment holding and its subsidiaries are engaged in bakery and eatery businesses.

An analysis of the Group's performance for the year by business segments is set out in note 5 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year are set out in the consolidated profit and loss account on page 29.

The Company paid an interim dividend of HK4 cents (2005: HK5 cents) per ordinary share, totalling HK$8,534,280 (2005: HK$10,577,850) on 25 January 2006.

The directors recommend a final dividend of HK7 cents (2005: HK9 cents) per ordinary share totalling HK$14,934,990 for the year ended 31 March 2006 (2005: HK$19,040,130). This will 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.

RESERVES

Movements in the reserves of the Company and the Group during the year are set out in note 25 to the financial statements.

Distributable reserves of the Company at 31 March 2006, calculated under the Companies Act of Bermuda, amounted to HK$214,451,450 (2005: HK$233,057,711).

DONATIONS

Donations made for charitable purposes by the Group during the year amounted to HK$228,000 (2005: HK$98,000).

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Bye-laws or the law in Bermuda.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group are set out in note 13 to the financial statements.

SUBSIDIARIES

Details of the Company's principal subsidiaries at 31 March 2006 are set out in note 32 to the financial statements.

SHARE CAPITAL

Details of the movements in share capital of the Company are set out in note 23 to the financial statements.

SHARE OPTIONS

The Company's share option scheme was adopted on 25 October 2000 (the "Share Option Scheme"). The requirements of the Listing Rules on share option scheme invalidated the Share Option Scheme on 1 September 2001 and no further share option has since been granted. Further details of the Share Option Scheme as required to be disclosed under Rule 17.09 of the Listing Rules have not been included as, in the opinion of the Board, the information is obsolete and of no more value.

The details of movements of the options issued under the Share Option Scheme ("Share Options") during the year are summarized below:

					Number of Share Options		
		Exercise Period		Exercise	At	Exercised	At
Participants	Grant date	From	To	price	1 April 2005	during the year	31 March 2006
				HK$		(note)	
A Director							
Chan Ka Shun,	15 January 2001	1 May 2001	31 May 2010	0.50	1,000,000	(1,000,000)	–
Raymond	15 January 2001	1 May 2002	31 May 2010	0.50	1,000,000	(800,000)	200,000
	31 August 2001	1 March 2002	30 September 2011	0.55	300,000	–	300,000
	31 August 2001	1 September 2002	30 September 2011	0.55	300,000	–	300,000
				Total	2,600,000	(1,800,000)	800,000

Note:

There were 1,800,000 Share Options exercised on 5 August 2005 at an exercise price of HK$0.50 each. The closing price of the Company's shares immediately before the date of exercise was HK$2.60 per share.

BANK LOANS, OVERDRAFTS AND OTHER BORROWINGS

Neither the Company nor the Group had any outstanding bank loans, overdrafts and other borrowings subsisted at 31 March 2006 and 31 March 2005.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last 5 financial years is set out on pages 74.

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.

DIRECTORS

The directors during the year were:

Executive directors

Mr. Chan Wai Cheung, Glenn
Mr. Shum Wing Hon
Mrs. Chan Wong Man Li, Carrina
Mr. Chan Ka Shun, Raymond
Mr. Wong Chung Piu, Billy

Non-executive directors

Mr. Chan Ka Lai, Joseph
Mrs. Chan King Catherine

Independent non-executive directors

Dr. Cheung Wai Lam, William
Dr. Ho Sai Wah, David
Mr. Bingley Wong

In accordance with Bye-law 87 of the Company's Bye-laws, Mr. Chan Wai Cheung, Glenn, Mr. Shum Wing Hon, Mrs. Chan Wong Man Li, Carrina, Mr. Chan Ka Shun, Raymond, Mr. Chan Kai Lai, Joseph and Mr. Bingley Wong shall retire at the forthcoming annual general meeting but, being eligible, offer themselves for re-election.

DIRECTORS' SERVICE CONTRACTS

The service contracts entered into between the Company, the NEDs and INEDs continue annually unless they are terminated by either party with at least one month written notice in advance.

No director has a service contract with the Company or any of its subsidiaries which is not determinable by the employing company within one year without payment of compensation (other than statutory compensation).

Separate annual confirmations of independence pursuant to Rule 3.13 of the Listing Rules have been received from all the INEDs.

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in section headed "Connected Transactions" below, no contracts of significance in relation to the Group's business to which the Company, its subsidiaries, its fellow subsidiaries or its holding companies was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

At 31 March 2006, the following directors and chief executives of the Company had interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which each of them has taken or deemed to have taken under the provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered into the register referred to therein; or (c) pursuant to the Model Code to be notified to the Company and the Stock Exchange:

		Number of ordinary shares held					
Name of company	Name of director	Personal interest (note a)	Family interest	Trust interest	Number of underlying ordinary shares held under equity derivatives	Total number of shares interested or deemed to be interested (long position)	Percentage of shareholding %
The Company	Chan Wai Cheung, Glenn	–	–	155,223,250 (note b)	–	155,223,250	72.75
	Chan King Catherine	–	155,223,250 (note b)	–	–	155,223,250	72.75
	Chan Ka Lai, Joseph	182,000	–	155,223,250 (note c)	–	155,405,250	72.84
	Chan Ka Shun, Raymond	162,500	–	155,223,250 (note c)	800,000 (note d)	156,185,750	73.20
	Chan Wong Man Li, Carrina	206,000	–	–	–	206,000	0.10

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES *(Continued)*

Name of company	Name of director	Number of ordinary shares held: Personal interest (note a)	Number of ordinary shares held: Family interest	Number of ordinary shares held: Trust interest	Number of underlying ordinary shares held under equity derivatives	Total number of shares interested or deemed to be interested (long position)	Percentage of shareholding %
HKCM	Chan Wai Cheung, Glenn	–	–	186,224,609 (note e)	–	186,224,609	56.61
	Chan King Catherine	–	186,224,609 (note e)	–	–	186,224,609	56.61
	Chan Ka Lai, Joseph	1,200,000	–	186,224,609 (note c)	3,000,000 (note f)	190,424,609	57.89
	Chan Ka Shun, Raymond	650,000	–	186,224,609 (note c)	–	186,874,609	56.81

Notes:

(a) These shares are held by the directors as beneficial owners.

(b) These shares are held by Well-Positioned Corporation ("Well-Positioned"), a company beneficially owned by a trust established for the benefit of the family members of Mr. Chan Wai Cheung, Glenn and Mrs. Chan King Catherine, in the following manner:

	Number of ordinary shares held
Shares held by Well-Positioned as beneficial owner	37,195,152
Shares held by Well-Positioned through HKCM's wholly owned subsidiary, Albion Agents Limited ("Albion")	118,028,098
	155,223,250

Mr. Chan Wai Cheung, Glenn is interested in these shares in the capacity as founder of the trust and Mrs. Chan King Catherine, being the spouse of Mr. Chan Wai Cheung, Glenn is also deemed to be interested in these shares.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES *(Continued)*

Notes: (Continued)

(c) Mr. Chan Ka Lai, Joseph and Mr. Chan Ka Shun, Raymond, being the eligible beneficiaries of the family trust established by Mr. Chan Wai Cheung, Glenn, are also deemed to be interested in these shares held by Well-Positioned.

(d) These are underlying shares in respect of share options granted under the Share Option Scheme. The aforesaid interests are held by Mr. Chan Ka Shun, Raymond as beneficial owner.

(e) These shares are held by Well-Positioned and being the founder of the trust, Mr. Chan Wai Cheung, Glenn has the trust interest in HKCM, Mrs. Chan King Catherine, being the spouse of Mr. Chan Wai Cheung, Glenn, is also deemed to be interested in these shares.

(f) These are underlying shares in respect of share options granted under the share option scheme of HKCM adopted on 13 March 2000. The aforesaid interest is held by Mr. Chan Ka Lai, Joseph as beneficial owner.

One director of the Company is holding share options in HKCM and there was no movement in such share options during the year. The details of these outstanding share options are summarized below:

Name of director	Grant date	Exercise period From	Exercise period To	Exercise price HK$	Number of HKCM share options at 1 April 2005 and 31 March 2006
Chan Ka Lai, Joseph	30 August 2001	1 October 2001	30 September 2011	0.48	1,000,000
	30 August 2001	1 March 2002	30 September 2011	0.48	1,000,000
	30 August 2001	1 September 2002	30 September 2011	0.48	1,000,000
					3,000,000

Save as disclosed above, at 31 March 2006, none of the directors or chief executives of the Company had interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which each of them was taken or deemed to have taken under the provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered into the register referred to therein; or (c) pursuant to the Model Code to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDER'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 31 March 2006, according to the register of interests kept by the Company under section 336 of the SFO, and so far as was known to the directors or chief executives of the Company, the following persons, other than directors or chief executives of the Company, had an interest or short position in the shares or underlying shares which would require to be disclosed by the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of the Company.

Name of substantial shareholders	Number of shares held	Percentage of shareholding %
Albion	118,028,098	55.32
HKCM (note a)	118,028,098	55.32
Well-Positioned (note b)	155,223,250	72.75
DJE Investment S.A. (note c)	12,900,000	6.05

Notes:

(a) Albion is wholly owned by HKCM, hence HKCM has a deemed interest in 118,028,098 shares by virtue of its interest in the shares of Albion.

(b) This included the interest held by HKCM through its wholly owned subsidiary, Albion, therefore Well-Positioned also had a deemed interest in 118,028,098 shares by virtue of its interest in the shares of HKCM. Together with the interest in 37,195,152 shares directly held by Well-Positioned as beneficial owner, Well-Positioned has a total interest of 155,223,250 shares in the Company.

(c) DJE Investment S.A. is 81% controlled by Dr. Jens Ehrhardt Kapital AG which in turn is 83.5% controlled by Dr. Jens Alfred Karl Ehrhardt.

Save as disclosed above, at 31 March 2006, the directors and the chief executives of the Company are not aware of any other person who had an interest or short position in the shares or underlying shares which would require to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of the Company.

SUFFICIENCY OF PUBLIC FLOAT

To the best knowledge of the Board, there are 25% or more of the listed issued share capital of the Company being held in public hands at 21 July 2006, being the latest practicable date prior to printing of this report.

CONNECTED TRANSACTIONS

(1) On 9 June 2004, the Company entered into a supply agreement, sub-leasing agreement, distribution agreement and administration agreement with HKCM and its subsidiaries other than the Group ("HKCM Group") to formalize the continuing connected transactions between the Group and HKCM Group in compliance with the requirements of Chapter 14A of the Listing Rules. All the agreements carry a fixed term of 3 years and are deemed to have commenced on 1 April 2004. The continuing connected transactions under the distribution agreement and the administration agreement are exempted from further reporting requirements of the Listing Rules.

(2) Details of the continuing connected transactions under the supply agreement and sub-leasing agreement (the "Transactions") are as follows:

	2006 HK$	2005 HK$
Sales of bakery and related products (note (a))	8,269,762	5,920,984
Rental expenses in respect of land and buildings (note (b))	1,504,419	1,597,979

(a) Sales of bakery and related products were charged at prices and terms determined by reference to those charged to independent customers of the Group.

(b) Rental expenses were reimbursed at cost in respect of certain leased premises on the basis of area occupied and relevant rent as percentage of the monthly gross turnover whichever is higher.

(3) The INEDs of the Company have reviewed the Transactions and have confirmed that the Transactions have been entered into:

(a) in the ordinary and usual course of its business;

(b) on normal commercial terms; and

(c) in accordance with the relevant agreements governing such transactions on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

CONNECTED TRANSACTIONS *(Continued)*

(4) We have received a letter from the Company's auditors confirming that the Transactions:

(a) have received the approval of the Board;

(b) are in accordance with the pricing policies of the Group;

(c) have been entered into in accordance with the relevant agreements governing the Transactions; and

(d) have not exceeded the cap of HK$10 million as disclosed in the announcement previously made on 16 June 2004.

MANAGEMENT CONTRACTS

Save as disclosed in note 30 to the financial statements, no contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the Group purchased less than 30% of its goods and services from its 5 largest suppliers and sold less than 30% of its goods and services to its 5 largest customers.

AUDITORS

The financial statements have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board

Chan Wai Cheung, Glenn

Chairman

Hong Kong, 17 July 2006

PRICEWATERHOUSECOOPERS

羅兵咸永道會計師事務所

PricewaterhouseCoopers
22nd Floor Prince's Building
Central Hong Kong

AUDITORS' REPORT TO THE SHAREHOLDERS OF
SAINT HONORE HOLDINGS LIMITED
(Incorporated in Bermuda with limited liability)

We have audited the financial statements on pages 29 to 73 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The directors of the Company are responsible for the preparation of financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

BASIS OF OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the Company and the Group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

OPINION

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2006 and of the Group's profit and cash flows for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 17 July 2006

Consolidated Profit and Loss Account

For the year ended 31 March 2006

	Note	2006 HK$	(Restated) 2005 HK$
Turnover	5	**589,421,363**	568,901,321
Other revenues	5	**4,018,751**	2,592,257
Costs of inventories consumed		**(192,331,700)**	(176,789,571)
Staff costs	6	**(172,700,469)**	(171,719,122)
Operating lease rentals		**(54,615,075)**	(55,743,885)
Depreciation of property, plant and equipment		**(27,484,221)**	(27,300,222)
Other operating expenses		**(96,356,099)**	(89,780,978)
Amortization of trademarks		**–**	(4,600,000)
(Loss)/gain on disposal of leasehold land and properties		**(306,890)**	26,112,921
Profit before income tax	7	**49,645,660**	71,672,721
Income tax expense	8	**(8,679,461)**	(12,458,319)
Profit for the year attributable to shareholders of the Company	9	**40,966,199**	59,214,402
Dividends	10	**23,631,270**	29,626,980
Earnings per share for profit attributable to the shareholders of the Company during the year			
Basic	11	**19.3 cents**	28.0 cents
Diluted	11	**19.2 cents**	27.7 cents

The notes on pages 35 to 73 are an intergral part of these consolidated financial statements.

Consolidated Balance Sheet

At 31 March 2006

	Note	2006 HK$	(Restated) 2005 HK$
ASSETS			
Non-current assets			
Trademarks	12	**27,600,000**	27,600,000
Property, plant and equipment	13	**142,091,572**	136,354,294
Leasehold land and land use rights	14	**74,153,796**	74,397,844
Deposits for purchase of properties		**–**	3,575,972
Held-to-maturity investments	16	**3,875,000**	–
Rental deposits paid		**11,553,853**	11,530,848
Deferred income tax assets	27	**833,139**	2,392,640
		260,107,360	255,851,598
Current assets			
Inventories	17	**11,566,136**	10,105,418
Trade receivables	18	**6,352,129**	4,752,199
Deposits, prepayments and other receivables		**14,865,328**	13,714,935
Tax recoverable		**–**	997,930
Cash and cash equivalents	21	**145,543,136**	129,558,010
		178,326,729	159,128,492
Total assets		**438,434,089**	414,980,090
LIABILITIES			
Current liabilities			
Amount due to the intermediate holding company	20	**5,576,153**	4,979,655
Trade payables	22	**15,483,860**	14,549,614
Other payables and accrued charges		**42,830,750**	46,107,248
Tax payable		**2,673,110**	6,526,740
Cake coupon liabilities		**132,010,305**	116,490,357
		198,574,178	188,653,614

	Note	2006 HK$	(Restated) 2005 HK$
Non-current liabilities			
Rental deposits received		**118,525**	71,000
Provision for long service payments	26	**6,176,448**	6,199,407
Deferred income tax liabilities	27	**1,370,000**	1,990,920
		7,664,973	8,261,327
Total liabilities		**206,239,151**	196,914,941
Total assets less current liabilities		**239,859,911**	226,326,476
Net current liabilities		**(20,247,449)**	(29,525,122)
Net assets		**232,194,938**	218,065,149
EQUITY			
Capital and reserves attributable to the Company's shareholders			
Share capital	23	**21,335,700**	21,155,700
Reserves	25	**195,924,248**	177,869,319
Dividend reserve	25	**14,934,990**	19,040,130
Total equity		**232,194,938**	218,065,149

On behalf of the Board

Chan Wai Cheung, Glenn
Chairman

Chan Wong Man Li, Carrina
Managing Director

The notes on pages 35 to 73 are an integral part of these consolidated financial statements.

Balance Sheet
At 31 March 2006

	Note	2006 HK$	(Restated) 2005 HK$
ASSETS			
Non-current assets			
Interests in subsidiaries	15	**196,687,872**	196,687,872
Held-to-maturity investments	16	**3,875,000**	–
		200,562,872	196,687,872
Current assets			
Deposits, prepayments and other receivables		**269,109**	156,861
Amounts due from subsidiaries	19	**26,319,951**	24,739,939
Dividend receivable		**–**	19,040,130
Tax recoverable		**–**	58,221
Cash and cash equivalents	21	**16,755,210**	20,721,068
		43,344,270	64,716,219
Total assets		**243,907,142**	261,404,091
LIABILITIES			
Current liabilities			
Other payables and accrued charges		**839,292**	629,980
Total liabilities		**839,292**	629,980
Total assets less current liabilities		**243,067,850**	260,774,111
Net current assets		**42,504,978**	64,086,239
Net assets		**243,067,850**	260,774,111
EQUITY			
Capital and reserves attributable to the Company's shareholders			
Share capital	23	**21,335,700**	21,155,700
Reserves	25	**206,797,160**	220,578,281
Dividend reserve	25	**14,934,990**	19,040,130
Total equity		**243,067,850**	260,774,111

On behalf of the Board

Chan Wai Cheung, Glenn
Chairman

Chan Wong Man Li, Carrina
Managing Director

The notes on pages 35 to 73 are an integral part of this financial statement.

Consolidated Cash Flow Statement

For the year ended 31 March 2006

	Note	2006 HK$	(Restated) 2005 HK$
Cash flows from operating activities			
Cash generated from operations	28	**89,668,271**	69,925,814
Hong Kong profits tax paid		**(5,067,950)**	(5,663,018)
Income tax paid to other jurisdictions		**(5,528,630)**	(2,669,807)
Net cash generated from operating activities		**79,071,691**	61,592,989
Cash flows from investing activities			
Purchase of property, plant and equipment		**(34,368,327)**	(56,269,293)
Purchase of leasehold land and land use rights		**(2,246,883)**	(14,285,286)
Proceeds from sale of property, plant and equipment		**1,277,159**	36,418,430
Purchase of held-to-maturity investments		**(3,875,000)**	–
Interest received		**2,962,896**	631,080
Net cash used in investing activities		**(36,250,155)**	(33,505,069)
Cash flows from financing activities			
Proceed from issuance of ordinary shares		**900,000**	130,500
Dividends paid		**(27,736,410)**	(29,617,980)
Net cash used in financing activities		**(26,836,410)**	(29,487,480)
Net increase/(decrease) in cash and cash equivalents		**15,985,126**	(1,399,560)
Cash and cash equivalents at the beginning of the year		**129,558,010**	130,957,570
Cash and cash equivalents at the end of the year		**145,543,136**	129,558,010

The notes on pages 35 to 73 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 March 2006

	Share capital HK$	Share premium HK$	Contributed surplus HK$	Exchange fluctuation reserve HK$	Retained earnings HK$	Dividend reserve HK$	Total HK$
At 1 April 2004, as previously reported	21,131,700	6,454,200	104,929,484	69,124	35,034,081	19,031,130	186,649,719
Opening adjustments for the adoption of HKAS 17	–	–	–	–	1,688,508	–	1,688,508
At 1 April 2004, as restated	21,131,700	6,454,200	104,929,484	69,124	36,722,589	19,031,130	188,338,227
Issue of shares upon exercise of share options	24,000	106,500	–	–	–	–	130,500
Profit for the year, as restated	–	–	–	–	59,214,402	–	59,214,402
Under-provision of dividend in previous year	–	–	–	–	(9,000)	9,000	–
2003/04 final dividend paid	–	–	–	–	–	(19,040,130)	(19,040,130)
2004/05 interim dividend proposed	–	–	–	–	(10,577,850)	10,577,850	–
2004/05 interim dividend paid	–	–	–	–	–	(10,577,850)	(10,577,850)
2004/05 final dividend proposed	–	–	–	–	(19,040,130)	19,040,130	–
At 31 March 2005, as restated	21,155,700	6,560,700	104,929,484	69,124	66,310,011	19,040,130	218,065,149
At 1 April 2005, as per above	**21,155,700**	**6,560,700**	**104,929,484**	**69,124**	**66,310,011**	**19,040,130**	**218,065,149**
Issue of shares upon exercise of share options	**180,000**	**720,000**	**–**	**–**	**–**	**–**	**900,000**
Profit for the year	**–**	**–**	**–**	**–**	**40,966,199**	**–**	**40,966,199**
Under-provision of dividend in previous year	**–**	**–**	**–**	**–**	**(162,000)**	**162,000**	**–**
2004/05 final dividend paid	**–**	**–**	**–**	**–**	**–**	**(19,202,130)**	**(19,202,130)**
2005/06 interim dividend proposed	**–**	**–**	**–**	**–**	**(8,534,280)**	**8,534,280**	**–**
2005/06 interim dividend paid	**–**	**–**	**–**	**–**	**–**	**(8,534,280)**	**(8,534,280)**
2005/06 final dividend proposed	**–**	**–**	**–**	**–**	**(14,934,990)**	**14,934,990**	**–**
At 31 March 2006	**21,335,700**	**7,280,700**	**104,929,484**	**69,124**	**83,644,940**	**14,934,990**	**232,194,938**

The notes on pages 35 to 73 are an integral part of these consolidated financial statements.

1. GENERAL INFORMATION

Saint Honore Holdings Limited (the "Company") and its subsidiaries (together the "Group") manufactures, distributes and sells bakery products and operating eatery business.

The Company is a limited liability company incorporated in Bermuda. The address of its head office is 5/F, Express Industrial Building, 43 Heung Yip Road, Wong Chuk Hang, Hong Kong.

The Company is listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

These consolidated financial statements are presented in Hong Kong dollars (HK$), unless otherwise stated.

These consolidated financial statements have been approved for issue by the Board of Directors on 17 July 2006.

2. SUMMARY OF SIGNIFICANT 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.

2.1 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 preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in note 4.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.2 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.2 The adoption of new/revised HKFRS *(Continued)*

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 has 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.2 The adoption of new/revised HKFRS *(Continued)*

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 HK$	2005 HK$
Increase in current liabilities	**84,947,714**	75,110,064
Decrease in non-current liabilities	**(84,947,714)**	(75,110,064)

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

	2006 HK$	2005 HK$
Increase in leasehold land and land use rights	**74,153,796**	74,397,844
Decrease in property, plant and equipment	**(74,153,796)**	(74,397,844)
Decrease in depreciation of property, plant and equipment	**(1,707,427)**	(1,447,957)
Increase in amortization of prepaid operating lease payments	**1,707,427**	1,447,957
Increase in freehold land	**2,038,606**	1,863,557
Decrease in depreciation of property, plant and equipment	**(175,049)**	(175,049)
Increase in retained earnings	**2,038,606**	1,863,557

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.2 The adoption of new/revised HKFRS *(Continued)*

The HKICPA has issued a number of new/revised HKFRS that are effective for accounting periods commencing on or after 1 January 2006. The Group has started considering the potential impact of these HKFRS. Based on the preliminary assessment, the Group believes that the adoption of these HKFRS, if applicable will not result in substantial changes to the Group's accounting policies. The Group has not early adopted these new/revised HKFRS, if applicable, in the financial statements for the year ended 31 March 2006 as follows:

HKAS 1 (Amendment)	Presentation of Financial Standards: Capital Disclosures
HKAS 19 (Amendment)	Actuarial Gains and Losses, Group Plan and Disclosures
HKAS 21 (Amendment)	Net Investment in a Foreign Operation
HKAS 39 (Amendment)	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
HKAS 39 (Amendment)	The Fair Value Option
HKAS 39 and HKFRS 4 (Amendment)	Financial Guarantee Contracts
HKFRS 7	Financial Instruments: Disclosures
HKFRS-Int 4	Determining whether an Arrangement Contains a Lease
HKFRS-Int 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
HK(IFRIC)-Int 8	Scope of HKFRS 2
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives

2.3 Consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiaries made up to 31 March 2006.

Subsidiaries are those entities in which the Company, directly or indirectly, controls the composition of the board of directors, controls more than half the voting power or holds more than half of the issued share capital.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.3 Consolidation *(Continued)*

Inter-company transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated but considered an impairment indicator of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the Company's balance sheet the investments in subsidiaries are stated at cost less provision for impairment losses. The results of subsidiaries are accounted by the Company on the basis of dividend received and receivable.

2.4 Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

2.5 Foreign currency translation

(a) *Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in HK$, which is the Company's functional and presentation currency.

(b) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the profit and loss account, except when deferred in equity as qualifying cash flow hedges or qualifying net investment hedges.

(c) *Group companies*

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.5 Foreign currency translation *(Continued)*

(c) Group companies (Continued)

(ii) income and expenses for each profit and loss account are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(iii) all resulting exchange differences are recognized as a separate component of equity.

2.6 Trademarks

From 1 April 2004 to 31 March 2005:

Trademarks were shown at historical cost and having an useful life of not less than 20 years. Amortization was calculated using the straight-line method to allocate the cost over the estimated useful lives.

From 1 April 2005 onwards:

Trademarks are reassessed as having an indefinite useful life and the carrying amount brought forward as at 1 April 2005 are no longer amortized but tested annually for impairment and carried at cost less accumulated amortization and impairment losses.

2.7 Property, plant and equipment

Freehold land is stated at cost and is not amortized.

All property, plant and equipment are stated at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are expensed in the profit and loss account during the financial period in which they are incurred.

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate cost to their residual values over their estimated useful lives. The principal annual rates of depreciation for various classes of property, plant and equipment are as follows:

• Buildings:	over the unexpired periods of the leases or their estimated useful lives, whichever is shorter.
• Leasehold improvements:	over the unexpired periods of the leases or their expected useful lives. The annual rate used for this purpose is 15%
• Air conditioning plant:	15%
• Furniture, fixtures and equipment:	10-25%
• Motor vehicles:	15%

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.7 Property, plant and equipment *(Continued)*

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

2.8 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortization, which are at least tested annually for impairment and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.9 Financial Assets

The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables and held-to-maturity investments and available-for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date.

(a) *Financial assets at fair value through profit or loss*

This category has 2 sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term or if so designated by management. Derivatives are also categorized as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are either held for trading or are expected to be realized within 12 months of the balance sheet date.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.9 Financial Assets *(Continued)*

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables in the balance sheet include trade and other receivables, rental deposits paid.

(c) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. Held-to-maturity financial assets are included in non-current assets, except for those with maturity less than 12 months from the balance sheet date, which are classified as current assets.

(d) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. During the year, the Group did not hold any investments in this category.

Gains and losses arising from changes in the fair value of the "financial assets at fair value through profit or loss" category including interest and dividend income, are presented in the profit and loss account in the period in which they arise.

Changes in the fair value of monetary securities classified as available-for-sale and non-monetary securities classified as available-for-sale are recognized in equity.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group established fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models, making maximum use of market inputs and relying as little as possible on entity-specific inputs.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.9 Financial Assets *(Continued)*

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss (measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in the profit and loss account) is removed from equity and recognized in the profit and loss account. Impairment losses recognized in the profit and loss account on equity instruments are not reversed through the profit and loss account.

2.10 Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the first-in, first-out (FIFO) method. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.11 Trade and other receivables

Trade and other receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognized in the profit and loss account.

2.12 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of 3 months or less.

2.13 Cake coupon liabilities

Cake coupons are recorded as liabilities when sold. Cake coupons surrendered in exchange for products during the year are recognized as sales and transferred to the profit and loss account using the weighted average cake coupon sale value. The whole amount of cake coupon liabilities is classified as current liabilities as the Group does not have an unconditional right to defer settlement of the cake coupon liabilities.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.14 Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

2.15 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.16 Employee benefits

(a) *Pension obligations*

The Group participates in a number of defined contribution plans in Hong Kong and the People's Republic of China ("PRC"), the assets of which are generally held in separate trustee-administered funds. The pension plans are generally funded by payments from employees and the relevant group companies. The Group pays contributions to the pension plans on a mandatory, contractual or voluntary basis which are calculated as a percentage of the employees' salaries.

The Group has no legal or constructive obligations to make further payments once the required contributions have been paid, even if the plans do not hold sufficient assets to pay all employees the benefits relating to employee services in the current and prior years.

The contributions are recognized as employee benefit expenses when they are due and prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in the future payments is available.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.16 Employee benefits *(Continued)*

(b) *Employee leave entitlements*

Employee entitlement to annual leave or other statutory leave is recognized when they are accrued to employees. A provision is made for the estimated liability for paid leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognized until the time of leave.

(c) *Termination benefits*

Termination benefits are payable when employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes termination benefits when it is demonstrably committed to terminate the employment of current employees according to a detailed formal plan without possibility of withdrawal.

(d) *Profit-sharing and bonus plans*

The Group recognizes a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Group recognizes a provision where contractually obliged or where there is a past practice that may create a constructive obligation.

(e) *Share-based compensation*

The Group operates an equity-settled, share-based compensation plan. The fair value of the employee services received in exchange for the grant of the options is recognized as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the Group revises its estimates of the number of options that are expected to become exercisable. It recognizes the impact of the revision of original estimates, if any, in the profit and account with a corresponding adjustment to equity.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

2.17 Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.18 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown, net of value-added tax, returns, rebates, credit card fees and discounts and after eliminating sales within the Group. Revenue is recognized as follows:

Sales of goods – wholesale

Sales of goods are recognized when a group entity has delivered products to the customer, the customer has accepted the products and the collectability of related receivables is reasonably assured.

Sales of goods – retail

Sales of goods are recognized when a group entity sells a product to the customer. Retail sales are usually in cash.

Interest income

Interest income is recognized on a time-proportion basis using the effective interest method.

Dividend income

Dividend income is recognized when the right to receive payment is established.

Rental income

Rental income is recognized on a straight-line basis over the lease periods.

2.19 Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged in the profit and loss account on a straight-line basis over the period of the lease.

2.20 Dividend distribution

Dividend distribution to the Company's shareholders is recognized as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders.

2.21 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'.

3. FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risk: foreign exchange risk, fair value interest rate risk, credit risk, liquidity risk and cash flow interest rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance.

(a) *Foreign exchange risk*

The Group's major businesses are conducted in HK$, Renminbi ("RMB"), and Macau Pataca ("MOP"). Fluctuation of the exchange rate of RMB against HK$ can affect the Group's results of operation. Given the exchange rate peg between HK$ and MOP and the comparatively stable exchange rate of HK$ against RMB, it is not foreseen that the Group will be exposed to significant exchange rate risk exposure for the transactions conducted in MOP and RMB.

(b) *Credit risk*

The carrying amounts of cash and cash equivalents, trade receivable and other current assets except for prepayments, represent the Group's maximum exposure to credit risk in relation to financial assets. The Group has policies in place to ensure that wholesale of goods are made to customers with an appropriate credit history. Sales to retail customers are usually in cash.

The majority of the Group's turnover is on cash basis therefore there is no significant concentration of credit risk. Credit sales will only be made to customers with good credit history or of low risk profile.

The credit risk for bank deposits and bank balances exposed is considered minimal as such amounts are placed with banks with good credit ratings.

(c) *Liquidity risk*

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. The Group aims to maintain flexibility in funding by keeping committed credit lines available.

(d) *Cash flow and fair value interest rate risk*

The Group's income and operating cash flows are substantially independent of changes in market interest rates as the Group has no significant interest-bearing assets and liabilities except for the Group's bank deposits.

3. FINANCIAL RISK MANAGEMENT *(Continued)*

3.2 Fair value estimation

The carrying amounts of the Group's financial assets including cash and cash equivalents, trade and other receivables, and financial liabilities including trade and other payables and amount due to intermediate holding company are assumed to approximate their fair values due to their short maturities. The face values less any estimated credit adjustments for financial assets and liabilities with a maturity of less than one year are assumed to approximate their fair values.

The fair value of financial assets and financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate available to the Group for similar financial instruments.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

4.1 Impairment of assets

The Group conducts impairment reviews of assets whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable or tests for impairment annually in accordance with the relevant accounting standards. Determining whether an asset is impaired requires an estimation of the value in use, which requires the Group to estimate the future cash flow and suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. In 2006, after reviewing the business environment as well as the Group's objectives and past performance, management has concluded that there was no impairment loss for assets at 31 March 2006.

4.2 Income taxes

The Group is subject to income taxes in certain jurisdictions. There are certain transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax expenses and deferred income tax provisions in the year in which such determination is made.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

4.3 Useful lives of property, plant and equipment

The Group's management determines the estimated useful lives and related depreciation for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. It could change significantly as a result of renovation and relocation. Management will increase the depreciation where useful lives are less than previously estimated lives.

5. TURNOVER, OTHER REVENUE AND SEGMENT INFORMATION

(a) Turnover and other revenues

The Group is principally engaged in the operation of bakeries and eateries. Turnover comprises takings and service charges less discounts and credit card commission from bakery and eatery operations. Revenues recognized during the year are as follows:

	Group	
	2006 HK$	2005 HK$
Turnover		
Bakery operation	**569,210,740**	539,351,424
Eatery operation	**20,210,623**	29,549,897
	589,421,363	568,901,321
Other revenues		
Interest income	**2,962,896**	631,080
Rental income from other properties	**1,055,855**	1,961,177
	4,018,751	2,592,257
Total revenues	**593,440,114**	571,493,578

(b) Primary reporting format – business segments

The Group is currently organized into 2 business segments:

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

(ii) Eatery – operating eateries.

5. TURNOVER, OTHER REVENUE AND SEGMENT INFORMATION *(Continued)*

(b) Primary reporting format – business segments *(Continued)*

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 Bakery HK$	2006 Eatery HK$	2006 Group HK$	(Restated) 2005 Bakery HK$	(Restated) 2005 Eatery HK$	(Restated) 2005 Group HK$
Turnover	569,210,740	20,210,623	589,421,363	539,351,424	29,549,897	568,901,321
Segment results	50,114,381	(1,524,576)	48,589,805	69,391,911	319,633	69,711,544
Unallocated revenues			1,055,855			1,961,177
Profit before income tax			49,645,660			71,672,721
Income tax expense			(8,679,461)			(12,458,319)
Profit for the year attributable to shareholders			40,966,199			59,214,402
Segment assets	433,487,340	4,113,610	437,600,950	403,241,615	8,347,905	411,589,520
Unallocated assets			833,139			3,390,570
Total assets			438,434,089			414,980,090
Segment liabilities	198,251,280	3,944,761	202,196,041	181,926,855	6,470,426	188,397,281
Unallocated liabilities			4,043,110			8,517,660
Total liabilities			206,239,151			196,914,941
Capital expenditure	36,615,210	–	36,615,210	70,466,529	88,050	70,554,579
Depreciation of property, plant and equipment	26,215,992	1,268,229	27,484,221	25,539,469	1,760,753	27,300,222
Amortization of prepaid operating lease payments	1,707,427	–	1,707,427	1,447,957	–	1,447,957
Amortization of trademarks	–	–	–	4,600,000	–	4,600,000

5. TURNOVER, OTHER REVENUE AND SEGMENT INFORMATION *(Continued)*

(b) Primary reporting format – business segments *(Continued)*

Segment results of bakery business included a net loss on disposal of a 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. Segment assets consist primarily of trademarks, property, plant and equipment, leasehold land and land use rights, inventories, receivables and operating cash and excluding items such as tax recoverable and deferred income tax assets. Segment liabilities comprise operating liabilities and excluding items such as tax payable and deferred income tax liabilities. Capital expenditure comprises additions to property, plant and equipment and leasehold land and land use rights.

(c) Secondary reporting format – geographical segments

The Group's 2 business segments operate in 2 main geographical areas:

(i) Hong Kong and Macau

(ii) PRC

The Group's sales are mainly made to the customers located in the following geographical areas:

	2006 HK$	2005 HK$
Hong Kong and Macau	**554,927,251**	544,377,024
PRC	**30,821,369**	20,918,671
Others	**3,672,743**	3,605,626
	589,421,363	568,901,321

In respect of geographical segment reporting, sales are based on the country in which customers are located. Total assets and capital expenditure are based on where the assets are located.

5. TURNOVER, OTHER REVENUE AND SEGMENT INFORMATION *(Continued)*

(c) Secondary reporting format – geographical segments *(Continued)*

The Group's total assets and capital expenditure are located in the following geographical areas:

	2006		2005 (Restated)	
	Total assets HK$	**Capital expenditure HK$**	Total assets HK$	Capital expenditure HK$
Hong Kong & Macau	**350,321,213**	**24,171,999**	339,864,200	52,563,379
PRC	**88,112,876**	**12,443,211**	75,115,890	17,991,200
	438,434,089	**36,615,210**	414,980,090	70,554,579

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.

6. STAFF COSTS

	2006 HK$	2005 HK$
Wages and salaries, including directors' fee	**157,649,342**	155,995,026
(Reversal of)/provision for termination benefits	**(59,708)**	495,061
Provision for leave balance	**924,100**	1,320,976
Retirement benefit costs – defined contribution schemes	**7,390,415**	7,099,368
Provision for long service payments (note 26)	**143,124**	492,788
Other staff costs	**6,653,196**	6,315,903
	172,700,469	171,719,122

6. STAFF COSTS *(Continued)*

6.1 Directors' and senior management's emoluments

The remuneration of every Director for the year ended 31 March 2006 is set out below:

Name of Director	Salary and housing benefit HK$	Discretionary bonuses HK$	Benefits in kind HK$	Employer's contribution to pension scheme HK$	Fee HK$	Total HK$
Executive directors						
Mr. Chan Wai Cheung, Glenn	1,240,000	1,253,090	–	–	–	2,493,090
Mr. Shum Wing Hon	1,252,832	–	358,000	69,142	–	1,679,974
Mrs. Chan Wong Man Li, Carrina	1,211,880	–	198,000	68,094	–	1,477,974
Mr. Chan Ka Shun, Raymond	956,720	–	28,500	45,600	–	1,030,820
Mr. Wong Chung Piu, Billy	485,264	52,189	66,000	19,751	–	623,204
Non-executive directors						
Mrs. Chan King Catherine	–	–	–	–	50,000	50,000
Mr. Chan Kai Lai, Joseph	–	–	–	–	50,000	50,000
Dr. Cheung Wai Lam, William	–	–	–	–	50,000	50,000
Dr. Ho Sai Wah, David	–	–	–	–	50,000	50,000
Mr. Bingley Wong	–	–	–	–	50,000	50,000

The remuneration of every Director for the year ended 31 March 2005 is set out below:

Name of Director	Salary and housing benefit HK$	Discretionary bonuses HK$	Benefits in kind HK$	Employer's contribution to pension scheme HK$	Fee HK$	Total HK$
Executive directors						
Mr. Chan Wai Cheung, Glenn	1,240,000	1,832,000	–	–	–	3,072,000
Mr. Shum Wing Hon	1,275,879	21,000	358,000	69,142	–	1,724,021
Mrs. Chan Wong Man Li, Carrina	1,234,578	–	198,000	68,094	–	1,500,672
Mr. Chan Ka Shun, Raymond	777,900	–	22,884	34,085	–	834,869
Mr. Wong Chung Piu, Billy	486,150	56,330	66,000	19,257	–	627,737
Non-executive directors						
Mrs. Chan King Catherine	–	–	–	–	50,000	50,000
Mr. Chan Kai Lai, Joseph	–	–	–	–	50,000	50,000
Dr. Cheung Wai Lam, William	–	–	–	–	50,000	50,000
Dr. Ho Sai Wah, David	–	–	–	–	50,000	50,000
Mr. Bingley Wong	–	–	–	–	50,000	50,000

6. STAFF COSTS *(Continued)*

6.1 Directors' and senior management's emoluments *(Continued)*

In addition to the directors' emoluments disclosed above, certain directors of the Company also received emoluments directly from the Company's intermediate holding company in respect of their services rendered to it.

No directors of the Company waived any emoluments and no emoluments were paid by the Group to any of the directors of the Company as an inducement to join or upon joining the Group or as compensation for loss of office.

6.2 Five highest paid individuals

For both years, the 5 individuals whose emoluments were the highest in the Group were also executive directors of the Company whose emoluments are reflected in the analysis presented above.

7. PROFIT BEFORE INCOME TAX

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

	2006 **HK$**	2005 HK$
Auditors' remuneration	**1,072,901**	852,187
Amortization of prepaid operating lease payments	**1,707,427**	1,447,957
Loss/(gain) on disposal of other plant and equipment	**346,283**	(19,498)
Net exchange gain	**(735,089)**	(118,266)

8. INCOME TAX EXPENSE

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

	2006 **HK$**	2005 HK$
Current income tax		
Hong Kong profits tax	**6,812,651**	6,427,682
Income tax arising from other jurisdictions	**2,233,803**	6,453,284
(Over)/under provision in prior years	**(1,305,574)**	18,080
Deferred income tax charge/(credit) (note 27)	**938,581**	(440,727)
Income tax expense	**8,679,461**	12,458,319

8. INCOME TAX EXPENSE *(Continued)*

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.

The income tax expense on the Group's profit before income tax differs from the theoretical amount that would arise using the taxation rate of Hong Kong as follows:

	2006 HK$	(Restated) 2005 HK$
Profit before income tax	**49,645,660**	71,672,721
Calculated at a taxation rate of 17.5% (2005: 17.5%)	**8,687,991**	12,542,726
Effect of different taxation rates in other jurisdictions	**76,648**	(16,437)
Income not subject to taxation	**(370,947)**	(514,281)
Expenses not deductible for taxation purposes	**39,787**	833,263
(Over)/under provision in prior year	**(1,305,573)**	18,080
Utilization of previously unrecognized tax losses	**–**	(404,850)
Unrecognized temporary differences	**850,662**	(30,633)
Tax losses not recognized	**485,694**	2,577
Others	**215,199**	27,874
Income tax expense	**8,679,461**	12,458,319

9. PROFIT ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

The profit attributable to shareholders of the Company is dealt with in the financial statements of the Company to the extent of HK$9,130,149 (2005: HK$38,619,683).

10. DIVIDENDS

	2006 HK$	2005 HK$
Under-provision of dividend in previous year	**162,000**	9,000
Interim, paid, of HK4 cents (2005: HK5 cents) per ordinary share	**8,534,280**	10,577,850
Final, proposed, of HK7 cents (2005: HK9 cents) per ordinary share	**14,934,990**	19,040,130
	23,631,270	29,626,980

The proposed final dividend for the year ended 31 March 2006 was declared at the meeting of the Board held on 17 July 2006. This proposed final dividend is not reflected as a dividend payable in these financial statements. It is reflected as an appropriation of retained earnings and is presented as a dividend reserve in the balance sheet.

11. EARNINGS PER SHARE

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

	2006 HK$	(Restated) 2005 HK$
Earnings		
Profit for the year attributable to shareholders of the Company	**40,966,199**	59,214,402
Number of shares		
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

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.

12. TRADEMARKS

	Group HK$
At 1 April 2004	
Cost	92,000,000
Accumulated amortization	(59,800,000)
Net book value	32,200,000
Year ended 31 March 2005	
Opening net book value	32,200,000
Amortization	(4,600,000)
Closing net book value	27,600,000
At 31 March 2005	
Cost	92,000,000
Accumulated amortization	(64,400,000)
Net book value	27,600,000
Net book value, at 31 March 2006	**27,600,000**

The directors are of the opinion that the Group's trademarks have indefinite useful life after their reassessment of the estimated useful life of the trademarks. The reasons include:

(i) The trademarks have been in use for a very long period of time and will continue to be used for the long term; and

(ii) The Group has incurred and intends to continue to incur significant advertising and promotion expenses which are charged to the profit and loss account when incurred, to maintain and increase the market value of its trademarks.

Therefore, the Group has ceased to amortize the trademarks since 1 April 2005.

13. PROPERTY, PLANT AND EQUIPMENT

Group

	Freehold land HK$	Buildings HK$	Leasehold improve-ments HK$	Air-conditioning plant HK$	Furniture, fixtures, and equipment HK$	Motor vehicles HK$	Total HK$
At 1 April 2004							
Cost, as previously reported	–	137,194,718	103,482,679	4,941,769	119,737,191	12,482,084	377,838,441
Effect on adoption of HKAS 17	8,752,467	(86,534,553)	–	–	–	–	(77,782,086)
Cost, as restated	8,752,467	50,660,165	103,482,679	4,941,769	119,737,191	12,482,084	300,056,355
Accumulated depreciation, as previously reported	–	(21,195,151)	(81,358,680)	(3,644,247)	(87,386,347)	(6,710,775)	(200,295,200)
Effect on adoption of HKAS 17	–	11,450,072	–	–	–	–	11,450,072
Accumulated depreciation, as restated	–	(9,745,079)	(81,358,680)	(3,644,247)	(87,386,347)	(6,710,775)	(188,845,128)
Net book value, as restated	8,752,467	40,915,086	22,123,999	1,297,522	32,350,844	5,771,309	111,211,227
Year ended 31 March 2005							
Opening net book value, as restated	8,752,467	40,915,086	22,123,999	1,297,522	32,350,844	5,771,309	111,211,227
Additions	–	23,959,952	15,389,178	789,380	12,471,240	3,659,543	56,269,293
Disposal	–	(3,478,465)	(61,056)	–	(222,415)	(64,068)	(3,826,004)
Depreciation	–	(1,085,535)	(13,536,449)	(523,268)	(10,518,734)	(1,636,236)	(27,300,222)
Closing net book value	8,752,467	60,311,038	23,915,672	1,563,634	34,080,935	7,730,548	136,354,294
At 31 March 2005							
Cost	8,752,467	70,228,588	112,269,065	5,731,149	131,148,197	15,095,048	343,224,514
Accumulated depreciation	–	(9,917,550)	(88,353,393)	(4,167,515)	(97,067,262)	(7,364,500)	(206,870,220)
Net book value	8,752,467	60,311,038	23,915,672	1,563,634	34,080,935	7,730,548	136,354,294
Year ended 31 March 2006							
Opening net book value	8,752,467	60,311,038	23,915,672	1,563,634	34,080,935	7,730,548	136,354,294
Additions	–	4,277,810	15,260,109	447,350	12,234,837	2,148,221	34,368,327
Disposal	–	(783,525)	(10,508)	–	(352,795)	–	(1,146,828)
Depreciation	–	(1,612,728)	(13,586,030)	(490,180)	(9,870,997)	(1,924,286)	(27,484,221)
Closing net book value	8,752,467	62,192,595	25,579,243	1,520,804	36,091,980	7,954,483	142,091,572
At 31 March 2006							
Cost	8,752,467	73,583,469	116,508,956	6,178,499	140,940,537	16,428,944	362,392,872
Accumulated depreciation	–	(11,390,874)	(90,929,713)	(4,657,695)	(104,848,557)	(8,474,461)	(220,301,300)
Net book value	8,752,467	62,192,595	25,579,243	1,520,804	36,091,980	7,954,483	142,091,572

14. LEASEHOLD LAND AND LAND USE RIGHTS

The Group's interests in leasehold land and land use rights represent prepaid operating lease payments and their net book value are analyzed as follows:

	Group	
	2006	2005
	HK$	HK$
In Hong Kong, held on:		
Leases of over 50 years	**6,496,614**	6,582,662
Leases of between 10 to 50 years	**57,054,970**	58,422,199
Outside Hong Kong, held on:		
Leases of between 10 to 50 years	**10,602,212**	9,392,983
	74,153,796	74,397,844

The movements of net book value of leasehold land and land use rights are analyzed as follows:

	Group	
	2006	2005
	HK$	HK$
Opening net book value	**74,397,844**	68,020,522
Additions	**2,246,883**	14,285,286
Disposals	**(783,504)**	(6,460,007)
Amortization of prepaid operating lease payments	**(1,707,427)**	(1,447,957)
Closing net book value	**74,153,796**	74,397,844

15. INTERESTS IN SUBSIDIARIES

	Company 2006 HK$	2005 HK$
Unlisted shares, at cost	**193,687,880**	193,687,880
Loan to a subsidiary	**2,999,992**	2,999,992
	196,687,872	196,687,872

The loan to a subsidiary is unsecured, interest-free and not expected to be repaid in the next 12 months. The details of the principal subsidiaries as at 31 March 2006 are set out in note 32.

16. HELD-TO-MATURITY INVESTMENTS

Held-to-maturity investments are stated in the balance sheet cost amortized to date. The investment will mature in year 2015.

17. INVENTORIES

	Group 2006 HK$	2005 HK$
Raw materials	**5,409,164**	5,252,591
Packing materials	**4,744,402**	3,562,681
Work in progress	**793,576**	529,657
Finished goods	**618,994**	760,489
	11,566,136	10,105,418

18. TRADE RECEIVABLES

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

	Group	
	2006	2005
	HK$	HK$
Current to 30 days	**5,258,163**	3,381,732
31 to 60 days	**442,963**	201,938
Over 60 days	**651,003**	1,168,529
	6,352,129	4,752,199

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.

19. AMOUNTS DUE FROM SUBSIDIARIES

The balances are unsecured, interest-free and have no fixed terms of repayment.

20. AMOUNT DUE TO INTERMEDIATE HOLDING COMPANY

The balance is unsecured, interest-free and has no fixed terms of repayment.

21. CASH AND CASH EQUIVALENTS

	Group		Company	
	2006	2005	**2006**	2005
	HK$	HK$	**HK$**	HK$
Cash at bank and in hand	**42,799,026**	83,484,966	**542,048**	947,401
Short-term bank deposits	**86,530,948**	26,299,377	**–**	–
Other short-term highly liquid investments	**16,213,162**	19,773,667	**16,213,162**	19,773,667
	145,543,136	129,558,010	**16,755,210**	20,721,068

21. CASH AND CASH EQUIVALENTS *(Continued)*

The effective interest rate on short-term bank deposits was 2.7% (2005: 0.5%).

These deposits have maturity range from 7 to 90 days.

At 31 March 2006, the carrying amount of the cash and cash equivalents were denominated in the following currencies:

	Group		Company	
	2006	2005	**2006**	2005
	HK$	HK$	**HK$**	HK$
HK$	**91,055,543**	74,729,745	**60,774**	947,401
US$	**17,956,076**	20,392,336	**16,694,436**	19,773,667
MOP	**5,974,196**	13,046,555	**–**	–
RMB	**30,536,524**	20,400,177	**–**	–
Others	**20,797**	989,197	**–**	–
	145,543,136	129,558,010	**16,755,210**	20,721,068

22. TRADE PAYABLES

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

	Group	
	2006	2005
	HK$	HK$
Current to 30 days	**11,264,548**	11,137,636
31 to 60 days	**2,294,139**	1,672,549
Over 60 days	**1,925,173**	1,739,429
	15,483,860	14,549,614

23. SHARE CAPITAL

	Company 2006 HK$	Company 2005 HK$
Authorized		
400,000,000 ordinary shares of HK$0.10 each	**40,000,000**	40,000,000

	Ordinary shares of HK$0.10 each Number of ordinary shares	HK$
Issued and fully paid		
At 1 April 2004	211,317,000	21,131,700
Issue of shares upon exercise of share options	240,000	24,000
At 31 March 2005	211,557,000	21,155,700
Issue of shares upon exercise of share options	1,800,000	180,000
At 31 March 2006	**213,357,000**	**21,335,700**

24. SHARE OPTIONS

The Company's share option scheme adopted on 25 October 2000 (the "Share Option Scheme") does not fulfill certain requirements as set out in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") on share option scheme, as a result the Share Option Scheme became invalid and no further share option can be granted under the Share Option Scheme. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

The details of movements of share options granted under the share option scheme during the year are as follows:

	Number of share options	
	2006	2005
At the beginning of the year	**2,600,000**	2,840,000
Exercised (note a)	**(1,800,000)**	(240,000)
At the end of the year (note b)	**800,000**	2,600,000

Notes:

(a) There were 1,800,000 share options exercised in August 2005 at HK$0.50 per shares. The weighted average share price at the time of exercise was HK$2.60 (2005: HK$1.72) per share. There were no share options granted, cancelled or lapsed during the year.

(b) Share options outstanding at the end of the year have the following terms:

Grant date	**Exercise period From**	**Exercise period To**	**Exercise price** HK$	**Number of share options 2006**	**Number of share options 2005**
Director					
15 January 2001	1 May 2001	31 May 2010	0.50	**–**	1,000,000
15 January 2001	1 May 2002	31 May 2010	0.50	**200,000**	1,000,000
31 August 2001	1 March 2002	30 September 2011	0.55	**300,000**	300,000
31 August 2001	1 September 2002	30 September 2011	0.55	**300,000**	300,000
			Total	**800,000**	2,600,000

25. RESERVES

The movements of the reserves of the Group and of the Company during the year are analyzed as follows:

(a) Group

	Share premium HK$	Contributed surplus HK$	Exchange fluctuation reserve HK$	Retained earnings HK$	Dividend reserve HK$	Total HK$
At 1 April 2004, as previously reported	6,454,200	104,929,484	69,124	35,034,081	19,031,130	165,518,019
Effect on adoption of HKAS 17	–	–	–	1,688,508	–	1,688,508
At 1 April 2004, as restated	6,454,200	104,929,484	69,124	36,722,589	19,031,130	167,206,527
Premium on issue of shares upon the exercise of share options	106,500	–	–	–	–	106,500
Profit for the year, as restated	–	–	–	59,214,402	–	59,214,402
Under-provision of dividend in previous year	–	–	–	(9,000)	9,000	–
2003/04 final dividend paid	–	–	–	–	(19,040,130)	(19,040,130)
2004/05 interim dividend proposed	–	–	–	(10,577,850)	10,577,850	–
2004/05 interim dividend paid	–	–	–	–	(10,577,850)	(10,577,850)
2004/05 final dividend proposed	–	–	–	(19,040,130)	19,040,130	–
At 31 March 2005, as restated	6,560,700	104,929,484	69,124	66,310,011	19,040,130	196,909,449
At 1 April 2005, as per above	**6,560,700**	**104,929,484**	**69,124**	**66,310,011**	**19,040,130**	**196,909,449**
Premium on issue of shares upon exercise of share options	**720,000**	**–**	**–**	**–**	**–**	**720,000**
Profit for the year	**–**	**–**	**–**	**40,966,199**	**–**	**40,966,199**
Under-provision of dividend in previous year	**–**	**–**	**–**	**(162,000)**	**162,000**	**–**
2004/05 final dividend paid	**–**	**–**	**–**	**–**	**(19,202,130)**	**(19,202,130)**
2005/06 interim dividend proposed	**–**	**–**	**–**	**(8,534,280)**	**8,534,280**	**–**
2005/06 interim dividend paid	**–**	**–**	**–**	**–**	**(8,534,280)**	**(8,534,280)**
2005/06 final dividend proposed	**–**	**–**	**–**	**(14,934,990)**	**14,934,990**	**–**
At 31 March 2006	**7,280,700**	**104,929,484**	**69,124**	**83,644,940**	**14,934,990**	**210,859,238**

25. RESERVES *(Continued)*

(b) Company

	Share premium HK$	Contributed surplus HK$	Retained earnings HK$	Dividend reserve HK$	Total HK$
At 1 April 2004	6,454,200	180,031,060	24,993,818	19,031,130	230,510,208
Premium on issue of shares upon the exercise of share options	106,500	–	–	–	106,500
Profit for the year	–	–	38,619,683	–	38,619,683
Under-provision of dividend in previous year	–	–	(9,000)	9,000	–
2003/04 final dividend paid	–	–	–	(19,040,130)	(19,040,130)
2004/05 interim dividend proposed	–	–	(10,577,850)	10,577,850	–
2004/05 interim dividend paid	–	–	–	(10,577,850)	(10,577,850)
2004/05 final dividend proposed	–	–	(19,040,130)	19,040,130	–
At 31 March 2005	6,560,700	180,031,060	33,986,521	19,040,130	239,618,411
At 1 April 2005	**6,560,700**	**180,031,060**	**33,986,521**	**19,040,130**	**239,618,411**
Premium on issue of shares upon exercise of share options	**720,000**	**–**	**–**	**–**	**720,000**
Profit for the year	**–**	**–**	**9,130,149**	**–**	**9,130,149**
Under-provision of dividend in previous year	**–**	**–**	**(162,000)**	**162,000**	**–**
2004/05 final dividend paid	**–**	**–**	**–**	**(19,202,130)**	**(19,202,130)**
2005/06 interim dividend proposed	**–**	**–**	**(8,534,280)**	**8,534,280**	**–**
2005/06 interim dividend paid	**–**	**–**	**–**	**(8,534,280)**	**(8,534,280)**
2005/06 final dividend proposed	**–**	**–**	**(14,934,990)**	**14,934,990**	**–**
At 31 March 2006	**7,280,700**	**180,031,060**	**19,485,400**	**14,934,990**	**221,732,150**

26. PROVISION FOR LONG SERVICE PAYMENTS

The movements in provision for long service payments of the Group during the year are as follows:

	Group	
	2006	2005
	HK$	HK$
At the beginning of the year	**6,199,407**	6,159,294
Provision for the year (Note 6)	**143,124**	492,788
Less: Amounts utilized	**(166,083)**	(452,675)
At the end of the year	**6,176,448**	6,199,407

The Group's provision for long service payments is provided with reference to the actuarial valuation as at 31 March 2006 as prepared by Hewitt Associates LCC, a qualified actuary.

27. DEFERRED INCOME TAX

Deferred income tax is calculated on temporary differences under the liability method using a principal taxation rate of 17.5% (2005: 17.5%).

The movement on the net deferred income tax liabilities/(assets) is as follows:

	Group	
	2006	2005
	HK$	HK$
At the beginning of the year	**(401,720)**	39,007
Charged/(credited) to profit and loss account	**938,581**	(440,727)
At the end of the year	**536,861**	(401,720)
It was analyzed as follows:		
Deferred income tax assets	**(833,139)**	(2,392,640)
Deferred income tax liabilities	**1,370,000**	1,990,920
Net deferred income tax liabilities/(assets)	**536,861**	(401,720)

The deferred tax assets and liabilities represent the taxation effect of the accelerated depreciation allowances for taxation purposes.

28. CASH GENERATED FROM OPERATIONS

Reconciliation of profit before income tax to cash generated from operations is as follows:

	2006 HK$	(Restated) 2005 HK$
Profit for the year	**40,966,199**	59,214,402
Adjustment for:		
Income tax expense	**8,679,461**	12,458,319
Depreciation of property, plant and equipment	**27,484,221**	27,300,222
Amortization of prepaid operating lease payments	**1,707,427**	1,447,957
Amortization of trademarks	**–**	4,600,000
Loss/(gain) on disposal of property, plant and equipment and leasehold land and land use rights	**653,173**	(26,132,419)
Interest income	**(2,962,896)**	(631,080)
Operating profit before working capital changes	**76,527,585**	78,257,401
Decrease/(increase) in deposits for purchase of properties	**3,575,972**	(3,575,972)
Increase in rental deposits paid	**(23,005)**	(1,133,609)
Increase in inventories	**(1,460,718)**	(2,059,940)
Increase in trade and other receivables	**(2,750,323)**	(8,132,681)
Increase in amount due to intermediate holding company	**596,498**	1,470,008
(Decrease)/increase in trade and other payables	**(2,342,252)**	8,158,960
Increase/(decrease) in cake coupon liabilities	**15,519,948**	(2,768,466)
Increase/(decrease) in rental deposits received	**47,525**	(330,000)
(Decrease)/increase in provision for long service payments	**(22,959)**	40,113
Cash generated from operations	**89,668,271**	69,925,814

29. COMMITMENTS

(a) Capital commitments

Capital expenditure for property, plant and equipment at the balance sheet date but not yet incurred is as follows:

	2006 HK$	2005 HK$
Contracted but not provided for	1,741,000	4,387,000
Approved but not contracted for	14,275,000	27,100,000
	16,016,000	31,487,000

(b) Operating lease commitments

At 31 March 2006, the Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of properties as follows:

	2006 HK$	2005 HK$
Within one year	46,405,985	40,591,038
After one year and within 5 years	46,691,151	33,692,744
Over 5 years	2,276,373	2,289,163
	95,373,509	76,572,945

(c) Future operating lease arrangement

At 31 March 2006, the Group had future aggregate minimum lease receipts under non-cancellable operating leases as follows:

	2006 HK$	2005 HK$
Within one year	791,773	1,034,561
After one year and within 5 years	–	791,773
	791,773	1,826,334

30. RELATED PARTY TRANSACTION

The Company is directly controlled by Hong Kong Catering Management Limited ("HKCM") which owns 55.32% of the Company's shares. HKCM in turn is 56.61% held by Well-Positioned Corporation ("Well-Positioned") which also directly holds 17.43% of the Company's shares resulting in an effective share holding of 72.75%. The directors regard Well-Positioned, a British Virgin Island incorporated company, as the ultimate holding company of the Company. The remaining 27.25% of the Company's shares is widely held. During the year, the Group had the following significant related party transactions with HKCM and its subsidiaries other than the Group (the "HKCM Group"):

30.1 Sales and purchase of goods and services

	2006 **HK$**	2005 HK$
Sales of bakery and related products (note (a))	**8,269,762**	5,920,984
Rental expenses in respect of land and buildings (note (b))	**1,504,419**	1,597,979
Management fees paid (note (c))	**4,366,136**	4,387,113
Commission expenses for distribution of festive products coupons (note(d))	**240,060**	206,146

Notes:

(a) Sales of bakery and related products were charged at prices and terms determined by reference to those charged to independent customers of the Group.

(b) Rental expenses were reimbursed at costs in respect of certain leased premises on the basis of area occupied and relevant rent as percentage of the monthly gross turnover, whichever is higher.

(c) Pursuant to the administration agreement entered into between Bread Boutique Limited ("BBL"), a wholly-owned subsidiary of the Company, and HKCM, HKCM was engaged to provide management and administration services to BBL on a cost sharing basis.

(d) The Group has enlisted the HKCM Group to distribute its festive products coupons at the latter's outlets for a commission.

30.2 Key management compensation

The Board considered all the Executive Directors as the Company's key management and their remuneration are disclosed in note 6.1 to the financial statements.

31. BANKING FACILITIES

At 31 March 2006, the Group had aggregate banking facilities of HK$5,000,000 (2005: HK$5,000,000) for overdrafts and bank guarantees.

At 31 March 2006, the facilities were utilized by the Group to the extent of HK$2,842,775 (2005: HK$3,377,714) primarily for bank guarantees granted to third parties in lieu of rental and utility deposits.

32. PARTICULARS OF PRINCIPAL SUBSIDIARIES

The following is a list of the principal subsidiaries as at 31 March 2006:

Name of subsidiaries	Place of incorporation and operation	Particulars of issued share capital/ registered capital	Effective percentage holding attributable to the Group %	Principal activities
Interests held directly:				
Bodega Limited	British Virgin Islands	1 ordinary share of US$1 each	100	Investment holding
Eltham Agents Limited	British Virgin Islands	10 ordinary shares of US$1 each	100	Investment holding
Interests held indirectly:				
Bliset Investment Limited	Hong Kong	100 ordinary shares of HK$1 each 102 non-voting deferred shares of HK$1 each	100	Property holding
Bread Boutique Limited	Hong Kong	3,000,000 ordinary shares of HK$1 each	100	Bakery operator
Easywin Limited	British Virgin Islands	1 ordinary share of US$1 each	100	Holding of trademarks
Evergain Consultants Limited	British Virgin Islands	1 ordinary share of US$1 each	100	Investment holding
Gold Tree Limited	British Virgin Islands	1 ordinary share of US$1 each	100	Investment holding

32. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

	Name of subsidiaries	Place of incorporation and operation	Particulars of issued share capital/ registered capital	Effective percentage holding attributable to the Group %	Principal activities
	Great Moment Investment Limited	Hong Kong	2 ordinary shares of HK$1 each	100	Property holding
	Kingdom Wise Limited	Hong Kong	2 ordinary shares of HK$1 each	100	Property holding
@	Saint Anna Cake Shop (Macau) Limited	Macau	MOP100,000	100	Bakery operator
	Saint Honore Cake Shop Limited	Hong Kong	5 ordinary shares of HK$10 each 345,005 non-voting deferred shares of HK$10 each	100	Bakery operator
@#	Saint Honore Cake Shop (Shenzhen) Limited	People's Republic of China	HK$18,610,000	100	Manufacturing of bakery products
	Strong Glory Limited	Hong Kong	2 ordinary shares of HK$1 each	100	Investment holding
	Uni-Leptics Limited	Hong Kong	2 ordinary shares of HK$1 each	100	Property holding
	Zillion Will Limited	Hong Kong	2 ordinary shares of HK$1 each	100	Eatery operator
@#	夢工場美食(廣州)有限公司	People's Republic of China	US$400,000	100	Manufacturing of bakery products

These subsidiaries were established wholly foreign-owned enterprises in the PRC.

@ These subsidiaries have a financial year end date of 31 December, which is in compliance with the respective local regulations.

Five-Year Financial Information

A summary of the published results and assets, liabilities of the Group for the last 5 financial years is set out below.

Results

	For the year ended 31 March				
		(Restated)	(Restated)	(Restated)	(Restated)
	2006	2005	2004	2003	2002
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Turnover	**589,421**	568,901	537,516	494,492	476,189
Profit attributable to shareholders of the Company	**40,966**	59,214	45,534	18,704	20,375

Assets and liabilities

	At 31 March				
		(Restated)	(Restated)	(Restated)	(Restated)
	2006	2005	2004	2003	2002
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	**438,434**	414,980	372,509	340,218	339,238
Total liabilities	**206,239**	196,915	184,171	190,196	197,127
Total equity	**232,195**	218,065	188,338	150,022	142,111