

**SAINT HONORE HOLDINGS LTD :
NOT A VERY SWEET NEW LISTING, TO BE SURE**

On the face of it, it would appear that the latest company to obtain a listing on the Main Board of The Stock Exchange of Hongkong Ltd is headed for very rough waters in the near future.

The company is one of the best known bread and cake shops in the Hongkong Special Administrative Region (HKSAR) of the People's Republic of China (PRC): *'Saint Honore'*.

Saint Honore Holdings Ltd (Code: 192) has obtained a listing by Introduction and, as such, it is not offering any of its shares to the investing public, at this time, but its entire Issued and Fully Paid-Up Share Capital has been introduced to the rolls of the HKSAR stock market, all 196,229,000 shares.

While the past 3 Financial Years' trading results are not good, by extrapolation, one could easily come to the conclusion that the Current Financial Year, ending March 31, 2001, will be even worse.

TARGET's determination is deduced by the simple fact that, as at June 30, 2000, representing the first quarter of the Current Financial Year, Management Accounts indicated that there had been a Net Profit Attributable to Shareholders of about \$HK2.94 million.

On the assumption that the first quarter of the Current Financial Year is indicative of at least 75 percent of Year's Net Profits and, further, assuming that the Christmas and Chinese New Year season sees an increase of about 100 percent for that quarter, alone, then the 2001 Financial Year's Bottom Line cannot be more than about \$HK14.70 million.

If this TARGET calculation is anywhere near the mark, then the 2001 Year's Bottom Line will be about 60 percent of the Net Profit Attributable to Shareholders for the 2000 Financial Year.

The following is a table, setting out Saint Honore's trading results in summary for the past 3 Financial Years:

	Financial Year ended March 31		
	1998	1999	2000
	<i>All Figures are Denominated in \$HK'000</i>		
Turnover	446,033	431,972	430,126
Profit Before Taxation	50,471	34,591	29,110
Taxation	(7,530)	(2,284)	(4,166)
Profit After Taxation	42,941	32,307	24,944
Minority Interests	(3,059)	(272)	Nil
Profit Attributable to Shareholders	39,882	32,035	24,944

Noticeable in the above summary of trading results is that the Net Profit Margin in the 1998 Year amounted to about 8.94 percent, dropping to about 7.42 percent in the 1999 Year, and falling once more in the 2000 Year to about 5.80 percent.

At the same time, the volume of business transacted has declined, in absolute terms, by about 1.19 percent on average for the Years 1998, 1999 and 2000, while, taking into account imported inflation in the HKSAR, during those 3 Years, the decline must have been at least 5 percent on average.

On the assumption that TARGET's financial prognosis for the Current Financial Year's Results are close to the truth, then the Current Year will be close to a disaster for Saint Honore.

The History

The Prospectus of Saint Honore states that Mr Glenn Chan Wai Cheung, the current Chairman, founded the Group in 1987.

The first Bread Boutique, as it was called, opened for business in 1989 in Ma On Shan, the New Territories.

The first Saint Honore bakery was opened in 1972 in Happy Valley, Hongkong, and, since then, the Group has expanded to the point that, today, there are 53 Saint Honore shops, selling bread and cakes in the HKSAR and the Macau Special Administrative Region (MSAR) of the PRC, and 14 Bread Boutiques in the HKSAR.

So, Chairman Glenn Chan Wai Cheung is, somewhat, of a success story from all accounts.

The range of bread and cake products is quite extensive, numbering 145 types in all, ranging from plain buns to hot-filled buns, to loaves of bread, to fancy cakes, etc.

Today, 13 years after this bakery was founded, it is controlled almost completely by Chairman Glenn Chan Wai Cheung, his wife, Non-Executive Director, Mrs Catherine Chan King, and his 2 sons, Executive Director, Mr Raymond Chan Ka Shun, and Non-Executive Director, Mr Joseph Chan Ka Lai.

But competition in this industry is fierce in the HKSAR and the MSAR since it takes little financial resources to open a bakery/cake shop and, in addition, nearly every hotel in the region has its own bakery and cake shops, most of which are controlled and supervised by European master pastry chefs, who can match just about anybody in their field.

Even Japanese bakeries and French bakeries have entered the regional scene, bringing with them an array of products, vacuum packed and freshly made in bread 'factories' in the HKSAR and the MSAR, and these competitors, also, can match just about anybody – including the products, churned out by the European master pastry chefs.

The Finances

Lest readers be left with the wrong impression of Saint Honore, TARGET hastens to add that this Company is, financially ... [CLICK TO ORDER FULL ARTICLE](#)

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