

As a founder of Saint Honore Holdings Limited (the "Company"), I take pride to present to our shareholders our first set of published annual accounts since we were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") in November last year. The Company and its subsidiaries are hereinafter collectively referred to as the "Group".



The Board of Directors and other guests attended the listing ceremony of the Company

RESULTS AND DIVIDENDS

Consolidated turnover increased modestly by 4.3% to HK\$449 million while our profit attributable to shareholders had been maintained more or less at HK\$24 million for the full year.

The directors have recommended a final dividend of HK6 cents per ordinary share for the year ended 31st March 2001 to be payable to shareholders whose names appear in the register of members of the Company on 30th August 2001. Subject to shareholders' approval at the forthcoming annual general meeting, such dividend will be payable on or about 11th September 2001 in cash.



Our Chairman Mr. Glenn Chan (Left) celebrating the listing of the Company on Main Board

REVIEW

Competition had intensified in the bakery industry over the past twelve months as a few new comers aggressively expanded their chain size and lured away some of our existing market share. We accepted this as a challenge rather than a threat to us. Though our initial response to secure the existing customer base was to offer more attractive sales discount, we aim, for a longer-term perspective, at streamlining our operation for greater efficiency and cost-effectiveness without foregoing quality. We have consolidated the production facilities of Saint Honore Cake Shop in Hong Kong into a single location by relocating the bread production line from Kowloon Bay to Kwai Chung. The space so vacated at Kowloon Bay is now being used to expand the production facility of Bread Boutique which has been stretched to its limit. We have also lifted the warehouse capacity of our Shenzhen factory by acquiring an additional 12,696 sq. ft. of floor space. We can now achieve better logistic control over the whole operation following the installation of a communication network



REVIEW *(cont'd)*

between retail shops, plants and the head office. Our bottom line suffered slightly as our staff cost had increased with the extra burden of Mandatory Provident Fund ("MPF") contribution which commenced earlier on. We will strive to improve our margin by revamping our shop portfolio and axe certain "anchor" shops, the mere size of which making them no longer viable. As at 31st March 2001, we had a total of 69 bakeries. We will re-shuffle shops to minimize geographic over-lapping of market coverage. Also, we will increase the presence of the "Saint Honore" brand in public housing estates, an ignored market segment in the past.

As an endorsement of our strive for product quality, we became the first bakery chain in Hong Kong who was accredited with ISO9001 certificate for our operation systems. Our Shenzhen workshop was already certified with ISO9001 four years ago.

OUTLOOK

As stated in the introduction document of the Company dated 30th October 2000 (the "Introduction Document") which was prepared for the public listing of the Company, our future plans include, among others, expanding our retail operation into other Asian markets and forming strategic alliance with business partners to explore expansion opportunities. I would like to brief shareholders our progress to date in this respect. We have completed a feasibility study of the retail

bakery business in Singapore and our first retail shop will be opened there before the end of the year. Initial capital injection into this project in the next twelve months is estimated to be around HK\$10 million. We have recently allied with a convenient chain store to operate the bakery corner inside their shops. Two pilot shops have been selected for trial run. If the result is satisfactory, we will have immediate access to an established sales network at a comparatively affordable rental. For our eatery business, we target to open 1 to 2 outlets if suitable locations are found.

ACKNOWLEDGEMENTS

On behalf of the board of director, I must take this opportunity to express our sincerest appreciation of our business partners and our staff who have given us unfailing support and fullest dedication throughout our history of close to thirty years of operation.

Glenn Wai Cheung Chan

Chairman

Hong Kong, 12th July 2001

