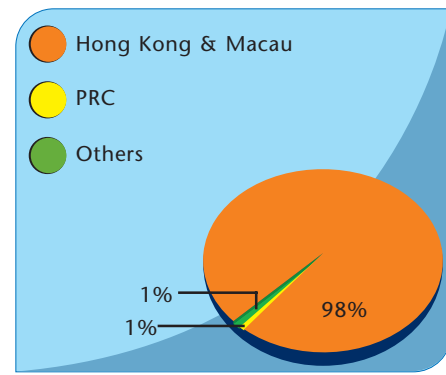


Turnover by Category



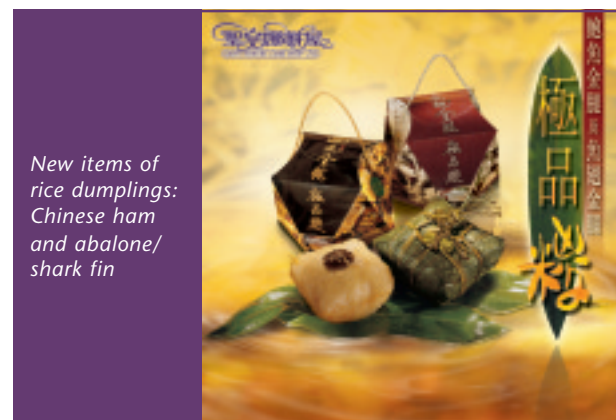
Turnover by Region

SAINT HONORE CAKE SHOP

During the year, the core business of cake and bread sales to outsiders has increased by 5.3% as result of increase in number of outlets (from 53 to 56) and various promotion efforts. Most of the new outlets were opened in public housing estates where the rental is lower and thus our rent expenses increased by a lesser extent despite increase in the number of outlets. We have co-operated with a convenient chain store and opened two bakery corners within their shops. Our products are complementary to theirs and thus facilitate cross-selling on the spot. This arrangement should enhance area utilization and will benefit both parties. Our average headcount had accelerated with the increase in number of outlets and turnover which combined with the effect of MPF resulted in our staff costs to jump by 6.8%. We acquired 12,228 sq. ft. area of factory at Kwai Chung for relocation of our bread production line into our central workshop for greater efficiency. The management has also dedicated plenty of efforts to product improvement by scouting new and better ingredients at more competitive prices. In addition,

we will continue to streamline our production processes and control spoilage and wastage.

Our high profit margin festive products attracted fierce competition and we had to offer greater discount to our customers, especially corporate clients. The weak economic situation in Hong Kong and the PRC also reduced spending in festive products which are considered as luxury goods instead of basic necessity. Thus turnover for our festive products dropped by 7%. To differentiate us from our competitors, we will try to improve further on product quality and packaging design so as to



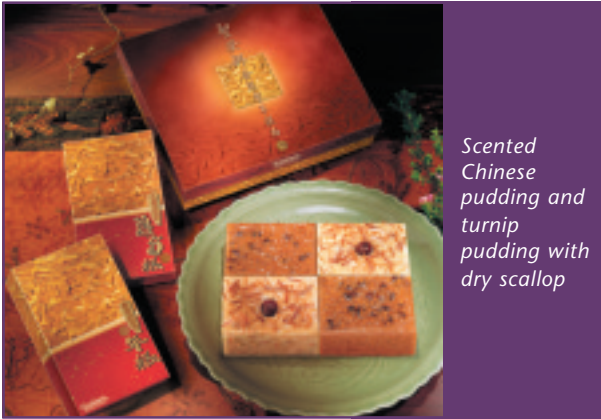
New items of rice dumplings: Chinese ham and abalone/shark fin

maintain our market leadership. We have also diversified our product range to include new items



SAINT HONORE CAKE SHOP *(cont'd)*

such as rice dumplings with Chinese ham and abalone (鮑魚金腿極品粽), scented Chinese pudding (桂花年糕) and turnip pudding with dry scallop (瑤柱蘿蔔糕) to match customer tastes and spending preferences.



Scented Chinese pudding and turnip pudding with dry scallop

Hong Kong together with Macau still remain as our major operating territories (97.5% as compared to 97% of last year). Turnover contributed by the PRC and overseas markets dropped by 16% as a result of a weaker economy and tightened credit policy.

BREAD BOUTIQUE

External sales dropped by 0.5% as we did not renew



Bread Boutique, Telford Plaza

the lease of the loss-making shop at Kin Sang in April 2000. Since then, we operated only with the remaining 13 shops throughout the fiscal year. Despite that, our profit margin had improved as we continued to explore more economic flour-mix formula and our sales to group companies also increased by close to 11.7%.

For economy of scale, the central workshop of Bread Boutique supplies pre-packed bread loaves and hot bread fillings to all the Group's outlets (including that of Saint Honore). The capacity of this workshop is now stretched to its extreme and we will invest approximately HK\$6 million to up-grade the production line. As at 31st March 2001, we were committed to open 2 outlets at Oi Tung and Lung Cheung.



E.C. Eatery, Gateway

E.C. EATERY

Follow the success of our pilot shop opened at Gateway in November 1999, we are confident that there exists a potential market for this concept shop if proper location is found. We paid a price to learn this lesson as the second shop which was opened in

E.C. EATERY *(cont'd)*

October 2000 at Chatham Road, Tsim Sha Tsui had to be aborted shortly after it was opened for business for four months when expected business did not realise from the nearby pedestrian flow. We had to write off HK\$2.1 million of leasehold improvement, forfeiture of deposit and compensation to the landlord due to this closure. Bearing this experience, we selected Causeway Bay, a more popular area with shoppers and diners, to open our third outlet in early March 2001.

LIQUIDITY AND

CAPITAL RESOURCES

Our operation provides a steady stream of cashflow. We recorded a net cash inflow of HK\$6.5 million from cake coupon sales with gross coupons sold during the year amounting to HK\$87 million. As at 31st March 2001, the Group's freehold cash on hand stood at HK\$64 million.

Capital expenditure for the year amounted to HK\$46 million. We have paid HK\$11.8 million to a fellow subsidiary to acquire a 2,293 sq. ft. shop premises at Sceneway Plaza. We paid in total HK\$6.7 million for an additional 12,228 sq. ft. for our centralised workshop in Hong Kong and 12,696 sq. ft. for our Shenzhen factory to increase our production/storage capacity. The remaining funds were used mainly for the opening of 6 new bakery outlets and 2 eateries.

PLEDGE OF ASSETS

As at 31st March, 2001, land and building with a net book value of HK\$10.8 million and fixed deposits of HK\$1.2 million have been pledged to secure certain bank facilities of the Group.

EMPLOYEES

As at 31st March 2001, the Group employed over 1,500 (2000: 1,400) full time staff with approximately 1,300 of them working in Hong Kong. Remuneration packages of employees include basic salary, sales incentives and discretionary bonus which are normally reviewed on annual basis. As far back as ten years ago, the Group already took out provident fund schemes in the form of insurance policies to provide some sort of retirement protection for our entire workforce. To avoid the administrative costs of running two schemes concurrently, we did not apply for exemption for the old scheme funds and transferred a substantial portion of the fund balance as voluntary contributions to MPF schemes upon their commencement. We have also set aside on our balance sheet HK\$9.6 million as provision for our long service payment.

We have frozen our pay scale for four consecutive years. To boost morale and to retain caliber staff, the Company granted to certain staff a total of 9,190,000 share options soon after its public listing.

