

I am pleased to present to you the 2002 annual report of Saint Honore Holdings Limited (the "Company") and its subsidiaries (the "Group").

RESULTS

In spite of the unfavorable retail market situation in Hong Kong for the past year our consolidated turnover increased modestly by 6.2% to HK\$476.2 million (2001: HK\$448.5 million) while our profit attributable to shareholders increased by 3.6% to HK\$20.2 million (2001 restated: HK\$19.5 million).

DIVIDENDS

The directors recommended a final dividend of HK3.5 cents (2001: HK6 cents) per share which together with the interim dividend of HK2.5 cents (2001: nil) per share paid on 29th January 2002 make a total dividend of HK6 cents (2001: HK6 cents) per share for the financial year ended 31st March 2002. Subject to approval by the shareholders at the forthcoming annual general meeting on 29th August 2002, the final dividend will be payable on 10th September 2002 to shareholders whose names appear on the register of members on 29th August 2002.

BUSINESS REVIEW

Business condition has been tough, especially after the September 11th terrorist attack of the United States ('911 events'). Competition remained intense in the bakery industry. Our festive product sales have been more affected by the economic downturn and recorded a slight decline. Normal cake and bread business increased earlier on during the fiscal year primarily due to heavy discount given. We have since changed our sales strategy to avoid the vicious circle of confronting competition with further sales discounts as our only recourse. Instead we focus now on excelling ourselves in product quality and varieties. We still offer heavy discounts on selective items throughout the year as a marketing gimmick. Such move should shelter our profit margin from further erosion, for the time being. Overall our turnover increased by 6.2%.

To improve our profitability, we have replaced 6 loss-making outlets with new ones at other locations with better rental to consumer traffic ratio. We also renovated a few flagship outlets to give a more refreshing image. Our depreciation charge inevitably increased. We halted the expansion plan in Singapore after the 911 event and charged the setup costs incurred of HK\$0.7 million to the profit and loss account. Operating profit was further affected by lower interest earned from fixed deposits. Our eatery business has turnaround and is now contributing positively to the bottom line. Overall, our operating profit improved modestly by 4.6%.

The implementation of SSAP 29 requires us to re-capitalise the trademark "Saint Honore" at cost and amortise the amount over a period of 20 years from 1992 i.e. the first year of use. Accordingly, an annual amortisation charge of HK\$4.6 million has been charged to our operating results. Prior year comparison was restated to adjust for this charge as well.

Mainland China has assumed the role of the manufacturing hub for many multinationals. To live up to worldwide quality assurance standard, we re-engineered our Shenzhen plant for Hazard Analysis Critical Control Point ("HACCP") certification. This plant has now been accredited with both ISO9001 and HACCP.

BUSINESS REVIEW *(cont'd)*

Around March 2002, malicious rumours were spreading around the internet that the Group was in financial difficulty. We reported it to the Hong Kong Police for investigation. To prevent the incident from escalating into a full scale cake run, I in person and Hong Kong Catering Management Limited ("HKCM"), the ultimate holding company, together with a substantial shareholder have undertaken to provide the Group a standing facility of not more than HK\$74.0 million for a period of 3 months to be extended when required. We volunteer to publish quarterly results announcement of the Group in the coming fiscal year so as to increase our financial transparency to the public. By initiating this action, we hope to take the situation in our hands and shut the rumourmonger up.

PROSPECT

Hong Kong has not emerged from the economic downturn which started in late 1997. We do not expect any fast recovery in the coming year. In view of this, the Board will take a conservative attitude to open new shops locally paying special care to ensure the location is proper. We continue to streamline our operation for more cost savings.

To achieve higher production efficiency, we have planned to move more bakery production lines to the Shenzhen plant which is accredited with the ISO9001 and HACCP certification. With the accession of mainland China to the World Trade Organisation, the Board believes that it is now an appropriate time to reassess the potentials of this huge consumer market. Our first pilot retail outlet has started to operate in Guangzhou in early July 2002.

ACKNOWLEDGEMENTS

On behalf of the Board, I must take this opportunity to express our most sincere appreciation of our business partners and our staff who have given us unfailing support and fullest dedication through the difficult times among these years.

Chan Wai Cheung, Glenn
Chairman

Hong Kong, 11th July 2002