



SAINT HONORE HOLDINGS LIMITED

聖安娜控股有限公司

(Incorporated in Bermuda with limited liability)

Website: <http://www.sthonore.com>

RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2003

The board of directors (the “Board”) of Saint Honore Holdings Limited (the “Company”) announces the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 March 2003 as follows:

AUDITED CONSOLIDATED RESULTS

| | <i>Note</i> | 2003 <i>HK\$'000</i> | 2002 <i>HK\$'000</i> |
|--|-------------|--------------------------------|-------------------------|
| Turnover | 2 | 494,492 | 476,189 |
| Other revenues | 3 | 1,639 | 2,645 |
| Costs of inventories consumed | | (143,508) | (134,497) |
| Staff costs | 4 | (155,765) | (163,099) |
| Operating lease rentals | | (50,091) | (51,427) |
| Depreciation of fixed assets | | (28,623) | (25,644) |
| Other operating expenses | | (88,118) | (75,088) |
| Amortisation of intangible assets | | (4,600) | (4,600) |
| | | <hr/> | <hr/> |
| Profit before taxation | 5 | 25,426 | 24,479 |
| Taxation | 6 | (6,897) | (4,279) |
| | | <hr/> | <hr/> |
| Profit attributable to shareholders | | 18,529 | 20,200 |
| | | <hr/> | <hr/> |
| Dividends | 7 | 10,793 | 11,774 |
| | | <hr/> | <hr/> |
| Earnings per share | 8 | | |
| Basic | | 9.4 cents | 10.3 cents |
| Diluted | | 9.2 cents | 10.1 cents |

Notes:

1. Principal accounting policies

In the current year, the Group adopted the following Statements of Standard Accounting Practice (“SSAPs”) issued by the Hong Kong Society of Accountants which are effective for accounting periods commencing on or after 1 January 2002:

| | | |
|-------------------|---|--------------------------------------|
| SSAP 1 (revised) | : | Presentation of financial statements |
| SSAP 11 (revised) | : | Foreign currency translation |
| SSAP 15 (revised) | : | Cash flow statements |
| SSAP 34 (revised) | : | Employee benefits |

The adoption of the above standards had no material effect on amounts reported in prior year, except that certain presentational changes have been made upon the adoption of SSAP 1 (revised) “Presentation of financial statements” and SSAP 15 (revised) “Cash flow statements”.

2. Turnover and segment information

An analysis of the Group’s turnover and profit before taxation for the year by business segments is as follows:

| | Turnover | | Contribution to profit before taxation | |
|------------------|------------------|------------------|--|------------------|
| | 2003 HK\$’000 | 2002 HK\$’000 | 2003 HK\$’000 | 2002 HK\$’000 |
| Bakery operation | 466,793 | 446,620 | 24,074 | 22,045 |
| Eatery operation | 27,699 | 29,569 | 1,352 | 2,434 |
| | <u>494,492</u> | <u>476,189</u> | <u>25,426</u> | <u>24,479</u> |

No geographical segment information is provided as less than 10% of the Group’s turnover and less than 10% of the consolidated results of the Group is attributable to markets outside Hong Kong.

3. Other revenues

| | 2003 HK\$’000 | 2002 HK\$’000 |
|---|------------------|------------------|
| Interest income | 703 | 1,709 |
| Rental income from an investment property | 936 | 936 |
| | <u>1,639</u> | <u>2,645</u> |

4. Staff costs and remuneration policy

At 31 March 2003, the Group had a total of 1,670 (2002: 1,460) full time employees. Employees are remunerated based on basic salaries and sales incentives are payable to some operational staff. Bonuses were discretionary in nature and based on the performance of the employees and the Group. The Company has adopted a share option scheme to provide incentive to working staff.

5. Profit before taxation

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

| | 2003 <i>HK\$'000</i> | 2002 <i>HK\$'000</i> |
|---|--------------------------------|-------------------------|
| Auditors' remuneration | 745 | 883 |
| Deficit on revaluation of an investment property | 4,586 | – |
| Loss on disposal of fixed assets | 81 | 284 |
| Net exchange losses | 679 | 291 |
| Pre-operating expenses written off | – | 703 |
| Provision for/(reversal of) long service payments included in staff costs | 119 | (1,412) |
| Retirement benefit costs included in staff costs | <u>6,262</u> | <u>6,335</u> |

6. Taxation

| | 2003 <i>HK\$'000</i> | 2002 <i>HK\$'000</i> |
|------------------------------|--------------------------------|-------------------------|
| Hong Kong profits tax | 6,576 | 2,826 |
| Overseas taxation | 640 | 684 |
| Overprovision in prior years | (355) | (237) |
| Deferred taxation | <u>36</u> | <u>1,006</u> |
| | <u>6,897</u> | <u>4,279</u> |

Hong Kong profits tax has been provided at the rate of 16% (2002: 16%) on the estimated assessable profits for the year. Taxation on overseas profits has been calculated on the estimated assessable profits for the year at the rates of taxation prevailing in the countries in which the Group operates.

The potential deferred taxation assets not recognised are related to the excess of depreciation over tax allowances totaled HK\$1,259,530 (2002:HK\$441,604).

7 Dividends

| | 2003 <i>HK\$'000</i> | 2002 <i>HK\$'000</i> |
|--|--------------------------------|-------------------------|
| Interim, paid, of HK2.0 cents (2002: HK2.5 cents) per ordinary share | 3,925 | 4,906 |
| Final, proposed, of HK3.5 cents (2002: HK3.5 cents) per ordinary share | <u>6,868</u> | <u>6,868</u> |
| | <u>10,793</u> | <u>11,774</u> |

8. Earnings per share

The calculation of the basic and diluted earnings per share is based on the following:

| | 2003 | 2002 |
|---|---------------------------|--------------------|
| | HK\$ | HK\$ |
| Earnings | | |
| Earnings for the purpose of the calculation of basic and diluted earnings per share | <u>18,528,965</u> | <u>20,199,927</u> |
| Number of shares | | |
| | 2003 | 2002 |
| Weighted average number of ordinary shares for the purpose of the calculation of basic earnings per share | 196,229,000 | 196,229,000 |
| Effect of dilutive potential ordinary shares | <u>4,672,171</u> | <u>3,851,608</u> |
| Weighted average number of ordinary shares for the purpose of the calculation of diluted earnings per share | <u>200,901,171</u> | <u>200,080,608</u> |

FINAL DIVIDEND

The directors recommend a final dividend of HK3.5 cents (2002: HK3.5 cents) per ordinary share for the year ended 31 March 2003 to be payable to shareholders whose names appear in the register of members of the Company on 28 August 2003. Subject to the passing of the necessary resolutions at the forthcoming annual general meeting, such dividend will be payable on or about 9 September 2003.

MANAGEMENT DISCUSSION AND ANALYSIS

Business review

Consolidated turnover increased by 3.8% despite continuing weak consumer spending. The growth was primarily attributable to the concerted effort of effective marketing tactics and stringent product quality controls. The persistence of a deflationary economy and the acute price-sensitivity of our customers have worked to erode our gross margin while pushing our advertising budget to a record level. Riding on the strength of our brand name, sales of our festive products throughout the fiscal year all exceeded the targeted volume.

Migration of certain secondary production lines to Shenzhen has relieved some pressure off our bottom-line. We achieved savings in labour costs though it was offset to a lesser extent by increase in depreciation charge. The expanded workshop in Shenzhen has added more flexibility to our production line when it comes to support large-scale promotional campaigns during which time the sales volume may jump by folds. Excluding the HK\$4.6 million additional provision for diminution in value of an investment property, the Group's profits attributable to shareholders increased by 14.4%.

Our voluntary action to increase the Group's financial transparency through published quarterly announcement has succeeded in restoring public confidence in the cake coupon system. Our cake coupon sales returned to normal when we resumed our regular promotion sales in October 2002, after a six-month cooling period.

In July 2002, we opened our first PRC retail outlet in Guangzhou. Two more outlets were added by the end of the fiscal year. Although the PRC retail operation is not generating positive contribution at this initial stage, we believe that we have laid a secure foundation for future growth into a potentially huge market. During the year, “Saint Honore” was selected by the Guangdong Provincial Authority as a national famous brand for our mooncake products. This should pave our way for future market penetration.

Prospect

Though the outbreak of Severe Acute Respiratory Syndrome in March 2003 has not largely affected our normal bakery business, it has further weakened Hong Kong’s already fragile economy. The full economic impact will surface in the coming months which may affect our forthcoming mooncake sale. The Board will continue to take a prudent attitude in expanding our retail network. We are working with our business partners such as suppliers and landlords to further optimise our cost structure. We will continue our quest for products quality so as to live up to our brand image which we consider as one of our most valuable assets. In this regards, we have completed the Hazard Analysis Critical Control Point (“HACCP”) certification for our Shenzhen plant and the renewal of the ISO9001 (2000 version) for our entire production and distribution network.

Our expanded Shenzhen plant has given us competitive advantages over our major competitors in terms of lower cost and ample production capacity. It also facilitates us to explore further into the PRC market which we will do so with caution to ensure it is within our financial restraints.

Liquidity and Capital Resources

During the year, the Group released the pledge of certain of its bank balances. Our freely held cash on hand increased from HK\$79.7 million to HK\$92.2 million even though we have spent HK\$28.4 million on new capital expenditure. The Group’s financial position stays healthy with zero gearing. The Group plans to invest about HK\$10.5 million mainly to expand and upgrade the outlet network. These projects will be financed internally and we do not have immediate need for external fund raising.

Pledge of Assets

No assets were pledged as at 31 March 2003.

Exposure to Fluctuations in Exchange Rates and Related Hedges

The Group conducts most of its business transactions in currencies of Hong Kong dollars, Pataca and Renminbi. As these currencies were relatively stable during the year, the Group had not exposed to any material currency fluctuation risk during the year.

Contingent Liabilities

The Group had no significant contingent liabilities as at 31 March 2003.

CLOSURE OF REGISTER

The register of members of the Company will be closed from 23 August 2003 (Saturday) to 28 August 2003 (Thursday), both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the proposed final dividend, all transfers accompanied by the relevant share certificates

must be lodged with the Company's Registrars, Computershare Hong Kong Investor Services Limited at Shops 1712-6, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:00 p.m. on 22 August 2003 (Friday).

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.

COMPLIANCE WITH THE CODE OF BEST PRACTICE OF THE LISTING RULES

Throughout the year, the Company was in compliance with the Code of Best Practice as set out in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

DETAILED RESULTS ANNOUNCEMENT ON EXCHANGE'S WEBSITE

A detailed results announcement containing all the information required by paragraphs 45(1) to 45(3) of Appendix 16 to the Listing Rules will be published on the website of The Stock Exchange of Hong Kong Limited in due course.

On behalf of the Board
Chan Wai Cheung, Glenn
Chairman

Hong Kong, 10 July 2003

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the members of the Company will be held at World Trade Centre Club Hong Kong, 38/F, World Trade Centre, 280 Gloucester Road, Causeway Bay, Hong Kong on 28 August 2003 (Thursday) at 3:30 p.m. for the purpose of transacting the following business:

ORDINARY BUSINESS

1. To receive and consider the audited financial statements and the reports of the directors and auditors for the year ended 31 March 2003.
2. To declare a final dividend for the year ended 31 March 2003.
3. To re-elect directors and to authorise the Board to fix their remuneration.
4. To appoint auditors for the ensuing year and to authorise the Board to fix their remuneration.

SPECIAL BUSINESS

To consider and, if thought fit, to pass:

5. **As Ordinary Resolution**

“**THAT:**

- (a) subject to paragraph (c) of this Ordinary Resolution, the exercise by the directors of the Company during the Relevant Period (as defined hereinafter) of all powers of the Company to allot, issue and deal with additional shares in the capital of the Company and to make and grant offers, agreements and options (including warrants) which would or might require shares to be allotted be and is hereby generally and unconditionally approved;
- (b) the approval in paragraph (a) of this Ordinary Resolution shall authorise the directors during the Relevant Period to make and grant offers, agreements and options (including warrants) to subscribe for shares in the Company which might require the exercise of such power after the end of the Relevant Period;
- (c) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the directors of the Company pursuant to the approval in paragraph (a) of this Ordinary Resolution, otherwise than pursuant to (i) a Rights Issue (as defined hereinafter), or (ii) the exercise of the rights of subscription or conversion under the terms of any securities of the Company which carry the right to subscribe or are convertible into shares in the Company, or (iii) the exercise of options which may be granted under any share option scheme of the Company, or (iv) an issue of shares of the Company in lieu of the whole or part of a dividend on shares of the Company in accordance with the Bye-laws of the Company from time to time, shall not exceed 20% of the aggregate nominal amount of the share capital of the Company in issue at the date of the passing of this Ordinary Resolution and the said approval shall be limited accordingly; and

(d) for the purpose of this Ordinary Resolution:

“Relevant Period” means the period from the passing of this Ordinary Resolution until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Bye-laws of the Company or the Companies Act 1981 of Bermuda or any applicable laws of Bermuda to be held; and
- (iii) the revocation or variation of this resolution by an ordinary resolution of shareholders of the Company in general meeting.

“Rights Issue” means an offer of shares open for a period fixed by the directors of the Company to holders of shares on the register on a fixed record date in proportion to their then holdings of such shares (subject to such exclusions or other arrangements as the directors of the Company may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, or in any territory outside, Hong Kong).”

6. As Special Resolution

“**THAT:**

the definition of “clearing house” in Bye-law 1 of the Bye-laws of the Company be amended by deleting the words “Section 2 of the Securities and Futures (Clearing Houses) Ordinance” and substituting therefor the words “Securities and Futures Ordinance (Chapter 571)”.”

By Order of the Board
Lucy Wong
Company Secretary

Hong Kong, 10 July 2003

Notes:

1. A member entitled to attend and vote at the meeting convened by the above notice is entitled to appoint a proxy or proxies to attend and, on a poll, vote in his stead. A proxy need not be a member of the Company.
2. In order to be valid, a form of proxy together with a power of attorney or other authority, if any, under which it is signed or certified by a notary or an official copy of that power of attorney or authority, must be deposited at the Company’s head office at 5/F, Express Industrial Building, 43 Heung Yip Road, Wong Chuk Hang, Hong Kong not less than 48 hours before the time appointed for holding the meeting or adjourned meeting.
3. The register of members will be closed from 23 August 2003 (Saturday) to 28 August 2003 (Thursday), both days inclusive, during which period no transfers of shares will be effected. To determine entitlement to the recommended final dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company’s Registrars, Computershare Hong Kong Investor Services Limited at Shops 1712-6, 17/F, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong not later than 4:00 p.m. on 22 August 2003 (Friday).

4. With regard to the business referred to in paragraph 5 above, the directors of the Company wish to state that they have no immediate plans to issue any new shares of the Company.

“Please also refer to the published version of this announcement in The Standard”.