



I am pleased to present to you the 2003 annual accounts of Saint Honore Holdings Limited (the "Company") and its subsidiaries (the "Group").

RESULTS AND DIVIDENDS

Our consolidated turnover increased slightly by 3.8% to HK\$494.5 million (2002: HK\$476.2 million) while our profit attributable to shareholders reduced by 8.3% to HK\$18.5 million (2002: HK\$20.2 million) after charging for deficit on revaluation of an investment property amounted to HK\$4.6 million (2002: nil).

The directors recommend a final dividend of HK3.5 cents (2002: HK3.5 cents) per share which together with the interim dividend of HK2.0 cents (2002: HK2.5 cents) per share paid on 28 January 2003 makes a total dividend of HK5.5 cents (2002: HK6 cents) per share for the financial year ended 31 March 2003. Subject to the approval by the shareholders at the Annual General Meeting on 28 August 2003, the final dividend will be payable on or about 9 September 2003 to shareholders whose names appear on the register of members on 28 August 2003.

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 announcements 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 ("SARS") 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 product quality so as to live up to our brand image which we consider as one of our most valuable assets. In this regard, 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.

ACKNOWLEDGEMENTS

On behalf of the board of directors, 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 especially during this difficult period.

Chan Wai Cheung, Glenn

Chairman

Hong Kong, 10 July 2003