

The board of directors (the “Board”) of Saint Honore Holdings Limited (the “Company”) is pleased to present to shareholders the unaudited interim report of the Company and its subsidiaries (the “Group”) for the six months ended 30th September 2001.

RESULTS

The Group recorded an increase in turnover of 7.7% from HK\$236.9 million to HK\$255.1 million while the profit attributable to shareholders has dropped by 26.9% from HK\$15.8 million to HK\$11.5 million. The decrease in profit margin was primarily due to increase in staff costs with the full impact of Mandatory Provident Fund (“MPF”) reflected for the first time in our interim results.

INTERIM DIVIDENDS

The directors have declared an interim dividend of HK2.5 cents (2000: Nil) per ordinary share for the six months ended 30th September 2001 to shareholders whose names appear in the register of members of the Company on 11th January 2002. The dividend will be payable on or about 29th January 2002.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 14th January 2002 to 17th January 2002, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the proposed interim dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company’s Registrar, Central Registration Hong Kong Limited, Shops 1712-6, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong not later than 4:00 p.m. on 11th January 2002.

MANAGEMENT DISCUSSION AND ANALYSIS

Business review

Turnover for the bakery operation increased by 4.0% as compared to the same period last year. As analysed by product types, sales of cake and bread increased moderately by 6.5% largely due to the combined effort of marketing promotion and new products launched which aimed to secure our market share. On the other hand, sales of festive products dropped by 8.6% as mooncake sales had not been fully recognised in the half year results due to the Mid-Autumn Festival fell in October this year. Intense competition has forced the Group to offer larger discount while burden from MPF contribution has increased our staff costs, our profit margin shrank as a result. In order to improve profitability, we had replaced 2 loss-making outlets with 3 new shops which were opened in the selected residential area with lower rental and constant consumer traffic. We also renovated some aged “anchor” outlets to present a more refreshing image to our customers.

Our two eateries continued to contribute positively to the Group’s profitability. Superior quality and right pricing strategy were the prime factors of success and we will strengthen ourselves in these aspects.

Due to implementation of Statement of Standard Accounting Practice (“SSAP”) 29, the trademark “Saint Honore” which was acquired in 1992 was re-capitalised at cost and amortised over 20 years commenced in the year available for use. As a result, our bottom line was hit by this accounting treatment by HK\$2.3 million, being the amortisation charge for 6 months. Since this accounting policy has been applied retrospectively, we also adjusted the comparative figures accordingly.

Our expansion plan in Singapore was aborted due to the drastic economic slowdown in the last 6 months. As a result, we have written off the setup cost totalled HK\$0.7 million to the results for the period.

Prospect

The Group does not expect the coming six months will be very promising due to the continual weak economic environment in Hong Kong. We foresee the full impact of “911” will adversely affect our business in the second half of the year, especially on festive product sales. We will continue to face the pressure of price reduction and we have embarked on a series of profitability-enhancing measures and procedures to improve operational efficiency. Hopefully the accomplishment of these measures will raise our competitiveness and help us through this recessionary period.

Liquidity and financial resources

There was a healthy inflow of cash during the past six months. As at 30th September 2001, the Group’s freehold cash on hand stood at HK\$83.8 million (2000: HK\$74.0 million) with zero gearing. The Group’s financial position is healthy with no immediate need for external fund raising. The capital commitments as at the reporting date were mainly pertained to our expansion of the bread production capacity and a new shop to be opened in the second half year and these projects would be financed internally.

Employees

As at 30th September 2001, the Group employed about 1,480 full time employees out of which 1,230 were employed in Hong Kong and there were 250 overseas staff. As an incentive to our staff, the directors granted 10,310,000 share options to employees to subscribe for shares in the Company on 31st August 2001.

Contingent liabilities

As at the reporting date, the Group did not have significant contingent liability.

Exposure to fluctuations in exchange rates and related hedge

The Group’s activities are primarily denominated in Hong Kong dollars. There is no significant exposure to foreign exchange fluctuations.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

The Company has not redeemed any of its shares during the period. Neither the Company nor any of its subsidiaries has purchased or sold any of its listed securities during the period.

DIRECTORS' INTERESTS IN EQUITY OR DEBT SECURITIES

As at 30th September 2001, the interests of the directors, chief executives and their associates in the shares and options of the Company and its associated corporations (within the meaning of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance"), as recorded in the register maintained by the Company under Section 29 of the SDI Ordinance or as notified to the Company were as follows:

Name of company	Name of director	Number of shares	
		Personal interest	Other interest
The Company	Chan Wai Cheung, Glenn	–	28,435,652 (note 1)
	Chan King, Catherine	–	28,435,652 (note 1)
	Chan Ka Lai, Joseph	182,000	–
	Chan Ka Shun, Raymond	162,500	–
Hong Kong Catering Management Limited ("HKCM")	Chan Wai Cheung, Glenn	–	113,742,609 (note 1)
	Chan King, Catherine	–	113,742,609 (note 1)
	Chan Ka Lai, Joseph	728,000	–
	Chan Ka Shun, Raymond	650,000	–

Note

- These shares are directly held by Well-Positioned Corporation, a company beneficially owned by a trust established for the benefit of the family members of Mr. Chan Wai Cheung, Glenn and Mrs. Chan King, Catherine.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURE

For the six months ended 30th September 2001, none of the directors has exercised any share option to subscribe for share of the Company.

On 31st August 2001, the Company granted options, in accordance with the terms of the Company's share option scheme, to the executive directors and other employees of the Group to subscribe for shares in the Company.

The movement of share options held by the directors in the period ended 30th September 2001 were as follows:

Name of director	Exercise period	Exercise price	Number of share options		
			As at 1st April 2001	Granted during the period	As at 30th September 2001
Chan Ka Shun, Raymond	1st May 2001 to 31st May 2010	0.50	1,000,000	–	1,000,000
	1st May 2002 to 31st May 2010	0.50	1,000,000	–	1,000,000
	1st Mar. 2002 to 30th Sept. 2011	0.55	–	300,000	300,000
	1st Sept. 2002 to 30th Sept. 2011	0.55	–	300,000	300,000
	Total			<u>2,000,000</u>	<u>600,000</u>
Shum Wing Hon	1st May 2001 to 31st May 2010	0.50	1,000,000	–	1,000,000
	1st May 2002 to 31st May 2010	0.50	1,000,000	–	1,000,000
	1st Mar. 2002 to 30th Sept. 2011	0.55	–	300,000	300,000
	1st Sept. 2002 to 30th Sept. 2011	0.55	–	300,000	300,000
	Total			<u>2,000,000</u>	<u>600,000</u>
Wong Man Li, Carrina	1st May 2001 to 31st May 2010	0.50	1,000,000	–	1,000,000
	1st May 2002 to 31st May 2010	0.50	1,000,000	–	1,000,000
	1st Mar. 2002 to 30th Sept. 2011	0.55	–	300,000	300,000
	1st Sept. 2002 to 30th Sept. 2011	0.55	–	300,000	300,000
	Total			<u>2,000,000</u>	<u>600,000</u>
Wong Chung Pui, Billy	1st May 2001 to 31st May 2010	0.50	750,000	–	750,000
	1st Mar. 2002 to 30th Sept. 2011	0.55	–	375,000	375,000
	1st Sept. 2002 to 30th Sept. 2011	0.55	–	375,000	375,000
	Total			<u>750,000</u>	<u>750,000</u>
			<u>6,750,000</u>	<u>2,550,000</u>	<u>9,300,000</u>

In addition, one director was holding options in HKCM, the ultimate holding company of the Company, and movements in such options during the period were as follows:

Name of director	Exercise period	Exercise price	Number of HKCM share options			
			As at 1st April 2001	Cancelled during the period	Granted during the period	As at 30th September 2001
Chan Ka Lai, Joseph	16th Sept. 1999 to 15th Sept. 2007	1.64	1,000,000	(1,000,000)	-	-
	1st Oct. 2001 to 30th Sept. 2011	0.48	-	-	1,000,000	1,000,000
	1st Mar. 2002 to 30th Sept. 2011	0.48	-	-	1,000,000	1,000,000
	1st Sept. 2002 to 30th Sept. 2011	0.48	-	-	1,000,000	1,000,000
	Total			<u>1,000,000</u>	<u>(1,000,000)</u>	<u>3,000,000</u>

SUBSTANTIAL SHAREHOLDERS

At 30th September 2001, the following entities had or were deemed to have interests in the Company under the provisions of the SDI Ordinance as recorded in the register of substantial shareholders maintained by the Company pursuant to Section 16(1) of the SDI Ordinance.

	Number of shares held in the Company	Percentage of holding
HKCM (<i>note 1</i>)	118,028,098	60.15%
Well-Positioned Corporation (<i>note 2</i>)	28,435,652	14.49%

Notes

- These shares are held by HKCM through its wholly owned subsidiary, Albion Agents Limited.
- It is also deemed to be interested in the Company indirectly by virtue of being the controlling shareholder of HKCM.

COMPLIANCE WITH THE CODE OF BEST PRACTICE

None of the directors is aware of any information which would reasonably indicate that the Company is not, or was not, for any part of the accounting period, in compliance with the Code of Best Practice set out in the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange of Hong Kong Limited.

AUDIT COMMITTEE

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters including a review of the Group's unaudited interim accounts for the six months ended 30th September 2001.

CONSOLIDATED PROFIT AND LOSS ACCOUNT

	Note	Unaudited	
		Six months ended 30th September 2001	September 2000 (Restated)
		HK\$'000	HK\$'000
Turnover	2	255,071	236,878
Other revenue	3	1,617	1,870
Cost of inventories consumed		(75,283)	(64,888)
Staff costs		(83,915)	(76,951)
Operating lease rentals		(26,536)	(25,938)
Depreciation of fixed assets		(12,238)	(11,164)
Other operating expenses		(42,435)	(39,111)
Amortisation of intangible asset		(2,300)	(2,300)
Operating profit	4	13,981	18,396
Taxation	5	(2,454)	(2,619)
Profit attributable to shareholders		11,527	15,777
Dividends	6	4,906	-
Earnings per share	7		
Basic		5.87 cents	8.04 cents
Diluted		5.78 cents	N/A

CONSOLIDATED BALANCE SHEET

		Unaudited	Audited (Restated)
		30th September 2001	31st March 2001
	Note	HK\$'000	HK\$'000
Intangible asset	8	43,700	46,000
Fixed assets	9	186,958	185,567
Current assets			
Inventories, at cost		4,742	4,784
Trade receivables	10	6,607	1,149
Deposits, prepayments and other receivables		24,363	21,899
Bank balances and cash		83,846	64,147
Bank deposits pledged		1,211	1,183
Taxation recoverable		7	47
		<u>120,776</u>	<u>93,209</u>
Current liabilities			
Amount due to ultimate holding company		1,198	1,151
Trade payables	11	10,877	7,544
Other payables and accrued charges		54,766	35,712
Taxation payable		2,603	340
Cake coupon liabilities – current portion		60,544	49,553
		<u>129,988</u>	<u>94,300</u>
Net current liabilities		<u>(9,212)</u>	<u>(1,091)</u>
Total assets less current liabilities		<u>221,446</u>	<u>230,476</u>
Financed by:			
Share capital	12	19,623	19,623
Reserves	13(a)	112,477	105,856
Dividend reserve	13(b)	4,906	11,773
Shareholders' funds		<u>137,006</u>	<u>137,252</u>
Cake coupon liabilities – non-current portion		84,222	93,006
Deferred taxation		218	218
		<u>221,446</u>	<u>230,476</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Unaudited	
	Six months ended 30th September	
	2001	2000
	HK\$'000	HK\$'000
Net cash inflow from operating activities	44,601	45,520
Net cash (outflow)/inflow from returns on investments and servicing of finance	(10,624)	1,403
Total taxation paid	(151)	(766)
Net cash outflow from investing activities	(14,099)	(25,986)
Net cash outflow from financing	(28)	(8)
Increase in cash and cash equivalents	19,699	20,163
Cash and cash equivalents at 1st April	64,147	53,790
Cash and cash equivalents at 30th September	<u>83,846</u>	<u>73,953</u>
Analysis of balances of cash and cash equivalents:		
Bank balances and cash	85,057	75,147
Bank deposit pledged	(1,211)	(1,194)
	<u>83,846</u>	<u>73,953</u>

CONDENSED CONSOLIDATED STATEMENT OF RECOGNISED GAINS AND LOSSES

	Note	Unaudited	
		Six months ended 30th September 2001 HK\$'000	September 2000 (Restated) HK\$'000
Profit for the period		<u>11,527</u>	<u>15,777</u>
Total recognised gains		11,527	15,777
Cumulative effect of changes in accounting policy adopted on 1st April 2001:			
Retained earnings 1st April			
– effect of adopting SSAP 29	13(a)	(31,364)	(26,764)
Retained earnings 1st April			
– effect of adopting SSAP 9 (revised)	13(b)	<u>4,906</u>	<u>–</u>
		<u>(14,931)</u>	<u>(10,987)</u>

NOTES TO INTERIM ACCOUNTS

1. Basis of preparation and accounting policies

The interim accounts have not been audited by the Company's auditors but have been reviewed by the Company's Audit Committee. They are prepared in accordance with the SSAP 25 "Interim financial reporting" issued by the Hong Kong Society of Accountants (the "HKSA") and Appendix 16 of the Listing Rules. They should be read in conjunction with the 2001 annual accounts.

The accounting policies and methods of computation used in the preparation of the interim accounts are consistent with those used in the annual accounts for the year ended 31st March 2001 except the Group has adopted SSAP 9 (revised) "Events after the balance sheet date" and SSAP 29 "Intangible assets" issued by the HKSA in the preparation of the interim accounts and applies them retrospectively so that the comparatives presented have been restated to conform with the changes in accounting policies. In addition the Group has taken advantage of the transitional provisions in SSAP 30 "Business combination" and not to restate goodwill on acquisitions that has been previously charged or credited to capital reserves.

The effect of adopting these new policies is set out below:

(a) SSAP 9 (revised): Events after the balance sheet date

In accordance with the revised SSAP 9, the Group no longer recognises dividends proposed or declared after the balance sheet date as a liability at the balance sheet date. The proposed final dividend for the year ended

31st March 2001 of HK\$11,733,740 and the interim dividend for the six months ended 30th September 2001 of HK\$4,905,725 were reclassified from current liabilities to dividend reserve which forms part of the shareholders' funds.

(b) *SSAP 29: Intangible assets*

Trademarks

The Group's trademarks were previously capitalised at cost and reviewed annually by the directors for possible diminution in value where provision would be made. With the adoption of SSAP 29, trademarks are now capitalised at cost and amortised over the estimated useful life of 20 years by straight-line method. Subsequent expenditure incurred in respect of the trademarks which does not meet the recognition and measurement criteria prescribed in the new standard is charged to the profit and loss account when incurred.

The intangible assets and retained earnings stated on the balance sheet have been reduced respectively by HK\$33,664,153 and HK\$31,364,153 at 30th September 2001 and 31st March 2001 having adjusted for the accumulated amortisation that should have been provided for on the costs up to the reporting dates. The operating profits for both periods were reduced by an amount of HK\$2,300,000 which is the periodic amortisation charge for six months.

2. Segmental information

The Group's turnover and contribution to operating profit for the period by business segments are as follows:

	Turnover Unaudited Six months ended 30th September		Operating profit Unaudited Six months ended 30th September (Restated)	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Bakery operation	239,647	230,395	12,749	17,354
Eatery operation	15,424	6,483	1,232	1,042
	<u>255,071</u>	<u>236,878</u>	<u>13,981</u>	<u>18,396</u>

The geographical analysis of the Group turnover for the period are as follows:

	Unaudited	
	Six months ended 30th September 2001	2000
	HK\$'000	HK\$'000
Hong Kong and Macau	246,447	228,678
PRC	2,717	3,081
Other countries	5,907	5,119
	<u>255,071</u>	<u>236,878</u>

No geographical analysis in respect of consolidated operating profit is provided as less than 10% of the consolidated operating profit of the Group is attributable to markets outside Hong Kong.

3. Other revenue

	Unaudited	
	Six months ended 30th September 2001	2000
	HK\$'000	HK\$'000
Interest income	1,149	1,403
Rental income from investment properties	468	467
	<u>1,617</u>	<u>1,870</u>

4. Operating profit

	Unaudited	
	Six months ended 30th September 2001	2000
	HK\$'000	HK\$'000
Operating profit is stated after charging/(crediting) the following:		
Loss on disposal of fixed assets	44	437
Provision for diminution in value of other properties	425	-
(Reversal)/provision for long service payment	(502)	518
Retirement benefit costs	3,081	712
Write off of setup cost for Singapore joint venture	744	-

5. Taxation

	Unaudited	
	Six months ended 30th	September
	2001	2000
	HK\$'000	HK\$'000
Hong Kong profits tax	1,629	1,772
Overseas taxation	825	880
Deferred taxation	—	(33)
	<u>2,454</u>	<u>2,619</u>

Hong Kong profits tax has been provided at the rate of 16% (2000:16%) on the estimated assessable profits for the period. Taxation on overseas profits has been calculated on the estimated assessable profits for the period at the rates of taxation prevailing in the countries in which the Group operates.

6. Dividends

	Unaudited	
	Six months ended 30th	September
	2001	2000
	HK\$'000	HK\$'000
Interim dividend, proposed on 6th December 2001, of HK2.5 cents (2000: Nil) per ordinary share	<u>4,906</u>	<u>—</u>

7. Earnings per share

	Unaudited	
	Six months ended 30th	September
	2001	(Restated)
	HK\$'000	2000
		HK\$'000
Earnings		
Earnings for the purpose of the calculation of basic and diluted earnings per share	<u>11,527</u>	<u>15,777</u>
	2001	2000
Number of shares		
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>3,213,773</u>	<u>—</u>
Weighted average number of ordinary shares for the purpose of the calculation of diluted earnings per share	<u>199,442,773</u>	<u>196,229,000</u>

8. Intangible asset

	Unaudited HK\$'000
Trademarks	
Net book value, as previously reported, 1st April 2001	77,364
Effect of adopting of SSAP 29 (<i>see note 1 (b)</i>)	<u>(31,364)</u>
Net book value, as restated, 1st April 2001	46,000
Amortisation charge (<i>see note 1(b)</i>)	<u>(2,300)</u>
Net book value, 30th September 2001	<u><u>43,700</u></u>
Cost	92,000
Accumulated amortisation	<u>(48,300)</u>
Net book value, 30th September 2001	<u><u>43,700</u></u>
Cost	92,000
Accumulated amortisation	<u>(46,000)</u>
Net book value, 31st March 2001	<u><u>46,000</u></u>

9. Fixed assets

	Unaudited HK\$'000
Net book value	
At 1st April 2001	185,567
Additions	14,108
Disposals	(54)
Depreciation	(12,238)
Provision for diminution in value	<u>(425)</u>
At 30th September 2001	<u><u>186,958</u></u>

At 30th September 2001, the net book value of fixed assets pledged as security for the Group's bank facilities amounted to HK\$10,649,482 (at 31st March 2001: HK\$10,774,954).

10. Trade receivables

Details of the aging analysis are as follows:

	Unaudited 30th September 2001 HK\$'000	Audited 31st March 2001 HK\$'000
Current to 30 days	5,938	750
31 to 60 days	480	248
Over 60 days	189	151
	<u>6,607</u>	<u>1,149</u>

The majority of the Group's sales are on cash basis or through redemption of cake coupons. Credit sales are normally on terms of 30 days and mainly for certain corporate customers.

11. Trade payables

Details of the aging analysis are as follows:

	Unaudited 30th September 2001 HK\$'000	Audited 31st March 2001 HK\$'000
Current to 30 days	5,475	3,679
31 to 60 days	5,376	3,709
Over 60 days	26	156
	<u>10,877</u>	<u>7,544</u>

12. Share capital

	Number of shares	Amount HK\$'000
Authorized	<u>400,000,000</u>	<u>40,000</u>
Issued and fully paid At 1st April 2001 and 30th September 2001	<u>196,229,000</u>	<u>19,623</u>

13. Reserves

(a) Other reserves

	Exchange flucation reserve HK\$'000	Contributed surplus HK\$'000	Unaudited	
			Retained earnings HK\$'000	Total HK\$'000
At 1st April 2001, as previously reported	69	104,929	32,222	137,220
Effect of adopting SSAP 29 (see note 1(b))	-	-	(31,364)	(31,364)
At 1st April 2001, as restated	69	104,929	858	105,856
Profit for the period	-	-	11,527	11,527
Transfer to dividend reserve	-	-	(4,906)	(4,906)
At 30th September 2001	<u>69</u>	<u>104,929</u>	<u>7,479</u>	<u>112,477</u>

(b) Dividend reserve

	Unaudited HK\$'000
Transfer from retained earnings/(payment):	
2000/2001 final dividends proposed, as restated at 1st April 2001 (see note 1(a))	11,773
2000/2001 final dividend paid	(11,773)
2001/2002 interim dividend proposed	4,906
At 30th September 2001	<u>4,906</u>

14. Commitments

	Unaudited 30th September 2001 HK\$'000	Audited 31st March 2001 HK\$'000
(a) Capital commitments for properties, plant and machinery		
Contracted but not provided for	1,716	413
Approved but not contracted for	<u>561</u>	<u>7,000</u>
	<u>2,277</u>	<u>7,413</u>
(b) Commitments under operating leases for land and buildings		
Within one year	5,200	11,412
In the second to fifth year inclusive	33,672	25,780
After the fifth year	<u>3,469</u>	<u>3,473</u>
	<u>42,341</u>	<u>40,665</u>

15. Comparative figures

Certain comparative figures have been restated to conform to the changed accounting policies following adoption of the new SSAPs which have come into effect since this financial year.

On behalf of the Board
Chan Wai Cheung, Glenn
Chairman

Hong Kong, 6th December 2001