

Dear Shareholders,

SUCCESSFUL LISTING

A Milestone for the Group's Public Recognition

On 9 October 2001, the Group was successfully listed on the main board of The Stock Exchange of Hong Kong Limited. It well marked a milestone for recognition of the Group's success in the catering industry.



This strategic move benefited the Group in three folds. To the general public of Hong Kong, the name

Mr. Wong Chi Man, Chairman and Managing Director, "We continue to build the Group as a dynamic and innovative company operating to the highest standards of products and services."

"Kamboat" already represents a trendy and innovative food provider. The well established trade name of Kamboat could facilitate the Group's plan in its expansion into the food production industry. Moreover, the enhanced trade name could be further utilized to be developed in the People's Republic of China (the "PRC"). The public listing also strengthened the asset base of the Group and provides a concrete preform to raise fund for future expansion. The benefits have facilitated the Group's plans in building up more distribution channels, launching new products and developing new markets overseas. The gradual implementation of the Group's plans and directions as disclosed during the listing is proceeding in this year.

Solid Foundation for Future Expansion

The continuous severity of the global and local economic downturn in this financial year had an undesirable impact on catering industry. Despite this difficult backdrop, the Group, however, is able to sustain an overall tangible growth and expansion. A growth in the combined turnover of 8% is recorded for this financial year, achieving approximately HK\$333.0 million (2001: HK\$308.9 million). The number of restaurants and bakery outlets has also increased. It is believed that the hard year of 2002 did lay a solid foundation for the forthcoming years for the Group. With the Group's aggressive, yet prudent and pragmatic expansion programmes, we look forward to a prosperous forthcoming year.

CHINESE RESTAURANT BUSINESS

Competitive price with uncompromised quality products and services

In the midst of economic down-turn, the Group has further strengthened its restaurant business with continuous product innovation through bargain pricing, careful quality control and a judicious expansion strategy. The combined turnover from Chinese restaurant operations, nevertheless has marginally decreased from approximately HK\$231.9 million last year to approximately HK\$228.1 million this year.

As one of the market pioneer, the Group has carefully expand its restaurant chains to strategic locations with relatively fewer competitors but higher population density. A new restaurant was opened at the Belcher's, a large up-market property development with mainly middle to upper class residents in late 2001 made the number of our Chinese cuisine increased to six. The Group is actively looking at other lucrative and prime locations with promising returns.

Being the market innovators for providing high quality and new style Chinese specialty cuisine, other than the famous specialty Chinese dishes offered by the Group's restaurants such as *golden shark-fin and crab soup*, *Buddha jump over the wall supreme soup*, the *cutie animal dim sums*, newly introduced dishes such as *special aloe dishes*, *braised abalone with duck palm*. and *pan-fried fresh foie gras* are also well-received in our restaurants.



A Cross Border Brand Building

Built on the foundation as a quality and trendy food provider in Hong Kong, the Group plans to access to the mainland of the PRC for its restaurant business. The Group is currently comparing the returns from a number of offers from major cities in the PRC such as Shenzhen and Guangzhou.

BAKERY AND OTHER FOOD PRODUCTS BUSINESS

A Record-Breaking Turnover Resulted from the Extensive Sales Network

The turnover from bakery and other food products sector reached approximately HK\$104.8 million in this financial year (2001: HK\$77.0 million), representing a significant growth of 36% over 2001. Of these, festive products such as moon cakes, which are also very important profit attributors, reached a record-breaking turnover of approximately HK\$25.7 million (2001: HK\$19.5 million), representing a 32% growth over 2001. This remarkable growth is attributable to the expansion of the distribution network by opening more strategic outlets.

As of today, after the grand opening of outlets located in Aberdeen, Hung Hom, Mei Foo, Olympic City and Wong Tai Sin, the Group now operates 31 outlets under the brandname Kamboat Bakery all over Hong Kong. Several other outlets at location of high population density are also in the pipeline. Moreover, other than the mobile kiosks at department stores, currently, our mooncakes/mooncake coupons are selling in 7-11, Wellcome and Park'n Shop with over 700 branches all over Hong Kong.

New products were also developed from time to time, so as to enhance our customers' interest and to match our corporate image of providing good quality and innovative food products. Our newly introduced product, the *mini garlic toast* 蒜香粒粒 is one of the products most welcomed by our customers. Other famous delicacies including the *abalone noodles* 鮑魚麵, *snowy biscuits* 雪の餅, and *multi-layer cakes* are also distributed from time to time through mobile kiosks at large department stores. For the coming Mid-Autumn festivals, a great variety of mooncakes up to over 15 choices are available in the market including the *mini ham and nuts mooncakes* and *sesame ice-pastry mooncakes*. And of course not to miss the most welcomed *mini fancy ice-pastry mooncakes*.

A Cost Saving Expansion

To cope with the increasing demand, we have sought to increase our production lines in the PRC in the forthcoming year. Additional production facilities in Dongguan is ready for use. They are built for the production capacity expansion of existing products as well as for new products. Significant cost savings can be realised by the new production facilities in terms of much lower labour costs and overheads and higher returns on economies of scale.

NEW BUSINESS OPPORTUNITIES

The continuous provision of innovative menus and quality bakery products is one of the crucial mission of the Group. Successful accomplishment of this mission would require a distinct corporate image. Hence, strengthened effort was persistently put into the implementation of marketing campaigns.

Expansion to Food Production Business

The Group has always been taking a pragmatic, aggressive and innovative style of operation. Developing from a Chinese restaurant operator, the Group is expanding horizontally to the food production business. As a food manufacturer, the Group can leverage from the well built brandnames and wide distribution networks. Once the framework of the new facilities is properly set up, the benefit from the low production costs and labour costs can be materialized. An increase in the Group's revenue is therefore anticipated at that time.



New Products Development

Recent marketing campaigns of the Group has further improvement on our concrete image of providing innovative new style Chinese cuisine and bakery products amidst continuing strong competition from other market players and we will continue to undertake initiative to improve our products and services to attract customers.

The Group's Product Development team are constantly developing new menus and products. A new Research & Development team with 8 employees was set up in February 2002 and the supporting team of which will be moved to Guangzhou within the next financial year. Such move aims at achieving a lower operation cost.

Stepping into International and the PRC Markets

Another prime objective of the Group is to fully capture the economic benefit of the well established brandname Kamboat. We continue to be aggressive but mindful of our expansion opportunities locally, as well as in the PRC and South East Asia. Meanwhile, the Group has extended its products sales to the overseas markets such as Japan.

Promising Prospect

2001 was a challenging year for the majority of industry operators in Hong Kong. Against this highly competitive economic environment, the Group have strived continuously to maintain upholding insightful marketing strategies and to provide quality food and services to our customers.

Looking ahead, we see exciting opportunities for future growth of our company. The Group strives, on one hand, to maintain its profitability, while on the other hand, taking the opportunity of the current economic situation to build an extensive distribution network ready for strong pick-up when the economy rebounds. With the increase in the number of distribution and sales channels; co-operations with major retailers in Hong Kong namely 7-11, Wellcome and Park'n Shop; accompanied by a decreasing cost structure once the new factory in the PRC is set up for full operation, a further increase in the Group's revenue is expected.

We have drawn a strong framework to make ourselves ready when the Hong Kong market recovers, and we believe that the Group will be among the first to capture a leading position instantly in the catering industry. We have a solid history and strong base in the Hong Kong market. We will keep improving the quality of our products and service, and introducing wider range of products to our customers.



DIVIDENDS

I am pleased to propose a final dividend of HK0.5 cent per share, in addition to the interim dividend of HK1 cent per share during the interim period.

GRATITUDE

Our employees are the most valuable asset to our Group. I would like to take this opportunity to thank all the Group's executives and staff for their contribution and commitment particularly during this time when the economy has not yet fully recovered. I am certain that given the hard work and loyalty of its workforce, the Group is well placed to materialize its expansion plan.

DIRECTOR

Last but not least, let me take this occasion to express my welcome to Mr. Chang Kai Mo, who is appointed as an executive director with effect from 28 August 2002.

Wong Chi Man

Chairman and Managing Director

Hong Kong

28 August 2002