

The directors herein present their first report and the audited financial statements of Kamboat Group Company Limited (the “Company”) for the period from 26 June 2001 (date of incorporation) to 30 April 2002 and of the Group for the year ended 30 April 2002.

GROUP REORGANISATION, SUBSIDIARIES AND BASIS OF PRESENTATION

The Company was incorporated in the Cayman Islands on 26 June 2001 as an exempted company with limited liability under the Companies Law (2001 Second Revision) of the Cayman Islands. Pursuant to a reorganisation scheme (the “Group Reorganisation”) to rationalise the structure of the Group in preparation for the listing of the Company’s shares on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”), the Company became the holding company of the other companies now comprising the Group on 16 August 2001. Further details of the Group Reorganisation and of the subsidiaries acquired pursuant thereto, together with the basis of presentation of the financial statements are set out in notes 1, 15 and 26 to the financial statements.

The Company’s shares were listed on the Stock Exchange on 9 October 2001.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the Company’s subsidiaries are the production, sale and distribution of bakery and other food products, the operation of a fast food outlet and the trading of wine. These principal activities have not changed during the year, except that the restaurant and fast food businesses were acquired and disposed of, respectively, during the year pursuant to the Group Reorganisation as set out in note 1 to the financial statements.

SEGMENT INFORMATION

An analysis of the Group’s turnover and contribution to results by principal activity and geographical area of operations for the year ended 30 April 2002 is set out in note 4 to the financial statements.

RESULTS AND DIVIDENDS

The Group’s profit for the year ended 30 April 2002 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 26 to 76.

Interim and special dividends aggregating HK\$6,000,000 were paid by the Company to Cambo Enterprises Limited (“Cambo”), the sole shareholder of the Company, during the period after the Group Reorganisation and before the listing of the Company’s shares on the Stock Exchange on 9 October 2001.

RESULTS AND DIVIDENDS (continued)

An interim dividend of HK\$4,600,000, representing HK1 cent per ordinary share was paid on 7 February 2002.

The directors recommend the payment of a final dividend of HK\$2,300,000, representing HK0.5 cent per share in respect of the year ended 30 April 2002 to all shareholders whose names appear on the register of members on 30 September 2002. This recommendation has been incorporated in the financial statements as an allocation of distributable reserves within capital and reserves in the balance sheet. Further details of this accounting treatment are set out in note 12 to the financial statements.

USE OF PROCEEDS FROM THE COMPANY'S INITIAL PUBLIC OFFERING

The proceeds from the Company's issue of new shares at the time of its listing on the Stock Exchange in October 2001, after deduction of related issuance expenses, amounted to approximately HK\$42.1 million. These proceeds were fully applied during the year ended 30 April 2002 in accordance with the proposed applications set out in the Company's listing prospectus, as follows:

- (a) as to approximately HK\$20.1 million for the opening of a new Chinese restaurant and further bakery outlets in Hong Kong;
- (b) as to approximately HK\$13.5 million for the establishment of production facilities for the Group's bakery and other food products in the People's Republic of China;
- (c) as to approximately HK\$3.0 million as marketing and advertising activities of the Group; and
- (d) as to approximately HK\$5.5 million as additional working capital of the Group.

SUMMARY FINANCIAL INFORMATION

A summary of the combined financial results and consolidated/combined assets and liabilities of the Group for the last four financial years, prepared on the basis set out in note 1 to the financial statements, is set out on page 77. This summary does not form part of the audited financial statements.

FIXED ASSETS AND INVESTMENT PROPERTIES

Details of movements in the fixed assets and investment properties of the Group during the year are set out in note 14 to the financial statements.

SUBSIDIARIES

Particulars of the Company's subsidiaries are set in note 15 to the financial statements.

SHARE CAPITAL AND SHARE OPTIONS

Details of the movements in the Company's issued share capital and share options during the period from 26 June 2001 (date of incorporation) to 30 April 2002, together with the reasons therefor, are set out in note 26 to the financial statements.

RESERVES

Details of movements in the reserves of the Company during the period from its incorporation and of the Group during the year are set out in note 27 to the financial statements.

DISTRIBUTABLE RESERVES

As at 30 April 2002, the Company's reserves available for distribution, calculated in accordance with the Companies Law (2001 Second Revision) of the Cayman Islands, amounted to HK\$95,381,000. This includes the Company's share premium account, in the amount of HK\$92,910,000 at 30 April 2002, which may be distributed provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association or the laws of the Cayman Islands, being the jurisdiction in which the Company was incorporated, which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

MAJOR CUSTOMERS AND SUPPLIERS

The turnover attributable to the five largest customers of the Group accounted for less than 30% of the total Group's turnover for the year.

The purchases attributable to the five largest suppliers of the Group accounted for less than 30% of the total Group's purchases for the year.

DIRECTORS

The directors of the Company for the period from 26 June 2001 (date of incorporation) to 30 April 2002 were as follows:

Executive directors

| | |
|---------------------------|------------------------------|
| Mr. Wong Chi Man | (appointed on 3 July 2001) |
| Mr. Wong See Sum J.P. | (appointed on 9 August 2001) |
| Mr. Wong Chi Wing, Tenny | (appointed on 31 July 2001) |
| Ms. Wong Lan Fun, Roberta | (appointed on 9 August 2001) |
| Ms. Ng Suk Bing, Mclanly | (appointed on 9 August 2001) |

Non-executive directors

| | |
|--------------------|------------------------------|
| Mr. Tam Fook Yee | (appointed on 9 August 2001) |
| Mr. Chung Hin Wing | (appointed on 9 August 2001) |
| Mr. Ho Wing Nin | (appointed on 9 August 2001) |

Independent non-executive directors

| | |
|-----------------------------|------------------------------|
| Mr. Lee Man Youn, Montareal | (appointed on 9 August 2001) |
| Mr. Chan Kam Fai, Robert | (appointed on 9 August 2001) |

In accordance with article 87 of the Company's articles of association, Messrs. Chung Hin Wing, Ho Wing Nin and Wong Chi Wing, Tenny will retire by rotation, Mr. Wong Chi Wing, Tenny, being eligible, will offer himself for re-election at the forthcoming annual general meeting.

Mr. Chang Kai Mo was appointed as an executive director of the Company on 28 August 2002. In accordance with article 86(3) of the Company's articles of association, Mr. Chang Kai Mo, who was appointed as an executive director of the Company, will hold office until the forthcoming annual meeting and being eligible, will offer himself for re-election at the meeting.

The non-executive directors are subject to retirement by rotation and re-election at annual general meetings in accordance with the bye-laws of the Company.

DIRECTORS' INTERESTS IN CONTRACTS

Apart from the transactions related to the Group Reorganisation, as disclosed above, and those transactions disclosed in note 32 to the financial statements, no director had a significant beneficial interest, either direct or indirect, in any contract of significance to the business of the Group to which the Company, its holding company, its fellow subsidiary or any of its subsidiaries was a party during the year.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 78 to 80 of the annual report.

DIRECTORS' SERVICE CONTRACTS

Each of the executive directors except for Mr. Chang Kai Mo, has a service contract with the Company for an initial term of three years commencing from 1 August 2001, which will continue thereafter until terminated by either party giving not less than six months' notice in writing.

Save as disclosed above, no director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN SHARES

As at 30 April 2002, the interests of the directors and their associates in the issued share capital of the Company or its associated corporations, as recorded in the register maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance"), were as set out below:

| Name | Type of interest (Note) | Number of ordinary shares held |
|------------------|----------------------------|-----------------------------------|
| Mr. Wong Chi Man | Corporate | 345,000,000 |

Note: The shares are held by Cambo. Cambo is held by New Top Investment Limited ("New Top HK"), a company incorporated in Hong Kong with limited liability, as to approximately 48.61%, Mr. Wong Chi Man as to approximately 0.71%, Mr. Wong See Sum J.P. as to approximately 14.64%, Mr. Chung Hin Wing as to approximately 3.38%, Mr. Ho Wing Nin as to approximately 4.39% and 20 other shareholders who hold interests ranging from approximately 0.12% to 5.52%. The entire issued share capital of New Top HK is beneficially owned by New Top Investment Limited, a company incorporated in the British Virgin Islands with limited liability, the entire share capital of which is owned by Mr. Wong Chi Man.

Save as disclosed above, as at 30 April 2002, none of the directors or their associates had any personal, family, corporate or other interests in the equity or debt securities of the Company or any of its associated corporations as defined in the SDI Ordinance.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Under the terms of a share option scheme (the "Scheme") adopted conditionally by the Company on 15 September 2001, the board of directors of the Company may, at its discretion, grant options to directors and employees of the Company and its subsidiaries to subscribe for shares in the Company. Further details of the Scheme are disclosed in the section "Share option scheme" below. The Scheme became effective upon the listing of the Company's shares on the Stock Exchange on 9 October 2001.

Apart from the transactions related to the Group Reorganisation, as disclosed above, and the transactions disclosed under the section "Share option scheme" below, at no time since the Company's incorporation were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate granted to any director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company, its holding company, its fellow subsidiary or any of its subsidiaries a party to any arrangement to enable the Company's directors, their respective spouse or children under 18 years of age to acquire such rights in any other body corporate.

SHARE OPTION SCHEME

The Company operates the Scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include the Company's directors, including non-executive directors, other employees of the Group, any other groups or classes of suppliers, customers, sub-contractors, or agents of the Group from time to time determined by the directors as having contributed or who may contribute to the development and growth of the Group. The Scheme became effective on 9 October 2001 and, unless otherwise cancelled or amended, remains in force for 10 years from that date.

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 30% of the shares of the Company in issue at any time. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the official closing price of the Company's shares at the date of the grant) in excess of HK\$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

SHARE OPTION SCHEME (continued)

The offer of a grant of share options may be accepted within 21 days from the date of offer, upon payment of a nominal consideration of HK\$1 in total by the grantee. An option may be exercised in accordance with the terms of the Scheme at any time during the period commencing from the date on which the option is deemed to be granted and accepted and expiring on a date to be notified by the directors to each grantee, which shall not be more than 10 years from the date on which the option is deemed to be granted and accepted. There is no minimum holding period before an option may be exercised.

The exercise price of the share options is determinable by the directors, but may not be less than the higher of (i) the Stock Exchange closing price of the Company's shares on the date of grant of the share options; (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of grant; and (iii) the nominal value of the Company's shares.

The following share options were outstanding during the period:

| Name or category of participant | Number of share options | | | | | Date of grant of share options* | Exercise period of share options | Price of Company's shares *** | | |
|---------------------------------|---|---------------------------|-----------------------------|--------------------------|-----------------------------|---------------------------------|------------------------------------|-------------------------------|-----------------------------------|--------------------------|
| | At 26 June 2001 (date of incorporation) | Granted during the period | Exercised during the period | Lapsed during the period | Cancelled during the period | | | At 30 April 2002 | Exercise price of share options** | At grant date of options |
| | | | | | | | | HK\$ | HK\$ | HK\$ |
| Non-director employees | | | | | | | 4 December 2001 to | | | |
| In aggregate | - | 4,600,000 | - | - | - | 4,600,000 | 4 December 2001 to 3 December 2004 | 0.39 | 0.38 | N/A |

* The vesting period of the share options is from the date of grant until the commencement of the exercise period.

** The exercise price of the share options is subject to adjustment in case of rights or bonus issues, or other similar changes in the Company's share capital.

*** The price of the Company's shares disclosed as at the date of grant of the share options is the Stock Exchange's closing price on the trading day immediately prior to the date of the grant of the share options.

Summary details of the Scheme are also set out in note 26 to the financial statements.

SHARE OPTION SCHEME (continued)

The financial impact of share options granted is not recorded in the Company's balance sheet or the Group's consolidated balance sheet until such time as the share options are exercised, and no charge is recorded in the profit and loss account or balance sheet for their cost. Upon the exercise of the share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in the share premium account. Share options which are cancelled prior to their exercise date are deleted from the register of outstanding share options.

The directors do not consider it appropriate to disclose a theoretical value of the share options granted during the period to the directors, employees, suppliers and others, because in the absence of a readily available market value for share options on the ordinary shares of the Company, the directors were unable to arrive at an accurate assessment of the value of the share options.

RELATED PARTY TRANSACTIONS, CONNECTED TRANSACTIONS AND CONTRACTS OF SIGNIFICANCE

Details of the transactions related to the Group Reorganisation as disclosed above, and of the other significant related party transactions, connected transactions and contracts of significance of the Group are disclosed in notes 1 and 32 to the financial statements and in the Company's prospectus dated 25 September 2001.

Save as disclosed above, there were no further transactions required to be disclosed as connected transactions in accordance with the Listing Rules.

SUBSTANTIAL SHAREHOLDERS

As at 30 April 2002, the following party has interests of 10% or more in the issued share capital of the Company were recorded in the register of interests in shares required to be kept by the Company pursuant to Section 16(1) of the SDI Ordinance:

| Name | Number of shares held (Note) | Percentage of the Company's issued share capital |
|-------|------------------------------------|--|
| Cambo | 345,000,000 | 75 |

Note: Cambo is held by New Top HK. Further details of Cambo's interest in the shares of the Company are disclosed in the section "Directors' interests in shares" above.

SUBSTANTIAL SHAREHOLDERS (continued)

Save as disclosed above, no person had registered an interest in the share capital of the Company that was required to be recorded under Section 16(1) of the SDI Ordinance.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES AND CONFLICTS OF INTERESTS

During the year ended 30 April 2002, the following directors are considered to have interests in businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group, as defined in the Listing Rules, as set out below:

- (i) Mr. Wong Chi Man, an executive director, and his associates have interests in other companies, which are involved in the restaurant business in and outside Hong Kong as follows:

| Company | Place of operation | Percentage of interests held | Position held |
|--|--------------------|------------------------------|---------------|
| Islander Company Limited | Hong Kong | 6.6% | None |
| Golden Cup Industries Limited | Hong Kong | 5.3% | None |
| East Ocean Teochew Restaurant Pte. Ltd. | Singapore | 50.0% | Director |
| East Ocean Seafood Restaurant Pte. Ltd. | Singapore | 39.0% | Director |
| Yearfull Investments (Canada) Inc. | Canada | 7.5% | Director |
| Hong Kong East Ocean Seafood Restaurant Ltd. | Canada | 8.0% | None |

- (ii) Mr. Wong See Sum J.P., an executive director, and his associates have interests in other companies, which are involved in the restaurant business in and outside Hong Kong as follows:

| Company | Place of operations | Percentage of interests held | Position held |
|--|---------------------|------------------------------|------------------------|
| Carrianna Chiu Chow Restaurant (T.S.T.) Ltd. | Hong Kong | 4.5% | Non-executive director |
| Banana Leaf Holdings Limited | Hong Kong | 2.79% | None |
| East Ocean Teochew Restaurant Pte. Ltd. | Singapore | 40.0% | Director |
| East Ocean Seafood Restaurant Pte. Ltd. | Singapore | 40.0% | Director |

DIRECTORS' INTERESTS IN COMPETING BUSINESSES AND CONFLICTS OF INTERESTS (continued)

As Mr. Wong Chi Man, Mr. Wong See Sum J.P. and their respective associates have only minority interests in those companies which have operations in Hong Kong, and for those companies in which Mr. Wong Chi Man, Mr. Wong See Sum J.P. and their respective associates have a controlling stake, the restaurants are located and operated in Singapore where the Group has no operations. The directors therefore consider that the Group is capable of carrying on its business independently of, and at arm's length from, the businesses of the abovementioned companies.

Save as disclosed above, none of the executive directors of the Company or any of their respective associates has engaged in any business that competes or may compete with the businesses of the Group or has any other conflict of interests with the Group.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the period from 26 June 2001 (date of incorporation) to 30 April 2002, other than in connection with the Company's initial public offering and the listing of the Company's shares on the Stock Exchange on 9 October 2001, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities.

POST BALANCE SHEET EVENTS

Details of the significant post balance sheet events are set out in note 33 to the financial statements.

CODE OF BEST PRACTICE

In the opinion of the directors, the Company has complied with the Code of Best Practice (the "Code") as set out in Appendix 14 of the Listing Rules, since the date of the listing of the Company's shares on the Stock Exchange.

AUDIT COMMITTEE

The Company set up an audit committee (the "Committee") on 17 August 2001 which was established in accordance with the requirements of the Code with written terms of reference, for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. The Committee comprises the two independent non-executive directors of the Company. The Group's audited financial statements as at 30 April 2002 and for the year then ended have been reviewed by the Committee, who are of the opinion that such statements comply with the applicable accounting standards and the Stock Exchange's and legal requirements, and that adequate disclosures have been made.

AUDITORS

Ernst & Young were appointed as the first auditors of the Company for the period ended 30 April 2002.

Ernst & Young retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the board

Wong Chi Man

Chairman and Managing Director

Hong Kong

28 August 2002