

The directors present their report and the audited financial statements of Kamboat Group Company Limited (the “Company”) and its subsidiaries (the “Group”) for the year ended 30 April 2003.

## PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the Company’s principal subsidiaries involve the operation of a chain of Chinese restaurants and the production, sale and distribution of bakery, and other food and beverage products. There were no significant changes in the nature of the Group’s principal activities during the year.

## RESULTS AND DIVIDENDS

The Group’s loss for the year ended 30 April 2003 and the state of affairs of the Company and of the Group at that date are set out in the financial statements on pages 21 to 73.

An interim dividend of HK\$2,760,000, representing HK3.0 cents per ordinary share, adjusted for the effect of consolidation of the Company’s shares, was paid on 20 March 2003.

The directors recommend the payment of a final dividend of HK\$1,365,000, representing HK1.5 cents per share in respect of the year ended 30 April 2003 to all shareholders whose names appear on the register of members on 25 September 2003. This recommendation has been incorporated in the financial statements as an allocation of distributable reserves within the capital and reserves section of the balance sheet.

## SUMMARY FINANCIAL INFORMATION

A summary of the published consolidated/combined financial results and assets and liabilities of the Group for the last five financial years is set out on page 74. 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 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 year, together with the reasons therefor, are set out in note 28 to the financial statements.

## RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 29 to the financial statements and in the consolidated statement of changes in equity, respectively.

## DISTRIBUTABLE RESERVES

As at 30 April 2003, the Company's reserves available for distribution, calculated in accordance with the Companies Law of the Cayman Islands, amounted to HK\$88,581,000. This includes the Company's share premium account, in the amount of HK\$88,448,000 at 30 April 2003, 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. In addition, the Company's capital redemption reserve in the amount of HK\$258,000 may be distributed in the form of fully paid bonus shares.

## 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. Purchases from 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 during the year were as follows:

**Executive directors**

Mr. Wong Chi Man

Mr. Wong See Sum J.P.

Mr. Wong Chi Wing, Tenny

Ms. Wong Lan Fun, Roberta

Ms. Ng Suk Bing, Mclanly

Mr. Chang Kai Mo (appointed on 28 August 2002)

**Non-executive directors**

Mr. Tam Fook Yee

Mr. Chung Hin Wing (retired on 30 September 2002)

Mr. Ho Wing Nin (retired on 30 September 2002)

**Independent non-executive directors**

Mr. Lee Man Youn, Montareal

Mr. Chan Kam Fai, Robert

Subsequent to the balance sheet date, on 23 May 2003, Mr. Chang Kai Mo resigned as an executive director of the Company.

In accordance with article 87 of the Company's articles of association, Messers. Wong Lan Fun, Roberta and Tam Fook Yee will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general 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 disclosed in note 34 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 75 to 77 of the annual report.

## DIRECTORS' SERVICE CONTRACTS

Each of the executive directors except for Mr. Chang Kai Mo, who has already resigned on 23 May 2003, 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 AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 April 2003, the interests or short positions of the directors or their associates in the shares, underlying shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as set out below:

Name	Company	Capacity	Interest in shares
Mr. Wong Chi Man ( <i>Note</i> )	The Company	Direct beneficial owner and through a controlled corporation	57,194,000 ordinary shares
Mr. Wong See Sum J.P.	The Company	Direct beneficial owner	3,030,000 ordinary shares
Mr. Tam Fook Yee	The Company	Direct beneficial owner	1,802,000 ordinary shares

## DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES (continued)

*Note:* The shares are held by Cambo Enterprises Limited (“Cambo”) as to 48,299,000 shares, by New Top Investment Limited (“New Top HK”), a company incorporated in Hong Kong with limited liability, as to 8,563,000 shares and by Mr. Wong Chi Man as to 332,000 shares. Cambo is held by New Top HK as to approximately 48.61%, Mr. Wong Chi Man as to approximately 0.95%, Mr. Wong See Sum J.P. as to approximately 14.64% and Mr. Chang Kai Mo as to approximately 1.57%. The entire issued share capital of New Top HK is beneficially owned by New Top Investment Limited (“New Top BVI”), a company incorporated in the British Virgin Islands with limited liability, the entire share capital of which is owned by Mr. Wong Chi Man.

The interests of the directors in the share options of the Company are disclosed in note 28 to the financial statements. Save as disclosed above, as at 30 April 2003, none of the directors or their associates had any personal, family, corporate or other interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations as defined in the SFO.

## DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Apart from as disclosed in the share option scheme disclosures in note 28 to the financial statements, at no time during the year 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

Due to the adoption of Statement of Standard Accounting Practice No. 34 “Employee benefits” during the year, the detailed disclosures relating to the Company's share option scheme have been moved to note 28 to the financial statements.

Concerning the share options granted during the year to the directors, employees and others, as detailed in note 28 to the financial statements, the directors do not consider it appropriate to disclose a theoretical value of the options granted, 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 AND CONNECTED TRANSACTIONS

Details of the significant related party and connected transactions of the Group under the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) are set out in note 34 to the financial statements.

Save for the transactions disclosed in note 34 to the financial statements, there were no other transactions which require to be disclosed as connected transactions in accordance with the Listing Rules.

## SUBSTANTIAL SHAREHOLDERS

As at 30 April 2003, the following interests of 5% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO.

Name	Interest in shares (Note)	Nature of interest	Percentage of the Company's issued share capital
Cambo	48,299,000	Direct beneficial owner	53.09
New Top HK	56,862,000	Direct beneficial owner and through a controlled corporation	62.51
New Top BVI	56,862,000	Through a controlled corporation	62.51
Mr. Wong Chi Man	57,194,000	Direct beneficial owner and through a controlled corporation	62.87

*Note:* The relationship between Mr. Wong Chi Man, Cambo, New Top HK and New Top BVI is disclosed under the heading “Directors’ interests and short positions in shares, underlying shares and debentures” above.

Save as disclosed above, no person had registered an interest in the issued share capital of the Company that was required to be recorded under Section 336 of the SFO.

## DIRECTORS' INTERESTS IN COMPETING BUSINESSES AND CONFLICTS OF INTERESTS

During the year ended 30 April 2003, 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 operations	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

Mr. Wong Chi Man, Mr. Wong See Sum J.P. and their respective associates have only minority interests in those companies listed above which have operations in Hong Kong. In respect of 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 operate 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 above-mentioned 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 year, the Company repurchased certain of its shares on the Stock Exchange and these shares were subsequently cancelled by the Company. Further details of these transactions are set out in note 28 to the financial statements.

Except as disclosed above, neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year.

## CODE OF BEST PRACTICE

In the opinion of the directors, the Company complied with the Code of Best Practice (the "Code") as set out in Appendix 14 of the Listing Rules, throughout the accounting period covered by the annual report, except that the non-executive directors are not appointed for a specific term as required by paragraph 7 of the Code because they are subject to retirement by rotation and re-election at annual general meetings in accordance with the provisions of the Company's bye-laws.

## AUDIT COMMITTEE

The Company has an audit committee 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 audit committee comprises the two independent non-executive directors of the Company. The Group's audited financial statements as at 30 April 2003 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 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 2003