

Dear Shareholders,

On behalf of the Board of Directors (“the Board”), I am pleased to present the annual report of Kamboat Group Company Limited (the “Company”) and its subsidiaries (collectively called the “Group”) for the year ended 30 April 2004.

RESULTS

The Group recorded a consolidated Turnover of approximately HK\$318.1 million for the financial year ended 30 April 2004, compared with a consolidated turnover of HK\$324.9 million for the last year. The net loss attributable to shareholders for the year ended 30 April 2004 was HK\$26.8 million (2003: HK\$7.9 million). Loss per share was HK29.51 cents (2003: HK8.67 cents).

BUSINESS REVIEW

Restaurant Operating Business

The outbreak of Severe Acute Respiratory Syndrome (“SARS”) since late March 2003 has cast shadows and made considerable impact on the general economy and consumer spending segment in Hong Kong. Fearing of the massive social outbreak and confidence crisis in public hygiene has kept customers to stay in.

The performance of the Chinese Restaurant operation was unavoidably affected. The consumer spending segment in Hong Kong remains quite negative until the introduction of Individual Visit Scheme to Hong Kong and the rebound of the real estate market in the third quarter of 2003. Our business has improved in line with a more positive economic outlook and by the boost of customer confidence.

In current year, the Group's consolidated turnover for Chinese Restaurant in Hong Kong has an increase of 10.4% from HK\$220.0 million to HK\$242.9 million in 2004 fiscal year. The management has implemented cost saving measures in order to improve the group's performance and become more competitive.

In January 2004 and March 2004, we have opened our second and third restaurants in Shenzhen and Shanghai, PRC. Currently, we are operating three restaurants in China which will become a gateway and step-stone to further penetrate into the China market. The turnover for the PRC restaurant is HK\$29.5 million (2003: HK\$7.7 million) represents an increase of 2.8 times. The Group has targeted to development the PRC market with longer term prospective. The management believes that potential of the PRC market is enormous. This strategy provides the Group with a new avenue for growth.

Bakery and Other Food and Beverage Products Business

The consolidated turnover and the operating loss for bakery and other food and beverage products business for the financial year ended 30 April 2004 is approximately HK\$77.1 million (2003: HK\$109.0 million), and approximately HK\$23 million (2003: HK\$15 million).

The local operating environment has worsened due to continuous deflationary for the pass few years, low consumer spending sentiment and confidence crisis in public hygiene. We have recorded a sharp decrease in sales volume and turnover in the second quarter of 2003. Furthermore, due to high rental expenses for certain retail outlets. We have experienced loss for the same period. In order to minimise further running costs and avoid further erosion to the operating margin, we have decided to close down under performing retail outlets. The total outlets decrease from 42 to 17 within 12 months. Among closure of these outlets, we have compensated landlords to HK\$0.3 million on some of the unexpired lease terms. Secondly, shop decorations and fixtures for these closure outlets at HK\$3.3 million were written off to the profit and loss account in this financial year. As a result of these reasons, the consolidated turnover and the operating loss dropped by 29.2% and increased by 54.7% while compared with last year.

Subsequently to the year ended at 30 April 2004, Kamboat Bakery Limited (“Kamboat Bakery”) entered into a Conditional Subscription agreement with a third party subscriber in relation to the subscription of 1,040,000 new ordinary shares in Kamboat Bakery at a subscription price of HK\$1.00 per share (par value of the share), which represents 51% of the total issued share capital of Kamboat Bakery as enlarged by the allotment and issue of shares upon completion. For details please refer to note 35(a).

These measures will greatly reduce the operating costs and burden of the Group for the coming years.

The food production factory in Dongguan, the PRC was solely acts as a supplier to members of the Group. The low production costs and labour costs generate positive contributions to the group and its cashflow. In the long run, it will contribute to the improvement of the Group's gross margin, which in turn will allow for flexibility on pricing strategies.

Innovative products in the pipeline

To maintain competitiveness, the Group has speeded up its innovative product launching cycle and to develop a variety of Chinese dishes and bakery products. Coupled with aggressive marketing and promotional activities, the innovative products in the pipeline will contribute to better profit margin and a larger market share. In addition, the management has endeavoured to ensure the consistent delivery of high quality food and services to maintain its market leading position.

Channeling its sales network

With the opening of the first bakery shop in Shenzhen, PRC in mid 2004. The Group is formulating a plan to develop its bakery shop with franchise shops in PRC. The management is confident that these strategies should be enabling us to increase market share as well as to promote the brand awareness of Kamboat.

Outlook

With the ending of long deflationary period for the last few years from Jul 2004 and picking up of the customer flow. The management is optimistic towards our growth in the coming years and improves our profitability.

We believe the continuous improving business environment in PRC and Hong Kong will enable our business to have great leap forward.

DIVIDENDS

The Board of directors do not recommend payment of final dividend in respect of the year.

APPRECIATION

I would like to take this opportunity to express my appreciation to all our staff for their co-operation and commitment during the year. Equally important, I wish to thank our shareholders for their continued support and trust.

Wong Chi Man

Chairman and Executive Director

Hong Kong
30 August 2004