

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 2004.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the subsidiaries comprise the operation of a chain of Chinese restaurants and the production, sale and distribution of bakery, and other food and beverage products.

Subsequent to the balance sheet date, the Group entered into certain conditional agreements, which upon becoming unconditional would result in the Group’s equity interests in its sale and distribution of bakery, and other food and beverage business becoming diluted, further details of which are set out in note 35(a) to the financial statements. As at the date of this report, the transactions remain conditional.

Apart from the foregoing, 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 2004 and the state of affairs of the Company and of the Group at that date are set out in the financial statements on pages 19 to 69.

An interim dividend of HK1.5 cents per ordinary share was paid on 2 March 2004. The directors do not recommend the payment of final dividend in respect of the year.

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, as extracted from the audited financial statements and reclassified as appropriate, is set out on page 70. 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.

SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the Company’s issued share capital and share options during the year, together with the reasons therefor, are set out in notes 27 and 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

At 30 April 2004, the Company's reserves available for distribution, calculated in accordance with the Companies Law of the Cayman Islands, amounted to HK\$46,766,000. This includes the Company's share premium account, in the amount of HK\$87,083,000 at 30 April 2004, 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:

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

(resigned on 23 May 2003)

DIRECTORS (continued)

Non-executive director

Mr. Tam Fook Yee

Independent non-executive directors

Mr. Lee Man Youn, Montareal

Mr. Chan Kam Fai, Robert

In accordance with article 87 of the Company's articles of association, Messrs. Wong Chi Wing, Tenny, Chan Kam Fai, Robert, Ng Suk Bing, Mclanly, Tam Fook Yee and Lee Man Youn, Montareal 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 the forthcoming annual general meeting 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 material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, its holding company, or any of its subsidiaries or fellow 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 71 to 72 of the annual report.

DIRECTORS' SERVICE CONTRACTS

Each of the executive directors has a service contract with the Company for an initial term of 3 years commencing on 1 August 2004, 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

At 30 April 2004, the interests and short positions of the directors or their associates in the share capital and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept 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 set out as follows:

Name	Company	Capacity	Interest in shares
Mr. Wong Chi Man (<i>Note</i>)	The Company	Direct beneficial owner and through a controlled corporation	59,524,000 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

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 2,662,000 shares. Cambo is held by New Top HK as to approximately 48.61%, Mr. Wong Chi Man as to approximately 2.89% and Mr. Wong See Sum J.P. as to approximately 14.64%. 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, at 30 April 2004, none of the directors had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the heading “Directors’ interests and short positions in shares, underlying shares and debentures” above and 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 granted to any director or their respective spouse or minor children, 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 directors to acquire such rights in any other body corporate.

SHARE OPTION SCHEME

Concerning the share options granted during the year to the directors, a substantial shareholder, 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

At 30 April 2004, 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	59,524,000	Direct beneficial owner and through a controlled corporation	65.43

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 2004, the following directors were 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 interest 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 interest held	Position held
Carrianna Chiu Chow Restaurant (T.S.T.) Ltd.	Hong Kong	4.5	Non-executive director
Banana Leaf Holdings Limited	Hong Kong	2.8	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 abovementioned companies.

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

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

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year.

POST BALANCE SHEET EVENTS

Details of the significant post balance sheet events of the Group are set out in note 35 to the financial statements.

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 of the Company are not appointed for specific terms as required by paragraph 7 of the Code, but are subject to retirement by rotation and re-election at the forthcoming annual general meeting 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 purpose 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 2004 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
30 August 2004