



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 referred as to the “Group”) for the year ended 30 April 2005.

BUSINESS REVIEW

Restaurant Operating Business

The performance of the Chinese Restaurant operation has slightly decreased. The changes in the spending pattern of Hong Kong people together with relatively high operating costs, the local restaurant industry still faced challenges during the year. As a result, the Group’s consolidated turnover recorded a slight decrease of approximately 1.7% from HK\$242.9 million to HK\$238.8 million in the 2005 fiscal year. For the Group’s two restaurants in China, the turnover improved slightly because the Guangzhou restaurant recorded a marked improvement in operating result during the year. Overall as a result the Group is working to improve operational efficiency and achieve better allocation of resources.

Disposal of a Property

On 15 March 2005, the Company disposed of its property at Tai Ping Industrial Park, Tai Po at a profit of HK\$2,609,000.

Bakery, and Other Food and Beverage Products Business (including Dongguan Xinlian and Kamboat Bakery)

As a result of the completion of share subscription by an independent third party in Kamboat Bakery Limited (“KBL”), the Group’s interests in KBL was diluted from 100% to 49% and the subscription resulted in a deemed disposal to the Group pursuant to a subscription agreement dated 28 May 2004. Details of such disposal have been disclosed in both an announcement dated 3 June 2004 as well as a circular dated 25 June 2004. A deemed disposal gain of HK\$10,346,000 was recorded for the year ended 30 April 2005. The turnover from the bakery operation of HK\$13.2 million for the year ended 30 April 2005 was mainly contributed from Dongguan Xinlian. While in the prior year, the turnover from bakery operation was mainly contributed from Kamboat Bakery.

04 Chairman's Statement



Subscription of new Shares by Peaksmart

On 27 September, 2004 Peaksmart, a third party subscriber, entered into a Subscription Agreement with the Company to subscribe for and the Company allotted and issued 9,096,900 new Shares at a price of HK\$0.44 per Share. The Subscription Shares represent 10% of the existing issued share capital of the Company and approximately 9.09% of its issued share capital as enlarged by the Subscription Shares. The subscription was approved and the proceed was used to strengthened the working capital of the Group.

Subscription of new shares by Vongroup

Subsequent to the year ended 30 April 2005, Vongroup subscribed for shares in the Company. Details of the subscription are included in the announcement dated 21 March 2005 and the circular dated 3 May 2005. On completion of the subscription the Company received an aggregate of HK\$54 million in cash. Vongroup holds approximately 73.85% of the enlarged issued share capital of the Company. The proceeds of the Subscription will be used for the existing consumer food and beverage businesses of the Group and to expand the Group's business lines to include other high-growth consumer businesses.

All of the conditions precedent to the completion of the Subscription have been fulfilled and the Completion took place on 29 August 2005.

Outlook

The Hong Kong economy has showed solid signs of recovery, benefiting from the strong economic growth in China and the record level of mainland and overseas tourists. The better business environment will be further buoyed by the number of new tourist spots due to be opened in the second half of 2005 and will continue to provide a positive impact to the overall restaurant business of the Group. The Group will continue to rationalize its business mix and direct its resources to businesses with better growth potential. In addition, the Group will continue to evaluate new business opportunities which may help to bring improvements in the overall financial performance of the Group.

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In view of the vast consumer market in China, the Group is focusing on seeking business opportunities to further expand the Group's operations in the Mainland China market.

The management is optimistic on the Group's operations in the Mainland China market but will remain cautious on not only managing the existing business but also making further investments therein.



Chairman's Statement 05

DIVIDENDS

The Board of directors does 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 cooperation 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 2005