

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this announcement, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



KAMBOAT GROUP COMPANY LIMITED

金龍船集團有限公司*

(Incorporated in Cayman Islands with limited liability)
(stock code: 318)

(1) SUBSCRIPTION OF NEW SHARES AND (2) APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTOR AND MEMBER OF THE AUDIT COMMITTEE

Joint Financial Advisors to the Company



INCU Corporate Finance Limited



Menlo Capital Limited

Subscription of new Shares

On 27 September, 2004 Peaksmart entered into a Subscription Agreement with the Company pursuant to which Peaksmart will subscribe for and the Company will allot and issue 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 Price represents (i) a premium of approximately 2.3% over the closing price of the Shares of HK\$0.43 as quoted on the Stock Exchange on 27 September, 2004, being the last trading day prior to the suspension of trading of Shares on 28 September 2004; (ii) a premium of approximately 7.3% over the average closing price of the Shares of HK\$0.41 for the five consecutive trading days up to and including 27 September, 2004, being the last trading day prior to the suspension of trading of Shares on 28 September 2004; and (iii) a premium of approximately 12.8% over the average closing price of the Shares of HK\$0.39 for the ten consecutive trading days up to and including 27 September, 2004, being the last trading day prior to the suspension of trading of Shares on 28 September 2004.

The net proceeds from the Subscription will be approximately HK\$3.85 million. The Directors intend to apply the net proceeds towards investments in promising business(es) which have growth potential and are expected to bring a positive return to the Company in the long term which may or may not be in the principal line of business of the Group. However, up to the date of this announcement, no suitable investment has been identified nor any concrete plan or arrangement has been made. The Company will fully comply with the Listing Rules and make the relevant disclosure when investments have been identified.

The Subscription is conditional upon the Stock Exchange granting listing of, and permission to deal in, the Subscription Shares. Application has been made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares.

At the request of the Company, trading in the Shares has been suspended with effect from 9:30 a.m. on 28 September 2004 pending the issue of this announcement. Application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares with effect from 9:30 a.m. on 30 September 2004.

Appointment of Independent Non-executive Director and member of the Audit Committee

The Board is pleased to announce that Mr. Cheung Man Yau, Timothy has been appointed as an Independent Non-executive Director and a member of the audit committee of the Company with effect from 27 September 2004.

SUBSCRIPTION AGREEMENT DATED 27 SEPTEMBER, 2004

The Subscription

Issuer:

The Company

Subscriber:

Peaksmart is an investment holding company that is set up solely for holding this investment. The Directors confirm that, to the best of their knowledge, information and belief and after having made all reasonable enquiries, Peaksmart and Mr Tam Shong-Tak, David, its beneficial owner, are not connected with, and independent of, the Company and its connected persons (as defined in the Listing Rules). Peaksmart will not have any board representation in the Company. Peaksmart has indicated that it intends to hold the investment for medium to long term. The beneficial owner of Peaksmart is a personal friend of Mr. Wong Chi Man, the Chairman of the Company. The Directors, Peaksmart and its beneficial owner confirm that apart from the Subscription Agreement, there is no other agreement, arrangement, understanding or undertaking, whether formal or informal and whether express or implied or oral or in writing between the Company and/ or Mr. Wong Chi Man and Mr. Tam Shong-Tak, David and/or Peaksmart.

Number of Subscription Shares:

9,096,900 new Shares representing 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.

Subscription Price:

The Subscription Price of HK\$0.44 per Share was agreed after arm's length negotiations between the Company and Peaksmart. The Subscription Price represents (i) a premium of approximately 2.3% over the closing price of the Shares of HK\$0.43 as quoted on the Stock Exchange on 27 September, 2004 being the last trading day prior to the suspension of trading of shares on 28 September 2004; (ii) a premium of approximately 7.3% over the average closing price of the Shares of HK\$0.41 for the five consecutive trading days up to and including 27 September, 2004 being the Shares of trading of Shares on 28 September 2004; and (iii) a premium of approximately 12.8% over the average closing price of the Shares of HK\$0.39 for the ten consecutive trading days up to and including 27 September, 2004 being the last trading day prior to the suspension of trading of shares on 28 September 2004. The Directors consider that the Subscription Price is fair and reasonable and is in the interest of the Company and its shareholders as a whole.

General mandate to issue Subscription Shares:

The Subscription Shares will be allotted and issued pursuant to the general mandate to allot, issue and deal with the Shares granted to the Directors at the annual general meeting of the Company held on 25 September 2003. The general mandate has not been utilized prior to entering into the Subscription Agreement, and accordingly it will be sufficient to cover the issue of the Subscription Shares.

Ranking of Subscription Shares:

The Subscription Shares, when allotted, issued and fully paid, will rank pari passu in all respects among themselves and with the existing issued Shares on the date of allotment and issue of the Subscription Shares.

Condition of the Subscription:

The Subscription is conditional upon the Listing Committee of the Stock Exchange granting listing of, and permission to deal in, the Subscription Shares.

The condition must be fulfilled on or before 8 October, 2004 (or such other date as agreed by the parties in writing), failing which the Subscription shall cease and terminate. Application has been made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares.

Completion Date:

The Subscription shall complete on the next Business Day after the fulfillment of the condition of the Subscription (or such later date as may be agreed between the parties to the Subscription Agreement in writing).

Purposes of the subscription and use of proceeds

The gross proceeds and net proceeds from the Subscription will be approximately HK\$4 million and HK\$3.85 million respectively. The expenses for the issue will be borne by the Company.

The Group is principally engaged in the operation of a chain of Chinese restaurants and the production, sale and distribution of bakery, and other food and beverage products. Following the disposal of 51% of Kamboat Bakery Limited as announced on 3 June 2004, the Group is principally engaged in the operation of a chain of Chinese restaurants. The proceeds from the said disposal will be used in line with that stated in the announcement on 3 June 2004. As at the date of this announcement, none of the net proceeds has yet been used. As at 30 April 2004, the audited cash and bank balance of the Group is approximately HK\$6.2 million. Given the competitive environment in the food and beverage industry, the Company has explored various possibilities to enhance its operational efficiency and profitability including streamlining the bakery business and actively seeking direct equity investment opportunities that will contribute positively to the Group. The Directors believe that along with gradual recovery of the Group's business, it would be in the interests of the Group to explore suitable investments which could strengthen its income base. Accordingly, the Directors intend to apply the net proceeds towards investments in promising business(es) which have growth potential

and are expected to bring a positive return to the Company and its shareholders in the long term which may or may not be in the principal line of business of the Group. However, up to the date of this announcement, no suitable investment has been identified nor any concrete plan or arrangement has been made. Yet, the Directors believe that with funds raised ahead, it would be in a better position to grasp suitable investments when any opportunity arises. The Company will fully comply with the Listing Rules and make the relevant disclosure when suitable investments have been identified.

The Group has also considered other means of raising funds including additional bank financing. Considering that the Subscription will enhance the capital base of the Company, thereby broadening the Company's shareholder base without adverse effect on the gearing, the Directors believe that at present the Subscription is the most desirable means for the Group to raise fund.

In addition, the Directors are in discussion with various independent third parties regarding the possibility of issue of further new Shares in the Company whose proceeds are intended to be utilized for investments and/or working capital for the Group. However, up to the date of this announcement, no binding agreement has been signed and the further issue of new Shares may or may not proceed. Further announcement will be made as and when appropriate when binding agreements have been entered into.

The Directors confirm that the Company has not conducted any fund raising exercise during the previous 12 months prior to the date of this announcement.

Shareholding structure in the company

The table set out below showing the existing shareholding structure of the Company and shareholding structure immediately after the Subscription

Name of Shareholder	Number of Shares prior to completion of Subscription	Percentage of issued share capital (%)	Number of Shares after completion of Subscription	Percentage of issued share capital (%)
Cambo Enterprises Limited (<i>Note 1</i>)	48,299,000	53.09	48,299,000	48.27
New Top Investment Limited (<i>Note 2</i>)	8,563,000	9.41	8,563,000	8.56
Mr. Wong Chi Man	2,662,000	2.93	2,662,000	2.65
Mr. Wong See Sum J.P.	3,030,000	3.33	3,030,000	3.03
Mr. Tam Fook Yee	1,802,000	1.98	1,802,000	1.80
Subscriber	0	0	9,096,900	9.09
Public	26,613,000	29.26	26,613,000	26.60
Total	90,969,000	100.00	100,065,900	100.00

Note 1: Cambo Enterprises Limited is a company incorporated in Hong Kong and the issued share capital of which is beneficially owned as to approximately 48.61% by New Top Investment Limited, a company incorporated in Hong Kong, as to approximately 2.89% by Mr. Wong Chi Man and as to approximately 14.64% by Mr. Wong See Sum J.P.

Note 2: The entire issued share capital of New Top Investment Limited, a company incorporated in Hong Kong, is beneficially owned by New Top Investments Limited, a company incorporated in the British Virgin Islands and the entire issued share capital of which is owned by Mr. Wong Chi Man.

APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTOR AND MEMBER OF AUDIT COMMITTEE

The Board is pleased to announce that Mr. Cheung Man Yau, Timothy (“Mr. Cheung”) has been appointed as an independent non-executive Director and a member of the audit committee of the Company with effect from 27 September 2004. Set out below is the biography of Mr. Cheung:-

Mr. Cheung, aged 46, is a certified public accountant, an associate of the Hong Kong Institute of Certified Public Accountants and a fellow of the Chartered Association of Certified Accountants and is currently a practicing accountant in Hong Kong. He has more than 22 years of extensive experience in the finance field and previously worked for a number of international accounting firms and listed companies in Hong Kong. Mr. Cheung graduated from the University of Hong Kong with a Bachelor of Arts degree in 1983. Mr. Cheung had acted as an independent non-executive director of China Development Corporation Limited and Tem Fat Hing Fung (Holdings) Limited and as an executive director of AGL MediaTech Holdings Limited in the past three years and is currently a director of China City Natural Gas Holdings Limited and Argos Enterprise (Holdings) Limited.

Mr. Cheung has not previously held any position with the Company or its subsidiaries; and is independent of and has no relationship with any directors, senior management or substantial or controlling shareholders of the Company. Mr. Cheung does not have any interest in the Company’s shares within the meaning of Part XV of the Securities and Futures Ordinance.

There is no service contract entered into between the Company and Mr. Cheung and there is no particular term of service. His term of service as a director of the Company is subject to the relevant provisions in the Articles of Association of the Company including but not limited to the rotation of directors pursuant to the Articles of Association of the Company. Mr. Cheung will receive a director’s fee of HK\$5,000 per month as mutually agreed by Mr. Cheung and the Company on an arm’s length basis with reference to Mr. Cheung’s duties and time devoted to the Company and it will be subject to annual review by the Board.

Save as disclosed above, there are no any other matters in relation to the appointment of Mr. Cheung that need to be brought to the attention of the shareholders of the Company.

The Board would like to express its warmest welcome to Mr. Cheung on his appointment.

RESUMPTION OF TRADING

At the request of the Company, trading in the Shares has been suspended with effect from 9:30 a.m. on 28 September 2004 pending the issue of this announcement. Application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares with effect from 9:30 a.m. on 30 September 2004.

DEFINITIONS

In the announcement, the following expressions have the meanings set out below unless the context otherwise requires.

“Board”	Board of Directors of the Company
“Business Day”	any day (excluding a Saturday) on which banks generally open for business in Hong Kong
“Completion Date”	not later than the next Business Day after the fulfillment of the condition of the Subscription
“Company”	Kamboat Group Company Limited, an exempted company incorporated in Cayman Islands with limited liability and the securities of which are listed on the Stock Exchange
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Peaksmart” or the “Subscriber”	Peaksmart Limited, a company incorporated in the British Virgin Islands with limited liability
Subscription”	subscription of the Subscription Shares at the Subscription Price pursuant to the Subscription Agreement
“Subscription Agreement”	a conditional subscription agreement entered into between the Subscriber and the Company dated 27 September, 2004 in respect of the Subscription
“Subscription Price”	HK\$0.44 per each Subscription Share

“Subscription Shares”	9,096,900 new Shares to be allotted and issued under the Subscription
“Share(s)”	the ordinary share(s) of HK\$0.25 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“HK\$”	Hong Kong dollars
“%”	percent.

By order of the Board
KAMBOAT GROUP COMPANY LIMITED
Wong Chi Man
Chairman

Hong Kong, 28 September, 2004

* for identification purpose only

As at the date of this announcement, the Board of Directors of the Company comprises nine Directors, of which five are Executive Directors, namely Mr. Wong Chi Man, Mr. Wong See Sum J.P., Ms. Wong Lan Fun, Roberta, Mr. Wong Chi Wing, Tenny and Ms. Ng Suk Bing, Mclanly; one non-executive Director, namely Mr. Tam Fook Yee; and three Independent non-executive Directors, namely Mr. Lee Man Youn, Montareal, Mr. Chan Kam Fai, Robert and Mr. Cheung Man Yau, Timothy.

Please also refer to the published version of this announcement in The Standard.