

The directors have pleasure in presenting their annual report together with the audited financial statements of the Company for the year ended 31st December, 2000.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are the manufacture of White Flower Embrocation, property investment, wholesaling of cosmetic products, and distribution of healthcare and household products.

SUBSIDIARIES

Details of the Company's subsidiaries at 31st December, 2000 are set out in note 17 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31st December, 2000 are set out in the consolidated income statement on page 16.

An interim dividend of 4.5 cents per share, amounting to HK\$5,850,000, was paid to the shareholders during the year. The directors now recommend the payment of a final dividend of 7 cents per share to the shareholders on the register of members on 26th June, 2001, amounting to HK\$9,100,000, and the retention of the remaining profit for the year of HK\$8,837,356.

DONATIONS

During the year, the Group made charitable donations amounting to approximately HK\$438,000.

RESERVES

Movements during the year in the reserves of the Group and the Company are set out in note 23 to the financial statements.

GROUP FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the past five financial years is set out on page 48.

INVESTMENT PROPERTIES, PROPERTY, PLANT AND EQUIPMENT

All the investment properties of the Group were revalued at 31st December, 2000, as set out in note 14 to the financial statements. The resulting net surplus arising on revaluation, which has been credited directly to the investment properties revaluation reserve, amounted to HK\$4,518,362.

INVESTMENT PROPERTIES, PROPERTY, PLANT AND EQUIPMENT *(continued)*

Movements during the year in the investment properties and property, plant and equipment of the Group and the Company are set out in notes 14 and 15 respectively to the financial statements.

PROPERTIES

Particulars of the property interests of the Group are set out on pages 49 and 50.

PURCHASE, SALE AND REDEMPTION OF THE COMPANY'S LISTED SHARES

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Bye-laws, or the laws of Bermuda, which would obligate the Company to offer new shares on a pro-rata basis to existing shareholders.

DIRECTORS

The directors of the Company during the year and up to the date of this report were:

Executive Directors

Mr. Gan Wee Sean (*Chairman*)
Mr. Gan Fock Wai, Stephen
Mr. Chiu Sin Kuen

Independent Non-Executive Directors

Mr. Lee Ka Sze, Carmelo
Mr. Yuen Ka Fai

In accordance with the Bye-laws of the Company, Mr. Lee Ka Sze, Carmelo shall retire at the forthcoming annual general meeting and, being eligible, offers himself for re-election.

No director proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

Mr. Lee Ka Sze, Carmelo and Mr. Yuen Ka Fai have been appointed for the period from 1st January, 2000 to 31st December, 2002.

DIRECTORS' INTERESTS IN SHARES

At 31st December, 2000, the beneficial interests of the directors and chief executives and their associates in the share capital of the Company as recorded in the register maintained by the Company pursuant to section 29 of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance") were as follows:

Name of director	Number of shares held			Total
	Personal interests	Family interests	Corporate interests	
Interests in the Company				
Mr. Gan Wee Sean	11,446,800	991,900 <i>(Note 1)</i>	27,218,100 <i>(Note 2)</i>	39,656,800 <i>(Note 2)</i>
Mr. Gan Fock Wai, Stephen	4,563,700	–	26,053,300 <i>(Note 3)</i>	30,617,000 <i>(Note 3)</i>
Interests in associated corporations				
Hoe Hin Pak Fah Yeow Manufactory, Limited (non-voting deferred shares of HK\$1,000 each)				
Mr. Gan Wee Sean	8,600	800 <i>(Note 1)</i>	–	9,400
Mr. Gan Fock Wai, Stephen	2,800	–	–	2,800
Pak Fah Yeow Investment (Hong Kong) Company, Limited (non-voting deferred shares of HK\$1 each)				
Mr. Gan Wee Sean	8,244,445	711,111 <i>(Note 1)</i>	–	8,955,556
Mr. Gan Fock Wai, Stephen	2,800,000	–	–	2,800,000

Notes:

1. Madam Khoo Phaik Gim, wife of Mr. Gan Wee Sean, beneficially owned 991,900 shares of the Company, 800 non-voting deferred shares of Hoe Hin Pak Fah Yeow Manufactory, Limited and 711,111 non-voting deferred shares of Pak Fah Yeow Investment (Hong Kong) Company, Limited.
2. These 27,218,100 shares were beneficially owned by Hexagan Enterprises Limited, a company wholly-owned by Mr. Gan Wee Sean and his wife, Madam Khoo Phaik Gim. The total number of 39,656,800 shares in aggregate represented approximately 30.5 per cent of the issued share capital of the Company.

DIRECTORS' INTERESTS IN SHARES *(continued)*

3. These 26,053,300 shares were beneficially owned by Gan's Enterprises Limited, a company in which Mr. Gan Fock Wai, Stephen has an interest of approximately 31 per cent. The total number of 30,617,000 shares in aggregate represented approximately 23.6 per cent of the issued share capital of the Company.
4. Mr. Gan Fock Wai, Stephen held one ordinary share in each of Hoe Hin Pak Fah Yeow Manufactory, Limited and Pak Fah Yeow Investment (Hong Kong) Company, Limited in trust for Hoe Hin Pak Fah Yeow (B.V. I.) Limited.

Other than as disclosed above, none of the directors or chief executives, nor their associates, had any interests in any securities of the Company or any of its associated corporations as defined in the SDI Ordinance and none of the directors or chief executives, or their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such rights at any time during the year.

CONNECTED TRANSACTIONS

Certain subsidiaries of the Company entered into connected transactions during the year ended 31st December, 2000, details of which are set out in note 25 to the financial statements.

Other than as disclosed above, no contracts of significance in relation to the Company's business to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

SHARE OPTION SCHEME

Details of the Company's share option scheme ("the Share Option Scheme") are set out in note 22 to the financial statements. As at 31st December, 2000, no option has been granted under the Share Option Scheme.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

At no time during the year was the Company or any of its subsidiaries a party to any arrangements, other than the Share Option Scheme, to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS

At 31st December, 2000, no persons, other than the directors and companies controlled by them, whose names and interests are set out in the section headed "Directors' interests in shares" above, had an interest in the share capital of the Company that was required to be recorded in the register maintained under section 16(1) of the SDI Ordinance.

MAJOR CUSTOMERS AND SUPPLIERS

The five largest customers of the Group accounted for 81% of the total sales of the Group in 2000 with the largest customer accounting for 44%.

The five largest suppliers of the Group accounted for 74% of the total purchases of the Group in 2000 with the largest supplier accounting for 37%.

To the best of the directors' knowledge, no director of the Company or any of its subsidiaries, their associates or any shareholder of the Company (which to the knowledge of the directors owns more than 5% of the Company's share capital) has any interest in the five largest customers or suppliers referred to above.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company or any of its subsidiaries were entered into or subsisted during the year.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Directors

Mr. Gan Wee Sean, aged 54, is the Chairman of the Company and has been actively involved in the management of the Group since 1971. He is the grandson of the founder, Mr. Gan Geok Eng.

Mr. Gan Fock Wai, Stephen, aged 39, is an Executive Director of the Company. He possesses a honorary bachelor's degree in food process engineering from Loughborough University of Technology in England. He has been actively involved in the management of the Group since 1986. He is the son of the founder, Mr. Gan Geok Eng.

Mr. Chiu Sin Kuen, aged 69, is an Executive Director of the Company. He worked closely with the founder, Mr. Gan Geok Eng, from the commencement of the Group's operations in Hong Kong in 1950. He is now responsible for the operations of the Group.

Mr. Lee Ka Sze, Carmelo, aged 40, has been a Non-Executive Director of the Company since December 1994. He holds a Bachelor of Laws degree from the University of Hong Kong. He is a practising solicitor and a partner of Woo, Kwan, Lee & Lo.

Mr. Yuen Ka Fai, aged 33, was appointed as a Non-Executive Director of the Company on 1st September, 1998. He holds a Bachelor of Laws degree from the University of Hong Kong. He is a practising solicitor and a partner of Woo, Kwan, Lee & Lo.

Senior Management

The Executive Directors are closely involved in and are directly responsible for all activities of the Group. The Board of Directors considers that the three Executive Directors comprise of the Group's senior management.

DIRECTORS' INTEREST IN COMPETING BUSINESS

Pursuant to paragraph 8.10 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules"), the Company discloses that during the year and up to the date of this report, Messrs. Gan Wee Sean and Gan Fock Wai, Stephen are the directors and shareholders of Hoe Hin Pak Fah Yeow Manufactory, Limited, Taiwan (Chinese name: 和興白花油廠股份有限公司 and hereinafter as "Taiwan PFY"), a company engaging in the business of manufacturing and distribution of White Flower Embrocation in Taiwan only. Since the Group has already obtained trademark protection related to White Flower Embrocation in places other than Taiwan, there is no competition, directly or indirectly, from Taiwan PFY.

The Board of Directors of the Company has established procedures to identify any conflict of interest due to the interests of Messrs. Gan Wee Sean and Gan Fock Wai, Stephen in Taiwan PFY. If conflict of interest arises, Messrs. Gan Wee Sean and Gan Fock Wai, Stephen will abstain from participating in making any decisions. The Company is therefore capable of carrying on its business independently of, and at arm's length from Taiwan PFY.

CORPORATE GOVERNANCE

The Company has complied throughout the year ended 31st December, 2000 with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The Company's audit committee was formed on 18th December, 1999, comprising the independent non-executive directors at that time, Mr. Lee Ka Sze, Carmelo and Mr. Yuen Ka Fai. The terms of reference of the Audit Committee have been established with regard to "A Guide for the Formation of an Audit Committee" issued by the Hong Kong Society of Accountants in December 1997.

AUDITORS

A resolution to re-appoint Messrs. Deloitte Touche Tohmatsu as auditors of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board

GAN Wee Sean

Director

Hong Kong, 24th April, 2001