

The directors present their annual report and the audited financial statements of the Company for the year ended 31st December, 2001.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are set out in note 16 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31st December, 2001 are set out in the consolidated income statement on page 17.

DONATIONS

During the year, the Group made charitable donations amounting to HK\$51,380.

RESERVES

Movements during the year in the reserves of the Group and the Company are set out in note 24 to the financial statements.

On 26th June, 2001, a dividend of 7 cents per share, amounting to HK\$9,100,000 was paid to shareholders as the final dividend for 2000.

An interim dividend of 2 cents per share amounting to HK\$2,600,000 was paid to the shareholders during the year. The directors recommend the payment of a final dividend of 2 cents per share, amounting to HK\$2,600,000 to the shareholders of the Company whose names appear on the register of members of 27th June, 2002.

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 60.

INVESTMENT PROPERTIES, PROPERTY, PLANT AND EQUIPMENT

All the investment properties of the Group were revalued at 31st December, 2001, details of which are set out in note 13 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\$4,468,050.

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

Movements during the year in the investment properties and property, plant and equipment of the Group are set out in notes 13 and 14 respectively to the financial statements.

PROPERTIES

Particulars of the property interests of the Group are set out on pages 61 and 62.

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 are:

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. Yuen Ka Fai 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 SECURITIES

At 31st December, 2001, 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	Personal interests	Number of shares held		Total
		Family interests	Corporate interests	
Interests in the Company				
Mr. Gan Wee Sean	11,436,800	991,900 <i>(Note 1)</i>	27,218,100 <i>(Note 2)</i>	39,646,800 <i>(Note 2)</i>
Mr. Gan Fock Wai, Stephen	4,503,700	–	26,053,300 <i>(Note 3)</i>	30,557,000 <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.

DIRECTORS' INTERESTS IN SECURITIES *(continued)*

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 39,646,800 shares in aggregate represented approximately 30.5 per cent. of the issued share capital of the Company.
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 30,557,000 shares in aggregate represented approximately 23.5 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, 2001, details of which are set out in note 35 to the financial statements.

Other than as disclosed above, no other 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

The Company has a Share Option Scheme ("Scheme") for the primary purpose of providing incentive to its directors and eligible employees. Under the Scheme, the directors of the Company may, at their discretion, invite employees of any member of the Group, including executive directors of any member of the Group, to take up options to subscribe for shares of the Company at a price to be determined by the Board of Directors of the Company and notified to each invitee at not less than either 80 per cent of the average of the closing prices of the shares of the Company quoted on The Stock Exchange of Hong Kong Limited on the five trading days immediately preceding the date of offer of the option or the nominal value of the shares, whichever is the higher.

SHARE OPTION SCHEME *(continued)*

The maximum number of shares of the Company in respect of which options may be granted (together with options exercised and options then outstanding) under the Scheme may not exceed 10 per cent. of the issued share capital of the Company, excluding any shares issued on the exercise of options, from time to time. No employee may be granted options which would enable him or her to subscribe for an aggregate of more than 25 per cent. of the aggregate number of shares under the Scheme.

An option may be exercised in accordance with the terms of the Scheme at any time during a period to be notified by the Board of Directors of the Company to each grantee and in any event such period shall not exceed two years commencing on the expiry of six months after the date on which the option is accepted and expiring at the end of the two-year period or 27th November, 2001, whichever is the earlier.

The Scheme will remain in force for a period of ten years commencing from 28th November, 1991, being the date on which it was adopted by a resolution of the Company in general meeting.

No option has been granted under the Scheme since its adoption.

The Scheme expired during the year and a new Share Option Scheme will be proposed to the shareholders for approval in a special general meeting to be convened in June 2002.

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, 2001, 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 95 per cent. of the total sales of the Group in 2001 with the largest customer accounting for 53 per cent..

The five largest suppliers of the Group accounted for 62 per cent. of the total purchases of the Group in 2001 with the largest supplier accounting for 26 per cent..

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 per cent. 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 55, 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 40, 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 70, 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 41, 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 34, 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.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES *(continued)*

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 Group's senior management comprise of the three Executive Directors.

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 (the "Listing Rules"), the Company discloses that during the year and up to the date of this report, Messrs. Gan Wai Sean and Gan Fock Wai, Stephen are the directors and shareholders of Hoe Hin Pak Fah Yeow Mfy. Ltd. 和興白花油廠股份有限公司 ("Taiwan PFY"), a company engaging in the business of manufacturing and distribution of White Flower Embrocation to Taiwan only. Since the Group has already obtained trademark protection relating 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

In the opinion of the directors, the Company has complied throughout the year with the Code of Best Practice as set out in Appendix 14 of the Listing Rules.

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

Chairman

Hong Kong, 22nd April, 2002