

The directors have pleasure in submitting their report and audited financial statements of the Company and its subsidiaries (“the Group”) for the year ended 31 December 2002.

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 DIVIDENDS

The results of the Group for the year ended 31 December 2002 are set out in the consolidated income statement on page 16.

An interim dividend of HK3.8 cents per share amounting to HK\$4,940,000 was paid to the shareholders during the year. The directors recommend the payment of a final dividend of HK6 cents per share, amounting to HK\$7,800,000 to the shareholders of the Company whose names appear on the register of members on 27 June 2003.

DONATIONS

During the year, the Group made charitable donations amounting to HK\$143,425.

RESERVES

Movements in the reserves of the Group and the Company during the year are set out in note 26 to the financial statements.

GROUP FINANCIAL SUMMARY

A summary of the results and the assets and liabilities of the Group for the past five financial years is set out on page 58 and 59.

INVESTMENT PROPERTIES, PROPERTY, PLANT AND EQUIPMENT

All the properties of the Group are stated at their revalued amounts.

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

Directors' Report

PROPERTIES

Particulars of the property interests of the Group are set out on pages 60 and 61.

PURCHASE, SALE AND REDEMPTION ON 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 who held office 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. Gan Fock Wai, Stephen shall retire at the forthcoming annual general meeting and, being eligible, will offer 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 1 January 2000 to 31 December 2002 and further appointed for the three years from 1 January 2003 to 31 December 2005.

DIRECTORS' INTERESTS IN SECURITIES

At 31 December 2002, 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				
<i>Hoe Hin Pak Fah Yeow Manufactory, Limited (non-voting deferred shares of HK\$1,000 each)</i>				
Mr. Gan Wee Sean	8,600	800 <i>(Note 1)</i>	–	9,400
Mr. Gan Fock Wai, Stephen	2,800	–	–	2,800
<i>Pak Fah Yeow Investment (Hong Kong) Company, Limited (non-voting deferred shares of HK\$1 each)</i>				
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

Directors' Report

DIRECTORS' INTERESTS IN SECURITIES (Continued)

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 39,646,800 shares in aggregate represented approximately 30.5 percent 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 percent. The total number of 30,557,000 shares in aggregate represented approximately 23.5 percent 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.

DIRECTORS' INTERESTS IN CONTRACTS

Other than as disclosed in note 32 to the accompanying financial statements, 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.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

The Company has adopted, by passing in a special general meeting convened on 27 June 2002 a share option scheme (the "Scheme") which will remain in force for a period of ten years commencing from 27 June 2002. No option has been granted under the Scheme since its adoption. Details of the Scheme are set out in note 25 to the accompanying financial statements.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES *(Continued)*

At no time during the year was the Company or any of its subsidiaries a party to any arrangements, other than the 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 31 December 2002, 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 securities" 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 94 percent of the total sales of the Group in 2002 with the largest customer accounting for 49 percent.

The five largest suppliers of the Group accounted for 77 percent of the total purchases of the Group in 2002 with the largest supplier accounting for 38 percent.

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 percent 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 56, 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 41, is an executive director of the Company. He possesses an 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.

Directors' Report

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

Directors *(Continued)*

Mr. Chiu Sin Kuen, aged 71, 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 42, 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 35, was appointed as a non-executive director of the Company on 1 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 Group's senior management comprise of the three executive directors.

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

During the year the auditors, Messrs. Deloitte Touche Tohmatsu resigned and Messrs. Moores Rowland, *Chartered Accountants, Certified Public Accountants*, were appointed auditors of the Company.

A resolution will be submitted to the annual general meeting to re-appoint Messrs. Moores Rowland as auditors of the Company.

On behalf of the Board

GAN Wee Sean

Chairman

Hong Kong, 15 April 2003