

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 2003.

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 2003 are set out in the consolidated income statement on page 15.

An interim dividend of HK3.8 cents and a special interim dividend of HK1.2 cents per share amounting to a total sum of HK\$6,500,000 was paid to the shareholders during the year. The directors recommend the payment of a final dividend of HK6 cents and a special final dividend of HK4 cents per share, amounting to a total sum of HK\$13,000,000 to the shareholders of the Company whose names appear on the register of members on 24 June 2004.

DONATIONS

During the year, the Group made charitable donations amounting to HK\$62,500.

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.

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.

PROPERTIES

Particulars of the property interests of the Group are set out on pages 59 and 60.

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. Chiu Sin Kuen 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 2003 to 31 December 2005.

DIRECTORS' INTERESTS IN SECURITIES

At 31 December 2003, the interests and short positions of the directors and chief executives in the shares of the Company and associated corporations, as defined in Part XV of Securities and Futures Ordinance (the "SFO") and as recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited ("HKSE") pursuant to the Model Code for Securities Transactions by the Directors of Listed Companies, were as follows:

Interests in shares of the Company

Name of director	Personal interests	Number of shares held			Total	Percentage of issued shares capital of the Company
		Family interests	Corporate interests			
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>	30.5%	
Mr. Gan Fock Wai, Stephen	4,493,700	–	26,053,300 <i>(Note 3)</i>	30,547,000 <i>(Note 3)</i>	23.5%	

DIRECTORS' INTERESTS IN SECURITIES (Continued)**Interests in shares of associated corporations**

Name of director	Personal interests	Number of shares held			Total	Percentage of issued non-voting deferred shares capital of the respective corporation
		Family interests	Corporate interests			
<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 (Note 1)	–	9,400	42.7%	
Mr. Gan Fock Wai, Stephen	2,800	–	–	2,800	12.7%	
<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 (Note 1)	–	8,955,556	42.2%	
Mr. Gan Fock Wai, Stephen	2,800,000	–	–	2,800,000	13.2%	

DIRECTORS' INTERESTS IN SECURITIES (Continued)**Interests in shares of associated corporations (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 30,547,000 shares in aggregate represented approximately 23.5 percent of the issued share capital of the Company.

Other than as disclosed above, none of the directors or chief executives, nor their associates, had any interests and short positions in shares, underlying shares and debentures of the Company or any of its associated corporations as defined in Part XV of the SFO 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 33 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 an ordinary resolution 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 27 to the accompanying financial statements.

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 2003, 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 notified an interest in the shares and underlying shares capital of the Company that was required to be recorded in the register maintained under section 336 of the SFO.

MAJOR CUSTOMERS AND SUPPLIERS

The five largest customers of the Group accounted for 93 percent of the total sales of the Group in 2003 with the largest customer accounting for 92 percent.

The five largest suppliers of the Group accounted for 81 percent of the total purchases of the Group in 2003 with the largest supplier accounting for 99 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 57, 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 42, 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.

Mr. Chiu Sin Kuen, aged 72, 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.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES (Continued)

Directors (Continued)

Mr. Lee Ka Sze, Carmelo, aged 43, 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 36, 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 2002, the former auditors, Messrs. Deloitte Touche Tohmatsu resigned and Messrs. Moores Rowland, *Chartered Accountants, Certified Public Accountants*, were appointed auditors of the Company.

On 1 October 2003, the auditors, Messrs. Moores Rowland merged with Messrs. Mazars and are now practicing under the name of Moores Rowland Mazars.

A resolution will be submitted to the annual general meeting to re-appoint Messrs. Moores Rowland Mazars, *Chartered Accountants, Certified Public Accountants*, as auditors of the Company.

On behalf of the Board

GAN Wee Sean

Chairman

Hong Kong, 20 April 2004