

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 2004.

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 2004 are set out in the consolidated income statement on page 15.

An interim dividend of HK4 cents and a special interim dividend of HK10 cents per share amounting to HK\$18,200,000 was paid to the shareholders during the year. The directors propose the payment of a final dividend of HK6 cents and a special final dividend of HK9 cents per share, amounting to a total sum of HK\$19,500,000 to the shareholders of the Company whose names appear on the register of members on 28 June 2005.

DONATIONS

During the year, the Group made charitable donations amounting to HK\$710,928.

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 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 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. Robert Kwan Chiu Yin (appointed on 8 September 2004)

Ms. Ada Wong Ying Kay (appointed on 8 September 2004)

Mr. Arnold Ip Tin Chee (appointed on 8 September 2004)

Mr. Lee Ka Sze, Carmelo (resigned on 8 September 2004)

Mr. Yuen Ka Fai (resigned on 8 September 2004)

In accordance with the Bye-laws of the Company, Mr. Gan Fock Wai, Stephen, Mr. Robert Kwan Chiu Yin, Ms. Ada Wong Ying Kay and Mr. Arnold Ip Tin Chee shall retire at the forthcoming annual general meeting and, being eligible, will offer themselves 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. Robert Kwan Chiu Yin, Ms. Ada Wong Ying Kay and Mr. Arnold Ip Tin Chee have been appointed for the period from 8 September 2004 to 7 September 2006.

DIRECTORS' INTERESTS IN SECURITIES

At 31 December 2004, 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:

Long positions in shares of the Company

| Name of director | Number of shares held | | | Total | Percentage of issued share capital of the Company |
|---------------------------|-----------------------|----------------------------|-------------------------------|-------------------------------|---|
| | Personal interests | 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 | 4,313,700 | – | 26,053,300 <i>(Note 3)</i> | 30,367,000 <i>(Note 3)</i> | 23.4% |

DIRECTORS' INTERESTS IN SECURITIES (Continued)
Long positions in non-voting deferred shares of associated corporations

| Name of director | Personal interests | Number of shares held | | | Total | Percentage of issued non-voting deferred share capital of the respective corporation |
|--|--------------------|----------------------------|---------------------|-----------|-------|--|
| | | Family interests | Corporate interests | | | |
| <i>(a) 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 | 42.7% | |
| Mr. Gan Fock Wai, Stephen | 2,800 | – | – | 2,800 | 12.7% | |
| <i>(b) 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 | 42.2% | |
| Mr. Gan Fock Wai, Stephen | 2,800,000 | – | – | 2,800,000 | 13.2% | |

Notes:

- 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.
- 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.
- 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 30,367,000 shares in aggregate represented approximately 23.4 percent of the issued share capital of the Company.

DIRECTORS' INTERESTS IN SECURITIES (Continued)

Interests in shares of associated corporations (Continued)

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 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 2004, 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 91 percent of the total sales of the Group in 2004 with the largest customer accounting for 52 percent.

The five largest suppliers of the Group accounted for 76 percent of the total purchases of the Group in 2004 with the largest supplier accounting for 29 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

Executive Directors

Mr. Gan Wee Sean, aged 58, 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 43, 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. During 2001, He was awarded one of the "2001 Youth Industrial Awards of Hong Kong" by the Federation of Hong Kong Industries. He is also the Committee Member (Practitioners Board) of the Chinese Medicine Council of Hong Kong since 1999.

Mr. Chiu Sin Kuen, aged 73, 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)

Independent Non-executive Directors

Mr. Robert Kwan Chiu Yin, aged 68, is a retired Certified Public Accountant, received his Master of Arts Degree at Cambridge University and qualified as a Fellow of the Institute of Chartered Accountants in England and Wales and Fellow of Hong Kong Institute of Certified Public Accountants. He was the past Chairman of Deloitte Touche Tohmatsu, Certified Public Accountants and Ocean Park Corporation. He is also an independent non-executive director of Melco International Development Limited and Shun Tak Holdings Limited. Both of these companies are listed on The Stock Exchange of Hong Kong Limited.

Ms. Ada Wong Ying Kay, aged 45, is a practicing solicitor and China-Appointed Attesting Officer. She is also an independent non-executive director of Hengan International Group Company Limited, a company listed on The Stock Exchange of Hong Kong Limited.

Mr. Arnold Ip Tin Chee, aged 42, is a graduate of Trinity College, Cambridge University, and qualified as a chartered accountant in 1988. Between 1989 and March 1997, he worked for Standard Chartered Asia Limited and was a director of Yuanta Securities (Hong Kong) Company Limited thereafter until January 2001, specialising in a range of corporate finance and advisory activities for companies based in Hong Kong and China. He is a director of Altus Capital Limited where he is involved in the supervision and management of corporate finance and advisory work for companies in Hong Kong and in advising on private equity and property investments in Asia. Mr. Ip's work focuses on fund raising for listed and unlisted companies, and management of real estate investment funds. He is also an independent non-executive director of Pioneer Global Group Limited and during the period from 31 October 1998, to 15 March 2002, was an independent non-executive director of Vanda Systems and Communications Holdings Limited. Both of these companies are listed on The Stock Exchange of Hong Kong Limited.

Senior Management

Mr. Chow Kar Ming, Donald, aged 34, is the financial manager of the Group, who joined the Group in June 2000. Mr. Chow is also the qualified accountant of the Group. He is a Certified Practising Accountant (Aust.) of CPA Australia and is also a member of the Hong Kong Institute of Certified Public Accountants.

CODE OF BEST PRACTICE

The Company has complied throughout the year 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 "Listing Rules"), save that, prior to 31st December 2004, the independent non-executive directors of the Company were not appointed for a fixed term, but subject to retirement by rotation and re-election at the annual general meetings of the Company in accordance with the Company's Bye-laws. Each of the independent non-executive directors of the Company was on 31st December, 2004 appointed for a fixed term of two years.

CODE OF BEST PRACTICE (Continued)

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by the Directors.

The Code of Best Practice was replaced by the Code of Corporate Governance Practices from 1 January 2005. The Company has adopted the new code and will comply with the provisions of the new code in the financial year ending 31 December 2005.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the date of this report, there is sufficient public float of not less than 25% of the Company's issued shares as required under 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.

The auditors, Messrs. Moores Rowland merged with Messrs. Mazars on 1 October 2003 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 Accountant, as auditors of the Company.

On behalf of the Board

GAN Wee Sean

Chairman

Hong Kong, 19 April 2005