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PEOPLE'S FOOD HOLDINGS LIMITED

大众食品控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 0708)

DISCLOSEABLE TRANSACTION — SUBSCRIPTION OF SHARES IN GLORIOUS FAITH CORPORATION

Summary

On 20th July, 2004, the Company entered into a conditional Subscription Agreement with Glorious Faith and the Warrantors to subscribe for the Subscription Shares, representing 49% of the entire issued share capital of Glorious Faith on a fully diluted basis, subject to the conditions of the Subscription Agreement.

The consideration payable under the Subscription Agreement is approximately US\$26,500,000 (approximately HK\$206,700,000) (subject to adjustment) payable in cash and was arrived at on arm's length basis negotiations having regards to a PER of 7.5 times the Minimum Profit (which will not be less than RMB60,000,000 (approximately HK\$56,603,770), being a condition to Completion). The Subscription Price will be satisfied by the Company in full in cash from its internal resources. Glorious Faith will provide the Company with the combined results of the Businesses and Operations for the year ended 31st December, 2003 audited by an international accounting firm acceptable to the Company. If the Audited Profit is more than the Minimum Profit of RMB60,000,000 (approximately HK\$56,603,770), then the Subscription Price will be adjusted by having regard to a PER of 7.5 times the Audited Profit.

Based on the profit before tax of LSBP and its Businesses and Operations of approximately RMB94,000,000 (approximately HK\$88,679,245), it exceeds 5% but not more than 20% and 25% of the consolidated profit before tax of the Company and as such the Subscription constitutes a discloseable transaction for the Company under the Rule 1010 of the SGX-ST Listing Manual and Rule 14.06(2) of Chapter 14 of the Listing Rules respectively.

A circular containing details of the Subscription will be despatched to shareholders of the Company as soon as practicable after the publication of this announcement.

SUBSCRIPTION AGREEMENT DATED 20TH JULY, 2004

Parties:

Subscriber : The Company

Issuer : Glorious Faith Corporation

Warrantors : The Warrantors (on a joint and several basis)

Number of new Shares to be subscribed:

4,900 Shares, representing 49% of the enlarged issued share capital of Glorious Faith after the Subscription.

Subscription price:

Approximately US\$5,400 (approximately HK\$42,120) per Subscription Share.

The consideration payable under the Subscription Agreement is approximately US\$26,500,000 (approximately HK\$206,700,000) payable in cash on Completion and was arrived at on arm's length negotiations having regards to a PER of 7.5 times the Minimum Profit (which will not be less than RMB60,000,000 (approximately HK\$56,603,770), being a condition to Completion). The figure of "7.5" was arrived at upon arm's length basis negotiations between the Company and the ultimate shareholders of LSBP and in respect of the agreed valuation of LSBP and its business and operations. No independent valuations had been done on these types of businesses and no comparison was made with market comparables. The Subscription Price will be satisfied by the Company in full in cash from its internal resources. Glorious Faith will provide the Company with the combined results of the Businesses and Operations, as defined in the section of this announcement headed "Information on Glorious Faith" below, for the year ended 31st December, 2003 audited by an international accounting firm acceptable to the Company in accordance with International Standards on Auditing. If the Audited Profit is more than the Minimum Profit of RMB60,000,000 (approximately HK\$56,603,770), then the Subscription Price will be adjusted having regard to a PER of 7.5 times the Audited Profit.

Conditions of the Subscription:

Completion of the Subscription is conditional upon

- (i) all filings with any relevant governmental or regulatory authorities and other relevant third parties in Hong Kong, Singapore, the PRC, Bermuda, the British Virgin Islands or elsewhere which are required or appropriate having been obtained;
- (ii) the Company undertaking and completing a due diligence on Glorious Faith and its subsidiaries (including the business of LSBP) and being satisfied in its sole and absolute discretion;
- (iii) Glorious Faith having completed the Reorganisation and all relevant approvals, licences and/or consents having been obtained;
- (iv) the warranties in the Subscription Agreement remaining true and accurate;

- (v) the Company obtaining such legal opinion(s) as it may in its sole opinion require in relation to the business of Glorious Faith and its subsidiaries, its shareholding structure and the Reorganisation; and
- (vi) the Audited Profit, as audited by an international accounting firm acceptable to the Company, for the year ended 31st December, 2003 being not less than the Minimum Profit.

The Company will fund the Subscription from its internal resources.

COMPLETION

Subject to the fulfillment (or waiver of any or all of the conditions at the option of the Company, where applicable) of all relevant conditions of the Subscription Agreement, completion of the Subscription Agreement will take place on or before 30th September, 2004, or such later date (being a date not later than 31st December, 2004) as the Company may agree in writing. If for any reason all the relevant conditions shall not have been fulfilled or waived on or before 30th September, 2004 (or such date not later than 31st December, 2004), the Subscription Agreement shall automatically terminate and be null and void and of no further effect and no party to the Subscription Agreement shall have any liability to any other party, save in respect of any prior breaches of the terms of the Subscription Agreement, where applicable.

On Completion, the Company will appoint 2 directors to the board of each of Glorious Faith and its subsidiaries.

INFORMATION ON GLORIOUS FAITH

Glorious Faith is an investment holding company incorporated on 1 April 2004 in the British Virgin Islands with limited liability. The principal assets held by Glorious Faith is its 100% interest in Rainbow Palace Inc., an investment holding company incorporated in the British Virgin Islands on 1st April, 2004 which in turn holds the entire equity interest of LSBP, being the sole asset of Rainbow Palace Inc.

The principal business activities of LSBP consist of:

- (i) the manufacture, development and sale of soy oil and soy meal, located in Heilongjiang, China (“Soy business A”);
- (ii) the manufacture, development and sale of soy protein isolates and related products which are mainly applied as the nutritional supplement for food products located in Linyi, China (“Soy business B”);
- (iii) the manufacture, development and sale of soy protein isolates and related products which are mainly applied as the nutritional supplement for food products, located in Daqing, China (“Soy business C”); and
- (iv) the manufacture, development and sale of soy protein isolate and drinkable soy oligosaccharides, located in Linyi, China, which is a health-care product manufactured from one of the by-products arising from the manufacturing process of soy protein isolates (“Soy business D”). Soy oligosaccharides is mainly a health-care product and is registered with the Ministry of Health of the People’s Republic of China

(collectively the “Businesses and Operations”).

The Businesses and Operations (other than those already carried on by LSBP, namely Soy Business D) were acquired by LSBP on 31st December, 2003 from Linyi Shansong Bio-Engineering Group Co. Ltd. which is wholly owned by Li Zhuping, Luo Chuan, Hu Fabao, Dai Yonghu and Di Xinsheng, being independent third parties not connected (as that is defined in the Listing Rules) with the Company or any of its subsidiaries or its directors, chief executive, substantial shareholder, an Associate of any of them.

The directors of LSBP are Mr. Li Zhuping, Mr. Luo Chuan and Mr. Hu Fabao. They will remain directors of LSBP after Completion. So far as the Company is aware, there has been no material change in the day to day management of each of Soy business A, Soy business B and Soy business C since LSBP's acquisition of such businesses in 2003, save for the change in their respective shareholdings structures resulting from such acquisition. The Company does not anticipate any material change in the day to day management of the Businesses and Operations after Completion.

Financial Information of Glorious Faith

Pursuant to the Subscription, the Company will subscribe for the Subscription Shares which represents a 49% interest in Glorious Faith on a fully diluted basis, and subject to Completion, Glorious Faith will become an associated company of the Company.

	Soy business A	Soy business B	Soy business C	Soy business D
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Net tangible assets (RMB millions) as at 31 December 2003 (based on unaudited management accounts of the relevant entities which operate the respective Businesses and Operations, being their sole assets and businesses)

	23.9	94.7	39.8	64.0
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Financial year ended 31 December 2003 (RMB million)

Unaudited profit before tax (based on unaudited management accounts of the relevant entities which operate the respective Businesses and Operations, being their sole assets and businesses)

	22.5	47.3	24.4	(0.3)
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Unaudited profit after tax (based on unaudited management accounts of the relevant entities which operate the respective Businesses and Operations, being their sole assets and businesses)

	15.1	31.7	16.3	(0.3)
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Financial year ended 31 December 2002 (RMB million)

Unaudited profit before tax (based on unaudited management accounts of the relevant entities which operate the respective Businesses and Operations, being their sole assets and businesses)

	11.5	29.6	2.1	—
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Unaudited profit after tax (based on unaudited management accounts of the relevant entities which operate the respective Businesses and Operations, being their sole assets and businesses)

	7.6	19.8	1.4	—
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The increase in profit had resulted from its expansion of operations during the year. The Subscription is not expected to have a material impact on the earnings per Share and the net tangible asset of the Group based on the unaudited management accounts of the Businesses and Operations for the financial year ended 31st December, 2003 as if the Subscription had been completed at such date.

Discloseable Transaction under Rule 1010 of the SGX-ST Listing Manual and under chapter 14 of the Listing Rules

The profit before tax of LSBP and its Businesses and Operations of approximately RMB94,000,000 (approximately HK\$88,679,245) exceeds 5% but not more than 20% and 25% of the consolidated profit before tax of the Company for the financial year ended 31st December, 2003 (being approximately RMB650,128,000 (approximately HK\$613,328,300)) and as such the Subscription constitutes a discloseable transaction for the Company under Rule 1010 of the SGX-ST Listing Manual and Rule 14.06(2) of Chapter 14 of the Listing Rules respectively.

The consideration for the Subscription of approximately US\$26,500,000 (approximately HK\$206,700,000) represents approximately 3.4% of the market capitalisation of the Company of approximately HK\$6,063 million (calculated based on the average price of the Company's Shares transacted on average closing price for the five business days immediately before the date of the Subscription Agreement of 5.35).

Relationship with Glorious Faith and LSBP and its business and operations

The relationship of the Company with the Glorious Faith and LSBP and its business and operations dates back to 2002.

The Company had purchased soy protein isolates products for use in the Company's products from the LSBP in the total amount of RMB11,714,000 (approximately HK\$11,050,943) and RMB63,592,000 (approximately HK\$59,992,453) for the financial years ended 31 December 2002 and 2003, respectively.

The Group entered into an agreement with LSBP in October 2003, pursuant to which the Group has agreed to arrange, for a commission, for LSBP to distribute its products directly through the Group's distribution networks.

INFORMATION ON THE COMPANY

The Company is principally engaged in the production and distribution of meat products in the PRC under the brandname "Jinluo", through its dealership distribution network, its sales teams, sales outlets and specialty stores in the PRC.

REASONS FOR THE SUBSCRIPTION

The Company is continuously seeking to expand (both internationally and in the PRC) through mergers and acquisitions and through forming strategic alliances with other leading global companies engaged in foods related businesses.

The Directors believe that the Subscription represents the progressive realisation of the commitment by the Group to expand and strengthen the competitiveness of the Group. Upon completion of the Subscription Agreement, the Group will be one step closer to achieving its objective of becoming a leading food conglomerate in the PRC.

Soy protein isolates is a nutritional supplement to food products, which is used in the Company's products. The Subscription allows the Company to secure a long term supply of such products from a supplier in which the Company has an interest. In addition, drinkable soy oligosaccharides is the health-care product with the function of stimulating the growth of favorable bacteria and

improving digestion. The Subscription will give the Company an opportunity to participate in the health-care product market. The Directors also believe it could offer a synergistic effect to both companies in respect of merging their existing distribution network.

The Subscription accords with the Company's expansion strategy in respect of the food industry and provides a base for the Company to enhance significantly its earnings base and prospects so as to develop itself into a leading food company in the PRC. The Group believes it has the relevant experience to carry on this additional business.

Subsequent to the Subscription, the Company will nominate two representatives to the board of Glorious Faith and its subsidiaries. Currently, Glorious Faith has three directors on its board of directors who will remain as directors after Completion.

GENERAL

To the best of the Directors' knowledge, information and belief, Glorious Faith and its subsidiaries, LSBP, Linyi Shansong Bio-Engineering Group Co. Ltd.'s and their respective ultimate beneficial owners are independent third parties not connected (as that term is defined in the Listing Rules) with the Company, the directors of the Company, chief executive, substantial shareholder, subsidiaries or an Associate of any of them.

A circular containing, among other things, further details of the Subscription will be despatched to the shareholders as soon as practicable after the publication of this announcement.

A copy of the Subscription Agreement is available for inspection at the office of the Company's Share Registrar, Lim Associates (Pte) Ltd., at 10 Collyer Quay, #19-08 Ocean Building, Singapore 049315, and at the Company's registered office in Hong Kong during normal business hours for a period of three months from the date of this announcement.

As at the date of this announcement, the Board comprises 3 executive directors, Mr. Ming Kam Sing, Mr. Zhou Lian Kui and Mr. Zhou Lian Liang, and 3 independent non-executive directors Mr. Chng Hee Kok, Mr. Chan Kin Sang and Dr. Ow Chin Hock.

DEFINITIONS

“Achievement Way”	Achievement Way Corporation, a company incorporated in the British Virgin Islands and wholly owned by Mr. Dai Yonghu
“Associate”	shall have the same meaning as ascribed to it in the Listing Rules and the listing rules of the Singapore Exchange Securities Trading Limited
“Audited Profit”	the audited combined net profit of the Businesses and Operations for the year ended 31st December, 2003 after taxation, minority interests and extraordinary items
“Bio Driven”	Bio Driven Limited, a company incorporated in the British Virgin Islands and wholly owned by Mr. Luo Chuan
“Board”	the board of Directors
“Business Day”	a day on which banks are open for business in Hong Kong (excluding Saturdays and Sundays)

“Company”	People’s Food Holdings Limited, a company incorporated in Bermuda, the shares of which are currently listed on the Main Board of the Stock Exchange and the Singapore Exchange Securities Trading Limited
“Completion”	completion of the Subscription pursuant to the Subscription Agreement
“Director(s)”	the director(s) of the Company
“Elite Union”	Elite Union Corporation, a company incorporated in the British Virgin Islands and wholly owned by Mr. Li Zhuping
“Glorious Faith”	Glorious Faith Corporation, an investment holding company incorporated in the British Virgin Islands on 1st April, 2004, the ultimate beneficial owners of which are, all being independent of and not connected with the directors, chief executives or substantial shareholders of the Company or any of their Associates. It is owned, prior to Completion, as to 15.4%, 23.1%, 23.1%, 19.2% and 19.2% by Jointway, Bio Driven, Elite Union, Golden Revenue and Achievement Way respectively, which is respectively entirely owned by Wang Chengtian, Luo Chuan, Li Zhuping, Hu Fabao and Dai Yonghu, who are independent third parties of the Company
“Golden Revenue”	Golden Revenue Inc., a company incorporated in the British Virgin Islands and wholly owned by Mr. Hu Fabao
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Jointway”	Jointway Holdings Limited, a company incorporated in the British Virgin Islands and wholly owned by Mr. Wang Chengtian
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“LSBP”	Linyi Shansong Biological Products Co. Ltd. (臨沂山松生物制品有限公司), a company incorporated in the PRC on 4th January, 2002, being wholly owned by Wang Chengtian since its incorporation until the Reorganisation but is, as at the date hereof, indirectly wholly owned by Glorious Faith, whose businesses consist of Soy business D which has been carried on by LSBP since its incorporation in 2002 as its sole business until 31st December, 2003 and Soy business A, B and C for the manufacture and development of soy oil, soy protein isolates and related products acquired from Linyi Shansong Bio-Engineering Group Co. Ltd. and its subsidiaries which are controlled in aggregate as to 76.74% by Li Zhuping, Luo Chuan, Hu Fabao and Dai Yonghu with the remaining 23.26% held by Di Xinsheng, all of them being independent third parties not connected (as that term is defined in the Listing Rules) with the Company or any of its subsidiaries or the directors of the Company, chief executive, substantial shareholder, subsidiaries or an Associate of any of them
“Minimum Profit”	the combined profit of the Businesses and Operations for the year ended 31st December, 2003 after taxation, minority interests and extraordinary items (to be audited in accordance with International Standards on Auditing) being not less than RMB60,000,000 (approximately HK\$56,603,770) as a condition of Completion
“PER”	the price to earnings ratio
“PRC”	the People’s Republic of China which, for the purpose of this announcement, does not include Hong Kong, Macau and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Reorganisation”	a reorganisation by Glorious Faith whereby it holds an indirect 100% equity interest in LSBP
“SGX-ST Listing Manual”	the listing rules of the Singapore Exchange Securities Trading Limited
“Share(s)”	ordinary share(s) of US\$0.10 each in the share capital of Glorious Faith
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription”	the subscription for shares in Glorious Faith pursuant to the Subscription Agreement
“Subscription Agreement”	the subscription agreement dated 20th July, 2004 entered into by the Company, the Warrantors and Glorious Faith in relation to the Subscription
“Subscription Shares”	4,900 ordinary shares in the share capital of Glorious Faith

“Subscription Price”	the amount payable by the Company to Glorious Faith under the Subscription Agreement for the Subscription Shares, being an aggregate amount of approximately US\$26,500,000 (approximately HK\$206,700,000) subject to adjustment
“US”	United States of America
“US\$”	US dollars, the lawful currency of the US
“Warrantors”	collectively, Mr. Luo Chuan, Mr. Li Zhuping, Mr. Hu Fabao, Mr. Dai Yonghu, Mr. Wang Chengtian, and each a “Warrantor”

By Order of the Board
People’s Food Holdings Limited
Ming Kam Sing
Chairman

Hong Kong, 20th July, 2004

Note:

In this announcement, RMB has been translated into Hong Kong dollars at the rate of HK\$1=RMB1.06 and US dollars has been translated into Hong Kong dollars at the rate of US\$1=HK\$7.8 for reference purpose.

* *For identification purpose only*

Please also refer to the published version of this announcement in the (China Daily)