



# PEOPLE'S FOOD HOLDINGS LIMITED

大众食品控股有限公司\*

*(incorporated in Bermuda with limited liability)*

**(Stock Code: 708)**

## ANNOUNCEMENT

This announcement is made by People's Food Holdings Limited (the "Company") in respect of its unaudited financial results for the three months ended 30 September 2004. Pursuant to Rule 705(2) of the Listing Manual of the Singapore Exchange Securities Trading Limited (the "Listing Manual"), the Company is required to announce its financial statements for each of the first three quarters of the its financial year. This announcement is made by the Company pursuant to rule 13.09(2) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and contains a reproduction of the announcement made by the Company in Singapore pursuant to Rule 705(2) of the Listing Manual. This announcement is simultaneously announced by the Company in Singapore and in Hong Kong on 9 November 2004.

This announcement is made by People's Food Holdings Limited (the "Company") in respect of the unaudited financial results for the three months ended 30 September 2004. Pursuant to Rule 705(2) of the Listing Manual, the Company is required to announce its financial statements for each of the first three quarters of the its financial year. This announcement is made by the Company pursuant to rule 13.09(2) of the Listing Rules and contains a reproduction of the announcement made by the Company in Singapore pursuant to Rule 705(2) of the Listing Manual. This announcement is simultaneously announced by the Company in Singapore and in Hong Kong on 9 November 2004.

# THIRD QUARTER FINANCIAL STATEMENT ANNOUNCEMENT FOR THE PERIOD ENDED 30 SEPTEMBER 2004

## PART I — INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR RESULTS

1(a) An income statement (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year.

	<i>Notes</i>	Group					
		Three months period ended <b>30.09.2004</b> (Unaudited) <i>RMB'000</i>	Three months period ended 30.09.2003 (Unaudited) <i>RMB'000</i>	Change	Nine months period ended <b>30.09.2004</b> (Unaudited) <i>RMB'000</i>	Nine months period ended 30.09.2003 (Unaudited) <i>RMB'000</i>	Change
				%			%
Revenue	(1)	1,877,742	1,143,491	64.2	5,167,113	3,409,684	51.5
Cost of sales		<u>(1,587,282)</u>	<u>(947,844)</u>	67.5	<u>(4,273,686)</u>	<u>(2,776,243)</u>	53.9
Gross profit		290,460	195,647	48.5	893,427	633,441	41.0
Other revenue		3,656	3,147	16.2	10,681	8,884	20.2
Distribution costs		(47,082)	(30,580)	54.0	(119,034)	(89,299)	33.3
Administrative expenses		(57,510)	(42,427)	35.6	(144,853)	(127,531)	13.6
Other operating expenses		<u>(4,464)</u>	<u>(2,552)</u>	74.9	<u>(14,294)</u>	<u>(9,594)</u>	49.0
Profit from operating activities	(2)	185,060	123,235	50.2	625,927	415,901	50.5
Finance costs		<u>(3,660)</u>	<u>(3,206)</u>	14.2	<u>(10,229)</u>	<u>(9,575)</u>	6.8
Profit before tax		181,400	120,029	51.1	615,698	406,326	51.5
Tax		<u>(35,294)</u>	<u>(18,800)</u>	87.7	<u>(107,994)</u>	<u>(62,871)</u>	71.8
Net profit from ordinary activities attributable to shareholders		<u>146,106</u>	<u>101,229</u>	44.3	<u>507,704</u>	<u>343,455</u>	47.8

*Notes:*

### 1. Revenue

Revenue represents the net invoiced value of goods sold, after allowances for returns and trade discounts, and after elimination of all significant intra-group transactions. The Group's revenue is principally derived in the People's Republic of China ("PRC").

A further analysis of the Group's revenue by products is set out in Item (13).

## 2. Profit from operating activities

Profit from operating activities is arrived at after charging/(crediting):

	<b>Group</b>			
	<b>Three months period ended 30.09.2004 (Unaudited) RMB'000</b>	<b>Three months period ended 30.09.2003 (Unaudited) RMB'000</b>	<b>Nine months period ended 30.09.2004 (Unaudited) RMB'000</b>	<b>Nine months period ended 30.09.2003 (Unaudited) RMB'000</b>
Depreciation	39,264	32,360	116,432	95,023
Research and development costs	1,864	1,852	5,294	4,394
Provision for doubtful debts	<u>2,600</u>	<u>700</u>	<u>8,000</u>	<u>5,200</u>
Interest income	<u>(3,656)</u>	<u>(3,147)</u>	<u>(10,681)</u>	<u>(8,884)</u>

## 1(b) (i) A balance sheet (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.

	<b>Group</b>		<b>Company</b>	
	<b>30.09.2004 (Unaudited) RMB'000</b>	<b>31.12.2003 (Audited) RMB'000</b>	<b>30.09.2004 (Unaudited) RMB'000</b>	<b>31.12.2003 (Audited) RMB'000</b>
<b>NON-CURRENT ASSETS</b>				
Investments in subsidiaries	—	—	497,043	497,043
Fixed assets	1,606,575	1,370,811	—	—
Deposits	<u>36,527</u>	<u>166,461</u>	<u>—</u>	<u>—</u>
	<u>1,643,102</u>	<u>1,537,272</u>	<u>497,043</u>	<u>497,043</u>
<b>CURRENT ASSETS</b>				
Inventories	226,657	340,899	—	—
Trade debtors	549,217	507,938	—	—
Due from subsidiaries	—	—	680,608	665,602
Deposits, prepayments and other receivables	12,497	8,869	—	—
Cash and bank balances	<u>1,076,768</u>	<u>807,858</u>	<u>23</u>	<u>51</u>
	<u>1,865,139</u>	<u>1,665,564</u>	<u>680,631</u>	<u>665,653</u>

<b>CURRENT LIABILITIES</b>				
Trade creditors	<b>83,084</b>	74,985	—	—
Accruals and other creditors	<b>88,112</b>	99,717	<b>810</b>	625
Interest-bearing bank loans	<b>200,000</b>	200,000	—	—
Provision for tax	<b>36,939</b>	34,000	—	—
	<b>408,135</b>	408,702	<b>810</b>	625
<b>NET CURRENT ASSETS</b>				
	<b>1,457,004</b>	1,256,862	<b>679,821</b>	665,028
	<b>3,100,106</b>	2,794,134	<b>1,176,864</b>	1,162,071
<b>CAPITAL AND RESERVES</b>				
Issued capital	<b>603,343</b>	603,343	<b>603,343</b>	603,343
Proposed dividend	—	92,933	—	92,933
Reserves	<b>2,496,763</b>	2,097,858	<b>573,521</b>	465,795
	<b>3,100,106</b>	2,794,134	<b>1,176,864</b>	1,162,071

**1(b) (ii) Aggregate amount of group's borrowings and debt securities.**

*Amount repayable in one year or less, or on demand*

<b>As at 30/09/2004</b>		<b>As at 31/12/2003</b>	
<b>Secured</b>	<b>Unsecured</b>	<b>Secured</b>	<b>Unsecured</b>
<b>Nil</b>	<b>RMB200,000,000</b>	<b>Nil</b>	<b>RMB200,000,000</b>

*Amount repayable after one year*

<b>As at 30/09/2004</b>		<b>As at 31/12/2003</b>	
<b>Secured</b>	<b>Unsecured</b>	<b>Secured</b>	<b>Unsecured</b>
<b>Nil</b>	<b>Nil</b>	<b>Nil</b>	<b>Nil</b>

*Details of any collateral*

Not applicable

**1(c) A cash flow statement (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.**

	<b>Group</b>			
	<b>Three months period ended 30.09.2004 (Unaudited) RMB'000</b>	Three months period ended 30.09.2003 (Unaudited) RMB'000	<b>Nine months period ended 30.09.2004 (Unaudited) RMB'000</b>	Nine months period ended 30.09.2003 (Unaudited) RMB'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Profit before tax	<b>181,400</b>	120,029	<b>615,698</b>	406,326
Adjustments for:				
Depreciation	<b>39,264</b>	32,260	<b>116,432</b>	95,023
Provision for doubtful debts	<b>2,600</b>	700	<b>8,000</b>	5,200
Loss on disposal of fixed assets	<b>6,758</b>	4,200	<b>15,164</b>	6,362
Interest expenses	<b>3,660</b>	3,206	<b>10,229</b>	9,575
Interest income	<b>(3,656)</b>	(3,147)	<b>(10,681)</b>	(8,884)
Operating profit before working capital changes	<b>230,026</b>	157,348	<b>754,842</b>	513,602
Working capital adjustments:				
(Increase)/decrease in trade debtors	<b>(54,553)</b>	30,313	<b>(49,279)</b>	17,078
Decrease/(increase) in inventories	<b>122,673</b>	58,164	<b>114,242</b>	173,849
(Increase)/decrease in deposits, prepayments and other receivables	<b>(1,724)</b>	(8,920)	<b>(3,628)</b>	(5,956)
(Decrease)/increase in trade creditors	<b>(5,985)</b>	1,704	<b>8,099</b>	(2,653)
Increase/(decrease) in accruals and other creditors	<b>1,951</b>	22,099	<b>(11,605)</b>	11,167
Interest paid	<b>(3,660)</b>	(3,206)	<b>(10,229)</b>	(9,575)
Interest received	<b>3,656</b>	3,147	<b>10,681</b>	8,884
Tax paid	<b>(33,200)</b>	(15,437)	<b>(105,055)</b>	(74,290)
Net cash generated from operating activities	<b>259,184</b>	245,212	<b>708,068</b>	632,106

<b>CASH FLOW FROM INVESTING ACTIVITIES</b>				
Purchases of fixed assets	<b>(113,039)</b>	(101,091)	<b>(367,360)</b>	(178,302)
Decrease/(increase) in deposits for acquisition of fixed assets	<b>50,324</b>	8,929	<b>129,934</b>	69,495
Decrease/(increase) in time deposits with original maturity of more than three months when acquired	<b>6,465</b>	125,850	<b>7,850</b>	92,366
Net cash inflow/(outflow) from investing activities	<b>(56,250)</b>	33,688	<b>(229,576)</b>	(16,441)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Drawdown of bank loans	<b>70,000</b>	70,000	<b>93,000</b>	93,000
Repayment of bank loans	<b>(70,000)</b>	(70,000)	<b>(93,000)</b>	(93,000)
Dividends paid	<b>(108,799)</b>	—	<b>(201,732)</b>	(215,332)
Net cash outflow from financing activities	<b>(108,799)</b>	—	<b>(201,732)</b>	(215,332)
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>				
Cash and cash equivalents at beginning of period	<b>94,135</b>	278,900	<b>276,760</b>	400,333
	<b>395,043</b>	606,255	<b>212,418</b>	484,822
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>				
	<b>489,178</b>	885,155	<b>489,178</b>	885,155
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>				
Cash and bank balances	<b>1,076,768</b>	1,243,270	<b>1,076,768</b>	1,243,270
Time deposits with original maturity of more than three months when acquired	<b>(587,590)</b>	(358,115)	<b>(587,590)</b>	(358,115)
	<b>489,178</b>	885,155	<b>489,178</b>	885,155

1(d) (i) **A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.**

**Note: Figures as disclosed in the below statements are unaudited.**

*Group*

	Issued share capital <i>RMB'000</i>	Share premium account <i>RMB'000</i> <i>(Note 2)</i>	Statutory reserves <i>RMB'000</i> <i>(Note 1, 2)</i>	Retained profits <i>RMB'000</i> <i>(Note 2)</i>	Proposed dividend <i>RMB'000</i>	Total <i>RMB'000</i>
Balance at 1 July 2003	603,343	557,229	98,525	1,225,206	72,533	2,556,836
Dividend declared — 2003 Interim	—	—	—	—	(72,533)	(72,533)
Net profit for the period	—	—	—	101,229	—	101,229
Balance at 30 September 2003	<u>603,343</u>	<u>557,229</u>	<u>98,525</u>	<u>1,326,435</u>	<u>—</u>	<u>2,585,532</u>
Balance at 1 January 2003	603,343	557,229	85,045	1,068,993	215,332	2,529,942
Dividend paid — 2002 Final	—	—	—	—	(215,332)	(215,332)
Transfer to statutory reserves	—	—	13,480	(13,480)	—	—
Proposed dividend — 2003 Interim	—	—	—	(72,533)	72,533	—
Dividend declared — 2003 Interim	—	—	—	—	(72,533)	(72,533)
Net profit for the period	—	—	—	343,455	—	343,455
Balance at 30 September 2003	<u>603,343</u>	<u>557,229</u>	<u>98,525</u>	<u>1,326,435</u>	<u>—</u>	<u>2,585,532</u>

*Group*

	<b>Issued share capital</b> <i>RMB'000</i>	<b>Share premium account</b> <i>RMB'000</i> <i>(Note 2)</i>	<b>Statutory reserves</b> <i>RMB'000</i> <i>(Note 1, 2)</i>	<b>Retained profits</b> <i>RMB'000</i> <i>(Note 2)</i>	<b>Proposed dividend</b> <i>RMB'000</i>	<b>Total</b> <i>RMB'000</i>
Balance at 1 July 2004	603,343	557,229	169,646	1,623,782	108,799	3,062,799
Dividend paid — 2004 Interim	—	—	—	—	(108,799)	(108,799)
Transfer to statutory reserves	—	—	10,222	(10,222)	—	—
Net profit for the period	—	—	—	146,106	—	146,106
Balance at 30 September 2004	<u>603,343</u>	<u>557,229</u>	<u>179,868</u>	<u>1,759,666</u>	<u>—</u>	<u>3,100,106</u>
Balance at 1 January 2004	603,343	557,229	141,069	1,399,560	92,933	2,794,134
Dividend paid — 2003 Final	—	—	—	—	(92,933)	(92,933)
Proposed dividend — 2004 Interim	—	—	—	(108,799)	108,799	—
Dividend paid — 2004 Interim	—	—	—	—	(108,799)	(108,799)
Transfer to statutory reserves	—	—	38,799	(38,799)	—	—
Net profit for the period	—	—	—	507,704	—	507,704
Balance at 30 September 2004	<u>603,343</u>	<u>557,229</u>	<u>179,868</u>	<u>1,759,666</u>	<u>—</u>	<u>3,100,106</u>



*Company*

	<b>Issued share capital</b> <i>RMB'000</i>	<b>Share premium account</b> <i>RMB'000</i> <i>(Note 2)</i>	<b>Accumulated losses</b> <i>RMB'000</i> <i>(Note 2)</i>	<b>Proposed dividend</b> <i>RMB'000</i>	<b>Total</b> <i>RMB'000</i>
Balance at 1 July 2003	603,343	557,229	(74,884)	72,533	1,158,221
Dividend declared — 2003					
Interim	—	—	—	(72,533)	(72,533)
Net profit for the period	<u>—</u>	<u>—</u>	<u>70,755</u>	<u>—</u>	<u>70,755</u>
Balance at 30 September 2003	<u>603,343</u>	<u>557,229</u>	<u>(4,129)</u>	<u>—</u>	<u>1,156,443</u>
Balance at 1 January 2003	603,343	557,229	(215,281)	215,332	1,160,623
Dividend paid — 2002 Final	—	—	—	(215,332)	(215,332)
Proposed dividend — 2003					
Interim	—	—	(72,533)	72,533	—
Dividend declared — 2003					
Interim	—	—	—	(72,533)	(72,533)
Net profit for the period	<u>—</u>	<u>—</u>	<u>283,685</u>	<u>—</u>	<u>283,685</u>
Balance at 30 September 2003	<u>603,343</u>	<u>557,229</u>	<u>(4,129)</u>	<u>—</u>	<u>1,156,443</u>

*Company*

	<b>Issued share capital</b> <i>RMB'000</i>	<b>Share premium account</b> <i>RMB'000</i> <i>(Note 2)</i>	<b>Retained profits/ (accumulated losses)</b> <i>RMB'000</i> <i>(Note 2)</i>	<b>Proposed dividend</b> <i>RMB'000</i>	<b>Total</b> <i>RMB'000</i>
Balance at 1 July 2004	603,343	557,229	(96,533)	108,799	1,172,838
Dividend paid — 2004					
Interim	—	—	—	(108,799)	(108,799)
Net profit for the period	<u>—</u>	<u>—</u>	<u>112,825</u>	<u>—</u>	<u>112,825</u>
Balance at 30 September 2004	<u>603,343</u>	<u>557,229</u>	<u>16,292</u>	<u>—</u>	<u>1,176,864</u>
Balance at 1 January 2004	603,343	557,229	(91,434)	92,933	1,162,071
Dividend paid — 2003					
Final	—	—	—	(92,933)	(92,933)
Proposed dividend —					
2004 Interim	—	—	(108,799)	108,799	—
Dividend paid — 2004					
Interim	—	—	—	(108,799)	(108,799)
Net profit for the period	<u>—</u>	<u>—</u>	<u>216,525</u>	<u>—</u>	<u>216,525</u>
Balance at 30 September 2004	<u>603,343</u>	<u>557,229</u>	<u>16,292</u>	<u>—</u>	<u>1,176,864</u>

Notes:

1. In accordance with relevant PRC regulations, the Group's wholly owned subsidiaries: Linyi Xincheng Jinluo Meat Products Co., Ltd ("Linyi Xincheng"), Linyi Minsheng Food Development Co., Ltd ("Linyi Minsheng"), Tongliao Jinluo Food Co., Ltd ("Tongliao Jinluo"), Xiangtan Jinluo Food Co., Ltd ("Xiangtan Jinluo"), Meishan Jinluo Food Co., Ltd ("Meishan Jinluo"), Daqing Jinluo Meat Products Co., Ltd ("Daqing Jinluo"), Qiqihaer Jinluo Meat Products Co., Ltd. ("Qiqihaer Jinluo") and Dezhou Jinluo Meat Products Co., Ltd. ("Dezhou Jinluo"), being wholly foreign-owned enterprises established in the PRC, are required to appropriate not less than 10% of their profits after tax to the respective statutory reserves, until the respective balances of the fund reach 50% of the respective registered capitals. Subject to certain restrictions as set out in the relevant PRC regulations, their statutory reserves may be used to offset against their respective accumulated losses, if any.
2. As at 30 September 2004, these consolidated reserve accounts comprised the consolidated reserves of approximately RMB2,496,763,000 (31 December 2003: approximately RMB2,097,858,000) in the consolidated balance sheet. As at 30 September 2004, these reserve accounts of the Company comprised the Company's reserves of approximately RMB573,521,000 (31 December 2003: approximately RMB465,795,000) in the Company's balance sheet.

**1(d) (ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.**

Not applicable

**2. Whether the figures have been audited or reviewed and in accordance with which auditing standard or practice.**

The figures have neither been audited nor reviewed.

**3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter).**

Not applicable

**4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.**

The financial statements have been prepared in accordance with the accounting policies consistent with those adopted by the Group in its financial statements for the year ended 31 December 2003.

**5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.**

Not applicable

**6. Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.**

**EARNINGS PER SHARE**

	<b>Three months period ended 30.09.2004 (Unaudited)</b>	Three months period ended 30.09.2003 (Unaudited)	<b>Nine months period ended 30.09.2004 (Unaudited)</b>	Nine months period ended 30.09.2003 (Unaudited)
Basic	<u><b>RMB0.13</b></u>	<u>RMB0.09</u>	<u><b>RMB0.45</b></u>	<u>RMB0.30</u>
Diluted	<u><b>N/A</b></u>	<u>N/A</u>	<u><b>N/A</b></u>	<u>N/A</u>

Basic earnings per share for the three months period ended 30 September 2004 are calculated based on the Group's net profit attributable to shareholders of approximately RMB146,106,000 (3Q 2003: approximately RMB101,229,000) divided by 1,133,324,723 ordinary shares of HK\$0.50 each (3Q 2003: 1,133,324,723 ordinary shares of HK\$0.50 each) in issue during the period.

Basic earnings per share for the nine months period ended 30 September 2004 are calculated based on the Group's net profit attributable to shareholders of approximately RMB507,704,000 (nine months period ended 30 September 2003: approximately RMB343,455,000) divided by 1,133,324,723 ordinary shares of HK\$0.50 each (nine months period ended 30 September 2003: 1,133,324,723 ordinary shares of HK\$0.50 each) in issue during the period.

Diluted earnings per share for the three months and the nine months period ended 30 September 2004 and 2003 have not been calculated as no diluting events existed during these periods.

**7. Net asset value (for the issuer and group) per ordinary share based on issued share capital of the issuer at the end of the: (a) current financial period reported on; and (b) immediately preceding financial year.**

	<b>Group</b>		<b>Company</b>	
	<b>30.09.2004</b>	31.12.2003	<b>30.09.2004</b>	31.12.2003
Net asset value backing per ordinary share	<b>RMB2.74</b>	RMB2.47	<b>RMB1.04</b>	RMB1.03
Net tangible asset backing per ordinary share	<b>RMB2.74</b>	RMB2.47	<b>RMB1.04</b>	RMB1.03

Net asset value and net tangible asset backing per ordinary share as at 30 September 2004 and 31 December 2003 were both based on issued share capital of 1,133,324,723 ordinary shares of HK\$0.50 each.

**8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:**

- (a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and

**GENERAL**

Founded in 1994, People's Food Holdings Limited (the "Company" or "People's Food") and its subsidiaries (collectively the "Group") is one of the leading producers of fresh and frozen meat and processed meat products in the PRC. The Group currently operates nine production bases, respectively in Linyi and Dezhou of Shandong Province, Meishan of Sichuan Province, Xiangtan of Hunan Province, Tongliao of Inner Mongolia Autonomous Region, Daqing, Qiqihaer and Xinglong of Heilongjiang Province and Shangqiu of Henan Province.

The Group's new production plants in Qiqihaer, Heilongjiang Province and Dezhou, Shandong Province have commenced its commercial production respectively in April and June 2004. The newly established Dezhou plant has an annual pig slaughtering capacity of approximately 250,000 tonnes and an annual fresh pork processing capacity of approximately 100,000 tonnes. The production plant in Qiqihaer has an annual capacity to slaughter approximately 90,000 tonnes of chicken and 40,000 tonnes of pigs.

The Group's meat products are distributed primarily in the PRC and marketed under the "Jinluo" brand name and trade mark.

**RESULTS OF OPERATIONS**

The Group's business and operations have been growing steadily over the past nine months of FY2004, driven mainly by higher production volume, higher utilisation rates and greater demand for its products.

**Revenue**

***3Q 2004 compared to 3Q 2003***

As compared to 3Q 2003, revenue for 3Q 2004 increased by 64.2% to approximately RMB1.88 billion. This increase was attributable to higher utilisation rates in its existing plants, contribution from the newly established Dezhou and Qiqihaer plants, as well as stronger demand for its products.

***High Temperature Meat Products ("HTMP")***

Sales of HTMP increased by 20.7% from RMB356.05 million in 3Q 2003 to RMB429.70 million in 3Q 2004 and was mainly attributable to higher market demand for the Group's HTMP.

***Fresh Pork and Low Temperature Meat Products ("LTMP")***

Sales of Fresh Pork and LTMP continue to show strong demand, recording a remarkable increase of 102.9% and 45.8% from 3Q 2003 to 3Q 2004 respectively. Fresh Pork's contribution to sales in 3Q 2004 was RMB304.32 million, or 16.2%, as compared to RMB149.95 million, or 13.1%, in the previous corresponding period, whilst LTMP's contribution to sales in 3Q 2004 was RMB125.00 million as compared to RMB85.72 million in 3Q 2003. The Group's premium products have been developing steadily riding on the back of a growing affluent economy, resulting in a demand for higher quality pork products, as well as the Group's concerted effort to increase its production capacities in producing these products.

### *Frozen Pork, Frozen Chicken and Pig By-Products*

Sales of Frozen Pork increased by 84.7% in 3Q 2004 to RMB504.87 million as compared to RMB273.30 million in 3Q 2003, which was due mainly to higher market demand for the Group's Frozen Pork products. The sale of Frozen Chicken also improved by 62.5% from RMB24.91 million in 3Q 2003 to RMB40.46 million in 3Q 2004, due to the increased output in the newly established Qiqihaer plant. Revenue contribution from Pig By-Products increased by 86.7% to RMB473.39 million from RMB253.56 million in 3Q 2004.

### ***1Q to 3Q 2004 compared to 1Q to 3Q 2003***

The Group's revenue increased by 51.5% to RMB5.17 billion in the first nine months of 2004, from RMB3.41 billion in the previous corresponding period. This increase was attributable to improved contribution from its existing plants, contribution from the newly established Dezhou and Qiqihaer plants, as well as higher demand for the Group's products. Moreover, the Group was hit by the outbreak of Severe Acute Respiratory Syndrome ("SARS") in the second quarter of 2003, resulting in a lower overall revenue for the nine months ended 30 September 2003.

### *High Temperature Meat Products ("HTMP")*

Sales of HTMP increased by 24.3%, from RMB1.10 billion in the first nine months of 2003 to RMB1.37 billion in the first nine months of 2004. This was due mainly to higher market demand for the Group's HTMP.

### *Fresh Pork and Low Temperature Meat Products ("LTMP")*

Sales of Fresh Pork and LTMP continue to grow, increasing respectively by 67.5% and 47.6% in the first nine months of 2004 as compared to same period in 2003. Sales of Fresh Pork for the nine months ended 30 September 2004 was RMB755.05 million as compared to RMB450.80 million in the previous corresponding period, whilst sales of LTMP was RMB369.40 million in the first nine months of 2004 as compared to RMB250.24 million a year ago.

### *Frozen Pork, Frozen Chicken and Pig By-Products*

Sales of Frozen Pork saw a rise of 53.8% in the first nine months of 2004 as compared to the same period in 2003, which was attributable mainly to the higher market demand for Frozen Pork as well as the higher production output in 2004. The sale of Frozen Chicken saw a decline of 14.4% and was due to a corresponding decline in production volume of Frozen Chicken. On the other hand, revenue contribution from Pig By-Products increased by 91.2% and was due to the strong market demand for these products.

## **Gross Profit**

### ***3Q 2004 compared to 3Q 2003***

Gross Profit improved by 48.5% to RMB290.46 million in 3Q 2004, as compared to RMB195.65 million in 3Q 2003.

### ***1Q to 3Q 2004 compared to 1Q to 3Q 2003***

Gross Profit reached RMB893.43 million for the nine months ended 30 September 2004, an improvement of 41.0% as compared to RMB633.44 million in the first nine months of 2003.

## **Expenses**

### ***3Q 2004 compared to 3Q 2003***

In line with the increase in demand and sales, distribution costs increased by 54.0% from RMB30.58 million in 3Q 2003 to RMB47.08 million in 3Q 2004. Administrative expenses rose by about 35.6% due mainly to an increase in staff strength brought about by the Group's production plants in Shangqiu, Xinglong, Dezhou and Qiqihaer plants. Depreciation expenses increased by approximately RMB6.90 million or 21.3% as compared to same period in 2003 with the increase in fixed assets for new plants. Other operating expenses increased by RMB1.91 million and was mainly due to the inclusion of general provision for doubtful debts of RMB2.6 million.

### ***1Q to 3Q 2004 compared to 1Q to 3Q 2003***

Distribution costs increased by 33.3% to RMB119.03 million in the first nine months of 2004 from RMB89.30 million in the same period of 2003. Administrative expenses rose by 13.6% to RMB144.85 million as compared to RMB127.53 million in the first nine months of 2003. Depreciation expenses increased by approximately RMB21.41 million or 22.5% as compared to same period in 2003. Other operating expenses went up by 49.0% to RMB14.29 million due to an increase in general provision for doubtful debts from RMB5.20 million in the nine months ended 30 September 2003 to RMB8.00 million in the nine months ended 30 September 2004.

## **Net Financial Income**

### ***3Q 2004 compared to 3Q 2003***

Interest income increased by 16.2% to RMB3.66 million in 3Q 2004, from RMB3.15 million in 3Q 2003 due to the higher bank balances maintained in 3Q 2004. Interest expense increased by 14.2% to RMB3.66 million due to higher interest rates on the unchanged outstanding debt of RMB200 million as at 30 September 2004.

### ***1Q to 3Q 2004 compared to 1Q to 3Q 2003***

Interest income increased by 20.2% to RMB10.68 million in the first nine months of 2004 from RMB8.88 million in corresponding period in 2003 due to the higher bank balances maintained in the first nine months of 2004. Interest expense increased slightly 6.8% to RMB10.23 million due to higher interest rates on the unchanged outstanding debt of RMB200 million as at 30 September 2004.

## **Tax**

In accordance with the various approval documents issued by the State Tax Bureau and the Local Tax Bureau of the PRC, the Group's operating subsidiaries Linyi Xincheng, Linyi Minsheng, Daqing Jinluo, Tongliao Jinluo, Meishan Jinluo, Qiqihaer Jinluo and Dezhou Jinluo are entitled to be exempted from the PRC state and local corporate income tax of the first two profitable financial years of their operations and thereafter to a 50% relief from the state corporate income tax of the PRC for the following three financial years ("Tax Holiday"). Xiangtan Jinluo is also entitled to be exempted from the PRC state and local corporate income tax for the first two profitable years of their operations and thereafter to a 50% relief from the state corporate income tax of the PRC for the following six financial years. With effect from 1 January 2001, Linyi Xincheng was subject to corporate income tax of 33% on its taxable profit upon expiry of the Tax Holiday on 31 December 2000. With effect from 1 January 2003, Linyi Minsheng was subject to corporate income tax of 18% on its taxable profit upon expiry of the first two years' tax exemption of the Tax Holiday on 31 December 2002. With effect from 1 January 2004, Daqing Jinluo was subject to corporate income tax of 18% on its taxable profit

upon expiry of the first two years' exemption of the Tax Holiday on 31 December 2003. Tongliao Jinluo, Xiangtan Jinluo and Meishan Jinluo have commenced their first year's tax exemption period in the financial year ended 31 December 2003.

The effective income tax rate of the Group for 3Q 2004 was approximately 19.5% as compared to 15.7% in 3Q 2003. The effective income tax rate of the Group for the nine months ended 30 September 2004 was approximately 17.5% as compared to 15.5% in the previous corresponding period.

## **Net Profit**

### ***3Q 2004 compared to 3Q 2003***

The Group recorded an increase of 44.3% in its profit after tax for 3Q 2004, from RMB101.23 million in 3Q 2003 to RMB146.11 million in 3Q 2004.

### ***1Q to 3Q 2004 compared to 1Q to 3Q 2003***

The Group grew by 47.8% in its profit after tax for the nine months ended 30 September 2004, from RMB343.46 million in 2003 to RMB507.70 million in 2004.

**(b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.**

Not applicable

## **9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.**

Not applicable

## **10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.**

The Group's newly established production plants in Dezhou, Shandong Province and in Qiqihaer, Heilongjiang Province have commenced its commercial production in June 2004 and in April 2004 respectively. These new plants have increased the pig and chicken slaughtering capacity of the Group and the Management expects it to further contribute to the overall revenue for the Group in the last quarter of 2004.

The expanded facilities in Tongliao which commenced operations in October 2004 has contributed to the Group's overall revenue in October 2004. Management also expects higher utilisation rates in the Group's Shangqiu and Xinglong plants and will further contribute to the overall revenue of the Group in the fourth quarter of FY 2004.

The Company has completed the acquisition of 49.0% of the equity of Glorious Faith Corporation on 15 October 2004. Besides providing a secure long term supply of soy protein isolates for the Group, this acquisition is expected to contribute to the Group's results.

## 11. Dividend

(a) *Current Financial Period Reported On*

Any dividend declared for the current financial period reported on? NONE

(b) *Corresponding Period of the Immediately Preceding Financial Year*

Any dividend declared for the corresponding period of the immediately preceding financial year?  
NONE

(c) *Date payable*

Not applicable

(d) *Books closure date*

Not applicable

## 12. If no dividend has been declared/recommended, a statement to that effect.

Not applicable

## PART II — ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT (THIS PART IS NOT APPLICABLE TO Q1, Q2, Q3 OR HALF YEAR RESULTS)

## 13. Segmented revenue and results for business or geographical segments (of the group) in the form presented in the issuer's most recently audited annual financial statements, with comparative information for the immediately preceding year.

Please see below for the revenue and profit before tax by products.

	Three months period ended 30.09.2004 RMB'000	Share of total	Three months period ended 30.09.2003 RMB'000	Share of total	% Change
<b>Revenue</b>					
Frozen Pork	504,870	26.9%	273,303	23.9%	84.7%
Fresh Pork	304,315	16.2%	149,953	13.1%	102.9%
HTMP	429,702	22.9%	356,050	31.1%	20.7%
LTMP	125,002	6.7%	85,722	7.5%	45.8%
Pig By-Products	473,389	25.2%	253,556	22.2%	86.7%
Chicken	40,464	2.1%	24,907	2.2%	62.5%
	<u>1,877,742</u>	100.0%	<u>1,143,491</u>	100.0%	64.2%



<b>Profit before tax</b>					
Frozen Pork	41,839	23.1%	17,239	14.4%	142.7%
Fresh Pork	44,284	24.4%	24,943	20.8%	77.5%
HTMP	39,675	21.9%	46,262	38.5%	(14.2%)
LTMP	17,726	9.8%	17,832	14.9%	(0.6%)
Pig By-Products	37,069	20.4%	12,904	10.7%	187.3%
Chicken	807	0.4%	849	0.7%	(4.9%)
	<u>181,400</u>	100.0%	<u>120,029</u>	100.0%	51.1%
	<b>Nine months period ended 30.09.2004 RMB'000</b>	<b>Share of total</b>	<b>Nine months period ended 30.09.2003 RMB'000</b>	<b>Share of total</b>	<b>% Change</b>
<b>Revenue</b>					
Frozen Pork	1,293,977	25.1%	841,253	24.7%	53.8%
Fresh Pork	755,053	14.6%	450,801	13.2%	67.5%
HTMP	1,369,614	26.5%	1,101,780	32.3%	24.3%
LTMP	369,397	7.1%	250,244	7.4%	47.6%
Pig By-Products	1,310,524	25.4%	685,536	20.1%	91.2%
Chicken	68,548	1.3%	80,070	2.3%	(14.4%)
	<u>5,167,113</u>	100.0%	<u>3,409,684</u>	100.0%	51.5%
<b>Profit before tax</b>					
Frozen Pork	113,859	18.5%	67,023	16.5%	69.9%
Fresh Pork	122,602	19.9%	84,769	20.8%	44.6%
HTMP	196,987	32.0%	152,219	37.5%	29.4%
LTMP	66,344	10.8%	55,127	13.6%	20.3%
Pig By-Products	114,237	18.6%	42,014	10.3%	171.9%
Chicken	1,669	0.2%	5,174	1.3%	(67.7%)
	<u>615,698</u>	100.0%	<u>406,326</u>	100.0%	51.5%

**14. In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the business or geographical segments.**

Not applicable

**15. A breakdown of sales.**

Not applicable

**16. A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year.**

Total Annual Dividend (*Refer to Para 16 of Appendix 7.2 for the required details*)

	<b>Latest Full Year (RMB'000)</b>	<b>Previous Full Year (RMB'000)</b>
Ordinary	108,799	165,466
Preference	N/A	N/A
Total:	108,799	165,466

**BY ORDER OF THE BOARD  
PEOPLE'S FOOD HOLDINGS LIMITED  
Ming Kam Sing  
Chairman**

Dated this 9 November 2004

\* *For identification purposes only*

*As at the date of this announcement, the board of directors of the Company comprises of Mr. Ming Kam Sing, Mr. Zhou Lian Kui and Mr. Zhou Lian Liang being the Executive Directors, and Mr. Chng Hee Kok, Mr. Chan King Sang and Dr. Ow Chin Hock being the Independent Non-Executive Directors.*

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