

Statement on Corporate Governance

The Company is committed to high standard of corporate governance in conducting its Group business and the Board of Directors of the Company (the "Board") ensures that an effective self-regulatory and monitoring mechanism exists and is practiced. The Board fully supports and observes the Code of Corporate Governance issued by the Corporate Governance Committee, Singapore and the requirements of the Code of Best Practice as set out in Appendix 14 of the Rules ("HKSE Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("HKSE").

Board of Directors

Code of Corporate Governance Principles 1, 2, 3, 6 and 10

The Board comprises six Directors, three of whom are independent and non-executive and whose collective experience and contributions are valuable to the Company.

The Board members are:

Executive

Ming Kam Sing, *Chairman*

Zhou Lian Kui, *Chief Executive Officer*

Zhou Lian Liang

Independent and non-executive

Chng Hee Kok

Chan Kin Sang

Ow Chin Hock

The principal functions of the Board are:

- To approve the policies, strategies and financial objectives of the Company and to monitor the performance of Management;
- To oversee the processes for evaluating the adequacy of internal controls, risk management, financial reporting and compliance;

- To approve annual budgets, major funding proposals, investment and divestment proposals.
- To approve that nominations of Board and appointment of key divestment proposals;
- To assume responsibility for corporate governance.

The role of the Chairman includes ensuring that Board meetings are held when necessary and sets the Board meeting agenda in consultation with the company secretaries. The Chairman reviews most of the Board papers before they are presented to the Board and ensure that Board members are provided with complete, adequate and timely information.

The Chief Executive Officer has overall responsibilities for the operations and finance of the Group.

The Board has access to any information required to fulfill their responsibilities. To facilitate access, Board members have been provided with phone numbers and e-mail particulars of the Company's senior management and the company secretaries.

The Board conducts regular scheduled meetings. Ad-hoc meetings are convened when circumstances require. The Company's Bye-Laws allow a Board meeting to be conducted by way of tele-conference. The attendance of the Directors at meetings of the Board and the Board committees are provided on page 14 of this annual report.

The company secretaries attend all Board meetings and ensure that the Board's procedures are followed.

In accordance with Bye-Law 86(1) of the Company's Bye-Laws, Mr Ming Kam Sing and Mr. Chng Hee Kok will retire by rotation and, being eligible, will offer themselves for re-elections at the forthcoming Annual General Meeting.

Audit Committee

Code of Corporate Governance Principle 11

The Audit Committee ("AC") was established on 8 February 2001 and re-constituted on 15 October 2002 and 7 January 2003 respectively. The AC comprises three members, all of whom are independent and non-executive Directors. The members of AC at the date of this annual report are:

Chng Hee Kok, *Chairman*
 Chan Kin Sang
 Ow Chin Hock

The AC members have many years of experience in senior management positions and in the opinion of the Board, have sufficient financial management expertise to fulfill their roles.

The AC conducts regular scheduled meetings. Ad-hoc meetings are convened when circumstances require. The attendances at AC meetings are provided on page 14 of this annual report.

The AC performs the following main functions:

- (a) Reviews the financial and operating results and accounting policies of the Group;
- (b) Reviews the financial statements before their submission to the Board and the external auditors' report on those financial statements;
- (c) Reviews the quarterly, half-yearly and annual announcement of results of the Group before submission to the Board for approval;
- (d) Considers and reviews the assistance given by the management of the Group to the auditors;

- (e) Review the external audit plan and the results of the external auditors' examination of the financial statements and the evaluation of the Group's internal control system;
- (f) Recommends the reappointment of the external auditors;
- (g) Reviews connected/interested person/related party transactions;
- (h) Reviews the internal audit plan and findings of the internal auditors;
- (i) Generally undertakes such other functions and duties as may be required by statute and the Listing Manual issued by the SGX-ST and the HKSE Listing Rules, and by such amendments made thereto from time to time.

In performing its function, the AC met with the internal and external auditors and reviewed the overall scope of work performed by the internal and external audits as well as the assistance given by Management to the auditors. The AC also met the external auditors without presence of Management.

With effect from 2004, the AC also reviewed the internal auditors' activities on a quarterly basis.

The AC reviewed the Company's risk assessment based on the information obtained from the external and internal auditors on the Company's internal controls and is of the opinion that there are adequate internal controls in place.

In performing its function, the AC:

- (a) has had full access to and cooperation of Management and has full discretion to invite any Director and executive officer to attend its meetings; and

Statement on Corporate Governance

(b) has been given sufficient resources to enable it to discharge its functions properly.

The AC, having reviewed all non-audit services provided by the external auditors to the Group, are satisfied that the nature and extent of such services would not affect the independence of the external auditors.

Pursuant to a notice of nomination of auditors received from a shareholder, Grant Thornton has been nominated for appointment as auditors of the Company in place of the retiring auditors, Ernst & Young. The AC has reviewed the matter and recommended the nomination of Grant Thornton as auditors for financial year 2005 in support of a good corporate governance practice of rotating auditors. Ernst & Young have been auditors of the Company for the last four years. With the change, the Company is also able to realise cost savings in professional fees. The appointment will be proposed at the forthcoming Annual General Meeting.

Nominating Committee

Code of Corporate Governance Principles 4 and 5

The Nominating Committee ("NC") was constituted on 20 March 2002 and comprises the following members at the date of this annual report:

Ow Chin Hock, *Chairman*
 Chng Hee Kok
 Chan Kin Sang
 Ming Kam Sing

A majority of the members of the NC are non-executive and independent directors.

The key functions of the NC are to:

- (a) develop and maintain a formal and transparent process for the appointment and re-appointment of members of the Board.
- (b) recommend the appointment and re-appointment of Directors.
- (c) decide how the Board's performance may be evaluated and prepare objective performance criteria to assess the effectiveness of the Board as a whole and the contribution of each Director.
- (d) assess the effectiveness of the Board as a whole and the contribution by each Director to the effectiveness of the Board.
- (e) review the independence of each Director, and to ensure that the Board comprises at least one-third of the independent Directors.

In recommending a candidate for appointment/ re-appointment to the Board the NC considers, amongst other things, his contributions to the Board and his independent status.

The NC had recommended that the two Directors retiring by rotation at the forthcoming Annual General Meeting be re-elected. The Board accepted the NC's recommendation and the two Directors will be offering themselves for re-election at the forthcoming Annual General Meeting.

For the financial year ended 31 December 2004, the NC in considering the contribution of each Director to the effectiveness of the Board, reviewed the attendance and participation of the Directors at Board and other Board committee meetings. The NC will initiate a performance evaluation to assess the effectiveness of the Board as a whole in the current financial year.

Remuneration Committee

Code of Corporate Governance Principles 7, 8 and 9

The Remuneration Committee ("RC") was constituted on 20 March 2002 and comprises the following members:

Chan Kin Sang, *Chairman*
 Chng Hee Kok
 Ow Chin Hock
 Ming Kam Sing

A majority of the members of the RC are non-executive and independent directors.

The primary functions of the RC are to:

- (a) review and recommend to the Board in consultation with the Chairman, a framework of remuneration and to determine the specific remuneration packages and terms of employment for each of the executive directors and senior executives (those reporting directly to the Chairman) of the Group including those employees related to the executive directors and controlling shareholders of the Group.
- (b) establish and maintain an appropriate and competitive level of remuneration to attract, retain and motivate directors and key executives.
- (c) carry out its duties in a manner that it deems expedient, subject always to any regulations or restrictions that may be imposed by the Board from time to time.

In reviewing and determining the remuneration packages of the executive Directors and senior executives, the RC considered, amongst other things, their responsibilities, skills, expertise and contribution to the Group's performance and whether the remuneration packages are competitive and sufficient to ensure that the Group is able to attract and retain the best available executive talent.

The RC has access to expert and professional advice in the field of executive compensation where required.

Details of the remuneration of the five highest paid employees (including the Directors) are set out in Notes 7 and 8 to the Financial Statements. In view of the sensitive nature of other details of the remuneration for the key management executives, the Board is of the opinion that such disclosure should not be made in this annual report and should not present its remuneration policy before shareholders for approval at the Annual General Meeting.

Internal Control

Code of Corporate Governance Principle 12

The Board believes that the system of internal controls maintained by the Company is sufficient to provide reasonable assurances that the Group's assets are safeguarded against loss from unauthorized use or disposition, transactions are properly authorized and proper accounting records are maintained.

Internal audit

Code of Corporate Governance Principle 13

The Group has its internal audit function in place. The functions of the Internal Auditors are to:

- (a) review the effectiveness of the Company's material internal control
- (b) provide assurance that key business and operational risks are identified and managed
- (c) ensure that internal controls are in place and functioning as intended
- (d) ensure that operations are conducted in an effective and efficient manner

Statement on Corporate Governance

The Internal Auditors report primarily to the AC and make recommendations on their findings.

Dealing In Securities Transactions

SGX-ST Listing Rule 710 (2)

The Company has issued a policy on dealing in the Company's shares to employees of the Company and the Group pursuant to the Best Practice Guide issued by the SGX-ST. The Policy sets out the implications of insider dealings in the Company's shares, and includes guidance to employees on dealing in the Company's shares, which is modeled after the Best Practice Guide with some modifications.

Communication With Shareholders

Code of Corporate Governance Principles 10 and 14

The Company and the Group are in regular, effective and fair communication with shareholders. Timely as well as detailed disclosure is made to the public in compliance with the SGX-ST's guidelines.

Information on the Group are regularly updated on the Company's website at <http://www.peoplesfood.com.sg>.

Interested Person Transactions

SGX-ST Listing Rule 1207 (16)

In compliance with the rules of the SGX-ST, the Group confirms that there were no interested person transactions during the year under the review.

Material Contracts

There were no material contracts entered into by the Company or any of its subsidiaries involving the interest of the directors.

Directors' Attendance Record

The following is the attendance record of meeting held by the Board, Audit Committee, Remuneration Committee and Nominating Committee meetings in 2004:

Type of meeting	Number of meetings held in 2004	Average attendance (%)
Board	5	90
Audit Committee	4	100
Nominating Committee	1	100
Remuneration Committee	1	100