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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: 708)**

### **ANNOUNCEMENT**

The following announcement is a reproduction of the announcement made in Singapore by the Company regarding the unaudited financial results of the Company, its subsidiaries and associates for the three months ended 31 March, 2005. 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 its financial year. In compliance with Rule 13.09(2) of the Listing Rules, the following announcement is made by the Company simultaneously in Singapore and in Hong Kong on 14 May, 2005.

The following announcement is a reproduction of the announcement made in Singapore by People's Food Holdings Limited (the "Company") regarding the unaudited financial results of the Company, its subsidiaries and associates for the three months ended 31 March, 2005. 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 its financial year. In compliance with Rule 13.09(2) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") (which requires a listed issuer to ensure that if securities of the listed issuer are also listed on other stock exchanges, the Stock Exchange of Hong Kong Limited is simultaneously informed of any information released to any of such other stock exchanges and that such information is released to the market in Hong Kong at the same time as it is released to the other markets), the following announcement is made by the Company simultaneously in Singapore and in Hong Kong on 14 May, 2005.

**FIRST QUARTER FINANCIAL STATEMENT ANNOUNCEMENT FOR THE  
PERIOD ENDED 31 MARCH 2005**

**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.**

|   |              | <b>Group</b>  |  |             |
|---|--------------|---|--|-------------|
|   |              | <b>Three months<br/>period ended<br/>31.03.2005<br/>(Unaudited)<br/>RMB'000</b> | Three months<br>period ended<br>31.03.2004<br>(Unaudited)<br>RMB'000 | Change<br>% |
|   | <i>Notes</i> |   |  |             |
| Revenue   | (1)          | <b>1,857,667</b>  | 1,598,815  | 16.2        |
| Cost of sales   |              | <u><b>(1,619,772)</b></u>   | <u>(1,263,944)</u>   | 28.2        |
| Gross profit  |              | <b>237,895</b>  | 334,871  | -29.0       |
| Other revenue   |              | <b>6,737</b>  | 3,613  | 86.5        |
| Selling and distribution costs                                      |              | <b>(29,830)</b>   | (30,527)   | -2.3        |
| Administrative expenses   |              | <b>(22,470)</b>   | (34,545)   | -35.0       |
| Other operating expenses  |              | <u><b>(241)</b></u>   | <u>(5,904)</u>   | -95.9       |
| Profit from operating activities                                    |              | <b>192,091</b>  | 267,508  | -28.2       |
| Finance costs   |              | <b>(2,847)</b>  | (2,998)  | -5.0        |
| Share of profit of associates                                       |              | <u><b>23,640</b></u>  | <u>—</u>   | —           |
| Profit before tax   |              | <b>212,884</b>  | 264,510  | -19.5       |
| Tax   |              | <u><b>(45,862)</b></u>  | <u>(39,500)</u>  | 16.1        |
| Net profit from ordinary activities<br>attributable to shareholders |              | <u><u><b>167,022</b></u></u>  | <u><u>225,010</u></u>  | -25.8       |

*Note:*

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

**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.**

|   | Group                                |                                    | Company                              |                                    |
|---|--------------------------------------|------------------------------------|--------------------------------------|------------------------------------|
|   | 31.03.2005<br>(Unaudited)<br>RMB'000 | 31.12.2004<br>(Audited)<br>RMB'000 | 31.03.2005<br>(Unaudited)<br>RMB'000 | 31.12.2004<br>(Audited)<br>RMB'000 |
| <b>NON-CURRENT ASSETS</b>                   |                                      |                                    |                                      |                                    |
| Investments in subsidiaries                 | —                                    | —                                  | <b>497,043</b>                       | 497,043                            |
| Interests in associates                     | <b>268,879</b>                       | 245,239                            | —                                    | —                                  |
| Fixed assets                                | <b>1,698,274</b>                     | 1,677,457                          | —                                    | —                                  |
| Deposits                                    | <b>34,711</b>                        | 33,775                             | —                                    | —                                  |
|   | <b><u>2,001,864</u></b>              | <u>1,956,471</u>                   | <b><u>497,043</u></b>                | <u>497,043</u>                     |
| <b>CURRENT ASSETS</b>                       |                                      |                                    |                                      |                                    |
| Inventories                                 | <b>234,241</b>                       | 293,990                            | —                                    | —                                  |
| Trade debtors                               | <b>102,475</b>                       | 89,343                             | —                                    | —                                  |
| Due from subsidiaries                       | —                                    | —                                  | <b>841,819</b>                       | 842,804                            |
| Deposits, prepayments and other receivables | <b>13,878</b>                        | 23,603                             | —                                    | —                                  |
| Cash and bank balances                      | <b>1,497,214</b>                     | 1,249,418                          | <b>51</b>                            | 51                                 |
|   | <b><u>1,847,808</u></b>              | <u>1,656,354</u>                   | <b><u>841,870</u></b>                | <u>842,855</u>                     |
| <b>CURRENT LIABILITIES</b>                  |                                      |                                    |                                      |                                    |
| Trade creditors                             | <b>149,788</b>                       | 116,240                            | —                                    | —                                  |
| Accruals and other creditors                | <b>89,438</b>                        | 69,971                             | —                                    | —                                  |
| Due to a subsidiary                         | —                                    | —                                  | <b>159,133</b>                       | 159,133                            |
| Interest-bearing bank loans                 | <b>180,000</b>                       | 180,000                            | —                                    | —                                  |
| Provision for tax                           | <b>54,779</b>                        | 37,969                             | —                                    | —                                  |
|   | <b><u>474,005</u></b>                | <u>404,180</u>                     | <b><u>159,133</u></b>                | <u>159,133</u>                     |
| <b>NET CURRENT ASSETS</b>                   | <b><u>1,373,803</u></b>              | <u>1,252,174</u>                   | <b><u>682,737</u></b>                | <u>683,722</u>                     |
|   | <b><u>3,375,667</u></b>              | <u>3,208,645</u>                   | <b><u>1,179,780</u></b>              | <u>1,180,765</u>                   |
| <b>CAPITAL AND RESERVES</b>                 |                                      |                                    |                                      |                                    |
| Issued capital                              | <b>603,343</b>                       | 603,343                            | <b>603,343</b>                       | 603,343                            |
| Proposed final dividend                     | <b>126,932</b>                       | 126,932                            | <b>126,932</b>                       | 126,932                            |
| Reserves                                    | <b>2,645,392</b>                     | 2,478,370                          | <b>449,505</b>                       | 450,490                            |
|   | <b><u>3,375,667</u></b>              | <u>3,208,645</u>                   | <b><u>1,179,780</u></b>              | <u>1,180,765</u>                   |

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

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

| As at 31/03/2005 |                       | As at 31/12/2004 |                |
|------------------|-----------------------|------------------|----------------|
| Secured          | Unsecured             | Secured          | Unsecured      |
| Nil              | <b>RMB180,000,000</b> | Nil              | RMB180,000,000 |

*Amount repayable after one year*

| As at 31/03/2005 |           | As at 31/12/2004 |           |
|------------------|-----------|------------------|-----------|
| Secured          | Unsecured | Secured          | Unsecured |
| Nil              | Nil       | Nil              | Nil       |

*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.

|  | Group  |  |
|--|--|--|
|  | Three months<br>period ended<br>31.03.2005<br>(Unaudited)<br>RMB'000 | Three months<br>period ended<br>31.03.2004<br>(Unaudited)<br>RMB'000 |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                        |  |  |
| Profit before tax  | <b>212,884</b>   | 264,510  |
| Adjustments for:   |  |  |
| Depreciation   | <b>32,773</b>  | 35,492   |
| Provision for doubtful debts                                       | —  | 4,700  |
| Interest expenses  | <b>2,847</b>   | 2,998  |
| Interest income  | <b>(1,144)</b>   | (3,613)  |
| Loss on disposal of fixed assets                                   | —  | 3,501  |
| Share of profit of associates                                      | <b>(23,640)</b>  | —  |
| Operating profit before working capital changes                    | <b>223,720</b>   | 307,588  |
| Working capital adjustments:                                       |  |  |
| Decrease/(increase) in trade debtors                               | <b>(13,132)</b>  | 53,671   |
| Decrease in inventories  | <b>59,749</b>  | 50,261   |
| Decrease/(increase) in deposits, prepayments and other receivables | <b>9,725</b>   | (1,301)  |
| Increase/(decrease) in trade creditors                             | <b>33,548</b>  | (3,796)  |
| Increase in accruals and other creditors                           | <b>19,467</b>  | 4,567  |
| Cash generated from operations                                     | <b>333,077</b>   | 410,990  |
| Interest paid  | <b>(2,847)</b>   | (2,998)  |

|   |                                |                       |
|---|--------------------------------|-----------------------|
| Interest received   | <b>1,144</b>                   | 3,613                 |
| Tax paid  | <u>(29,052)</u>                | <u>(31,700)</u>       |
| Net cash generated from operating activities  | <u><b>302,322</b></u>          | <u>379,905</u>        |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>   |                                |                       |
| Purchases of fixed assets   | <b>(53,590)</b>                | (68,092)              |
| Decrease/(increase) in deposits for acquisition of fixed assets                                     | <b>(936)</b>                   | 6,253                 |
| Decrease/(increase) in time deposits with original maturity of more than three months when acquired | <u><b>30,000</b></u>           | <u>(17,180)</u>       |
| Net cash used in investing activities   | <b>(24,526)</b>                | (79,019)              |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>   |                                |                       |
| Drawdown of bank loans  | <b>3,000</b>                   | 3,000                 |
| Repayment of bank loans   | <u><b>(3,000)</b></u>          | <u>(3,000)</u>        |
| Net cash flow from financing activities   | <u>—</u>                       | <u>—</u>              |
| <b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>  | <b>277,796</b>                 | 300,886               |
| Cash and cash equivalents at beginning of year  | <u><b>1,176,918</b></u>        | <u>212,418</u>        |
| <b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>   | <u><u><b>1,454,714</b></u></u> | <u><u>513,304</u></u> |
| <b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>  |                                |                       |
| Cash and bank balances  | <b>1,497,214</b>               | 1,125,924             |
| Time deposits with original maturity of more than three months when acquired                        | <u><b>(42,500)</b></u>         | <u>(612,620)</u>      |
|   | <u><u><b>1,454,714</b></u></u> | <u><u>513,304</u></u> |

**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.**

*Group*

|                                | Issued share<br>capital<br><i>RMB'000</i> | Share<br>premium<br>account<br><i>RMB'000</i><br><i>(Note 2)</i> | Statutory<br>reserves<br><i>RMB'000</i><br><i>(Note 1, 2)</i> | Retained<br>profits<br><i>RMB'000</i><br><i>(Note 2)</i> | Proposed<br>dividend<br><i>RMB'000</i> | Total<br><i>RMB'000</i> |
|--------------------------------|---|--|---|--|--|-------------------------|
| Balance at 1 January 2004      | 603,343                                   | 557,229  | 141,069   | 1,399,560  | 92,933                                 | 2,794,134               |
| Transfer to statutory reserves | —   | —  | 17,624  | (17,624)   | —                                      | —                       |
| Net profit for the period      | —   | —  | —   | 225,010  | —                                      | 225,010                 |
| Balance at 31 March 2004       | <u>603,343</u>                            | <u>557,229</u>   | <u>158,693</u>  | <u>1,606,946</u>   | <u>92,933</u>                          | <u>3,019,144</u>        |
| Balance at 1 January 2005      | <b>603,343</b>                            | <b>557,229</b>   | <b>206,290</b>  | <b>1,714,851</b>   | <b>126,932</b>                         | <b>3,208,645</b>        |
| Transfer to statutory reserves |   |  |   |  |  |                         |
| — subsidiaries                 | —   | —  | 12,440  | (12,440)   | —                                      | —                       |
| — associates                   | —   | —  | 2,364   | (2,364)  | —                                      | —                       |
| Net profit for the period      |   |  |   |  |  |                         |
| — company and subsidiaries     | —   | —  | —   | 143,382  | —                                      | 143,382                 |
| — associates                   | —   | —  | —   | 23,640   | —                                      | 23,640                  |
| Balance at 31 March 2005       | <u>603,343</u>                            | <u>557,229</u>   | <u>221,094</u>  | <u>1,867,069</u>   | <u>126,932</u>                         | <u>3,375,667</u>        |
| Represented by:                |   |  |   |  |  |                         |
| Company and subsidiaries       | 603,343                                   | 557,229  | 216,546   | 1,826,139  | 126,932                                | 3,330,189               |
| Associates                     | —   | —  | 4,548   | 40,930   | —                                      | 45,478                  |
| As at 31 March 2005            | <u>603,343</u>                            | <u>557,229</u>   | <u>221,094</u>  | <u>1,867,069</u>   | <u>126,932</u>                         | <u>3,375,667</u>        |
| Represented by:                |   |  |   |  |  |                         |
| Company and subsidiaries       | 603,343                                   | 557,229  | 158,693   | 1,606,946  | 92,933                                 | 3,019,144               |
| Associates                     | —   | —  | —   | —  | —                                      | —                       |
| As at 31 March 2004            | <u>603,343</u>                            | <u>557,229</u>   | <u>158,693</u>  | <u>1,606,946</u>   | <u>92,933</u>                          | <u>3,019,144</u>        |

Company

|                           | Issued share<br>capital<br>RMB'000 | Share<br>premium<br>account<br>RMB'000<br>(Note 2) | Accumulated<br>losses<br>RMB'000<br>(Note 2) | Proposed<br>dividend<br>RMB'000 | Total<br>RMB'000        |
|---------------------------|------------------------------------|--|--|---------------------------------|-------------------------|
| Balance at 1 January 2004 | 603,343                            | 557,229  | (91,434)                                     | 92,933                          | 1,162,071               |
| Net profit for the period | —                                  | —  | 6,170  | —                               | 6,170                   |
| Balance at 31 March 2004  | <u>603,343</u>                     | <u>557,229</u>                                     | <u>(85,264)</u>                              | <u>92,933</u>                   | <u>1,168,241</u>        |
| Balance at 1 January 2005 | <b>603,343</b>                     | <b>557,229</b>                                     | <b>(106,739)</b>                             | <b>126,932</b>                  | <b>1,180,765</b>        |
| Net profit for the period | —                                  | —  | (985)  | —                               | (985)                   |
| Balance at 31 March 2005  | <u><b>603,343</b></u>              | <u><b>557,229</b></u>                              | <u><b>(107,724)</b></u>                      | <u><b>126,932</b></u>           | <u><b>1,179,780</b></u> |

Notes:

- In accordance with relevant regulations in the People's Republic of China ("PRC"), 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.
- As at 31 March 2005, these consolidated reserve accounts comprised the consolidated reserves of approximately RMB2,645,392,000 (31 March 2004: approximately RMB2,322,868,000) in the consolidated balance sheet. As at 31 March 2005, these reserve accounts of the Company comprised the Company's reserves of approximately RMB449,505,000 (31 March 2004: approximately RMB471,965,000) 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 for the three months ended 31 March 2005 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 2004.

**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.**

The Group has applied the same accounting policies and methods of computation in the financial statements as at 31 December 2004.

**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<br/>period ended<br/>31.03.2005<br/>(Unaudited)</b> | <b>Three months<br/>period ended<br/>31.03.2004<br/>(Unaudited)</b> |
|---------|---|---|
| Basic   | <u><b>RMB0.15</b></u>   | <u><b>RMB0.20</b></u>   |
| Diluted | <u><b>N/A</b></u>   | <u><b>N/A</b></u>   |

Basic earnings per share for the three months ended 31 March 2005 are calculated based on the Group's net profit attributable to shareholders of approximately RMB167,022,000 (1Q 2004: approximately RMB225,010,000) divided by 1,133,324,723 ordinary shares of HK\$0.50 each (1Q 2004: 1,133,324,723 ordinary shares of HK\$0.50 each) in issue during the year.

Diluted earnings per share for the three months ended 31 March 2005 and 2004 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>31.03.2005</b> | 31.12.2004 | <b>31.03.2005</b> | 31.12.2004 |
| Net asset value backing per ordinary share    | <b>RMB2.98</b>    | RMB2.83    | <b>RMB1.04</b>    | RMB1.04    |
| Net tangible asset backing per ordinary share | <b>RMB2.92</b>    | RMB2.78    | <b>RMB1.04</b>    | RMB1.04    |

Net asset value and net tangible asset backing per ordinary share as at 31 March 2005 and 31 December 2004 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, the Company 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 meat products are distributed primarily in the PRC and marketed under the "Jinluo" brand name and trade mark.

**RESULTS OF OPERATIONS**

**Revenue**

The Group's revenue increased by 16.2% from RMB1.60 billion in 1Q FY2004 to RMB1.86 billion in 1Q FY2005, This increase was volume driven, due to improved contribution from its production plants in the first quarter of the year under review.

*High Temperature Meat Products ("HTMP")*

Sales of HTMP decreased slightly by 4.3%, from RMB474.92 million in 1Q FY2004 to RMB454.29 million in 1Q FY2005. This was due mainly to the Group's shift in focus to increase its sales of higher margin products like Fresh Pork and LTMP.

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

Sales of Fresh Pork and LTMP continue to grow, increasing respectively by 72.0% and 11.1% in 1Q FY2005 as compared to 1Q FY2004. Sales of Fresh Pork for the first quarter of FY2005 was RMB363.71 million as compared to RMB211.46 million in 1Q FY2004, whilst sales of LTMP was RMB134.32 million in 1Q FY2005 as compared to RMB120.90 million in the previous corresponding period.

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

Sales of Frozen Pork saw a surge of 48.3% to RMB530.24 million in 1Q FY2005 as compared to RMB357.56 million in 1Q FY2004. This was both driven by higher market demand and increased output of Frozen Pork. Revenue contribution from Pig By-Products saw a decline of 13.5% from RMB415.35 million in 1Q FY2004 to RMB359.31 million in 1Q FY2005. The fall was due to more resources devoted to Fresh Pork and LTMP.

### **Gross Profit**

Gross Profit reached RMB237.90 million in 1Q FY2005, a drop of 29.0% as compared to RMB334.87 million in corresponding period in FY2004. Gross margin dipped from 20.9% in 1Q FY2004 to 12.8% in 1Q FY2005. It was due primarily to higher cost of live pigs as compared to 1Q FY2004.

### **Expenses**

Selling and distribution costs decreased by 2.3% to RMB29.83 million in 1Q FY2005 from RMB30.53 million in 1Q FY2004, due to lower transportation cost. This is the result of change in distribution method in which most franchise operators are responsible for collection of goods. Administrative expenses were reduced to RMB22.47 million in 1Q FY2005, due to stringent cost controls. Other operating expenses fell sharply due to a drop in provision for doubtful debts and research and development expenditure.

### **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, wholly-owned subsidiaries of the Company, and Linyi Shansong Biological Products Company Limited (“Linyi Shansong”), an associate of the Group, established as wholly foreign-owned enterprises (“WOFEs”) in the PRC, are entitled to an exemption 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, another wholly-owned subsidiary of the Company established as a WOFE in the PRC, is entitled to an exemption 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 (the “Tax Relief”). Upon expiry of the Tax Holiday and the Tax Relief, the usual PRC corporate income tax rate of 33%, comprising a state corporate income tax rate of 30% and a local corporate income tax rate of 3%, is applicable to them.

Upon expiry of the Tax Holiday in the financial year ended 31 December 2000, Linyi Xincheng is subject to an income tax rate of 33% on its assessable profit for the year (2003: 33%).

Upon expiry of two years’ tax exemption periods in the financial year ended 31 December 2002, Linyi Minsheng is subject to the reduced tax rate of 18% of for the three financial years from 1 January 2003 to 31 December 2005.

Upon expiry of two years' tax exemption periods in the financial year ended 31 December 2003, Daqing Jinluo is subject to the reduced tax rate of 18% of for the three financial years from 1 January 2004 to 31 December 2006.

The two years' tax exemption periods for Tongliao Jinluo, Meishan Jinluo and Xiangtan Jinluo commenced in the financial year ended 31 December 2003 under local jurisdiction and upon the expiry of two years' tax exemption periods in the financial year ended 31 December 2004, Tongliao Jinluo, Meishan Jinluo and Xiangtan Jinluo are subject to the reduced tax rate of 18% for the three financial years from 1 January 2005 to 31 December 2007.

The two years' tax exemption periods for Qiqihaer Jinluo commenced in the financial year ended 31 December 2004 under local jurisdiction.

The two years' tax exemption periods for Dezhou Jinluo and Linyi Shansong have commenced in the financial year ended 31 December 2004 under local jurisdiction.

The effective income tax rate of the Group for 1Q FY 2005 was approximately 24.2% as compared to 14.9% in 1Q FY 2004.

#### **Share of profit of associates**

Our associate company, Pine Agritech Limited, posted strong earnings growth in the 1Q of FY2005. Its net profit reached RMB48.35 million in 1Q FY2005. The Group's share of profit from associates saw a contribution of RMB23.64 million in 1Q FY2005.

#### **Net Profit**

The Group's net profit reached RMB167.02 million in 1Q FY2004, a drop of 25.8% as compared to RMB225.01 million in 1Q FY2005. This was due to lower gross profit and a higher effective income tax rate in the period under review.

- (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 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 these new plants to further contribute to the overall revenue for the Group in 2005.

The Group will continue to focus its sales and marketing efforts to increase the Group's turnover from its higher margin products like Fresh Pork and LTMP. The management believes that demand for these products will continue to be strong due to the rising affluence of the population in the PRC.

## 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<br>months<br>period<br>ended<br>31.03.2005<br>RMB'000 | % of total | Three<br>months<br>period ended<br>31.3.2004<br>RMB'000 | % of total | % Change |
|-----------------|---|------------|---|------------|----------|
| <b>Revenue</b>  |   |            |   |            |          |
| Frozen Pork     | 530,240   | 28.5%      | 357,556   | 22.4%      | 48.3%    |
| Fresh Pork      | 363,709   | 19.6%      | 211,457   | 13.2%      | 72.0%    |
| HTMP            | 454,288   | 24.5%      | 474,924   | 29.7%      | -4.3%    |
| LTMP            | 134,321   | 7.2%       | 120,895   | 7.5%       | 11.1%    |
| Pig By-products | 359,310   | 19.3%      | 415,354   | 26.0%      | -13.5%   |
| Frozen Chicken  | 15,799  | 0.9%       | 18,629  | 1.2%       | -15.2%   |
|                 | <u>1,857,667</u>  | 100.0%     | <u>1,598,815</u>  | 100.0%     | 16.2%    |

**Profit before tax and Share of profit of associates**

|                 |                |        |                |        |        |
|-----------------|----------------|--------|----------------|--------|--------|
| Frozen Pork     | 48,260         | 25.5%  | 42,960         | 16.2%  | 12.3%  |
| Fresh Pork      | 41,308         | 21.8%  | 43,829         | 16.6%  | -5.8%  |
| HTMP            | 48,071         | 25.4%  | 93,500         | 35.4%  | -48.6% |
| LTMP            | 20,879         | 11.0%  | 28,371         | 10.7%  | -26.4% |
| Pig By-products | 30,225         | 16.0%  | 55,139         | 20.8%  | -45.2% |
| Frozen Chicken  | 501            | 0.3%   | 711            | 0.3%   | -29.5% |
|                 | <u>189,244</u> | 100.0% | <u>264,510</u> | 100.0% | -28.5% |

**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</b><br>(RMB'000) | <b>Previous Full Year</b><br>(RMB'000) |
|------------|--------------------------------------|--|
| Ordinary   | Nil                                  | 235,731                                |
| Preference | N/A                                  | N/A                                    |
| Total:     | Nil                                  | 235,731                                |

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

Dated this 14 May 2005

*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 Kin Sang and Dr. Ow Chin Hock being the Independent Non-Executive Directors.*

\* For identification purpose only

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