

IMPORTANT

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This Circular, for which the directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Manual of the Singapore Exchange Securities Trading Limited and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to People's Food Holdings Limited. The directors of People's Food Holdings Limited, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this Circular is accurate and complete in all material respects and not misleading; there are no other matters the omission of which would make any statement in this Circular misleading; and all opinions expressed in this Circular have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

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If you are in doubt as to any aspect of this Circular, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in People's Food Holdings Limited, you should at once hand this Circular to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser.



PEOPLE'S FOOD HOLDINGS LIMITED

大众食品控股有限公司*

(incorporated in Bermuda with limited liability)

(Hong Kong Stock Code: 708)

PROPOSALS FOR RE-ELECTION OF DIRECTORS AND RENEWAL OF GENERAL MANDATE FOR REPURCHASE OF SHARES BY THE COMPANY AND GENERAL MANDATE FOR THE ISSUE OF NEW ORDINARY SHARES

* For identification purposes only



PEOPLE'S FOOD HOLDINGS LIMITED

大众食品控股有限公司*

(incorporated in Bermuda with limited liability)

(Hong Kong Stock Code: 708)

Executive Directors:

Ming Kam Sing (*Chairman*)

Zhou Lian Kui (*Chief Executive Officer*)

Zhou Lian Liang

Registered office:

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2 Church Street

Hamilton HM 11

Bermuda

Independent Non-executive Directors:

Chng Hee Kok

Chan Kin Sang

Ow Chin Hock

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62 Mody Road,

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30 March 2006

To the shareholders

of People's Food Holdings Limited

Dear Sir or Madam,

**PROPOSALS FOR RE-ELECTION OF DIRECTORS AND
RENEWAL OF GENERAL MANDATE FOR REPURCHASE
OF SHARES BY THE COMPANY AND
GENERAL MANDATE FOR THE ISSUE OF NEW ORDINARY SHARES**

INTRODUCTION

The Listing Manual of the Singapore Exchange Securities Trading Limited (the "SGX-ST Listing Manual") and the HKSE Listing Rules contain provisions to regulate, inter alia, (i) the issue of and (ii) the repurchase by companies with primary listings of their securities on the SGX-ST and the HKSE respectively. The purpose of this Circular is to provide you with the information on Ordinary Resolutions 7 and 8 to be proposed at the forthcoming Annual General Meeting of People's

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LETTER FROM THE BOARD OF DIRECTORS

Food Holdings Limited (the “**Company**”) to be held on 28 April 2006 to grant to the directors of the Company (“**Directors**”) general mandates to exercise the powers of the Company, subject to the provisions of the SGX-ST Listing Rules and HKSE Listing Rules and all applicable laws and regulations, to (i) allot and issue securities at any time and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit provided that the aggregate number of Shares to be allotted and issued shall not exceed (50%) of the issued share capital of the Company at the time of the passing of the Ordinary Resolution 7, of which the aggregate number of Shares issued other than on a pro rata basis to holders of Shares on a fixed record date, shall not exceed 20% of the issued capital of the Company on the date of passing of Ordinary Resolution 7 (the “**Share Issue Mandate**”); and (ii) purchase the Company’s fully paid shares representing up to a maximum of 10% of the existing issued share capital of the Company on the date of passing of Ordinary Resolution 8 (the “**Share Repurchase Mandate**”).

Pursuant to Rule 806(2) of SGX-ST Listing Rules, a general mandate must limit the aggregate number of shares and convertible securities that may be issued and such limit must not exceed 50% of the issued share capital (the “**First Singapore Share Issue Requirement**”), of which the aggregate number of shares and convertible securities issued other than on a pro rata basis to existing shareholders must not exceed 20% of the issued share capital (the “**Second Singapore Share Issue Requirement**”). For the avoidance of doubt, the effect of the Share Issue Mandate is that if 20% of the issued share capital is issued on a non pro rata basis pursuant to the Share Issue Mandate, the balance 30% of the Share Issue Mandate is only available to be issued on a pro rata basis. Similarly, if more than 30% of the Share Issue Mandate is used to issue Shares on a pro rata basis, then the amount of Shares that can be issued on a non pro rata basis shall be reduced accordingly, ie to below 20% of the issued share capital. In any event, no issue of Shares on a non pro rata basis under the Share Issue Mandate can exceed 20% of the issued share capital as of the date of the relevant resolution.

This Circular also serves as an explanatory statement to provide you with the requisite information reasonably necessary to enable you to make an informed decision on whether to vote for or against Ordinary Resolution 8 to be proposed at the Annual General Meeting. The Share Repurchase Mandate, if granted, will enable the Directors to exercise all the powers for and on behalf of the Company to purchase on the SGX-ST, HKSE or on any stock exchange on which the Shares are listed and which is recognised by the Securities and Futures Commission in Hong Kong and HKSE for this purpose, and which are in accordance with the SGX-ST Listing Rules and HKSE Listing Rules and all applicable laws and regulations, Shares not exceeding 10% of the total nominal amount of the Shares in issue as at the date of the passing of the resolution granting the Share Repurchase Mandate, with such mandate to expire at the end of the Company’s next annual general meeting, or at the end of the period within which the Company is required by the applicable laws or its Bye-laws to hold its next annual general meeting, or when varied or revoked by an ordinary resolution of the Shareholders in general meeting, whichever occurs first.

Background

At the 2004 AGM, the Shareholders had approved, *inter alia*, the Share Issue Mandate and the Share Repurchase Mandate. The authority and limitations on the Share Issue Mandate and the Share Repurchase Mandate were set out in the Company’s Circular to Shareholders dated 4 April 2005 and Ordinary Resolutions 7 and 8 respectively in the Notice of the 2004 AGM.

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The Share Issue Mandate and the Share Repurchase Mandate were expressed to take effect on the date of passing of Ordinary Resolutions 7 and 8 at the 2004 AGM and will expire on the date of the Annual General Meeting. Accordingly, the Directors propose that the Share Issue Mandate and the Share Repurchase Mandate be renewed at the forthcoming Annual General Meeting to be held on 28 April 2006.

Re-election of Directors

As required pursuant to Rule 13.74 of the HKSE Listing Rules

The Board currently consists of six Directors, namely Mr. Ming Kam Sing, Mr. Zhou Lian Kui, Mr. Zhou Lian Liang, Mr. Chng Hee Kok, Mr. Chan Kin Sang and Dr. Ow Chin Hock.

Pursuant to Bye-Law 86(1) of the Bye-Laws, at each annual general meeting of the Company, one-third of the Directors for the time being or, if their number is not three or a multiple of three, then the number nearest to but not less than one-third, shall retire from office by rotation. The Directors to retire in every year shall be those who have been longest in office since their last election but as between persons who became Directors on the same day those to retire shall (unless they otherwise agree between themselves) be determined by lot. The retiring Directors shall be eligible for re-election.

Pursuant to Bye-Law 86(1) of the Bye-Laws, Mr. Chan Kin Sang and Dr. Ow Chin Hock shall retire by rotation and, being eligible, offer themselves for re-election at the AGM.

Brief biographical details of the retiring Directors are set out in Appendix II to this circular.

Rationale for the Share Repurchase Mandate

Although the Directors have no present intention to repurchase any Shares, they believe that the flexibility afforded by the Share Repurchase Mandate would be beneficial to the Company and its Shareholders. The Share Repurchase Mandate would give the Company the flexibility to undertake purchases of its Shares at any time, subject to market conditions, during the period when the mandate is in force. Share purchases provide the Company with a mechanism to facilitate the return of surplus cash over and above its ordinary capital requirements, in an expedient and cost-effective manner. The Share Repurchase Mandate will also allow the Directors greater flexibility over the Company's share capital structure, by providing them with the means to restore investors' confidence and protect existing Shareholders' investments in the Company through the repurchase of Shares in a depressed share-price situation to enhance the earnings and/or net asset value per Share.

Shareholders can be assured that purchases of its Shares by the Company would only be made in circumstances where it is considered to be in the best interests of the Company, after taking into account the amount of cash available, the prevailing market conditions and the most cost-effective and efficient approach. Further, the Directors do not propose to carry out purchases to such an extent that would, or in circumstances that might, result in a material adverse effect on the financial position of the Company or Group.

Terms of the Share Repurchase Mandate

The Company's listings on the SGX-ST and the HKSE are both primary listings. As a result and unless agreed by the SGX-ST or the HKSE (as the case may be), the Company must comply in all respects with the SGX-ST Listing Rules and HKSE Listing Rules and any other relevant regulations and guidelines in Hong Kong and Singapore which are applicable to the Company. In the

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event that there is a conflict or inconsistency between the two requirements of the SGX-ST Listing Rules and the HKSE Listing Rules, the listing rules with the more onerous requirements shall prevail.

The authority and limitations placed on the purchases of Shares by the Company under the proposed Share Repurchase Mandate are summarised below:

(a) *Maximum number of Shares*

Only Shares which are issued and fully paid-up may be purchased by the Company. The total number of Shares that may be purchased is limited to that number of Shares representing not more than 10% of the issued ordinary share capital of the Company as at the date of the resolution granting the general mandate. The HKSE Listing Rules require that the Shares which are proposed to be repurchased by the Company must be fully paid up.

Based on the existing issued and paid-up share capital of the Company of 1,130,324,723 Shares as at the Latest Practicable Date and subject to the passing of the resolution approving the Share Repurchase Mandate and on the basis that no further Shares are issued or repurchased prior to the Annual General Meeting, the exercise in full of such mandate would result in the purchase of up to 113,032,472 Shares.

(b) *Duration of authority*

Purchases of Shares may be made, at any time and from time to time, from the date of the passing of Ordinary Resolution 8 in connection with the Share Repurchase Mandate up to the earliest of:

- (i) the conclusion of the next annual general meeting of the Company following the passing of Ordinary Resolution 8;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the applicable laws or the Bye-Laws to be held; or
- (iii) the passing of an ordinary resolution by shareholders of the Company in general meeting revoking or varying the authority given to the Directors by Ordinary Resolution 8.

(c) *Manner of Purchase*

Purchases of Shares may be made on the SGX-ST or the HKSE (“**Market Purchases**”) or by way of an “off-market purchase” in accordance with Section 76C of the Singapore Companies Act and the Code on Share Repurchases issued by the Securities and Futures Commission in Hong Kong and the HKSE Listing Rules (“**Off-Market Purchases**”).

Off-Market Purchases refer to purchases of Shares by the Company made under an equal access scheme or schemes for the purchase of Shares from Shareholders. The Directors may impose such terms and conditions, which are not inconsistent with the Share Repurchase Mandate, the SGX-ST Listing Rules, the Bermuda Companies Act, the Singapore Companies Act and the Memorandum of Association and Bye-Laws of the Company, as they consider fit in the interests of the Company in connection with or in relation to an equal access scheme or schemes.

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Under the Singapore Companies Act, an equal access scheme must satisfy all the following conditions:

- (i) offers for the purchase or acquisition of issued shares shall be made to every person who holds issued shares to purchase or acquire the same percentage of their issued shares;
- (ii) all of those persons shall be given a reasonable opportunity to accept the offers made to them; and
- (iii) the terms of all the offers are the same, except that there shall be disregarded:
 - (aa) differences in consideration attributable to the fact that offers relate to shares with different accrued dividend entitlements;
 - (bb) if applicable, differences in consideration attributable to the fact that offers relate to shares with different amounts remaining unpaid; and
 - (cc) differences in the offers introduced solely to ensure that each person is left with a whole number of shares.

The SGX-ST Listing Rules provide that, in making an Off-Market Purchase, the Company must issue an offer document to all Shareholders which must contain at least the following information:

- (i) the terms and conditions of the offer;
 - (ii) the period and procedures for acceptances;
 - (iii) the reasons for the proposed share purchase;
 - (iv) the consequences, if any, of shares purchases by the Company that will arise under the Singapore Code or other applicable take-over rules;
 - (v) whether the share purchase, if made, would have any effect on the listing of the Shares on the SGX-ST; and
 - (vi) details of any share purchases made by the Company in the previous 12 months (whether Market Purchases or Off-Market Purchases), giving the total number of Shares purchased, the purchase price per Share or the highest and lowest prices paid for the purchases, where relevant, and the total consideration paid for the purchases.
- (d) *Maximum purchase price*

The purchase price (excluding brokerage, stamp duties, applicable goods and services tax and other related expenses) to be paid for the Shares will be determined by the Directors. However, in accordance with Rule 884 of the SGX-ST Listing Manual, the purchase price must not exceed:

- (i) in the case of a Market Purchase, 105% of the Average Closing Price (as defined hereinafter); and

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(ii) in the case of an Off-Market Purchase pursuant to an equal access scheme, 120% of the Highest Last Dealt Price (as defined hereinafter),

(the “**Maximum Price**”) in either case, excluding related expenses of the purchase.

For the purposes of this Circular:

“**Average Closing Price**” means the average of the closing market prices of a Share over the last 5 Trading Days preceding the day of the Market Purchase on which transactions in the Share were recorded and deemed to be adjusted for any corporate action that occurs after the relevant 5 day period;

“**Highest Last Dealt Price**” means the highest price transacted for a Share as recorded on the Trading Day preceding the day of the making of the offer pursuant to the Off-Market Purchase; and

“**Day of the making of the offer**” means the day on which the Company announces its intention to make an offer for the purchase of Shares from Shareholders, stating the purchase price (which shall not be more than the Maximum Price calculated on the foregoing basis) for each Share and relevant terms of the equal access scheme for effecting the Off-Market Purchase.

“**Trading Day**” means a day on which Shares are traded on the SGX-ST.

Under Rule 10.06(2)(a) of the HKSE Listing Rules, the Company may not purchase the Shares on the HKSE if the purchase price is higher than by 5% or more than the average closing market price for the 5 preceding trading days on which the Shares were traded on the HKSE.

(e) *Status of purchased Shares*

Any Share which is purchased by the Company is treated as cancelled immediately upon purchase, and all rights and privileges attached to that Share shall expire on cancellation. All Shares purchased by the Company will be automatically de-listed by the SGX-ST and the HKSE, and certificates in respect thereof will be cancelled and destroyed by the Company as soon as reasonably practicable following settlement of any such purchase.

(f) *Source of funds and financial effects*

Under the Bermuda Companies Act, a purchase of Shares may only be funded out of the capital paid-up on the Shares to be purchased, or out of the funds of the Company which would otherwise be available for dividend or distribution, or out of the proceeds of a fresh issue of Shares made for the purpose of the purchase, and the premium payable on the purchase (i.e. the amount paid in excess of the nominal value of the Shares to be purchased) must be provided for out of the funds of the Company which would otherwise be available for dividend or distribution, or out of the Company’s share premium account before the shares are purchased. The funds for making any proposed purchase shall be from funds legally available for such purpose in accordance with the Bye-Laws of the Company and the laws of Bermuda.

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The Company's total issued share capital will be diminished by the total nominal amount of the Shares purchased by the Company. The purchase price paid by the Company for the Shares (excluding brokerage, stamp duties, applicable goods and services tax and other related expenses) will correspondingly reduce the funds of the Company otherwise available for dividend or distribution and/or the Company's share premium account by the balance of purchase price.

The Company will use its cash and bank balances to finance purchases of its Shares. The Company does not intend to incur any borrowings or issue any fresh equity in order to specifically finance the purchase of Shares.

It is not possible for the Company to realistically calculate or quantify the impact of purchases that may be made pursuant to the proposed Share Repurchase Mandate on the net asset value and earnings per Share as the resultant effect would depend on factors such as the aggregate numbers of Shares purchased and the purchase prices paid at the relevant time.

There might be material adverse impact on the working capital or gearing position of the Company (as compared with the position disclosed in the audited accounts contained in the Annual Report for the year ended 31 December 2005 in the event that the Share Repurchase Mandate were to be carried out in full. However, the Directors do not propose to exercise the proposed Share Repurchase Mandate to such an extent as would have a material adverse effect on the working capital requirements of the Company or the gearing levels which, in the opinion of the Directors, are from time to time appropriate for the Company.

The impact of the purchase of Shares by the Company pursuant to the proposed Share Repurchase Mandate on the Group's and the Company's financial position is illustrated below. Based on the existing issued and paid-up ordinary share capital of the Company of 1,130,324,723 Shares as at the Latest Practicable Date and subject to the passing of the resolution approving the Share Repurchase Mandate and on the basis that no further Shares are issued or repurchased prior to the Annual General Meeting, the exercise in full of the Share Repurchase Mandate would result in the purchase of up to 113,032,472 Shares.

Market Purchase

For illustrative purposes only, in a Market Purchase, assuming that the Maximum Price is S\$1.239, which is 5% above the average of the closing prices of the Shares over the 5 Trading Days preceding the Latest Practicable Date, the maximum amount of funds required for the purchase of up to 113,032,472 Shares (representing 10% of the total issued ordinary share capital as at 31 December 2005, which is the maximum number of Shares the Company is able to purchase on the basis of the number of issued Shares as at 31 December 2005) under and during the duration of the Share Repurchase Mandate, having regard to:

- (i) the amount of the Company's and the Group's distributable reserves of approximately RMB23,486,000 and RMB2,098,355,000, respectively as at 31 December 2005;
- (ii) the Company's and the Group's share premium reserves of approximately RMB545,992,000 and RMB545,992,000, respectively as at 31 December 2005; and
- (iii) the Maximum Price of S\$1.239,

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is S\$140,047,000 (approximately RMB700,235,000). On this assumption and based on the exchange rate of S\$1:RMB5.000, the impact of the purchase of Shares by the Company undertaken in accordance with the Share Repurchase Mandate on the Company's and the Group's audited statements for FY2005 is as follows:

	Group		Company	
	Before Share Purchase RMB '000	After Share Purchase RMB '000	Before Share Purchase RMB '000	After Share Purchase RMB '000
As at 31 December 2005				
Total equity	3,491,442	2,791,207	1,172,821	472,586
Net tangible asset value	3,491,442	2,791,207	1,172,821	472,586
Current assets	1,235,456	535,221	1,081,789	381,554
Current liabilities	(504,764)	(504,764)	(406,011)	(406,011)
Net current assets/(liabilities)	730,692	30,457	675,778	(24,457)
Total Borrowings	180,000	180,000	—	—
Number of Shares ('000)	1,130,325	1,017,293	1,130,325	1,017,293

Financial Ratios

Net tangible asset value per Share (RMB) ¹	3.089	2.744	1.038	0.465
Earnings per Share (RMB)	0.652	0.724	N/A	N/A
Gearing ratio ²	0.052	0.064	N/A	N/A
Current ratio ³	2.448	1.060	N/A	N/A

Notes:

1. Net tangible asset value is equal to total equity less intangible assets.
2. Gearing ratio is equal to total borrowings divided by total equity.
3. Current ratio is equal to current assets divided by current liabilities.

As at 31 December 2005, the Group had cash and cash equivalent balances of approximately RMB328 million. In order to effect a purchase of up to 113,032,472 Shares at the Maximum Price computed at 31 December 2005, cash reserves by the Company of approximately RMB700.2 million will be required. As illustrated above, the purchase of Shares will have the effect of reducing the working capital of the Group and the Company. Net tangible asset value per Share of the Group and the Company will be reduced from RMB3.089 to RMB2.744 and RMB1.038 to RMB0.465 respectively for FY2005.

Assuming that the purchase of Shares had taken place at the beginning of FY2005, the reduction in the number of issued Shares would increase the consolidated earnings per Share of the Group for FY2005 from RMB0.652 to RMB0.724, after taking into account interest income foregone.

Off-Market Purchase

For illustrative purposes only, in an Off-Market Purchase, assuming that the Maximum Price is S\$1.404, which is 20% above the highest price transacted on the Trading Day preceding the Latest Practicable Date, the maximum amount of funds required for the purchase of up to 113,032,472

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Shares (representing 10% of the total issued ordinary share capital as at 31 December 2005, which is the maximum number of Shares the Company is able to purchase on the basis of the number of issued Shares as at 31 December 2005, which may be different from that on the Approval Date) under and during the duration of the Share Repurchase Mandate, having regard to:

- (i) the amount of the Company's and the Group's distributable reserves of approximately RMB23,486,000 and RMB2,098,355,000 respectively as at 31 December 2005; the Company's and the Group's share premium reserves of approximately RMB545,992,000 and RMB545,992,000, respectively as at 31 December 2005; and
- (ii) the Maximum Price of S\$1.404, is S\$158,698,000 (approximately RMB793,490,000). On this assumption and based on the exchange rate of S\$1:RMB5.000, the impact of the purchase of Shares by the Company undertaken in accordance with the Share Repurchase Mandate on the Company's and the Group's audited financial statements for FY2005 is as follows:

	Group		Company	
	Before Share Purchase	After Share Purchase	Before Share Purchase	After Share Purchase
	<i>RMB '000</i>	<i>RMB '000</i>	<i>RMB '000</i>	<i>RMB '000</i>
As at 31 December 2005				
Total equity	3,491,442	2,697,952	1,172,821	379,331
Net tangible asset value	3,491,442	2,697,952	1,172,821	379,331
Current assets	1,235,456	441,966	1,081,789	288,299
Current liabilities	(504,764)	(504,764)	(406,011)	(406,011)
Net current assets/(liabilities)	730,692	(62,798)	675,778	(117,712)
Total Borrowings	180,000	180,000	—	—
Number of Shares (<i>'000</i>)	1,130,325	1,017,293	1,130,325	1,017,293
Financial Ratios				
Net tangible asset value per Share (<i>RMB</i>) ¹	3.089	2.652	1.038	0.373
Earnings per Share (<i>RMB</i>)	0.652	0.724	N/A	N/A
Gearing ratio ²	0.052	0.064	N/A	N/A
Current ratio ³	2.448	0.876	N/A	N/A

Notes:

1. Net tangible asset value is equal to total equity less intangible assets.
2. Gearing ratio is equal to total borrowings divided by total equity.
3. Current ratio is equal to current assets divided by current liabilities.

As at 31 December 2005, the Group had cash and cash equivalent balances of approximately RMB328 million. In order to effect a purchase of up to 113,032,472 Shares at the Maximum Price, cash reserves by the Company of approximately RMB793.5 million will be required. As illustrated

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above, the purchase of Shares will have the effect of reducing the working capital of the Group and the Company. The net tangible asset value per Share of the Group and the Company will decrease from RMB3.089 to RMB2.652 and RMB1.038 to RMB0.373 respectively for FY2005.

Assuming that the purchase of Shares had taken place at the beginning of FY2005, the reduction in the number of issued Shares would increase the consolidated earnings per Share of the Group for FY2005 from RMB0.652 to RMB0.724.

SGX-ST Listing Rules and HKSE Listing Rules

Under the SGX-ST Listing Rules, a listed company may purchase shares by way of Market Purchase at a price per share which is not more than 5% above the “average closing market price” being the average of the closing market prices of the shares over the 5 market days, on which transactions in the shares were recorded, before the day on which the purchases were made. The Maximum Price for a Share in relation to Market Purchases by the Company, referred to in the paragraph above, conforms to this restriction.

Additionally, the SGX-ST Listing Rules also specify that a listed company shall report all purchases or acquisitions of its shares (whether on the SGX-ST or otherwise) to the SGX-ST not later than 9 a.m. (a) in the case of a Market Purchase, on the market day following the day of purchase of any of its shares and (b) in the case of an Off-Market Purchase under an equal access scheme, on the second market day after the close of acceptances of the offer. Such announcement shall include details of the total number of shares authorised for purchase, the date of purchases, the total number of shares purchased, the purchase price per share, the highest and lowest prices paid for such shares, the total purchase consideration, the cumulative number of shares purchased to date and the number of issued shares after purchase, in the form prescribed under the SGX-ST Listing Rules.

While the SGX-ST Listing Rules do not expressly prohibit any purchase of shares by a listed company during any particular time(s), because the listed company would be regarded as an “insider” in relation to any proposed purchase or acquisition of its issued shares, the Company will not undertake any purchase of Shares pursuant to the Share Repurchase Mandate at any time after any matter or development of a price-sensitive nature has occurred or has been the subject to consideration and/or a decision of the Board until such price-sensitive information has been publicly announced, in line with the Best Practices Guide on Securities Dealings issued by the SGX-ST, the Company will not purchase or acquire any Shares through Market Purchases during the period commencing two weeks before the announcement of the Company’s financial results for the first and third quarters of its financial year or one month before the half year and full year, as the case may be, and ending on the date of the announcement of the relevant results.

Under the HKSE Listing Rules, the consideration for the purchase must be in cash or for settlement in accordance with the HKSE Listing Rules. Listed companies in Hong Kong may not purchase its shares on the HKSE after a price sensitive development has occurred or has been the subject of a decision until such time as the price sensitive information is made publicly available. In particular, during the period of one month immediately preceding either the earlier of (i) the date of the board meeting (as such date is first notified to the HKSE in accordance with the HKSE Listing Rules) for the approval of the listed issuer’s results for any year, half-year, quarterly or any other interim period (whether or not required under the HKSE Listing Rules); and (ii) the deadline for the listed issuer to publish an announcement of its results for any year, half-year, quarterly or any other interim period (whether or not required under the HKSE Listing Rules), and ending on the date of

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the results announcement, the listed issuer may not purchase its shares on the HKSE, unless the circumstances are exceptional. A listed company shall not knowingly purchase its shares from a connected person.

A listed company in Hong Kong must report to the HKSE not later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the business day following any day on which it makes a purchase of shares (whether on the HKSE or otherwise), the total number of shares purchased the previous day, the purchase price per share or the highest or lowest prices paid for such purchases, where relevant, and shall confirm that those purchases which were made on the HKSE were made in accordance with the HKSE Listing Rules and if the issuer's primary listing is on the HKSE, that there have been no material changes to the particulars contained in the explanatory statement (i.e., the statement sent by the listed company to its shareholders containing all the information reasonably necessary to enable the shareholders to make an informed decision on whether to vote for or against the resolution on the share repurchase). In respect of purchases made on another stock exchange, the report of the listed company must confirm that those purchases were made in accordance with the domestic rules applying to purchases on that other stock exchange.

Listing Status

The Company is required under Rule 723 of the SGX-ST Listing Manual to ensure that at least 10% of its Shares are in the hands of the public. The "public", as defined in the SGX-ST Listing Manual, are persons other than the directors, chief executive officer, substantial shareholders or controlling shareholders of an issuer and its subsidiaries, as well as the associates of such persons.

As at the Latest Practicable Date, 52.52% of the Shares were held in the hands of the public. To the best of its knowledge, the Company is of the view that there is, at the present, a sufficient number of Shares in public hands that would permit the Company to potentially undertake purchases of its Shares through Market Purchases up to the full 10% limit pursuant to the Share Repurchase Mandate without:

- (a) affecting adversely the listing status of the Shares on the SGX-ST or the HKSE;
- (b) causing market illiquidity; or
- (c) affecting adversely the orderly trading of Shares.

In the event that the Company undertakes purchases of its Shares through Market Purchases up to the full 10% limit and based on the shareholdings statistics as at the Latest Practicable Date, 47.25% of its Shares will be held in the hands of the public.

In addition to the above, the Directors will be responsible, and will use their best endeavours to ensure that any purchase of Shares made pursuant to the Share Repurchase Mandate will not result in the occurrence of any of the events stated in paragraphs (a), (b) or (c) above and at least 10% of its Shares will remain in the hands of the public in accordance with Rule 723 of the SGX-ST Listing Manual.

Pursuant to the HKSE Listing Rules, the Company shall ensure that after its purchase of Shares on any stock exchange, at least 25% of its Shares will remain in the hands of the public.

Disclosure of Interest and Obligations to make a Take-over Offer

The Directors have undertaken to the HKSE to exercise the power of the Company to make purchases under the Share Repurchase Mandate in accordance with the HKSE Listing Rules and the laws of Bermuda.

Bye-Law 168 of the Bye-Laws would require members of the Company to comply with, *inter alia*, the provisions in Part VIII of the Securities and Futures Act of Singapore and the Singapore Code, for so long as the shares in the Company are listed on the SGX-ST.

If as a result of any purchase or acquisition by the Company of its Shares, a Shareholder's proportionate interest in the voting capital of the Company increases, such increase will be treated as an acquisition for the purposes of the Singapore Code. If such increase results in a change in control, or as a result of such increase a Shareholder or group of Shareholders acting in concert obtain or consolidate control, it may in certain circumstances give rise to an obligation on the part of such Shareholder(s) to make a take-over offer under the Singapore Code.

The circumstances under which Shareholders, including Directors and persons acting in concert with them respectively, will incur an obligation to make a take-over offer after a purchase of Shares by the Company are set out in the Singapore Code.

In relation to Directors and persons acting in concert with them, the Singapore Code provides that unless exempted (or if exempted, such exemption is subsequently revoked), Directors and/or persons acting in concert with them will incur an obligation to make a take-over offer if, as a result of a purchase of Shares by the Company:

- (i) the percentage of voting rights held by such Directors and their concert parties in the Company increased to 30% or more; or
- (ii) if they together hold between 30% and 50% of the Company's voting rights, their rights are increased by more than 1% in any period of 6 months.

Under the Singapore Code, persons acting in concert comprise individuals or companies who, pursuant to an agreement or understanding (whether formal or informal) co-operate, through the acquisition by any of them of shares in a company to obtain or consolidate control of that Company. Unless the contrary is established, the following persons, *inter alia*, will be presumed to be acting in concert:

- (i) a company with any of its directors (together with their close relatives, related trusts as well as companies controlled by any the directors, their close relatives and related trusts); and
- (ii) a company, its parent, subsidiaries and fellow subsidiaries, and their associated companies, and companies whose associated companies include any of the aforementioned companies in this sub-paragraph.

For this purpose, ownership or control of 20% or more of the equity share capital of a company will be regarded as the test of associated company status.

LETTER FROM THE BOARD OF DIRECTORS

If as a result of a securities purchase, a Shareholder's proportionate interest in the voting rights of the Company is increased, such increase will be treated as an acquisition for the purpose of the Hong Kong Code. Accordingly, a Shareholder or a group of Shareholders acting in concert could obtain or consolidate control of the Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Hong Kong Code. Rule 26 of the Hong Kong Code provides that except with the consent of the executive director of the corporate finance division of the SFC, when :

- any person acquires, whether by a series of transactions over a period of time or not, 30% or more of the voting rights of a company;
- 2 or more persons are acting in concert, and they collectively hold less than 30% of the voting rights of the company, and any one or more of them acquire voting rights and such acquisition has the effect of increasing their collective holding of voting rights to 30% or more of the voting rights of the company;
- any person holds not less than 30%, but not more than 50% of the voting rights of a company and that person acquires additional voting rights and such acquisition has the effect of increasing that person's holding of voting rights of the company by more than 2% from the lowest percentage holding of that person in a 12-month period ending on and inclusive of the date of the relevant acquisition; or
- 2 or more persons are acting in concert, and they collectively hold not less than 30% but not more than 50% of the voting rights of a company, and any one or more of them acquire additional voting rights and such acquisition has the effect of increasing their collective holding of voting rights of the company by more than 2% from the lowest collective percentage holding of such persons in the 12-month period ending on and inclusive of the date of the relevant acquisition,

that person, or the principal members of the concert group, as the case may be, should make a general offer for all the shares in the Company.

As at the Latest Practicable Date, Maleque Limited held 525,975,306 Shares, representing approximately 46.53% of the issued share capital of the Company. Furthermore, Zhou Lian Kui, an executive director of the Company, held 10,666,624 Shares in the Company. For the purpose of the Hong Kong Code and the Singapore Code, Maleque Limited and its directors, Ming Kam Sing, Zhou Lian Kui and Zhou Lian Liang are presumed to be parties acting in concert and are taken to have an interest in a total of 536,641,930 Shares, representing approximately 47.48% of the issued share capital of the Company. In the event that the Directors exercise the power to repurchase 23,618,330 Shares under the Share Repurchase Mandate in any 6-month period, then (if the present shareholdings remain the same) the attributable shareholding of Maleque Limited and its concert parties would be increased to approximately 48.49% of the issued share capital of the Company. In the opinion of the Directors, such increase may give rise to an obligation to make a mandatory offer under Rule 14 of the Singapore Code.

In addition, in the event that the Directors exercise in full the power to repurchase Shares under the Share Repurchase Mandate, then (if the present shareholdings otherwise remained the same) the shareholding of Maleque Limited and its concert parties in the Company would be increased to approximately 52.75% of the issued share capital of the Company. In the opinion of the Directors, such increase may give rise to an obligation to make a mandatory offer under Rule 26 of the Hong Kong Code.

LETTER FROM THE BOARD OF DIRECTORS

The Directors have no present intention to exercise the Share Repurchase Mandate to such an extent as would result in takeover obligations under the Singapore Code and/or the Hong Kong Code.

None of the Directors nor, to the best of their knowledge having made all reasonable inquiries, any of their associates currently intends to sell any Shares to the Company or its subsidiaries.

No connected person (as defined in the HKSE Listing Rules) has notified the Company that he has a present intention to sell Shares to the Company, or has undertaken not to do so if the Share Repurchase Mandate is exercised.

Shareholders who are in any doubt as to whether they would incur any obligations to make a take-over offer as a result of any purchase of Shares by the Company pursuant to the proposed Share Repurchase Mandate are advised to consult their professional advisers and/or the Securities Industry Council before they acquire any Shares in the Company during the period when the proposed Share Repurchase Mandate is in force.

MARKET PRICES OF SHARES

The highest and lowest market prices of the Shares recorded on the SGX-ST and the HKSE during each of the previous twelve months from March 2005 to February 2006 were as follows:

	Price per Share as quoted on HKSE				Price per Share as quoted on SGX-ST			
	Highest		Lowest		Highest		Lowest	
	HK\$	S\$	HK\$	S\$	HK\$	S\$	HK\$	S\$
2005								
March	6.20	1.31	5.50	1.16	6.13	1.29	4.94	1.04
April	5.80	1.22	5.30	1.12	5.80	1.22	5.08	1.07
May	5.30	1.12	4.50	0.95	5.46	1.15	4.37	0.92
June	4.55	0.96	3.92	0.83	4.51	0.95	3.90	0.82
July	4.45	0.94	3.62	0.76	4.47	0.94	3.66	0.77
August	4.80	1.01	4.25	0.89	4.85	1.02	4.23	0.89
September	5.25	1.11	4.40	0.93	5.42	1.14	4.47	0.94
October	5.00	1.05	3.78	0.80	5.23	1.10	3.85	0.81
November	4.55	0.96	4.03	0.85	4.75	1.00	4.13	0.87
December	5.00	1.05	4.35	0.92	5.13	1.08	4.47	0.94
2006								
January	5.80	1.22	5.00	1.05	5.89	1.24	4.89	1.03
February	5.70	1.20	5.00	1.05	5.65	1.19	4.99	1.05

SHARE REPURCHASES MADE BY THE COMPANY

On 3 June 2005, the Company repurchased a total of 3,000,000 of its ordinary shares at a price of S\$0.8628 (approximately RMB4.2643) per share on SGX-ST. The aggregate consideration including related expenses amounted to RMB12.8 million in cash. Saved as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's shares.

LETTER FROM THE BOARD OF DIRECTORS

DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTERESTS

(a) (i) Directors' interests pursuant to the SF Ordinance

As at the Latest Practicable Date, the interests and short position of the Directors in the shares, debentures and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the SF Ordinance) which will have to be notified to the Company and the HKSE pursuant to Divisions 7 and 8 of Part XV of the SF Ordinance (including interests and short positions which they are deemed or taken to be under such provisions of the SF Ordinance), or which will be required, pursuant to section 352 of the SF Ordinance, to be entered in the register referred to therein or which will be required to be notified to the Company and the HKSE pursuant to the Model code for Securities Transactions by Directors of the Listed Companies in the HKSE Listing Rules, were as follows:

Name of Director	Number of Shares held and nature of interest		
	Personal	Corporate	Total
Ming Kam Sing	—	525,975,306*(L)	525,975,306(L)
Zhou Lian Kui	10,666,624(L)	—	10,666,624(L)
Chng Hee Kok	50,000(L)	—	50,000(L)

* These Shares are held by Maleque Limited, a company incorporated in the British Virgin Islands, the issued share capital of which is owned as to 65% by Mr. Ming Kam Sing, 25% by Mr. Zhou Lian Kui and 10% by Mr. Zhou Lian Liang.

Notes: (L) — Long Position

(ii) Directors' interests pursuant to the Singapore Companies Act

As at the Latest Practicable Date

Name of director	Direct	Deemed
	interest	interest
	<i>Ordinary shares of HK\$0.50 each of the Company</i>	
Ming Kam Sing (note i)	—	525,975,306
Zhou Lian Kui (note ii)	10,666,624	525,975,306
Chng Hee Kok	50,000	—
Ow Chin Hock	—	20,000

Notes:

- (i) By virtue of the Singapore Companies Act, Mr. Ming Kam Sing is deemed to be interested in the 525,975,306 Shares held by Maleque Limited by virtue of his interest of 65% in Maleque Limited.
- (ii) By virtue of the Singapore Companies Act, Mr. Zhou Lian Kui is deemed to be interested in 525,975,306 Shares held by Maleque Limited by virtue of his interest of 25% in Maleque Limited.

LETTER FROM THE BOARD OF DIRECTORS

(b) (i) Substantial Shareholders pursuant to the SF Ordinance:

As at the Latest Practicable Date, so far as was known to the Directors, the following companies or persons had an interest or short position in the shares and the underlying shares of the Company as recorded in the register required to be kept under section 336 of the SF Ordinance and which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SF Ordinance:

Name	Number of shares held	Approximate Percentage of shareholding
Ming Kam Sing (<i>Note 1</i>)	525,975,306(L)	46.53%(L)
Maleque Limited	525,975,306(L)	46.53%(L)
J.P. Morgan Chase & Co.	68,202,000(L)	6.03%(L)
	19,822,000(P)	1.75%(P)
J.P. Morgan Fleming Asset Management (Asia) Inc.	72,878,000(L)	6.45%(L)
J.P. Morgan Fleming Asset Management Holdings Inc.	75,433,000(L)	6.67%(L)
JF Asset Management Limited	72,418,000(L)	6.41%(L)
Templeton Asset Management Limited	56,636,000(L)	5.01%(L)
Templeton Investment Counsel, LLC	70,009,000(L)	6.19%(L)

Notes: (L) — Long Position, (P) — Lending Pool

Note 1: Mr. Ming Kam Sing is deemed to be interested in the 525,975,306 Shares held by Maleque Limited by virtue of his 65% interest in Maleque Limited.

(ii) Substantial Shareholders pursuant to the Singapore Companies Act as recorded in the Register of Substantial Shareholders as at the Latest Practicable Date

	Direct Interest	%	Deemed Interest	%
Ming Kam Sing	—	—	525,975,306	46.53
Zhou Lian Kui	10,666,624	0.95	525,975,306	46.53
Maleque Limited	525,975,306	46.53	—	—
Franklin Resources, Inc.	—	—	135,751,000	12.01
Templeton Worldwide, Inc.	—	—	135,840,000	12.02
Templeton International, Inc.	—	—	90,557,000	8.01
Templeton Asset Management Ltd.	—	—	90,412,000	8.00

Note:

- Under the Singapore Companies Act, a person/corporation is a substantial shareholder if he/it is, directly or indirectly, interested in not less than 5% of the aggregate nominal amount of all the voting shares in the Company.
- Mr Ming Kam Sing and Mr. Zhou Lian Kui are deemed to be interested in all the shares registered in the name of Maleque Limited by virtue of their interest of 65% and 25% respectively in Maleque Limited.

LETTER FROM THE BOARD OF DIRECTORS

3. Franklin Resources, Inc.'s deemed interest includes shares in the Company which are held by its indirect wholly-owned subsidiaries Franklin Advisers, Inc., Franklin Templeton Investments (Asia) Limited ("FTIA"), Templeton Asset Management Ltd. ("TAML") and Templeton Investment Council, LLC ("TICLLC") on behalf of their clients in discretionary managed accounts.
4. Templeton Worldwide, Inc.'s deemed interest includes shares in the Company which are held by its indirect wholly-owned subsidiaries FTIA, TAML and TICLLC on behalf of their clients in discretionary managed accounts.
5. Templeton International, Inc.'s deemed interest includes shares in the Company which are held by its indirect wholly-owned subsidiaries FTIA and TAML on behalf of their clients in discretionary managed accounts.
6. Templeton Asset Management Ltd.'s deemed interest includes shares in the Company which are held by its indirect wholly-owned subsidiaries FTIA and TAML on behalf of their clients in discretionary managed accounts.

ANNUAL GENERAL MEETING

The notice convening the Annual General Meeting is set out at pages 85 to 88 of the annual report of the Company dated 30 March 2006.

FOR HONGKONG SHAREHOLDERS

A form of proxy for the Annual General Meeting is also enclosed with the annual report. Whether or not you are able to attend the Annual General Meeting, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return it to Tengis Limited, 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the Annual General Meeting. Completion and return of the form of proxy shall not preclude you from attending and voting in person at the Annual General Meeting or any adjourned meeting should you so desire.

FOR SINGAPORE SHAREHOLDERS

A form of proxy for the Annual General Meeting is also enclosed with the annual report. The proxy form, duly completed, must be deposited by the Direct Account Holder or Depository Agent at the office of the Company's Share Transfer Agent in Singapore, Lim Associates (Pte) Ltd, at 10 Collyer Quay #19-08 Ocean Building Singapore 049315 at least 48 hours before the time of the Annual General Meeting. Instructions for the completion of the proxy form are set out in the notes to the proxy form.

Pursuant to the Bye-Laws, at any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is demanded (i) by the chairman of the meeting; or (ii) by at least three Shareholders present in person (or in the case of a Shareholder being a corporation by its duly authorized representative) or by proxy for the time being entitled to vote at the meeting; or (iii) by a Shareholder or Shareholders present in person (or in the case of a Shareholder being a corporation by its duly authorised representative) or by proxy, or where such a Shareholder has appointed two proxies any one of such proxies, or any proxy appointed by the depository, a clearing house (or its nominee(s)) or any number or combination of such Shareholders or proxies, holding or representing as the case may be not less than one-tenth of the total voting rights of all Shareholders having the right to vote at the meeting; or (iv) by a Shareholder or Shareholders present in person (or in the case of a Shareholder being a corporation

LETTER FROM THE BOARD OF DIRECTORS

by its duly authorised representative) or by proxy, or where such a Shareholder has appointed two proxies any one of such proxies, or any proxy appointed by the depository, a clearing house (or its nominee(s)) or any number or combination of such Shareholders or proxies, holding or representing as the case may be shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all shares conferring that right.

RECOMMENDATION

The Directors are of the opinion that the Share Issue Mandate, the Share Repurchase Mandate, and the re-election of the Directors are each in the best interests of the Company and its Shareholders as a whole. They accordingly recommend that the Shareholders vote in favour of Ordinary Resolutions 7 and 8, being the Ordinary Resolution relating to the Share Issue Mandate and the Share Repurchase Mandate to be proposed at the Annual General Meeting.

Yours faithfully,
On behalf of the Board
People's Food Holdings Limited
Ming Kam Sing
Chairman

DEFINITIONS

In this document unless the context otherwise requires, the following expressions shall have the following meanings:

“2004 AGM”	the annual general meeting of the Company held on 28 April 2005;
“Annual General Meeting”	the annual general meeting of the Company to be held on 28 April 2006, 3:00 p.m. at Grand Hyatt Singapore, Magnolia IV Room, 10 Scotts Road, Singapore 228211;
“Bermuda Companies Act”	The Companies Act 1981 of Bermuda;
“Bye-Laws”	The bye-laws of the Company as amended, supplemented or modified from time to time;
“FY”	Financial Year;
“Group”	The Company and its subsidiaries;
“HK\$”	The lawful currency for the time being of Hong Kong;
“HKSE”	The Stock Exchange of Hong Kong Limited;
“HKSE Listing Rules”	Rules Governing the Listing of Securities on the HKSE;
“Hong Kong”	The Hong Kong Special Administrative Region of the People’s Republic of China;
“Hong Kong Code”	Hong Kong Code on Takeovers and Mergers;
“Latest Practicable Date”	14 March 2006, being the latest practicable date prior to the printing of this Circular;
“PRC”	The People’s Republic of China;
“RMB”	The lawful currency for the time being of the PRC;
“S\$”	The lawful currency for the time being of Singapore;
“SF Ordinance”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
“SGX-ST” or “Singapore Exchange”	Singapore Exchange Securities Trading Limited;
“SGX-ST Listing Rules”	Such rules and guidelines of the SGX-ST as may for the time being be applicable to a company whose shares are listed and quoted on the SGX-ST;
“Shareholders”	Holder of the Shares;

DEFINITIONS

“Shares”	Ordinary Shares of par value of HK\$0.50 each in the capital of the Company;
“Singapore Code”	The Singapore Code on Take-overs and Mergers
“Singapore Companies Act”	Companies Act, Chapter 50 of Singapore

The following exchange rates which are used throughout this Circular are for information purpose only, unless otherwise stated:

(i) US\$1.00 = HK\$7.80

(ii) RMB1.00 = HK\$0.95

(iii) S\$1.00 = HK\$4.75

No representation is made that any amount in US\$, RMB, HK\$ or S\$ could have been or could be converted at the above rate or at any other rates or at all.

1. Shareholders' Approval

- (a) Purchases of Shares by the Company must be approved in advance by the Shareholders at a general meeting of the Company, either by way of a general mandate or by specific approval of a specific transaction.
- (b) A general mandate authorising the purchase of Shares by the Company representing up to a maximum of 10% of the issued share capital of the Company at the time of the passing of the resolution granting such mandate will expire on the earliest of:
 - (i) the conclusion of the next annual general meeting of the Company; or
 - (ii) the expiration of the period within which the next annual general meeting of the Company is required by law or the Bye-Laws to be held; or
 - (iii) the time when such mandate is revoked or varied by an ordinary resolution of the Shareholders in general meeting.
- (c) Based on the existing issued and paid-up share capital of the Company of 1,130,324,723 Shares as at the Latest Practicable Date and subject to the passing of the resolution approving the Share Repurchase Mandate and on the basis that no further Shares are issued or repurchased prior to the Annual General Meeting, the exercise in full of such mandate would result in the purchase of up to 113,032,472 Shares.
- (d) Purchases of Shares can be effected by the Company only in either one of the following two ways or both:
 - (i) by way of on-market purchases on the SGX-ST ("Market Purchases"). Market Purchases means a purchase of Shares transacted through the SGX-ST Central Limit Order Book (CLOB) trading system;
 - (ii) by way of an "off-market purchase on an equal access scheme" which has the same meaning as per Section 76C of the Singapore Companies Act ("Off-Market Purchase Scheme").

Share repurchase can also be effected on-market on the HKSE and off-market in accordance with the Code on Share Repurchases issued by the Securities and Futures Commission in Hong Kong and the HKSE Listing Rules.

2. Funding of Share Purchases

- (a) In purchasing Shares, the Company may only apply funds legally available for such purchase in accordance with its Memorandum of Association and Bye-Laws, and the applicable laws in Bermuda and the Shares being repurchased must be fully paid up.
- (b) The Company may not purchase its Shares on the SGX-ST for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the SGX-ST.
- (c) A purchase of Shares may only be funded out of the capital paid up on the Shares to be purchased, or out of the funds of the Company which would otherwise be available for dividend or distribution, or out of the proceeds of a fresh issue of Shares made for the

purpose of the purchase, and the premium payable on the purchase (i.e. the amount paid in excess of the nominal value of the Shares to be purchased) must be provided for out of the funds of the Company which would otherwise be available for dividend or distribution, or out of the Company's share premium account before the Shares are purchased.

- (d) The Directors do not propose to exercise the Share Repurchase Mandate to such an extent as would have a material adverse effect on the working capital requirements of the Company or the gearing levels which, in the opinion of the Directors, are from time to time appropriate for the Company.

3. Trading Restrictions

- (a) The Company may not purchase any Shares if, as a result of such purchase, the issued share capital of the Company will be reduced below the minimum capital specified in its Memorandum of Association.
- (b) The Company will not effect a share purchase if immediately following the share purchase, any continuing shareholding spread requirement prescribed by the SGX-ST Rules which may be in force at the time of the intended share purchase cannot be maintained.
- (c) In making the decision to effect a share purchase, the Directors will use best efforts to ensure that the number of Shares remaining in the hands of the public will not fall to such a level as to cause market illiquidity and affect adversely the listing status of the Company.
- (d) The purchase may not be made if, on the date on which the purchase is to be effected, there are reasonable grounds for believing that the Company is, or after the purchase would be, unable to pay its liabilities as they become due.

4. Off-Market Purchase Scheme

For the purchases of Shares to be made by way of an Off-Market Purchase Scheme, the Company will issue an offer document to all Shareholders. The offer document shall contain at least the following information:

- (a) the terms and conditions of the offer;
- (b) the period and procedures for acceptances;
- (c) the reasons for the proposed share repurchase;
- (d) the consequences, if any, of share purchases by the Company that will arise under the Singapore Code or any other applicable take-over rules;
- (e) whether the share purchases, if made, would have any effect on the listing of the Company's securities on the SGX-ST; and

- (f) details of any share purchases made by the Company in the previous 12 months whether through Market Purchases or the Off-Market Purchase Scheme, including the total number of Shares purchased during that period, the purchase price per Share or the highest and lowest prices paid for such purchases of Shares, where relevant, and the total consideration paid for such purchases.

5. Price Restrictions

The purchases of Shares by the Company shall be at the price of up to but not exceeding the Maximum Price. In the case of Market Purchases by the Company, the Maximum Price is 5% above the average of the closing Market Prices of the Shares over the next five (5) trading days, on which transactions in the Shares were recorded, immediately preceding the date of the Market Purchase by the Company are made, and deemed to be adjusted for any corporate action that occurs after the relevant 5 day period.

Under Rule 10.06(2)(a) of the HKSE Listing Rules, the Company may not purchase the Shares on the HKSE if the purchase price is higher than by 5% or more than the average closing market price for the 5 preceding trading days on which the Shares were traded on the HKSE.

In the case of Off-Market Purchases by the Company on an equal access scheme, the Maximum Price is 20% above the highest price at which a board lot of the Shares was transacted on the SGX-ST on the trading day when transactions in the Shares were recorded immediately preceding the day of the making of the offer pursuant to the Off-Market Purchase by the Company.

6. Status of Purchased Shares

The listing of all purchased Shares (whether on the SGX-ST, HKSE or otherwise) will be automatically cancelled and the related certificates for those Shares must be cancelled and destroyed. Under Bermuda law, the Company's purchased Shares will be treated as cancelled and the issued share capital of the Company will be diminished by the nominal value of those Shares accordingly.

7. Reporting Requirements

- (a) The Company will notify the SGX-ST of Market Purchases of Shares not later than 9:00 a.m. on the Market Day following the day on which the Market Purchases were effected, and of Off-Market Purchases not later than 9:00 a.m. on the second Market Day after the close of acceptance of the offer for Off-Market Purchases. The notification of such purchases of Shares to the SGX-ST shall be in such form and shall include such details that the SGX-ST may prescribe.
- (b) The Company shall make arrangements with its stockbrokers to ensure that they provide to the Company in a timely fashion the necessary information which will enable the Company to make the aforesaid notifications to the SGX-ST.
- (c) When seeking the approval of Shareholders for the renewal of the Share Repurchase Mandate, the Company is required to disclose details pertaining to purchases of Shares made during the previous 12 months, including the total number of Shares purchased during that period, the purchase price per Share or the highest and lowest prices paid for such purchases of Shares, where relevant, and the total consideration paid for such purchases.

- (d) Under the HKSE Listing Rules, the consideration for the purchase must be in cash or for settlement in accordance with the HKSE Listing Rules. A listed company in Hong Kong may not purchase its shares on the HKSE after a price sensitive development has occurred or has been the subject of a decision until such time as the price sensitive information is made publicly available. In particular, during the period of one month immediately preceding either the earlier of (i) the date of the board meeting (as such date is first notified to the HKSE in accordance with the HKSE Listing Rules) for the approval of the listed issuer's results for any year, half-year, quarterly or any other interim period (whether or not required under the HKSE Listing Rules); and (ii) the deadline for the listed issuer to publish an announcement of its results for any year, half-year, quarterly or any other interim period (whether or not required under the HKSE Listing Rules), and ending on the date of the results announcement, the listed issuer may not purchase its shares on the HKSE, unless the circumstances are exceptional. The listed company shall not knowingly purchase its shares from a connected person.
- (e) The HKSE Listing Rules prohibit a company from knowingly purchase its securities on HKSE from a "connected person", that is, a director, chief executive or substantial shareholder of the company or any of its subsidiaries or any of their respective associates (as defined in the HKSE Listing Rules). A connected person shall not knowingly sell his shares to the company. No connected persons (as defined in the HKSE Listing Rules) of the Company have notified the Company that they have a present intention to sell Shares to the Company, or have undertaken not to do so, if the Share Repurchase Mandate is exercised.
- (f) A company in Hong Kong must report to the HKSE not later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the business day following any day on which it make a purchase of shares (whether on the HKSE or otherwise), the total number of shares purchased the previous day, the purchase price per share or the highest or lowest prices paid for such purchases, where relevant, and shall confirm that those purchases which were made on the HKSE were made in accordance with the HKSE Listing Rules and if the issuer's primary listing is on the Exchange, that there have been no material changes to the particulars contained in the explanatory statement (i.e., the statement sent by the listed company to its shareholders containing all the information reasonably necessary to enable the shareholders to make an informed decision on whether to vote for or against the resolution on the share repurchase). In respect of purchases made on another stock exchange, the report of the listed company must confirm that those purchases were made in accordance with the domestic rules applying to purchases on that other stock exchange.

The Directors have undertaken to the HKSE that, so far as the same may be applicable, they will exercise the Share Repurchase Mandate in accordance with the HKSE Listing Rules and the Bermuda Companies Act.

8. Suspension of Purchases

The Company may not purchase Shares after a price sensitive development has occurred or has been the subject of a decision until such time as the price sensitive information has been publicly announced.

In particular, the Company may not purchase its Shares on the SGX-ST during the period commencing two weeks before the announcement of the Company's financial results for the first and third quarters of its financial year or one month before the half year and full year, as the case may be, and ending on the date of the announcement of the relevant results.

The biographical details of the Directors proposed to be re-elected at the forthcoming AGM are set out as follows:

Mr. Chan Kin Sang, aged 55, was appointed as an independent non-executive Director of the Company on 6 February 2001. Mr. Chan is currently a senior partner of Messrs. Peter K.S. Chan & Co., Solicitors and Notaries. Mr. Chan has been a practising solicitor in Hong Kong since 1982. Mr. Chan graduated from the University of Hong Kong with a Bachelor of Laws degree in 1979. Mr. Chan was admitted as a notary public in 1997 and as a China-appointed attesting officer in 2000. Mr. Chan is a Fellow of the Hong Kong Institute of Directors and sits as an independent Director on the Boards of Directors of a number of public listed companies.

Save as disclosed above, Mr. Chan does not have any relationship with any Director, senior Management, substantial shareholder or controlling shareholder of the Company nor does he have any interests in the securities of the Company within the meaning of Part XV of the SF Ordinance.

With respect to Mr. Chan's directorship with the Company, there is no service contract or specific length or proposed length of service, except that his directorship is subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Bye-Laws.

Mr. Chan will receive Director's fees in respect of his directorship. Mr. Chan's emoluments are to be determined by the Directors with reference to the Company's performance and profitability benchmarked against the prevailing market conditions.

There are no information required to be disclosed by Mr. Chan pursuant to Rule 13.51(2)(h)-(v) of Chapter 13 of the HKSE Listing Rules. Furthermore, there is no other information that need to be brought to the attention of holders of securities of the Company.

Dr. Ow Chin Hock, aged 62, was appointed as an independent non-executive Director of the Company on 7 January 2003. Dr. Ow graduated with a Bachelor of Arts (Honours) from the University of Singapore in 1966. He was awarded Fulbright Grant and Ford Fellowship to do graduate studies in USA in 1966. He obtained a Master of Arts (Economic Development) and PhD (Economics) from Vanderbilt University in 1968 and 1972 respectively. He joined the Department of Economics and Statistics, the University of Singapore in 1972, as Lecturer, Senior Lecturer, and Associate Professor till 1993. Concurrently, he was elected Member of Parliament (MP) from 1976 to 2001. During his terms as MP, he held several key public appointments, including Parliament Secretary at Ministry of Culture, and subsequently, Ministry of Education, 1977-1981. He became Executive Chairman of Pan-United Corporation Ltd ("PUC"), a listed company in Singapore in 1993. He left PUC when he rejoined the Singapore government in 1997 and was appointed as mayor and Minister of State, Ministry of Foreign Affairs from 1997 to 2001, and Ambassador-At-Large 2002-2004. Dr. Ow sits on the Boards of Directors of Singapore Airport Terminal Services and Longcheer Holdings Ltd. He is also Adjunct Professor, Nanyang Technological University. Save as disclosed in the above, Dr. Ow has not held any other directorship in any listed public company in the past three years.

Save as disclosed above, he does not have any relationship with any Director, senior management, substantial shareholder or controlling shareholder of the Company. He has a deemed interest of approximately 0.002% in the issued share capital of the Company.

With respect to Dr. Ow's directorship with the Company, there is no service contract or specific length or proposed length of service, except that his directorship is subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Bye-Laws.

Dr. Ow will receive Director's fees in respect of his directorship. Dr. Ow's emoluments are to be determined by the Directors with reference to the Company's performance and profitability benchmarked against the prevailing market conditions.

There are no information required to be disclosed by Dr. Ow pursuant to Rule 13.51(2)(h)-(v) of Chapter 13 of the HKSE Listing Rules. Furthermore, there is no other information that need to be brought to the attention of holders of securities of the Company.