

Review of Operations

General

Founded in 1994, People's Food Holdings Limited (the "Company" or "People's Food") and its subsidiaries (collectively the "Group") is one of the leading producers of fresh and frozen meat and processed meat products in the PRC. The Group currently operates seven production bases, respectively in Linyi of Shandong Province, Meishan of Sichuan Province, Xiangtan of Hunan Province, Tongliao of Inner Mongolia Autonomous Region, Daqing of Heilongjiang Province, Shangqiu of Henan Province and Xinglong of Heilongjiang Province. The Group's two leased production bases in Shangqiu and Xinglong have commenced production during August 2003. The Group's meat products are distributed primarily in the PRC and marketed under the "Jinluo" brand name and trade mark.

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As announced by the Company on 5 May 2003, in view of the spreading of the Severe Acute Respiratory Syndrome (the "SARS") epidemic in the PRC, with effect from 6 May 2003, the Group had temporarily (i) ceased purchases of live pigs from suppliers in Hunan Province, Sichuan Province, Inner Mongolia and Henan Province and (ii) suspended the live pig slaughtering activities in the Group's production plants in Xiangtan, Meishan and Tongliao.

The Directors have been closely monitoring the situation regarding the SARS epidemic in the PRC, which appears to have been contained (in particular such regions which are geographically proximate to the Group's production plants in Meishan and Tongliao). The Company announced on 16 May 2003 that with effect from 17 May 2003, the Directors have decided to resume (i) purchases of live pigs from suppliers in Sichuan Province and Inner Mongolia and (ii) the live pig slaughtering activities in the Group's production plants in Meishan and Tongliao.

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Prospects

The Directors announced on 5 August 2003 that the Group's two leased production plants in Shangqiu of Henan Province and Xinglong of Heilongjiang Province commenced production in the first week of August. The Group's production plants in Shangqiu and Xinglong have an estimated annual capacity to process approximately 800,000 and 1,000,000 pigs (equivalent to approximately 80,000 tonnes and 100,000 tonnes) respectively.

In view of the uncertainty of the SARS epidemic in the 2Q of 2003, the Directors will continue to monitor the situation diligently and review the operations accordingly. Cost control measures implemented have proved fruitful, with a lower decrease in net profits. Although there are signs of a recovery in demand, the Directors will cautiously monitor the market situation to control the supply of live pigs to the various plants it operates.

The Directors are of the view that the main product segments hit by SARS, mainly the frozen pork and pigs by-products categories, are showing signs of a pick-up in demand. However, the supply and process of these products will recover gradually. In the meantime, the Directors believe that the two newly leased plants in Henan and Heilongjiang Provinces will contribute to the overall performance of the Group in the second half of 2003. Also, the positive growth in sales of fresh pork and LTMP bodes well for the Group. With a gradual increase in the utilization rates of the various plants and the contributions from the new plants, the Directors are of the view that the overall performance of the Group will improve in the second half of the year as compared to the first.

Barring any unforeseen circumstances, the Directors remain optimistic about the current year's prospects because of the Group's sound business strategy, market recognition of the "Jinluo" brand, and its wide geographical spread of operations in the PRC.

Ming Kam Sing

Chairman

28 August 2003