



Dear Shareholders,

2003 was a challenging year for People's Food. We had a very good first quarter but were severely affected when there was an outbreak of the Severe Acute Respiratory Syndrome ("SARS") in China in the second quarter. Due to the looming threat of the disease in some of the areas where our production plants were located, we made the decision to close some plants and scaled down the operations in others. Our primary concern was to protect our staff and to prevent any damage to our brand. The plants in Meishan and Tongliao were reopened when the situation stabilised. However, although the HTMP processing line in Xiangtan was also reopened in the second quarter, the live pig slaughtering line remains closed to date. The Xiangtan area suffered severe flooding in the third quarter subsequent to SARS, and as a result, both the quality and quantity of live pig supply have not recovered. We are monitoring the situation very closely and will recommence live pig slaughtering when the operating environment is back to normal.

Turnover for the year decreased only slightly by 3.1% to RMB4.9 billion, but net profit attributable to shareholders fell from RMB822.8 million to RMB552.1 million. Despite the difficulties encountered by the Group during the year, we have expanded our operations from 5 production bases at the start of the year to 9 as at year-end. In August 2003, the two newly leased plants, one at Shangqiu in Henan Province and the other at Xinglong in Heilongjiang Province have commenced production.

The phasing in of these two plants has so far been very satisfactory.

In November 2003, we announced a series of expansion plans. We are expanding the LTMP processing capacity at Linyi in the Shandong Province to reach 40,000 tonnes in the first quarter of this year.

We are adding a new production plant at Tongliao with a live pig slaughtering capacity of 250,000 tonnes, plus processing capacities of 100,000 tonnes for fresh pork, 30,000 tonnes for HTMP and 30,000 tonnes for LTMP. This plant is scheduled to commence production in the third quarter of this year.

We are also constructing a new plant at Dezhou in the Shandong Province. This new production plant is scheduled to commence production in mid 2004, and will have an annual live pig slaughtering capacity of 250,000 tonnes and an annual fresh pork processing capacity of 100,000 tonnes.

We have also acquired a production facility at Qiqihaer in the Heilongjiang Province. This plant has annual capacities to slaughter 40,000 tonnes of live pigs and 90,000 tonnes of chickens. It is scheduled to commence production in the second quarter of this year.

The Group has also expanded its distribution network during the year and in particular, our network of Jinluo specialty stores. At the end of

2003, we have more than 440 stores distributing our fresh pork and LTMP products. We will continue to expand this distribution network to match the growth in our fresh pork and LTMP output in 2004.

Our growth and development over the past years are testimony to the commitment and dedication that our management team and our staff have in driving the group forward. We would like to extend my deepest gratitude to all shareholders and investors for their continual faith and support in us and we strive to attain greater heights in the years ahead.

Ming Kam Sing
Chairman

Zhou Lian Kui
Chief Executive Officer

23 February 2004

