

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

## Board of Directors

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

The Board comprises six directors, three of whom are independent and non-executive and whose collective experience and contributions are valuable to the Company. The independence of each director is reviewed annually by the Nominating Committee (the "NC"). The NC adopts the Code's definition of what constitutes an independent director in its review. As a result of the NC's review of the independence of each director for the financial year 2003, the NC is of the view that the non-executive independent directors are independent, and further, that no individual or small group of individuals dominate the Board's decision making process. The NC is of the view that the current Board comprises persons who as a group, provide core competencies necessary to meet the Company's performance

targets. The NC is also of the view that the current Board size of six directors is appropriate, taking into account the nature and scope of the Company's operations.

The Board members are:

### *Executive*

Ming Kam Sing, *Chairman*

Zhou Lian Kui, *Chief Executive Officer*

Zhou Lian Liang

### *Independent and Non-executive*

Chng Hee Kok

Chan Kin Sang

Ow Chin Hock (appointed on 7 January 2003)

The principal functions of the Board are:

- To approve the Board's policies, strategies and financial objectives of the Group and to monitor the performance of Management;
- To oversee the processes for evaluating the adequacy of internal controls, risk management, financial reporting and compliance;
- To approve annual budgets, major funding proposals, investment and divestment proposals;
- To approve that nominations of Board and appointment of key divestment proposals; and
- To assume responsibility for corporate governance.

The Board is accountable to the shareholders and oversees the management of the business and affairs of the Group.

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

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

The Board conducts regular scheduled meetings. Ad-hoc meetings are convened when circumstances require. The Company's bye-laws allow a Board meeting to be conducted by way of a tele-conference. The attendance of the directors at meetings of the Board and the Board committees is provided on page 16 of this annual report.

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

In accordance with bye-law 86 of the Company's bye-laws, Mr Zhou Lian Kui and Mr Zhou Lian Liang

will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

### **Audit Committee**

#### *Code of Corporate Governance Principle 11*

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

Chng Hee Kok, *Chairman*

Chan Kin Sang

Ow Chin Hock (appointed on 7 January 2003)

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

The AC conducts regular scheduled meetings, ad-hoc meetings are convened when circumstances require. The attendances at the AC meetings are provided on page 16 of this annual report.

The AC performs the following main functions:

- (a) reviews the financial and operating results and accounting policies of the Group;

- (b) reviews the financial statements before their submission to the Board and the external auditors' report on those financial statements;
- (c) reviews the quarterly and annual announcement of results of the Group before submission to the Board for approval;
- (d) considers and reviews the assistance given by the management of the Group to the internal and external auditors;
- (e) reviews the external audit plan and the results of the external auditors' examination and the evaluation of the Group's internal control system;
- (f) recommends the reappointment of the external auditors;
- (g) reviews interested person transactions;
- (h) reviews the internal audit plan and findings of the internal audit; and
- (i) generally undertakes such other functions and duties as may be required by statute and the Listing Manual issued by the SGX-ST and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, and by such amendments made thereto from time to time.

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

The AC also reviewed the internal auditors' activities on a quarterly basis during the year.

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

#### **In performing its function, the AC:**

- (a) has had full access to and cooperation of Management and has full discretion to invite any director and executive officer to attend its meetings; and
- (b) has been given reasonable resources to enable it to discharge its functions properly.

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

The AC has recommended to the Board the nomination of Ernst & Young, Certified Public Accountants, Hong Kong for reappointment as auditors of the Company at the forthcoming annual general meeting.

The Company has, to the best of its knowledge, complied with the Best Practices Guide in relation to the role and responsibilities of the Audit Committee issued by the SGX-ST.

## Nominating Committee

*Code of Corporate Governance Principles 4 and 5*

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

Ow Chin Hock, *Chairman*

(appointed on 18 March 2003)

Chng Hee Kok

Chan Kin Sang

Ming Kam Sing

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

The key functions of the NC are to:

- (a) develop and maintain a formal and transparent process for the appointment and reappointment of members of the Board;
- (b) recommend the appointment and reappointment of directors;
- (c) decide how the Board's performance may be evaluated and prepare objective performance criteria to assess the effectiveness of the Board as a whole and the contribution of each director;
- (d) assess the effectiveness of the Board as a whole and the contribution by each director to the effectiveness of the Board; and

- (e) review the independence of each director, and to ensure that the Board comprises at least one-third of the independent directors.

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

The NC recommended that the two directors retiring by rotation at this annual general meeting be re-elected. The Board accepted the NC's recommendation and accordingly, the two directors will be offering themselves for re-election at this annual general meeting.

For the financial year ended 31 December 2003, the NC considered the contribution of each director to the effectiveness of the Board, reviewed the attendance and participation of each director at Board and other Board committee meetings. Subsequent to the financial year end, the Board initiated an evaluation to assess the effectiveness of the Board as a whole in FY2003. The evaluation exercise required the participation of all members of the Board in the completion of a questionnaire, the results of which were analysed and discussed. The Board would continue the evaluation into this financial year and address the findings accordingly.

### Remuneration Committee

*Code of Corporate Governance Principles 7, 8 and 9*

The Remuneration Committee (the "RC") comprises the following members:

Chan Kin Sang, *Chairman*

Chng Hee Kok

Ow Chin Hock (appointed on 18 March 2003)

Ming Kam Sing

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

The primary functions of the RC are to:

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

In reviewing and determining the remuneration packages of the executive directors, the RC shall consider, amongst other things, their responsibilities, skills, expertise and contribution to the Group's performance and if the remuneration packages are competitive and sufficient to ensure that the Company is able to attract and retain the best available executive talent.

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

Details of the remuneration of the five highest paid employees (including the Company's directors) are set out in notes 6 and 7 to the financial statements. In view of the sensitive nature of other details of the remuneration for the key management executives, the Board is of the opinion that such disclosure should not be made in this annual report and should not present its remuneration policy before shareholders for approval at the annual general meeting.

### Internal Control

*Code of Corporate Governance Principle 12*

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

## Internal audit

*Code of Corporate Governance Principle 13*

The Company has its internal audit function in place. The functions of the internal auditors are to:

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

The internal auditors report primarily to the audit committee chairman and make recommendations on their findings.

## Dealing In Securities Transactions

*SGX-ST Listing Rule 710 (2)*

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

## Communication With Shareholders

*Code of Corporate Governance Principles 10 and 14*

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

The Group released information on its quarterly and full year results within the relevant period in the form of financial statements, management discussion and analysis of performance and outlook, all of which are posted on the websites of the HKSE and SGX-ST, released to the mass media and made available on the Company's website.

All shareholders receive the annual report and notice of annual general meeting (the "AGM") as well as the interim report. At the AGM, shareholders are given the opportunity to direct their queries on the Company's operations to the board of directors, the chairman of the respective Board committees and the external auditors.

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

### Interested Person Transactions

*SGX-ST Listing Rule 1207 (16)*

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

### Material contracts

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

### Directors' Attendance Record

The following is the attendance record of meetings held by the Board, AC, RC and NC in 2003:

<b>Name of meeting</b>	<b>Number of meetings held in 2003</b>	<b>Average attendance (%)</b>
Board	4	79
AC	4	92
NC	1	100
RC	1	100