INTEGRATED DISTRIBUTION SERVICES GROUP LIMITED

(a company incorporated in Bermuda with limited liability)

(Stock Code: 2387)

ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31 DECEMBER 2004

HIGHLIGHTS

	2004	2003	Change
	US$ million	*US$ million*	*%*
Revenue	**584.9**	591.8	–1.2%
Operating profit excluding other (expenses)/ income	**13.4**	7.8	72.9%
Operating profit	**13.2**	13.1	0.8%
Profit attributable to shareholders	**10.5**	8.4	26.0%
Earnings per share	**US4.31 cents**	US3.49 cents	23.5%

- IPO successfully completed with strong response from the market
- Solid performance in 2004 with Net Profit of US$10.5 million, an increase of 26% over 2003
- Double-digit revenue growth from Logistics business (+20%) and Manufacturing business (+22%) with a slight decline in Marketing business
- Operating profit excluding other (expenses)/income grew by 73% from US$7.8 million to US$13.4 million
- Solid financial position with gross cash of US$53.0 million (net US$7.5 million) to fund future growth

The board of directors (the "Board") of Integrated Distribution Services Group Limited (the "Company") is pleased to announce the audited results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2004 together with the comparative figures for the corresponding year as follows:

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the year ended 31 December 2004

	Note	**2004**	2003
		US$'000	*US$'000*
Total invoiced amounts	2	**659,734**	650,512
Revenue	2	**584,876**	591,814
Cost of sales		**(419,466)**	(448,625)
Gross profit		**165,410**	143,189
Other revenues	2	**261**	837
Marketing and logistics expenses		**(121,277)**	(104,905)
Administrative expenses		**(30,964)**	(31,352)
Other (expenses)/income, net		**(227)**	5,328
Operating profit	3	**13,203**	13,097
Finance costs, net	4	**(687)**	(1,335)
Operating profit after finance costs		**12,516**	11,762
Share of profits less losses:			
A jointly controlled entity		**25**	34
Associated companies		**—**	256
Profit before taxation		**12,541**	12,052
Taxation	5	**(1,072)**	(2,908)
Profit after taxation		**11,469**	9,144
Minority interests		**(923)**	(776)
Profit attributable to shareholders		**10,546**	8,368
Dividends	6	**21,958**	11,022
Basic earnings per share	7	**US4.31 cents**	US3.49 cents

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2004

	Note	2004 US$'000	2003 US$'000
Non-current assets			
Intangible assets		**5,485**	3,399
Property, plant and equipment		**36,679**	63,161
Interest in a jointly controlled entity		**—**	4,848
Other long-term investments		**16**	16
Pension assets		**1,520**	3,366
Deferred tax assets		**1,819**	554
		45,519	75,344
Current assets			
Inventories		**78,081**	55,377
Trade and other receivables		**140,186**	168,918
Taxation recoverable		**566**	811
Time deposits		**24,858**	3,374
Bank balances and cash		**28,108**	17,919
		271,799	246,399
Current liabilities			
Trade and other payables		**182,759**	196,161
Bank loans and other borrowings		**15,185**	52,161
Taxation payable		**3,029**	1,142
		200,973	249,464
Net current assets/(liabilities)		**70,826**	(3,065)
Total assets less current liabilities		**116,345**	72,279
Financed by:			
Share capital		**30,900**	24,000
Reserves	8	**49,336**	39,626
Shareholders' equity		**80,236**	63,626
Minority interests		**4,483**	4,272
Non-current liabilities			
Unsecured bank loan		**30,110**	—
Obligations under finance leases		**138**	68
Deferred tax liabilities		**1,378**	4,313
		31,626	4,381
		116,345	72,279

Notes:

1. Basis of preparation

(a) The Company was incorporated in Bermuda on 25 September 2003. Its shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 7 December 2004. Pursuant to a group reorganization (the "Reorganization") in preparation for the listing of the shares of the Company on the Stock Exchange, the Company became the holding company of the companies now comprising the Group on 20 November 2004. The Reorganization involved companies under common control and the Company and its subsidiaries resulting from the Reorganization are regarded as a continuing group. Accordingly, the Reorganization has been accounted for on the basis of merger accounting, under which consolidated accounts have been prepared as if the Company had been the holding company of the companies comprising the Group throughout the accounting years presented.

(b) The accounts have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The accounts are prepared under the historical cost convention except that certain properties and the warehouse automated storage retrieval system have been stated at valuation.

(c) HKICPA has issued a number of new and revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards ("new HKFRSs") which are effective for accounting periods beginning on or after 1 January 2005. The Group has not early adopted these new HKFRSs in the accounts for the year ended 31 December 2004. The Group has commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a significant impact on its results of operations and financial position.

2. Revenue and segment information

(a)

	2004	2003
	US$'000	*US$'000*
Total invoiced amounts	**659,734**	650,512
Less: Collections on behalf of principals *(note (i))*	**(74,858)**	(58,698)
Revenue	**584,876**	591,814

Note:

(i) *Collections on behalf of principals*

Among other services, the Group has provided standalone credit and cash management service to its clients who usually have their own selling and marketing capabilities. Under this arrangement, the Group generally does not bear any inventory and/or account receivable risks of the invoiced amount, though invoices are issued in the Group's name.

The net amount paid to the Group's clients under this arrangement was recorded as collections on behalf of principals. In accordance with Statement of Standard Accounting Practice 18 "Revenue" issued by HKICPA, such collections on behalf of principals were deducted from the total invoiced amounts, to arrive at the revenue earned by the Group.

(b) The Group is principally engaged in the provision of logistics services, marketing and distribution of consumer and healthcare products and manufacturing. Revenues recognized during the year are as follows:

	2004	2003
	US$'000	*US$'000*
Revenue		
Sales of goods	**498,031**	523,346
Rendering of services	**86,845**	68,468
	584,876	591,814
Other revenues		
Dividend income from related companies and other unlisted investments	**27**	120
Gross rental income	**133**	140
Service fee from related parties	**58**	316
Service fee from third parties	**43**	261
	261	837
Total revenues	**585,137**	592,651

Primary reporting format — business segments

The Group is organized on a worldwide basis into the business segments of Logistics, Marketing and Manufacturing:

2004	**Logistics**	**Marketing**	**Manufacturing**	**Corporate**	**Inter-segment elimination**	**Group total**
	US$'000	***US$'000***	***US$'000***	***US$'000***	***US$'000***	***US$'000***
Sales of goods	**—**	**375,902**	**122,414**	**—**	**(285)**	**498,031**
Rendering of services	**94,251**	**4,034**	**1,417**	**—**	**(12,857)**	**86,845**
Revenue	**94,251**	**379,936**	**123,831**	**—**	**(13,142)**	**584,876**
Segment results	**6,612**	**9,041**	**4,373**	**(6,823)**		**13,203**
Finance costs, net						**(687)**
Share of profits of a jointly controlled entity	**—**	**25**	**—**	**—**		**25**
Profit before taxation						**12,541**
Taxation						**(1,072)**
Profit after taxation						**11,469**
Minority interests						**(923)**
Profit attributable to shareholders						**10,546**
Depreciation and amortization	**3,319**	**1,781**	**1,464**	**998**		**7,562**

2003	Logistics	Marketing	Manufacturing	Corporate	Inter-segment elimination	Group total
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Sales of goods	3,882	419,878	99,866	—	(280)	523,346
Rendering of services	74,882	4,192	1,548	—	(12,154)	68,468
Revenue	78,764	424,070	101,414	—	(12,434)	591,814
Segment results	3,571	9,400	2,467	(2,341)		13,097
Finance costs, net						(1,335)
Share of profits less losses of						
— a jointly controlled entity	—	34	—	—		34
— associated companies	—	—	—	256		256
Profit before taxation						12,052
Taxation						(2,908)
Profit after taxation						9,144
Minority interests						(776)
Profit attributable to shareholders						8,368
Depreciation and amortization	3,137	1,148	1,365	3,078		8,728
Reversal of impairment	—	—	—	(3,528)		(3,528)

Secondary reporting format — geographical segments

The Group's revenue for the year, analyzed by geographical locations is as follows:

	Revenue	
	2004	2003
	US$'000	*US$'000*
Hong Kong	**225,018**	202,771
Taiwan	**12,964**	14,262
Thailand	**110,169**	95,051
Malaysia	**125,302**	101,164
Singapore	**44,796**	40,596
the Philippines	**14,639**	104,693
Indonesia	**8,225**	8,215
PRC	**39,921**	18,831
Brunei	**12,427**	9,504
Segment total	**593,461**	595,087
Less: Inter-segment elimination	**(8,585)**	(3,273)
Group total	**584,876**	591,814

3. Operating profit

Operating profit is stated after (crediting)/charging the following:

	2004 *US$'000*	2003 *US$'000*
Gain on disposal of other investments	**—**	(234)
Loss/(gain) on disposal of subsidiaries, associated companies and change in structure, net	**227**	(866)
Reversal of provision in respect of amounts due from related companies	**—**	(700)
Reversal of impairment loss on property, plant and equipment, net	**—**	(3,528)
Other expenses/(income), net	**227**	(5,328)
Depreciation of		
Owned property, plant and equipment	**6,757**	8,368
Leased property, plant and equipment	**114**	38
Amortization of intangible assets	**691**	322
Costs of inventories sold (excluding provision for obsolete inventories)	**405,002**	430,012
Gain on disposal of property, plant and equipment	**(1,159)**	(49)

4. Finance costs, net

	2004 *US$'000*	2003 *US$'000*
Interest expense on bank loans and overdrafts	**2,229**	2,272
Interest expense of finance leases	**14**	15
Interest expense on balances with related companies	**185**	488
	2,428	2,775
Interest income from bank deposits	**(1,336)**	(385)
Interest income from related parties	**(405)**	(1,055)
Finance costs, net	**687**	1,335

5. Taxation

Hong Kong profits tax has not been provided as the Group has no assessable profit in Hong Kong for the year ended 31 December 2004 (2003: Nil). Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

The amount of taxation charged to the consolidated profit and loss account for the year represents:

	2004	2003
	US$'000	*US$'000*
Current taxation:		
— Overseas taxation	**5,216**	2,668
Deferred taxation	**(4,144)**	185
	1,072	2,853
Share of taxation attributable to:		
Associated companies	**—**	55
Taxation charges	**1,072**	2,908

6. Dividends

	2004	2003
	US$'000	*US$'000*
Dividends paid or declared by the subsidiaries to its then shareholders before the Reorganization:		
Interim, paid	**10,558**	11,022
Special, paid	**11,400**	—
	21,958	11,022

The Board does not recommend the payment of a final dividend for the year ended 31 December 2004 (2003: Nil).

7. Earnings per share

The calculations of basic and diluted earnings per share are based on the Group's profit attributable to shareholders of US$10,546,000 (2003: US$8,368,000).

The basic earnings per share is based on the weighted average number of 244,488,000 (2003: 240,000,000) ordinary shares in issue during the year. In determining the weighted average number of ordinary shares deemed to be in issue, a total of 239,880,000 ordinary shares were deemed to be in issue since 1 January 2003 after taking into consideration of the effect of the Reorganization.

No diluted earnings per share has been presented for the year ended 31 December 2004 as the exercise of share options would be anti-dilutive.

8. Reserves

The reserves movements during the year are as follows:

	Group					
	Share premium	Properties revaluation reserve	Merger reserve	Accumulated losses	Exchange reserve	Total
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
At 1 January 2003	—	7,101	76,350	(43,684)	(402)	39,365
Exchange differences	—	—	—	—	2,110	2,110
Disposal of subsidiaries, property, plant and equipment						
— release of deferred taxation	—	—	—	805	—	805
— realization of reserves	—	(4,820)	—	4,606	214	—
Profit for the year	—	—	—	8,368	—	8,368
Transfer to accumulated losses	—	—	(5,500)	5,500	—	—
Dividends	—	—	—	(11,022)	—	(11,022)
At 31 December 2003	—	2,281	70,850	(35,427)	1,922	39,626

Total	**Group**					
	Share premium	**Properties**	**revaluation reserve**	**Merger reserve**	**Accumulated losses**	**Exchange reserve**
	US$'000	***US$'000***	***US$'000***	***US$'000***	***US$'000***	***US$'000***
At 1 January 2004	**—**	**2,281**	**70,850**	**(35,427)**	**1,922**	**39,626**
Exchange differences	**—**	**—**	**—**	**—**	**103**	**103**
Issue of shares by placing and public offer	**21,019**	**—**	**—**	**—**	**—**	**21,019**
Realization of reserve upon disposal of property, plant and equipment	**—**	**(320)**	**—**	**320**	**—**	**—**
Transfer to accumulated losses	**—**	**—**	**(11,400)**	**11,400**	**—**	**—**
Profit for the year	**—**	**—**	**—**	**10,546**	**—**	**10,546**
Dividends	**—**	**—**	**—**	**(21,958)**	**—**	**(21,958)**
At 31 December 2004	**21,019**	**1,961**	**59,450**	**(35,119)**	**2,025**	**49,336**

	Company		
	Share premium	**Accumulated losses**	**Total**
	US$'000	*US$'000*	*US$'000*
At the date of incorporation and at 31 December 2003	—	—	—
Issue of shares by placing and public offer	21,019	—	21,019
Loss for the year	—	(97)	(97)
At 31 December 2004	21,019	(97)	20,922

Business Review

2004 has been an outstanding year for the Group. We solidified our business value-proposition by taking an Asia-wide "Integrated-Distribution" strategy to aggressively expand our three core business streams of Logistics, Marketing and Manufacturing. We have developed a clear strategy to tackle the age-old challenges of Asia's consumer and healthcare distribution industry by championing Logistics as the fundamental enabler to enhance efficiency and optimize value along the supply chain.

In 2004 the Group's profit attributable to shareholders amounted to US$10.5 million, representing a 26.0% increase over the US$8.4 million of 2003 and was 9.9% above the profit forecast as stated in the Company's prospectus dated 24 November 2004 ("Prospectus"). Revenue amounted to US$584.9 million, compared to US$591.8 million of 2003. The slight decline in revenue was mainly attributable to a substantial one-off item that amounted to US$91.2 million in 2003 for IDS Marketing. This amount was referred to the revenue from a contract in the Philippines which was subsequently transferred out of the Group with effect from 1 January 2004 (please refer to the "Financial Information" section of the Prospectus for details). Taking out this effect, the underlying growth in revenue was approximately 16.8%. Earnings per share for the year was US4.31 cents.

Shares of the Company were successfully listed on the main board of The Stock Exchange of Hong Kong Limited ("Stock Exchange") on 7 December 2004 with substantial over-subscription recorded for both the public offer shares and the international placing shares.

IDS Logistics enjoyed remarkable success in 2004 with revenue increasing by 19.7% to US$94.3 million. Operating margin improved from 4.5% in 2003 to 7.0% in 2004, resulting in 85.2% increase in operating profit to US$6.6 million in 2004. Since the business was transformed from back-end support to a front-end core business in 1999, IDS Logistics has evolved to become a respected Asian logistics company in the region.

With a strong focus on operational excellence, the business has successfully retained all its major customers in 2004 and successfully extended many existing relationships into other countries. Encouraging growth was recorded for retail logistics and regional hubbing services, and the operations in Thailand has successfully made an entry into the automotive parts sector through securing contracts with two major automotive companies in 2004.

IDS Marketing made steady progress despite of intensive competition from traditional distributors. The Hong Kong business rebounded strongly in 2004 following a restructuring in 2003. A focus on value added services and effective cost control yielded better returns. Commendable growth was registered in the healthcare division and the Slumberland bedding and mattress business. Revenue for IDS Marketing in 2004 was up 14.1% after eliminating the effect of a one-off item in 2003. Year-on-year operating profit was down by 3.8% from US$9.4 million in 2003 to US$9.0 million in 2004.

Under our CEPA license, we transformed a former joint venture company in China into a wholly owned marketing subsidiary and solidified our distribution network covering 70 cities across China. In line with our strategy stated in the Prospectus, preparation is underway to launch our marketing business in the Philippines sometime in the second quarter of 2005.

IDS Manufacturing recorded accelerated growth in 2004 with revenue increasing by 22.1% to US$123.8 million as compared to 2003, which is mainly attributed to the installation of a new TetraPak line in Malaysia. As a result of effective cost-saving and efficiency-enhancement measures across the business, operating profit surged 77.3% to US$4.4 million in 2004.

A Hot PET line was installed in Malaysia in August 2004 to further enhance our capability in beverage production with commercial production commenced in late March this year. Our Thailand operation signed a contract with Pfizer in July 2004 to produce their Listerine mouthwash. A dedicated plant for this contract is now being constructed at the same site as our Thailand plant in Lamlukka, and production is expected to commence in July 2005. A key objective for 2005 is to identify opportunities in private labels for retail chains as well as export businesses to Europe, the Middle East and Australia.

In 2004, we have strengthened our single, integrated regional IT infrastructure through increasing our network bandwidth and stepping up security control measures against viruses to minimize risk of system interruptions. Implementation of PeopleSoft EnterpriseOne, our common distribution and financial management system, in Singapore and Malaysia was completed and implementation in China is currently underway. Our warehouse management system, SSA WMS EXceed, will be further enhanced in 2005 by adding a RF (Radio Frequency) module.

Our proprietary customer-facing business application projects in 2004 were well received by customers. New features were added to further enhance data visibility. Plans are in hand for regional rollout in 2005.

Financial Review

Revenue

The Group reported revenue of US$584.9 million for 2004, a decrease of 1.2% compared with 2003. The decrease in revenue was primarily due to a one-off item related to the transfer out of a significant distribution contract in the Philippines with effect from 1 January 2004. The revenue generated from the contract was approximately US$91.2 million in 2003. Excluding this impact, all the three core businesses showed strong underlying revenue growth.

Gross Profit

Gross profit increased by 15.5% in 2004 to US$165.4 million. Gross profit margin increased from 24.2% in 2003 to 28.3% in 2004. The reason for the increase was the transfer out of the above-mentioned distribution contract in the Philippines in 2004 which had a low gross profit margin. Excluding the above impact, the Group has successfully maintained its margin in a very competitive environment.

Expenses

Marketing and logistics expenses increased by 15.6% in 2004 to US$121.3 million. This was primarily due to an increase in logistics expenses reflecting the strong growth in our Logistics business. The remaining increase is explained by the consolidation of the results of Nanjing IDS Marketing Company Limited ("Nanjing IDS Marketing") which became a wholly-owned subsidiary of the Company in April 2004. Administrative expenses decreased by 1.2% in 2004 to US$31.0 million reflecting success in our cost control measures.

Operating profit excluding other (expenses)/income

As a result of the increase in gross profit and the resultant operating leverage and control on expenses, operating profit excluding other (expenses)/income increased by 72.9% in 2004 to US$13.4 million.

Other (expenses)/income

We had other expenses of US$0.2 million in 2004 compared to other income of US$5.3 million in 2003 which comprised primarily of a reversal of an impairment provision made in 2001 on a property in Singapore and gain on disposal of subsidiaries.

Net Profit

With the improvement of net cash position and lower interest rates, net finance cost decreased by 48.5% to US$0.7 million. The taxation charge decreased from US$2.9 million to US$1.1 million, primarily due to the write back of deferred tax liabilities arising from the disposal of a property in Singapore.

Taking into account the above, profit attributable to shareholders grew 26.0% to US$10.5 million.

Segmental Analysis

Logistics

The Group's Logistics business continued its growth momentum. Revenue and operating profit increased by 19.7% and 85.2% to US$94.3 million and US$6.6 million respectively in 2004. The revenue growth was driven mainly by winning new contracts as well as growing existing business in Hong Kong, Taiwan, Singapore and Malaysia.

Marketing

As a result of the transfer out of the above-mentioned distribution contract in the Philippines, revenue and operating profit of Marketing business decreased by 10.4% and 3.8% to US$380 million and US$9.0 million respectively in 2004. The effect was partially offset by the growth of revenue from the rest of the economies and the increase in the shareholding of Nanjing IDS Marketing which became a wholly-owned subsidiary of the Company in April 2004 following the securing of the CEPA license.

Manufacturing

Revenue and operating profit increased by 22.1% and 77.3% to US$123.8 million and US$4.4 million respectively in 2004. The growth was mainly due to the full year impact of the additional TetraPak packaging line in Malaysia and increase in orders from existing clients in Thailand.

Geographically, Hong Kong is still the Group's largest market, accounting for 37.9% of revenue. Due to the transfer out of the above-mentioned distribution contract in the Philippines, the revenue from Philippines declined by 86%. Most of the economies we operate recorded double-digit growth in revenue. The revenue from the PRC jumped by 112% to US$39.9 million resulting from the eight months impact of our acquisition of Nanjing IDS Marketing in April 2004.

Acquisitions

To further capitalize on the Mainland of China's growing economy, we obtained CEPA status for IDS Marketing in the Mainland of China in April 2004. IDS Marketing increased its shareholding in Nanjing IDS Marketing from 49% to 100% for a consideration of US$5.1 million. We are one of the first Hong Kong distribution companies to get approval from the State Ministry of Commerce of the PRC to set up a wholly owned company in the Mainland of China under CEPA, which enables us to conduct distribution and import and export of consumer products on a nationwide basis.

In December 2004, IDS Logistics further strengthened its position in the Mainland of China by increasing its shareholding in Shanghai IDS Shen Hong Logistics Co., Ltd. from 65% to 80% at a consideration of US$750,000.

With the securing of CEPA status for IDS Marketing and our comprehensive logistics-related licences, we believe that we are well positioned to serve the demand for distribution services from brand owners who are attracted by the growing economy in the Mainland of China.

Future Prospects

We expect solid growth in Logistics business in 2005 as major new contracts which commenced in late 2004 will have full-year impact on results and the expected increase in demand for regional hubbing services provided by IDS Logistics International. Prospects of Manufacturing business also look positive as we see major consumer brands beginning to outsource manufacturing processes that used to be performed in-house and the newly installed Hot PET line in Malaysia will provide an extra stream of income. IDS Marketing is likely to see stronger revenue growth with the commencement of business in the Philippines and the gathering pace of development in the Mainland of China.

In 2004 the management team developed the Strategic Plan for 2005–2007. Key goals with specific targets have been set under the areas of Market Leadership, Operations & Technology, People & Organization and Financial Performance. Quarterly reviews will be held to measure our progress against the plan.

Regional Business Development & Execution (BDE) teams will be formed under each core business to strengthen our resources to support the fast growth of business and to ensure flawless implementation of new contracts.

We will continue to pursue opportunities to enter new markets such as Vietnam and expand aggressively in South East Asia, especially Indonesia. The management team in Indonesia has been strengthened towards the end of 2004 to ensure that we have the right resources to drive the expansion of business in the country.

We are constantly looking for suitable targets in Asia for strategic mergers and/or acquisitions to strengthen our existing operations. Such targets must be engaged in the same industry as we are and must either be able to provide us with strategic entry into a new market or to augment our existing operations to help us achieve critical mass and generate incremental profit from the outset.

Liquidity and Financial Resources

On 7 December 2004, the Company's shares were listed on the Main Board of the Stock Exchange. The Company raised approximately US$27.9 million, net of direct listing expenses from the issue of 69 million new ordinary shares in the Company. The listing enlarged the base of shareholders and has provided additional funds for the Group's future development.

The gearing ratio is defined as net debt (represented by borrowings net of time deposits and bank balances and cash) divided by shareholders' equity. As at 31 December 2004, the Group is in a strong financial position with a net cash position amounting to US$7.5 million. Hence, no gearing ratio is presented. In addition, the Group has available bank loans and overdraft facilities of US$175 million of which only US$45.4 million have been utilized.

During the year, the Group borrowed a three-year long-term bank loan amounting to US$30.1 million and repaid certain short-term bank loans.

Charges on Group Assets

As at 31 December 2004, there were no charges on the Group's assets.

Foreign Exchange Risk Management

The Group operates globally under the nine economies in Asia and is thus exposed to foreign exchange risk. Fluctuations in exchange rates in these economies can affect the earnings and net assets of the Group.

In addition, certain purchase transactions are not conducted in respective local currencies of our operations. The foreign currencies involved in these transactions include mainly U.S. Dollars, Euro, Japanese Yen and Pounds Sterling. The Group purchases foreign currency contracts to protect against the adverse effect of such exchange fluctuations on the foreign currency. Our group policy is to hedge all material purchases transacted on foreign currencies and restrict from engaging in speculative foreign exchange contracts.

Contingent Liabilities

As at 31 December 2004, the Group has the following outstanding bank guarantees issued by banks in the ordinary course of its business:

	2004	2003
	US$'000	*US$'000*
As security in favour of local tax and customs authorities in accordance with local regulations	**9,201**	29,445
For purchase of goods in favour of suppliers	**7,756**	6,408
Performance bonds and others	**155**	273
For rental payment in favour of the landlords	**3,456**	—
	20,568	36,126

Subsequent Events

On 9 March 2005, IDS Marketing (Philippines), Inc. ("IDS Marketing Philippines"), a subsidiary of the Company entered into an acquisition and service agreement with JDH (Philippines), Inc. ("JDH Philippines"), a subsidiary of Li & Fung (Distribution) Limited, pursuant to which IDS Marketing Philippines, has conditionally agreed to acquire from JDH Philippines, certain inventory, motor vehicles and IT equipment (the "Assets") and to provide certain services to JDH Philippines. The aggregate purchase price for the Assets will not exceed US$2,520,000 and the service fees payable by JDH Philippines, for the services will be not more than US$1,293,000.

The nature and reasons for the above connected transaction have previously been disclosed in the Company's announcement dated 9 March 2005.

Human Resources

As at 31 December 2004, the Group had a total workforce of approximately 4,380, of which approximately 750 were based in Hong Kong and 3,630 were located throughout our overseas operations in the eight economies in Asia, namely Taiwan, Thailand, Malaysia, Singapore, the Philippines, Indonesia, the Mainland of China and Brunei.

The Group offers its staff competitive remuneration schemes. In addition, discretionary bonuses and share options are granted to eligible staff based on individual and Group performance. The Group is committed to nurturing a learning culture in the organization. Total staff costs for 2004 amounted to US$74.4 million compared against US$57.1 million in 2003.

Use of Proceeds

The Company raised approximately US$27.9 million, net of direct listing expenses from the issue of 69 million new ordinary shares in the Company in December 2004.

The proceeds will be applied in the coming years in accordance with the proposed applications set out in the Prospectus as follows:

- approximately US$4.6 million for strengthening of our logistics and marketing business in the Mainland of China, including facilities, infrastructure and resources;
- approximately US$3.5 million for investing and enhancing our three core businesses in economies that we currently operate;
- approximately US$3.5 million for regional expansion in new economies, including logistics and manufacturing operations in Vietnam and logistics operations in Indonesia;
- approximately US$3.5 million for investment in information technology systems for the Mainland of China, enhancement of existing application (including SSA WMS EXceed and PeopleSoft EnterpriseOne) and new implementation, and new business and financial system's application regional distribution, manufacturing and financial management and upgrading of existing system;
- approximately US$6.7 million for strategic mergers and/or acquisitions or investments, joint ventures and/or alliances in the three core businesses in the Asian region; and
- the remaining amount to be used as general working capital.

As at 31 December 2004, the net funds raised of approximately US$27.9 million were placed on short-term deposits with licensed banks in Hong Kong. They will be applied in the coming years for their intended uses.

Purchase, Sale or Redemption of the Company's Listed Shares

The Company has not redeemed any of its listed shares during the year. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's listed shares during the year.

Corporate Governance

The Company has complied with the Code of Best Practice, as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules"), throughout the period from 7 December 2004 (the date on which the shares of the Company are listed on the Stock Exchange) to 31 December 2004.

The Code of Best Practice was replaced by the Code on Corporate Governance Practices and Corporate Governance Report (Appendices 14 and 23 of the Listing Rules) on 1 January 2005. Full compliance of the new Code by the Company will be effected in the year ending 31 December 2005.

The Audit Committee has reviewed the annual results for the year ended 31 December 2004 in conjunction with the Company's auditors.

Publication of the Annual Results and Annual Report

This results announcement is published on the website of the Stock Exchange at *www.hkex.com.hk*. The annual report and the notice of annual general meeting will be despatched to shareholders of the Company in due course.

By Order of the Board
Victor FUNG Kwok King
Chairman

Hong Kong, 7 April 2005

As at the date of this announcement, the executive directors of the Company are Mr. Benedict CHANG Yew Teck, Mr. Joseph Chua PHI and Mr. Rajesh Vardichand RANAVAT; the non-executive directors of the Company are Dr. Victor FUNG Kwok King, Dr. William FUNG Kwok Lun, Mr. Jeremy Paul Egerton HOBBINS, Mr. Butt Farn LAU and Mr. Derrick LEE Meow Chan; and the independent non-executive directors of the Company are Mr. William Winship FLANZ, Mr. John Estmond STRICKLAND, Dr. FU Yu Ning and Prof. Hau Leung LEE.

Please also refer to the published version of this announcement in the ***(South China Morning Post)***