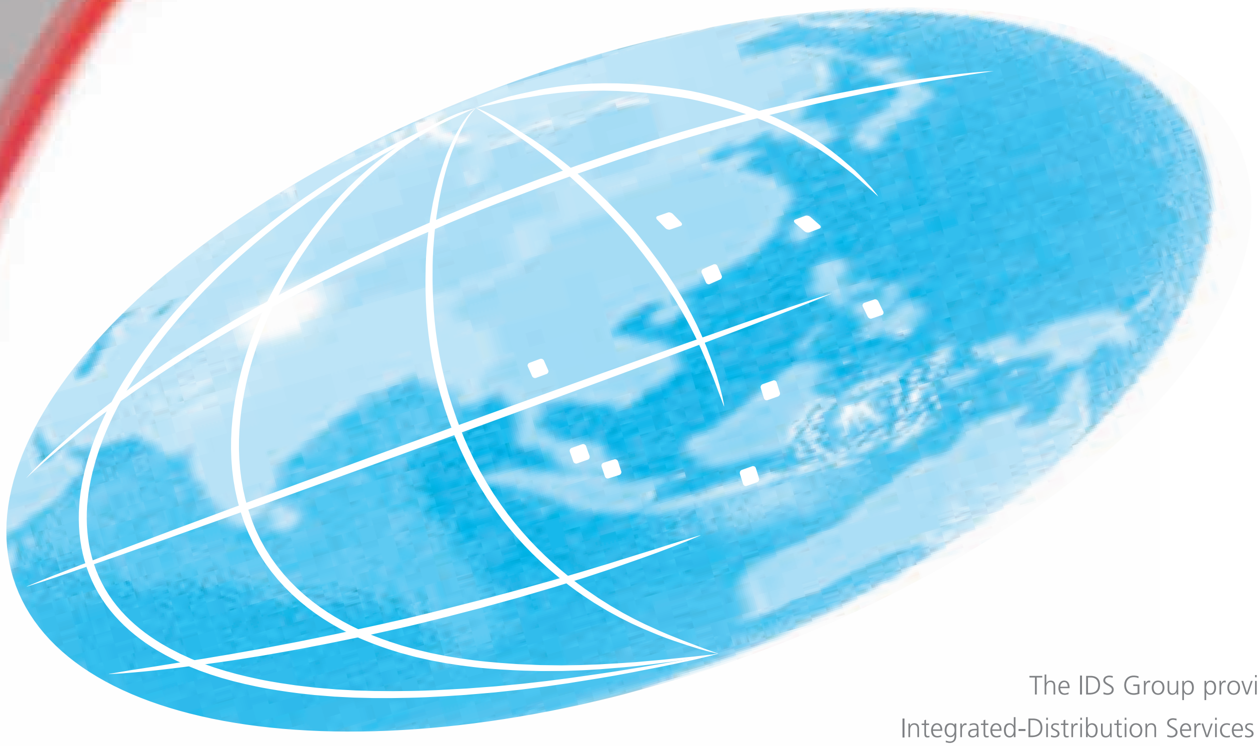
IDS Group

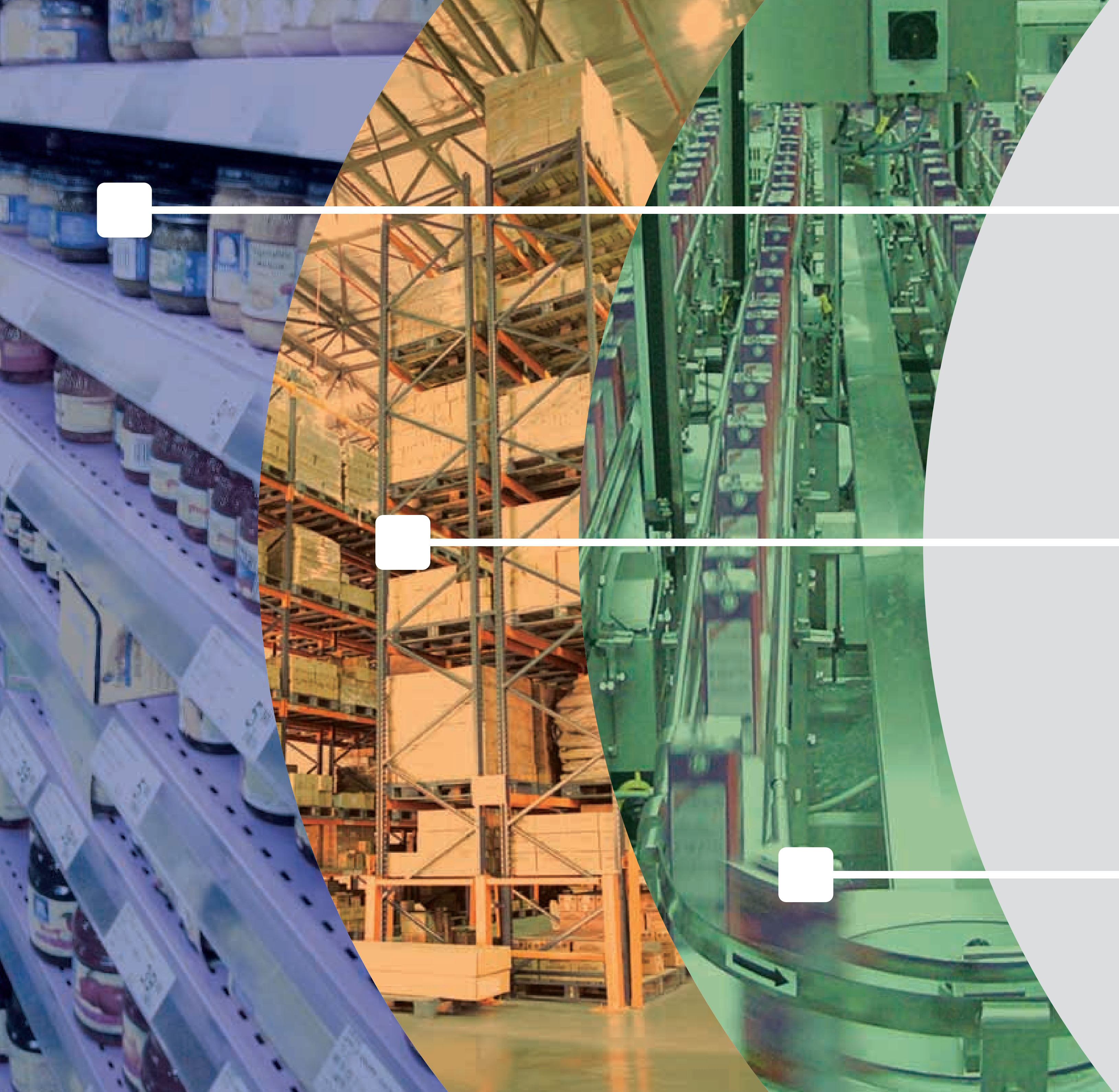
Asia's premier provider of
Integrated-Distribution Services



The IDS Group provides our business partners a menu of Integrated-Distribution Services in three core businesses across Asia:

MARKETING, LOGISTICS, MANUFACTURING

Logistics is the fundamental enabler, connecting each into an end-to-end value chain from raw materials to consumer.



promote | sell | bill | collect

Marketing

IDS Marketing sells and distributes products to various outlets across Asia on behalf of brand owners. Focusing primarily on FMCG and healthcare products, we have developed extensive distribution network covering hypermarkets, supermarkets, convenience stores, mom-and-pop stores, corner groceries, specialty stores, pharmacies, clinics and hospitals.

ship | store | deliver

Logistics

IDS Logistics provides in-country and regional logistics solutions to customers from various industries including fast moving consumer goods, healthcare products, footwear and apparel, and retail chains. Managing a deep and extensive logistics network supported by strong technology infrastructure, IDS Logistics ensures an efficient and uninterrupted flow of products in and out and around Asia.

make | test | package

Manufacturing

IDS Manufacturing produces branded goods under license from its three centers of excellence specializing in home and personal care, health and beauty, and food and beverage products. Without owning any brands or formulations, IDS Manufacturing produces according to the exact specifications of its customers with absolute focus on quality and service.

Contents

Non-executive Directors
Dr. Victor FUNG Kwok King
Dr. William FUNG Kwok Lun
Jeremy Paul Egerton HOBBINS
Butt Farn LAU
Derrick LEE Meow Chan
William Winship FLANZ*
John Estmond STRICKLAND*
Dr. FU Yu Ning*
Professor Hau Leung LEE*

** independent non-executive director*

Executive Directors
Benedict CHANG Yew Teck
Joseph Chua PHI
Rajesh Vardichand RANAVAT

Group Chief Compliance Officer
James SIU Kai Lau

Company Secretary
YUEN Ying Kwai

Legal Advisors
Johnson Stokes & Master
17th Floor, Prince's Building, 10 Chater Road
Hong Kong

Qualified Accountant
LAU Kin Shing

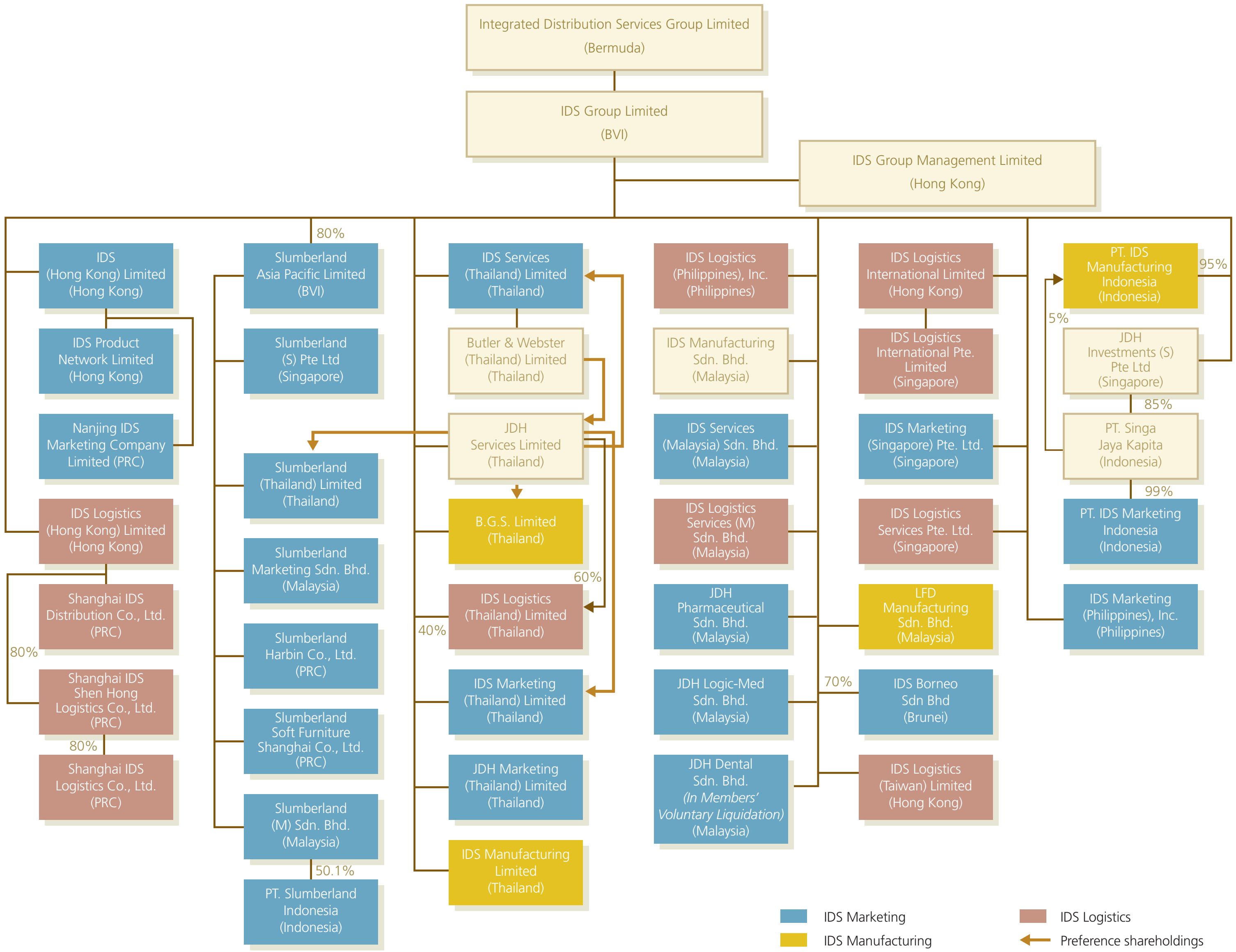
Registered Office
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Principal Bankers
The Hongkong and Shanghai Banking Corporation Limited
Standard Chartered Bank (Hong Kong) Limited

Principal Place of Business
15th Floor, LiFung Centre
2 On Ping Street
Siu Lek Yuen, Shatin, N.T.
Hong Kong

Auditors
PricewaterhouseCoopers
Certified Public Accountants
22nd Floor, Prince's Building, Central
Hong Kong

As at the date of this Report, the corporate structure of the Group is as follows:



Chairman's Statement

iDS Group

We operate as a seasoned multinational while leveraging the rich Asian heritage of the Li & Fung Group

It gives me great pleasure to report the first year-end results of Integrated Distribution Services Group Limited (the "Company") and its subsidiaries (collectively the "Group") for the fiscal year ended 31 December 2004, subsequent to its listing on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). During the year we witnessed the efforts and investments we have made in the past five years to redefine and reposition the business beginning to bear fruit. We now have three full-fledged business streams, namely IDS Marketing, IDS Logistics and IDS Manufacturing, that enable us to provide integrated services in the economies of Greater China and ASEAN. We believe the Group has now built a solid foundation on the basis of a strong Asia-wide logistics and technology infrastructure and is well positioned to redefine the traditional distribution industry, capitalizing on the strong resurgence of the Asian economy.

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 stated in the Company's prospectus dated 24 November 2004 ("Prospectus"). Among the three core businesses, we see strong growth in Logistics and Manufacturing, mainly attributable to the successful conclusion of a number of new contracts and addition of new production lines respectively. Growth in Marketing was slightly held back due to portfolio rationalization in Thailand and Singapore as part of our efforts to ensure that our contracts have a balanced risk/reward structure. Otherwise all countries showed good growth.

INITIAL PUBLIC OFFERING

Shares of the Company were successfully listed on the main board of the Stock Exchange on 7 December 2004, becoming the third publicly listed vehicle within the Li & Fung Group. We are very pleased that both the public offer shares and international placing shares received a very enthusiastic response from the market with substantial over-subscription recorded. It is a strong testament to investor confidence in the Group's business model and the operating strategies our senior management has outlined to drive business growth and deliver strong shareholder returns.

MARKET OVERVIEW

The overall economy in Asia continued to show a healthy rebound in 2004 as it recovered from the impact of SARS in the first half of 2003. Asia has regained its momentum as the fastest-growing region of the world, mainly driven by the strong and steady growth of the Chinese Mainland.

As Asian economies become more affluent, we are seeing stronger demand in consumer and healthcare products, thus triggering the proliferation of brands and the rise of consumerism. We also see the outsourcing trend in Asia continuing to thrive, as more and more multinational brands begin to outsource manufacturing and logistics and seek more sophisticated distributorships to sell and promote their products. Increasingly, brand owners are focusing their internal resources on product development and brand management. This has been accompanied by an increasing interest in regional solutions and demand for

"We see strong growth potential through our ability to customize local and regional service solutions and aggressively build our customer relationship on the two dimensions of scope of activities and geographical coverage."

The IDS Group IPO press conference.

Listing ceremony of the IDS Group at the Stock Exchange on 7 December 2004.

more sophisticated supply chain management services such as regional hubbing and inventory management. These are all beneficial to the continued growth of the Group and support our optimism about the growth opportunities that are open to us in the region.

Our operations in the Chinese Mainland recently made an important achievement: In April 2004, a wholly-owned subsidiary of the Company was approved by the State Ministry of Commerce of the PRC to set up a wholly-owned entity under the Closer Economic Partnership Arrangement (CEPA) to engage in wholesaling and distribution, import and export on a nation-wide basis. We were among the first companies in the distribution industry to achieve this status. This places us in an advantageous position over other competitors as we are now able to provide full-scale distribution services directly and with full control.

FUTURE GROWTH STRATEGIES

The key to remaining competitive in the market is to consistently invest in our people and systems to ensure that we continue to deliver added value to our customers.

During the period under review, in line with customary practice within the Li & Fung Group, the senior management of the Group developed the Three-Year Strategic Plan for 2005–2007. This will be the blueprint we will follow as we steer the Group forward towards becoming the premier pan-Asian provider of Integrated-Distribution Services specializing in Marketing, Logistics and Manufacturing.

Integrated-Distribution is our competitive edge and by integrating our core businesses of Marketing, Logistics and Manufacturing we are able to provide end-to-end services along the value-chain on a regional basis. At the same time, our three core businesses can work independently with customers who only require a specific service out of the full spectrum. With this flexible business approach, we see strong growth potential through our ability to customize local and regional service solutions and aggressively build our customer relationship on the two dimensions of scope of activities and geographical coverage.

Another strategic imperative in 2005 is to further strengthen our presence in the Chinese Mainland. We expect the strong growth of export and consumption in the Chinese Mainland to continue and brand owners gathering pace to solidify their foothold in the market, as a result of which we see increasing demand for professional logistics and marketing services. With our CEPA status in conducting wholesaling and distribution, import and export businesses, we can establish closer partnership with both international and local brands to bring products into and out of the Chinese Mainland.

We will continue to adopt an asset-light strategy of minimizing investment in properties and operating on optimal levels of working capital thereby improving returns on investment. By tight measures in managing our working capital and reducing fixed assets, we can free up capital to invest in technology applications and staff development that create more value for our customers.

On behalf of the Directors, I would like to take this opportunity to express my gratitude to the Group's management team and staff for their unrelenting efforts and invaluable contributions to our successful public listing and the continued success of the Group.

Victor FUNG Kwok King
Chairman

Hong Kong, 7 April 2005

The headquarters of the IDS Group in Hong Kong.

Group Managing Director's Report

iDS Group

We have sown the seeds for healthy, sustainable growth

2004 has been an outstanding year for the Group. We first saw the full-scale launch of the IDS brand name, then we solidified our business value-proposition by taking an Asia-wide "Integrated-Distribution" strategy to aggressively expand our three core business streams of Marketing, Logistics and Manufacturing. Most importantly we successfully debuted on the Stock Exchange on 7 December to provide the perfect finale to the year. Fittingly by going public, we also accomplished the ultimate goal of our most recent Three-Year 2002–2004 Strategic Plan.

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. When Logistics connects with our other two businesses of Marketing and Manufacturing, the three form a complete value chain that covers the entire process from procurement of raw materials to sale and delivery of finished goods to the end consumer. Each of our core businesses offers a distinct menu of services and is built from the ground up with the aim of becoming best-in-class service provider in its own field. We are therefore able to offer cost-effective, one-stop integrated solutions, customized to meet the unique requirements of our customers.

We have also successfully built up a competitive advantage by employing IT solutions to provide regional visibility and access to critical business data, reflecting our effective adoption of new technology to derive further value for customers. On top of our regional integrated technology infrastructure and standardized application systems in each of our core businesses, in 2004 we launched several proprietary business applications designed to enhance our customers' efficiency, all of which received positive response.

The key elements behind our success are our uncompromising commitment and focus on service quality and operations excellence on the ground. This has allowed us to emphasize the importance of extending our customer relationships with major customers across business streams and across countries. In 2004, we continued to leverage on our regional presence and our ability to provide local, regional and integrated solutions. As of the end of the year, over 60 customers are partnering with us on a cross-stream and/or cross-country basis. We see enormous opportunities in converting single-business, single-market customers into regional, multi-stream businesses, as well as further expanding our relationships with customers who are already working with us regionally. Our growing customer base of over 350 brand owners and retail chains provides a huge captive reservoir for our continued growth in 2005 and beyond.

"We have developed a clear strategy to tackle the age-old challenges of distribution by championing Logistics as the fundamental enabler to enhance efficiency and optimize value along the supply chain."

The IDS brand was introduced to customers and business associates during a regional launch ceremony held in February 2004.

IDS successfully debuted on the Stock Exchange.

FINANCIAL OVERVIEW

	2004 US$ million	2003 US$ million	% Change
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%

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 (please refer to the "Financial Information" section of the Prospectus). 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 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 coupled with operating leverage and effective 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 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 the above into account, 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.

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 Tetra Pak 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 where 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 Company Limited in April 2004.

Acquisitions

To further capitalize on the Chinese Mainland's growing economy, we obtained CEPA status for IDS Marketing in the Chinese Mainland 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 Chinese Mainland under CEPA, which enables us to conduct distribution and import and export of consumer products on a nation-wide basis.

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

Leadership Council Meeting in Malaysia.

Senior Managers' Meeting in Hong Kong.

With the securing of CEPA status for IDS Marketing and our comprehensive logistics-related licenses, 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 Chinese Mainland.

Liquidity and Financial Resources

On 7 December 2004, the Company's shares were listed on the Main Board of the Stock Exchange. The Group 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 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 the 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:

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

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 approximately 3,630 were located throughout our overseas operations in the eight economies in Asia, namely Taiwan, Thailand, Malaysia, Singapore, the Philippines, Indonesia, the Chinese Mainland 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 against US$57.1 million in 2003.

Use of Proceeds

The Group 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 Chinese Mainland, 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 Chinese Mainland, enhancement of existing application (including SSA WMS EXceed and PeopleSoft EnterpriseOne) and new implementation, and new business and financial system's application for 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.

INFORMATION TECHNOLOGY & BUSINESS APPLICATIONS

We believe our single, integrated regional IT infrastructure is the enabler for managing our businesses efficiently and providing customers with improved visibility. To support the rapid growth of our businesses, we increased our network bandwidth in 2004 and stepped 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 successfully completed in September 2004. Implementation in the Chinese Mainland is currently underway and is expected to be completed by August 2005. By then, all our major Marketing operations, namely Hong Kong, Thailand, Singapore, Malaysia and the Chinese Mainland, will be using a common system. Our warehouse management system, SSA WMS EXceed, will be further enhanced in 2005 by extending use of our RF (Radio Frequency) modules. This project is expected to significantly improve the operational efficiency of our distribution centers.

Our proprietary customer-focused business application projects in 2004 were well received by customers. The logistics module of Trigantic including our online portal for KPI and operations status monitoring was further expanded in terms of customer uptake and application enhancements. Additionally the sales module of Trigantic was launched in Hong Kong in mid-2004 for our Marketing customers. A full-scale rollout plan is in place for the region in 2005.

The Road Warrior project had a successful debut in 2004. The Sales Automation module of the project was launched in Thailand and Malaysia to fully automate the order-taking process by field staff. Implementation is now scheduled for Hong Kong in 2005. The product was customized to offer stock and consignment sales order management solutions for a major customer in Thailand with pilot program conducted in early 2005. We are currently reviewing the potential of further promoting the product to other potential customers. The Field Data Automation module, designed to expedite collection of field data, was launched in Hong Kong in the second half of 2004 and resulted in instant success.

BUSINESS STRATEGY & FUTURE PROSPECTS

The management is confident that the Group has developed a unique business proposition based on our ability to provide end-to-end Integrated-Distribution Services and our focus on IT excellence. It places us in a position to take advantage of Asia's outsourcing trend especially in logistics and contract manufacturing. Just as timely is the rise of Asian consumerism, which will result in an increased demand for professional marketing services to bring brands to Asia.

We expect solid growth in Logistics in 2005 as major new contracts commenced in late 2004 will have full-year impact on results. We also foresee an increase in demand for regional hubbing services as IDS Logistics International has made substantial inroads in managing cross border supply chain services. Prospects of Manufacturing 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 Chinese Mainland. We also anticipate an improvement in quality of profit as we strive for a balanced risk/reward structure for new contracts and renewal of existing contracts.

The Group follows a three-year planning cycle, and Year 2005 is the beginning of a new cycle. 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.

In order to strengthen our resources to support the fast growth of business and to ensure flawless implementation of new contracts, regional Business Development & Execution (BDE) teams will be formed under each core business. The BDE teams will play a key role in regional business development, project management, contract management and contract execution, thereby ensuring that best practices are applied regionally and that dedicated resources are available for executing major 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 there. We will be prudent in entering a new market and will commit to substantial investments only if we can make a back-to-back arrangement with a key customer to justify our investment.

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 do 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.

Benedict CHANG Yew Teck
Group Managing Director

Hong Kong, 7 April 2005

Operations Review

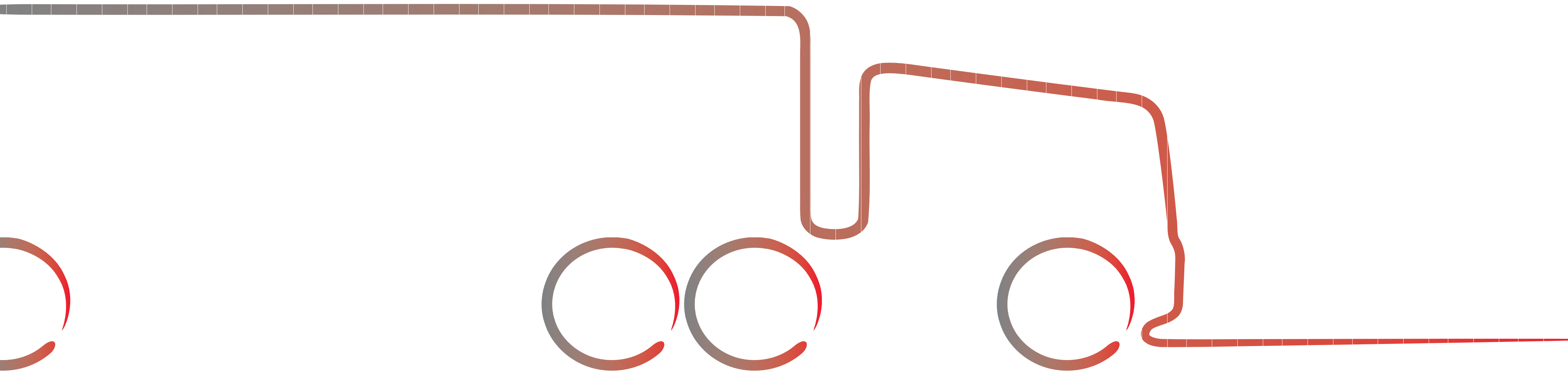
iDS Group

We are committed to making a difference by delivering operational excellence and business results for our customers

IDS Logistics

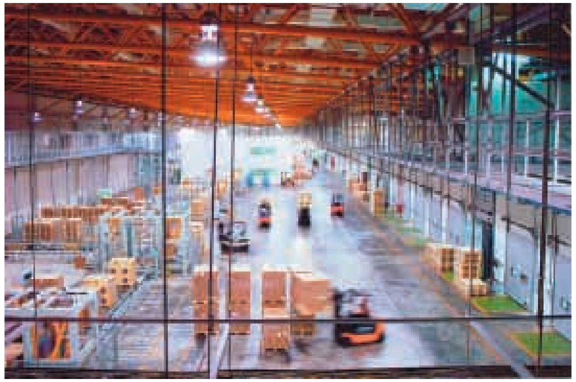
IDS places Logistics at the heart of almost every facet of its operations, driving an uninterrupted flow of goods at maximum efficiency for the lowest cost.

marketing | **logistics** | manufacturing



Operations Review

Our distribution center in Taiwan dedicated for the Unilever operations.



We provide regional hubbing service from our advanced ASRS (Automated Storage and Retrieval System) facility in Singapore.

- Operating profit surged 85.2% to US$6.6 million with substantial improvement in operating margin from 4.5% in 2003 to 7.0% in 2004.
- Over 30 new contracts signed and all major contracts renewed.
- Focus on regional client relationship gained momentum. New country wins with Watsons, Carrefour, Nike, Unilever and regional hubbing projects with Gillette, Beiersdorf and Sara Lee.
- Strong Logistics Asian outsourcing trend playing to our in-country Logistics strength and our regional supply chain and technology infrastructure.

IDS Logistics enjoyed remarkable success in 2004 with revenue increasing by 19.7% to US$94.3 million. Operating margin during the year improved from 4.5% in 2003 to 7.0%, resulting in an 85.2% increase in operating profit to US$6.6 million in 2004. Since the business was transformed from a back-end support function 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. The business development effort was equally outstanding with over 30 new contracts signed during the year, many of which are extensions of existing relationships into other countries. Examples include Nike and Unilever in Taiwan, and New Zealand Milk in Malaysia.

Earlier investments in expanding our service offerings to adjacent sectors have recorded tremendous growth in 2004. In the area of retail logistics, we built on the success of our relationship with Watsons in the Philippines, which was started in 2003, by extending the partnership to Malaysia, Hong Kong and Thailand in 2004. Our relationship with Carrefour in Thailand has also been extended to Malaysia since January 2005.

Regional hubbing and export logistics services, mainly provided by IDS Logistics International, proved to be well received by multinational brands with sophisticated supply chains. Revenue of this division doubled in 2004. During the year, IDS Logistics International commenced and strengthened hubbing services for various FMCG, Wine & Spirits and Personal Care brands like Gillette, Beiersdorf and Sara Lee.

In order to manage the strong growth of business in the Chinese Mainland, a new Nike footwear distribution center was opened in August 2004 in Shanghai. The 12,000-square meter distribution center runs our standard EXceed 4000 warehouse management system and is equipped with a conveyor system to facilitate the pick-and-pack process. A feasibility study on the installation of an automatic and intelligent-sorting conveyor system is currently being undertaken to further enhance the replenishment process.

Construction is underway in Malaysia for a new 4,500-square meter leased facility dedicated to the storage and distribution of pharmaceutical and healthcare products. Expected to be operational in May 2005, the new facility will be fully GMP compliant and will further support the growth of IDS' healthcare business in Malaysia.

Looking into 2005, our focus will be on aggressive organic growth and flawless execution to ensure the smooth implementation of new contracts. As the trend of outsourcing logistics continues to increase among leading brand owners and retail chains, we expect enormous opportunities for both in-country as well as regional logistics services. Logistics will continue to be our fundamental enabler that connects the other core businesses of Marketing and Manufacturing to provide end-to-end Integrated-Distribution Services along the complete value chain.

We will continue to expand our service offerings to adjacent sectors to leverage our core competencies and diversify our client base. Our operation in Thailand has successfully made an entry into the automotive parts sector through establishing partnerships with Michelin and General Motors in 2004. We will aggressively pursue opportunities in this sector regionally.

A wholly owned subsidiary is being incorporated in Indonesia with a view to commencing the logistics business in the near future. Our strategy will be to build the business on the back of an anchor customer. Additionally, our initial studies in Vietnam have shown that it is a fast-growing market that presents interesting prospects, and we will continue to monitor this market closely.

We continuously strive to optimize transportation cost while ensuring on-time and accurate deliveries.

One of our competitive advantages is the effective adoption of new technology to support our operations and derive value for customers.

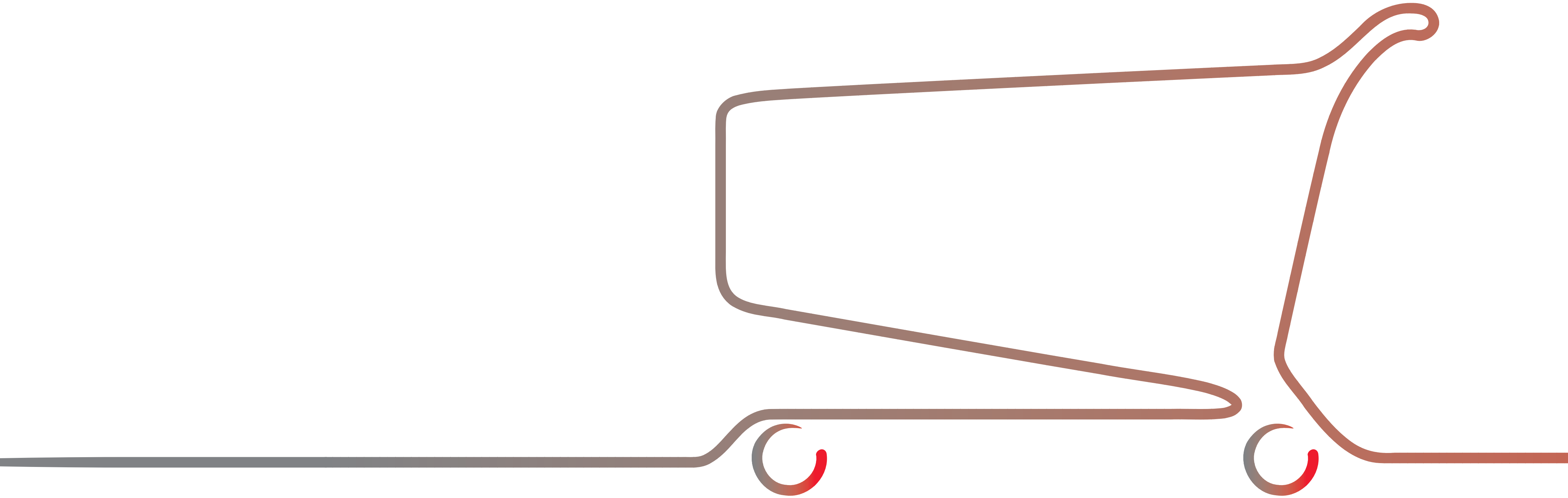
Marketing

IDS has an intimate knowledge of the complexities of the retail and healthcare industries in Asia and an in-depth understanding of local consumers.

marketing

logistics

manufacturing



- Steady progress in spite of intensive competition. Underlying revenue growth of 14.1%.
- Strong rebound in Hong Kong, firmly positioned as hub for growth in Southern China and Pearl River Delta.
- Progressive expansion in China upon CEPA approval with distribution network enhanced.
- Slumberland — Strong performance especially in the Chinese Mainland with retail outlets increasing from 79 in 2003 to 104 in 2004.

IDS Marketing made steady progress in spite of intensive competition from traditional distributors who appeal to customers based on price. Substantial investments have been made in enhancing our IT systems and service offerings to reinforce our competitive edge, as well as in developing the Chinese Mainland market to ride on the advantages to be gained through CEPA approval. As a consequence, revenue in 2004 was up 14.1% after eliminating the effect of a one-off item related to the transfer out of the significant distribution contract with revenue of US$91.2 million 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.

The Hong Kong business rebounded strongly in 2004 following a management restructuring in 2003. A focus on value added services and effective cost control yielded better returns. Addition of new accounts aided top line growth along with the recovery from SARS. New services piloted during 2004 will be built upon in 2005.

Our development in the Chinese Mainland has been progressing as planned with key operations centered in Guangzhou, Shenzhen, Shanghai and Beijing. Under our CEPA license, we transformed a former joint venture company into a wholly owned marketing subsidiary and solidified our distribution network covering 70 cities across the Chinese Mainland. We continued to enhance this distribution network and will progressively scale up our operations by serving more and more key accounts directly while strengthening our wholesaling relationships. In 2005 we will see the expansion of offices in Chengdu and Nanjing with many more cities to be added in 2006.

A key strategic priority for IDS Marketing in 2005 is to strengthen our operations in the Chinese Mainland through positioning Hong Kong as a hub for Southern China and the Pearl River Delta. By transferring our Marketing best practices and leveraging our strong customer base in Hong Kong, we can offer our customers the opportunity of extending first to Southern China and from this base gradually provide nation-wide coverage, thereby balancing risk and investments.

In August 2004 we established our first relationship with Nestle to distribute part of their snacks and beverage

Our Marketing business made steady progress in spite of intensive competition with strong rebound recorded in Hong Kong.

The rise of the modern trade, and the opening of the wholesale and retail sector in the Chinese Mainland under CEPA and WTO, plays to the strength of IDS Marketing's extensive distribution network.

中华人民共和国台港澳侨投资企业

批准证书

CERTIFICATE OF APPROVAL

FOR ESTABLISHMENT OF ENTERPRISES WITH INVESTMENT OF TAIWAN, HONGKONG, MACAO AND OVERSEAS CHINESE IN THE PEOPLE'S REPUBLIC OF CHINA

Approval was granted in April 2004 to establish a wholly owned entity in the Chinese Mainland under CEPA.

Number of Slumberland outlets in the Chinese Mainland increased substantially in 2004.

products in Brunei. Like our other major customers, we will nurture this relationship and expand to other markets and core businesses.

Our Healthcare division registered commendable growth and continues to be a market leader in surgical and critical care equipment and supplies in Malaysia and Singapore. A new initiative was implemented in Hong Kong to manage the outsourcing of mature pharmaceutical products for brand owners on a performance based fee arrangement. The initiative was well accepted as it enables brand owners to focus their resources on promoting their new products. This has proven to be a win-win solution for both the brand owner and IDS Marketing.

To address the increasing needs of brand owners, we have launched Credit & Cash Management as a separate service encompassing credit control, billing & collection, and claims & return processes on behalf of brand owners. Leveraging our expertise and local knowledge, we can significantly improve the efficiency of the sales-to-cash conversion cycle for our customers, thus optimizing and reducing their use of working capital.

In line with our strategy stated in the Prospectus, we have entered into a conditional agreement on 9 March 2005 with JDH Philippines, a wholly owned subsidiary of our controlling shareholder, to purchase certain inventory, IT infrastructure and vehicles from JDH Philippines for the launch of our marketing business in the Philippines sometime in second quarter 2005.

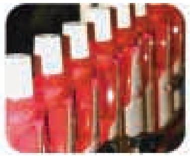
The Slumberland bedding business continued to show steady growth in 2004. Growth in revenue was recorded in all markets, in particular the Chinese Mainland, where revenues in 2004 increased by 28% as compared to the previous year while number of retail stores has grown by 32% from 79 to 104 during the year 2004. The focus on brand extension and brand building, and the expansion of our Slumberland retail stores in the Chinese Mainland over the past few years has paid off. During the period under review, the Superbrand status was awarded to Slumberland and Vono in Thailand and Malaysia respectively, which further strengthened our brands.

A plant expansion project in Malaysia commenced in September 2004 to support future growth of the business. With a gross floor area of over 4,000 square meters, the extended facility is expected to begin operations in July 2005. Upon its completion, we will have enough floor space to increase our production capacity by more than half in Malaysia.

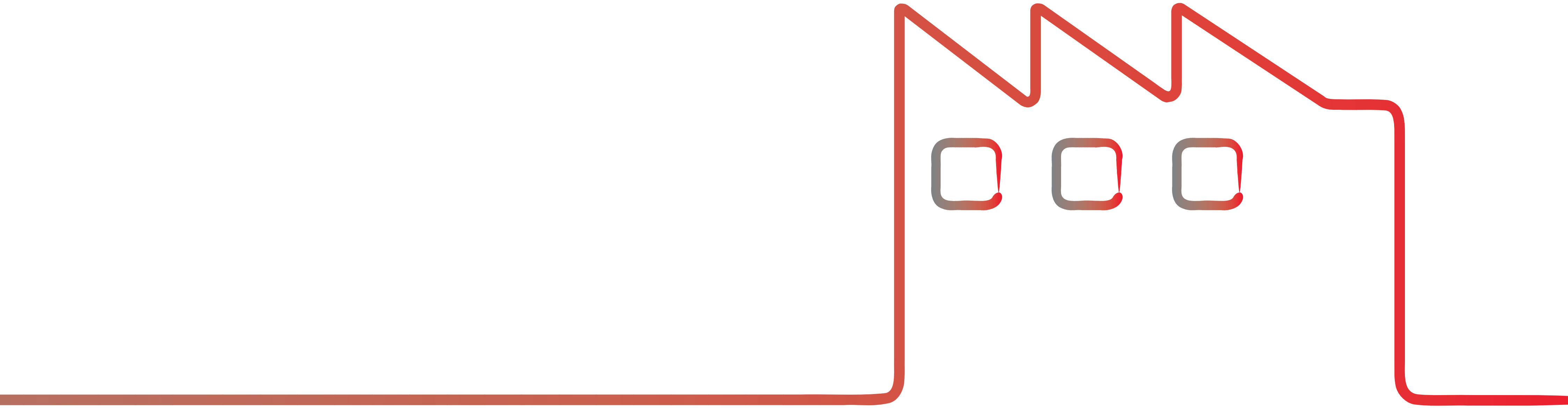
As in 2004, we foresee the upsurge of raw material prices, in particular that of steel and other oil-based products such as polyurethene foam, to be our biggest challenge in 2005. However, we also see tremendous opportunities in the Chinese Mainland as well as new markets covered by our brand rights, including India, Vietnam and South Korea. The focus of the year will be speeding up the expansion of our distribution network in the Chinese Mainland as well as exploring opportunities for new market entries through joint ventures, acquisitions or licensing.

IDS Manufacturing

The IDS Manufacturing base is built on over 40 years of Asian in-market expertise churning out literally thousands of world renowned products.



marketing | logistics | **manufacturing**



Artist impression of our facility in Thailand dedicated for the production of Listerine mouthwash for Pfizer. Construction work is expected to complete by mid-2005.

- Accelerated growth with revenue and operating profit increasing 22.1% and 77.3% respectively with the growth driven by our two centers of excellence – Malaysia and Thailand.
- Significant relationship established with Pfizer. Construction in progress for a dedicated plant in Thailand to produce Listerine mouth-wash.
- Repositioned Indonesia for growth with upgrade of plant, achievement of ISO9001:2000 certification.
- Explore opportunities in private labels for retail chains as well as export businesses to Europe, the Middle East and Australia.

IDS Manufacturing recorded accelerated growth in 2004 with revenue increasing by 22.1% to US$123.8 million, which is mainly attributed to the installation of new production lines 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. With our portfolio of customers and scale of operation, we are the largest independent contract manufacturer for FMCG products in the region.

As of 31 December 2004, IDS Manufacturing operated a total of 119 production lines, with an annual total production capacity of approximately 210,500 tons, compared to 118 lines and 189,500 tons at the end of 2003.

We saw encouraging results on the business development front in 2004. Nine new contracts were signed. We were generally successful in retaining contracts except for a few that were terminated due to product rationalization or discontinuation. 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.

Subsequent to the period under review, we concluded a contract with Nestle in January 2005 in Malaysia to produce a powdered beverage in sachets. Through outstanding team spirit and commitment, the production line was installed and commercial production began within a record-breaking timeframe of merely seven days. In February 2005, IDS Manufacturing Thailand has also concluded a contract with Procter & Gamble to produce their new hair care products for supply to ASEAN markets, Japan, Australia and New Zealand.

Since the introduction of the first Tetra Pak line in October 2001 in our Malaysia plant, demand for this packing option has been very encouraging as we became the only independent Tetra Pak co-packer in the country. In order to further capitalize on the market opportunity, a third Tetra Pak UHT line was installed in our Malaysia plant in May 2004. Demand remained strong and the machines are running at a very high utilization rate.

A Hot PET line was installed in Malaysia in August 2004 to further enhance our capability in beverage production. After a series of trial runs and fine-tuning, commercial production commenced in late March this year. Order status has been satisfactory, and we are confident that we will see increasing demand for this packing option in the market.

With our continuous efforts in achieving world-class quality standards, our plant in Indonesia was awarded the ISO9001:2000 certification in January 2004. As a consequence, all of our three manufacturing plants in the region are both GMP and ISO9001 certified. With ISO and GMP status, our plant in Indonesia will become the manufacturing partner of choice by multinational brand owners. It will be one of our strategic priorities in 2005 to substantially expand our operations in Indonesia in the near future.

Initiatives have been undertaken in 2004 to enhance operational efficiency and productivity through exchanging best practices among our operations. Transfer of best practices from Malaysia to Thailand to achieve higher operational efficiency will be the focus for 2005.

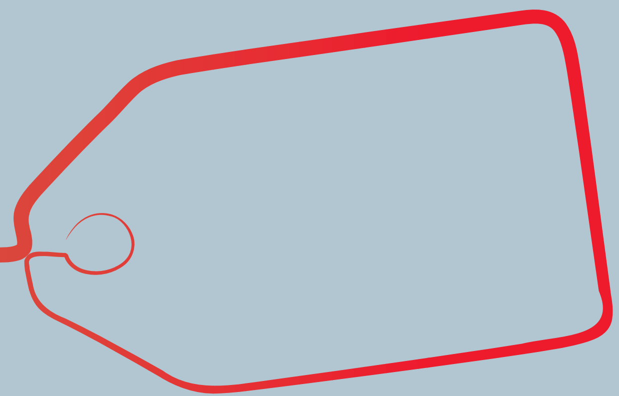
Another area of focus for 2005 is to explore opportunities in private labels for retail chains as well as export businesses to Europe, the Middle East and Australia. Business Development personnel have been actively participating in exhibitions and trade fairs to promote the company and to collect market information.

There is strong demand for our Tetra Pak line in Malaysia.

New Hot PET Line in Malaysia.

Partnerships

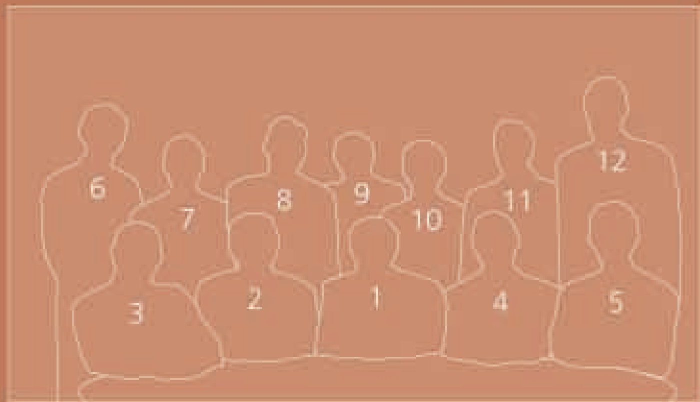
Over the years, IDS has established deep and long-standing partnerships with some of the world's most reputable brands. We currently work with over 350 brand owners and retailers and have successfully developed multi-country, multi-business relationships with many of our customers.




WE ARE HERE FOR OUR CUSTOMERS
ALWAYS SERVE THEM WELL

Directors and Senior Management Biography

1. Dr. Victor FUNG Kwok King
2. Benedict CHANG Yew Teck
3. William Winship FLANZ
4. John Estmond STRICKLAND
5. Dr. FU Yu Ning
6. Joseph Chua PHI
7. Rajesh Vardichand RANAVAT
8. Dr. William FUNG Kwok Lun
9. Professor Hau Leung LEE
10. Butt Farn LAU
11. Derrick LEE Meow Chan
12. Jeremy Paul Egerton HOBBINS



EXECUTIVE DIRECTORS

Benedict CHANG Yew Teck, aged 51, is the Group Managing Director of the Company. He has been a director of Li & Fung (Distribution) Limited ("LFD") and the Company since April 1999 and October 2003 respectively. He is a graduate of the University of Surrey, United Kingdom, with a Bachelor of Science degree in Marine Engineering. From 1984 to 1996, Mr. Chang held various senior executive positions with the HAVI Group LP. He was Group Managing Director of the HAVI Group LP's Asia Pacific operations, providing logistics, supply chain management, manufacturing and purchasing services to McDonald's in Asia Pacific. He was also Senior Vice-President and Partner of the HAVI Group LP and sat on the Executive Team of the HAVI Group LP. Mr. Chang spent his early career as Ship Repair Manager with Keppel Corporation Limited. From 1980 to 1984, Mr. Chang was the Project Director of the Allied Food Group and then the Director of Manufacturing at Allied Cocoa Industries, a subsidiary of the Cocoa Division of W.R. Grace. Mr. Chang is currently the Director of Dommal Food Services Sdn. Bhd., a company with the country development rights to operate and franchise Domino's Pizza stores in Malaysia. He is also a director of Delifrance Asia Pte Limited and Li & Fung (Gemini) Limited ("LFG").

Joseph Chua PHI, aged 42, is the Regional Managing Director of IDS Logistics. He joined IDS Logistics (Hong Kong) Limited in 1999 and has been an Executive Director of the Company since August 2004. He graduated magna cum laude from the University of the Philippines with a Bachelor of Science degree in Industrial Engineering, and attained an MBA degree with top honours from the same university. Between 1984 and 1995, Mr. Phi worked with Colgate-Palmolive Company in a number of Asian locations covering the areas of purchasing, production planning, manufacturing, logistics and supply chain management. Between 1995 and 1999, he worked with HAVI Food Services as General Manager and later Managing Director of its Taiwan subsidiary. He is a member of Phi Kappa Phi and Phi Gamma Mu international honour societies. He also holds directorships in various subsidiaries of the Company.

Rajesh Vardichand RANAVAT, aged 45, is the Chief Financial Officer of the Group. Mr. Ranavat is a Commerce graduate from the University of Poona and a Chartered Accountant from India and is an associate of the Institute of Chartered Accountants of India. Mr. Ranavat joined LFD group in 1999 as Group Development Director. Mr. Ranavat assumed the position of Commercial Director of Li & Fung Industries group effective from June 2001 until April 2003. Mr. Ranavat was promoted as the Chief Financial Officer of the Group on 1 May 2003 and has been an Executive Director of the Company since August 2004. Prior to joining LFD, Mr. Ranavat had been working with Inchcape plc in various positions since 1991 which included regional Financial Controller in the Middle East, worldwide Financial Controller for the Marketing Services Stream based in London, Chief Financial Officer of the Marketing Services business in Japan, and Director of Corporate Finance, Asia-Pacific based in Singapore. Before joining Inchcape plc, Mr. Ranavat worked with Price Waterhouse in India and Coopers & Lybrand in the Middle East.

NON-EXECUTIVE DIRECTORS

Dr. Victor FUNG Kwok King, aged 59, brother of Dr. William Fung Kwok Lun, is the Group Chairman of the Li & Fung Group of companies including publicly listed Li & Fung Limited, the Company and Convenience Retail Asia Limited. Dr. Fung has been a director of LFD and the Company since December 1998 and October 2003 respectively. He is also a director of King Lun Holdings Limited ("King Lun"), Li & Fung (1937) Limited ("LF 1937") and LFG. He holds Bachelor and Master Degrees in Electrical Engineering from the Massachusetts Institute of Technology, and a Doctorate in Business Economics from Harvard University. Dr. Fung is an independent non-executive director of Bank of China (Hong Kong) Limited, PCCW Limited, Sun Hung Kai Properties Limited and Orient Overseas (International) Limited. He is currently Chairman of the Hong Kong Airport Authority, the Hong Kong University Council and the Greater Pearl River Delta Business Council. He is also a member of Chinese People's Political Consultative Conference and the Hong Kong Government Judicial Officers Recommendation Committee. From 1991 to 2000, Dr. Fung was Chairman of the Hong Kong Trade Development Council and from 1996 to 2003, he was the Hong Kong representative on the APEC Business Advisory Council. In 2003, the government of Hong Kong awarded Dr. Fung the Gold Bauhinia Star for distinguished service to the community.

Dr. William FUNG Kwok Lun, OBE, JP, aged 56, brother of Dr. Victor Fung Kwok King, has been a director of LFD and the Company since January 1999 and August 2004 respectively. He graduated from Princeton University with a Bachelor of Science degree in Engineering and holds an MBA degree from the Harvard Graduate School of Business. He was conferred the degree of Doctor of Business Administration, *honoris causa*, by the Hong Kong University of Science & Technology. Dr. Fung is an independent non-executive director of HSBC Holdings PLC, CLP Holdings Limited, chinadotcom corporation and VTech Holdings Limited. He is appointed by the government of Hong Kong to serve as member on the Economic and Employment Council in 2004. He is currently a member of the Hong Kong Trade Development Council. He is a past Chairman of the Hong Kong General Chamber of Commerce, the Hong Kong Exporters' Association and the Pacific Economic Cooperation Committee. Dr. Fung is the Group Managing Director of Li & Fung Limited, a non-executive director of Convenience Retail Asia Limited and a director of King Lun, LF 1937 and LFG.

Jeremy Paul Egerton HOBBINS, aged 57, has been a director of LFD and the Company since April 1999 and October 2003 respectively. He is also a director of LFG. He was the Chief Executive of Inchcape Marketing Services-Asia Pacific and was also the Chief Executive Officer of Inchcape Marketing Services Limited which was listed in Singapore, from 1997 to 1998. In addition, he served as a member of the Group Management Board of Inchcape plc and a director of Inchcape NRG, a business machines joint-venture with Ricoh. Previously, he was the Chief Executive Officer of Inchcape Buying Services from 1993 to 1996. Before joining the Inchcape group in 1993, he was the President and Chief Executive Officer of the Campbell Soup Company, UK and Ireland, and previously was President of the Dairy Division of Ault Foods, Canada. He has also held senior positions at Procter & Gamble, Hutchison Whampoa and Cadbury Schweppes where he started his career in brand management. He is a non-executive director of Convenience Retail Asia Limited.

Butt Farn LAU, aged 57, has been a director of LFD and the Company since December 1998 and October 2003 respectively. He graduated from the University of London with a Bachelor of Science degree in Physics and is a fellow of the Institute of Chartered Accountants in England and Wales. Between 1985 and 1998, he was the Operations Director for Li & Fung (Retailing) Limited (the retailing arm of the Li & Fung group of companies) with operations in Circle K Convenience Stores (HK) Limited and Toys "R" Us-Lifung Limited. He is a non-executive director of Li & Fung Limited. Mr. Lau was also responsible for the investments of the Li & Fung private group. He is a director of LF 1937 and LFG.

Derrick LEE Meow Chan, aged 52, has been a Non-executive Director of the Company since August 2004. He was appointed as a director of LFD on 9 April 1999, resigned on 1 February 2000 and rejoined LFD as director on 1 June 2000. He is a fellow of the Association of Chartered Certified Accountants and an associate of the Chartered Institute of Taxation. Early in his career, he was the Financial Controller of a leading dairy product manufacturer and was an auditor with Coopers & Lybrand in Singapore. In 1984, Mr. Lee joined Seavi Advent Group where he had responsibility for the firm's investment activities in South East Asia. Currently, Mr. Lee is the Managing Director of Seavi Advent Group where he is responsible for its Asian investment activities.

INDEPENDENT NON-EXECUTIVE DIRECTORS

William Winship FLANZ, aged 60, has been an Independent Non-executive Director of the Company since August 2004. He was appointed as a director of LFD on 30 June 1999. He is a private investor and serves as Advisor to Sterling Enterprises, Limited and Senior Advisor to Baring Private Equity Asia, Limited and JW Childs, LLC. He graduated from New York University with Bachelor of Arts degree in Economics, and also holds an MBA from the University of Michigan. Mr. Flanz began his career with Chase Manhattan Bank N.A., where he served as Country Manager for Japan, Area Director for the Middle East and North Africa, and later was appointed Area Director, responsible for all of Chase's activities in Asia Pacific. He was a founding partner of Prudential Asia Investments Limited, and subsequently a member of the Management Committee of Investcorp International Limited, and then Chairman and CEO of Gucci Group, N.V, before returning to Hong Kong and becoming CEO of Sterling Enterprises, Limited, a Hong Kong based investment company. Mr. Flanz is an independent non-executive director of Kerry Properties Limited.

John Estmond STRICKLAND, GBS JP, aged 65, has been an Independent Non-executive Director of the Company since October 2004. He spent most of his working career with HSBC. From 1996 to 1998 he was chairman of HongkongBank, which has responsibility for HSBC's operations in Asia Pacific. Presently he is chairman of Hong Kong Cyberport Management Co Ltd, a director of the Airport Authority Hong Kong, Hong Kong Exchanges and Clearing Limited, Esquel Holdings Inc and Yoma Strategic Investments Ltd. He is a member of the Council of The University of Hong Kong, President of the Outward Bound Trust, and a member of the boards of a number of non-government organizations. He has honorary doctorates awarded by City University of Hong Kong and the Hong Kong Polytechnic University.

Dr. FU Yu Ning, aged 48, has been an Independent Non-executive Director of the Company since November 2004. Dr. Fu graduated from Dalian Institute of Technology in the PRC with a Bachelor Degree in Port and Waterway Engineering. He also obtained a Doctorate Degree in Mechanical Engineering from Brunel University, United Kingdom and worked as a Post-Doctorate research fellow thereafter. Dr. Fu is the Chairman of China Merchants Holdings (International) Company Limited and China Merchants China Direct Investments Limited, both Hong Kong listed companies. He is also the Chairman of Shenzhen Chiwan Petroleum Supply Base Co., Ltd., a company listed in the Shenzhen Stock Exchange, and a Director and the Chairman of Executive Committee Member for board of directors of China Merchants Bank, listed in Shanghai Stock Exchange. Dr. Fu is now Director and President of China Merchants Group Ltd, previously he had held the posts of Managing Director of Shenzhen Chiwan Petroleum Supply Base Co., Ltd., President and Managing Director of China Nanshan Development (Group) Inc and Shenzhen Chiwan Wharf Holdings Ltd. From February 1999 to July 2000, he was the Chairman of Union Bank of Hong Kong Ltd. From September 1998 to January 2001, he was an independent Non-Executive Director of Wah Kwong Shipping Holdings Limited. From January 2001 to May 2003, he was an Independent Director of Jurong Port Pte. Ltd. Dr. Fu also holds directorship in some social associations, including a Director of the Hong Kong General Chamber of Commerce and Hong Kong Port Development Council.

Professor Hau Leung LEE, aged 52, has been an Independent Non-executive Director of the Company since November 2004. He is the Thoma Professor of Operations, Information and Technology at the Graduate School of Business at Stanford University. His areas of specialization include supply chain management, eBusiness, global logistics system design, inventory planning, and manufacturing strategy. He is the founding and current Director of the Stanford Global Supply Chain Management Forum, an industry-academic consortium to advance the theory and practice of global supply chain management. Professor Lee was the recipient of the Harold Lardner Prize for International Distinction in Operations Research, Canadian Operations Research Society, 2003. He was elected a Fellow, Manufacturing and Service Operations Management, INFORMS, 2001. Professor Lee has consulted extensively for companies such as KLA-Tencor, Hewlett-Packard Company, Bay Networks, Savi Technology, Nortel Networks, SUN Microsystems, Apple Computer, IBM, Lucent Technologies, General Motors, Xilinx Corp., Accenture, Eli Lilly and Company, Booz-Allen and Hamilton, Raychem Corp., McKesson, and Motorola. He is a co-founder of NON-STOP Solutions (now renamed Evant), a company that provides demand chain optimization services to industry, and a co-founder of DemandTec, a company that provides pricing and promotion optimization services. In addition, he is on the board and advisory board of several logistics and supply chain software companies. He has also given executive training workshops on supply chain management and global logistics in Asia, Europe and the United States. Professor Lee obtained his Bachelor of Social Science degree in Economics and Statistics from the University of Hong Kong in 1974, his Master of Science degree in Operational Research from the London School of Economics in 1975, and his Master of Science and a Doctorate Degree in Operations Research from the University of Pennsylvania in 1981 and 1983 respectively.

GROUP CHIEF COMPLIANCE OFFICER

James SIU Kai Lau, aged 60, joined the publicly listed Li & Fung Limited Group in 1993 as Chief Financial Officer until 1996 when he assumed the role as the Chief Compliance Officer. He is an Executive Director of Li & Fung (1937) Limited, the controlling shareholder of the Li & Fung Group of companies including publicly listed Li & Fung Limited and Convenience Retail Asia Limited of which he is also their Chief Compliance Officer. Prior to joining Li & Fung Limited Group, Mr. Siu was the partner-in-charge (1981–1989) of the Hong Kong audit practice of Coopers & Lybrand (currently PricewaterhouseCoopers) specializing in advising corporate clients on mergers, acquisitions, finance and on public listings. His current community work includes serving as member of the Supervisory Board of the Hong Kong Housing Society and Chairman of its Audit Committee (2001 to present). Mr. Siu is a member of the Securities and Futures Commission Dual Filing Advisory Group. He is also a member of the Corporate Governance Committee and Professional Accountants in Business Committee of the Hong Kong Institute of Certified Public Accountants. He is a Fellow of both the Institute of Chartered Accountants in Australia and the Hong Kong Institute of Certified Public Accountants. He is also a Fellow member of the Hong Kong Institute of Directors. Mr. Siu holds a Bachelor of Economics degree from Australia.

SENIOR MANAGEMENT

ONG Chong Beng, FCA, aged 51, is the Regional Managing Director of IDS Manufacturing and also the Managing Director of IDS Marketing in Malaysia and Brunei. Mr. Ong is a fellow member of the Institute of Chartered Accountants in England and Wales and a member of the Malaysian Institute of Accountants. Mr. Ong joined the Group on 13 March 1995 and held various senior positions including Finance Director of Inchcape Timuran Bhd, which was listed on the Kuala Lumpur Stock Exchange, and Chief Operating Officer of Inchcape Holdings Sdn Bhd, the holding company for Inchcape's operations in Malaysia, and Stream Finance Director for LFD Manufacturing Sdn. Bhd.. Prior to joining Inchcape, Mr. Ong was the General Manager of Finance & IT in UMW Toyota (M) Sdn Bhd from 1985 to 1994. Between 1978 and 1985, Mr. Ong held various senior positions including General Manager of Wendco Pacific (Malaysia & Singapore), the franchise holder for Wendy's Hamburger and Partner of Ong & Co, an auditing firm.

TAN Kim Tai, aged 55, is the Regional Managing Director of Slumberland Asia Pacific responsible for the management and development of Slumberland Asia Pacific's operations in Asia Pacific region. Mr. Tan graduated with a Bachelor of Science (Honours) degree in Physics from the University of Malaya, Malaysia, in 1974. He also holds a Master of Science degree in Production Management and Manufacturing Technology from the University of Strathclyde, Scotland and a Master of Business Administration degree from Cranfield School of Management, England. He is also a Chartered Engineer with The Engineering Council, United Kingdom, and a Professional Engineer with The Board of Engineers, Malaysia. He joined Slumberland (M) Sdn. Bhd. as its Factory Manager on 19 May 1981 to start up the first manufacturing plant for Slumberland brand products of the Group, and was appointed as the General Manager and the Managing Director of Slumberland Business in 1984 and 1989, respectively. Subsequently, he was actively involved in acquiring the operations of Slumberland Business in the Mainland of China, and setting up the Slumberland Business's operations in Indonesia and Thailand. He has 24 years of experience in the manufacturing, sales, marketing and distribution of bedding products in the region.

Gerard Jan RAYMOND, aged 47, is the Regional Managing Director of IDS Marketing in Hong Kong and the Mainland of China. He is fully responsible for leading the business of sales and marketing of consumer and healthcare global brands in Hong Kong and leads the strategy development for the Mainland of China. Mr. Raymond has over 20 years' experience in consumer marketing business and been involved in a broad spectrum of senior management roles including sales and marketing and general management. He has had extensive fast moving consumer goods industry experience in growing sales and building brand presence for a wide range of product categories including food and beverage, footwear, bath and shower and insecticides products. Prior to joining the Group, Mr. Raymond held the position of Managing Director of Danone Group, Malaysia and Singapore, and was responsible for the overall business performance covering the Hong Kong and South East Asian markets. Before Danone Group, Mr. Raymond had a successful track record in his earlier career as President of Sara Lee (M) Sdn Bhd for its Malaysia, Thailand and Singapore's operations including implementing business strategies. Mr. Raymond is a director of IDS (Hong Kong) Limited and IDS Product Network Limited. He joined the Group on 31 May 2003. Mr. Raymond was educated in Australia with a Bachelor's degree in Business and is a Fellow of the Australian Marketing Institute.

LAU Kin Shing, aged 42, is the Group Financial Controller and the qualified accountant of the Company. Prior to joining the Group in December 2003, Mr. Lau held various managerial positions in the finance departments of several U.S. headquartered multinational corporations in Australia, New Zealand, Hong Kong and the United States. His most recent assignment was with Newell Rubbermaid as Regional Finance Director, Asia Pacific responsible for finance and operations including information technology and human resources. Mr. Lau has over 17 years' experience in auditing, financial and accounting management. He holds a Bachelor Degree of Economics from the Australian National University and a Graduate Diploma in Computing Studies from the University of Canberra. He is an associate member of the Hong Kong Institute of Certified Public Accountants. He is also a Certified Practising Accountant of CPA Australia and is a committee member of the Disciplinary Committee and Corporate Sector Committee. In addition, he is a Certified Information Systems Auditor (CISA) of the Information Systems Audit and Control Association, U.S.

COMPANY SECRETARY

YUEN Ying Kwai, aged 39, is the Company Secretary of the Company. She joined Li & Fung (1937) Limited in 1995 as Company Secretary. She was transferred to Li & Fung Distribution (Management) Limited in 1999 and re-titled as Group Company Secretary in 2000. She has over 16 years of experience in the company secretarial field. She holds a Masters degree in Business Administration (Executive) from City University of Hong Kong. She is also a Fellow of both the Institute of Chartered Secretaries and Administrators and the Hong Kong Institute of Company Secretaries.

The Board of Directors and Management of Integrated Distribution Services Group Limited (the "Company") are committed to principles of good corporate governance in enhancing **shareholders' value**. These principles which include independence, accountability and transparency are set out below.

THE BOARD

The Board is composed of the Group non-executive Chairman, the Group Managing Director, two executive directors and eight non-executive directors (of whom four are independent) whose biographical details are set out in the Directors and Senior Management Biography section on pages 28 to 32.

In order to reinforce their respective independence, accountability and responsibility, **the role of the Group Chairman is separate from that of the Group Managing Director**. The Group Chairman is responsible for overseeing the proper functioning of the Board whilst the Group Managing Director, supported by the executive directors and senior management, is responsible for managing the Group's business, including the implementation of major strategies and initiatives adopted by the Board.

The non-executive Directors with diversified industry expertise serve the important function of advising the Management on strategy development and ensuring that the Board maintains high standards of financial and other mandatory reporting as well as providing adequate checks and balances for safeguarding the interests of shareholders and the Company as a whole. **The Board has received from each independent non-executive director an annual written confirmation of their independence in accordance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules").**

Management provides all members of the Board with operational and financial reports of Company's performance, position and prospects on an on-going basis.

The Company has arranged appropriate liability insurance to indemnify its directors for their liability arising out of corporate activities. The insurance coverage is reviewed on an annual basis.

BOARD COMMITTEES

On 4 November 2004, the Board has established the following committees (all chaired by non-executive directors), the Audit Committee, the Compensation Committee, and the Nomination Committee.

Directors	Audit Committee	Compensation Committee	Nomination Committee
Dr. Victor FUNG Kwok King[2]		Chairman	
Benedict CHANG Yew Teck[1]			
Joseph Chua PHI[1]			
Rajesh Vardichand RANAVAT[1]			
Dr. William FUNG Kwok Lun[2]			
Jeremy Paul Egerton HOBBINS[2]			✓
Butt Farn LAU[2]	✓		
Derrick LEE Meow Chan[2]			
John Estmond STRICKLAND[3]	Chairman		
William Winship FLANZ[3]		✓	Chairman
Dr. FU Yu Ning[3]	✓		✓
Professor Hau Leung LEE[3]	✓	✓	
Number of members	4	3	3

Note 1. Executive Director
Note 2. Non-Executive Director
Note 3. Independent Non-Executive Director

AUDIT COMMITTEE

The Audit Committee was formed on 4 November 2004 with written terms of reference as recommended under the Code of Best Practice set out in Appendix 14 to the Listing Rules. The Committee was established to review the Group's financial reporting including accounting principles and practices, internal control and risk management matters.

From year 2005, the Committee also reviews the scope, fee and plan of the external auditors and internal auditors (forming part of the Group's Corporate Governance & Compliance team under the supervision of the Group Chief Compliance Officer). In addition the Committee will also review with the external and internal auditors their audit findings covering internal control and risk management issues, and other financial reporting matters and offers recommendations to the Board.

The Audit Committee is made up of four non-executive directors including three independent non-executive directors, and the Committee has since the Company's listing on 7 December 2004 met once on 31 March 2005 (with an attendance rate of 100%).

COMPENSATION COMMITTEE

The Compensation Committee was established on 4 November 2004 with written terms of reference. The Committee is made up of three non-executive directors with a majority of them being independent non-executive directors. It is responsible for approving the **remuneration policy for all directors and senior management**, including granting of **Share Options** to employees under the Company's Share Option Scheme.

REMUNERATION FOR EXECUTIVE DIRECTORS

Remuneration of executive directors includes basic salary (subject to annual review), other allowances and a bonus based on performance together with share options which are designed to align directors' interest to maximizing the Company's long-term shareholders' value.

REMUNERATION FOR NON-EXECUTIVE DIRECTORS

Remuneration of non-executive directors comprises fees which are subject to annual recommendation by the Compensation Committee. Reimbursement is allowed for out-of-pocket expenses incurred in connection with the performance of their duties including attendance at Company's meetings.

The Committee met once on 4 December 2004 (with an attendance rate of 100%).

Details of directors' remuneration of the Company are set out in note 11 to the accounts.

NOMINATION COMMITTEE

The Nomination Committee was established on 4 November 2004 with written terms of reference. The Committee is made up of three non-executive directors with a majority of independent non-executive directors. It is responsible for making recommendations to the Board on the **appointment of directors** and the **management of board succession**.

BUSINESS ETHICS

The Group puts strong emphasis on business ethics in all aspects of its operations. All of our key executives and employees have been given clear message of the Group's ethical guidelines.

DIRECTORS' SECURITIES TRANSACTIONS

The Group has adopted stringent procedures governing directors' securities transactions in compliance with the Model Code as set out in Appendix 10 to the Listing Rules. Specific enquiries have been made to all directors to confirm compliance with the Model Code for the period from 7 December 2004 (date of listing) to 31 December 2004. Relevant employees who are likely to be in possession of unpublished price-sensitive information of the Group are also subject to compliance with guidelines on no less exacting terms than the Model Code.

DIRECTORS' INTERESTS

Details of directors' interests in the shares of the Company and associated corporations are set out in the Report of the Directors on pages 43 to 74.

DIRECTORS' AND AUDITORS' RESPONSIBILITIES FOR ACCOUNTS

The Directors' responsibilities for the accounts and the responsibilities of the external auditors to the shareholders are set out on page 77.

INTERNAL CONTROL

The Board is responsible for maintaining an adequate system of internal controls in the Company. It has delegated to the Management the implementation of such system of internal controls and reviewing of relevant financial, operational and compliance controls and risk management procedures.

The Audit Committee has had discussion with senior management, internal auditors and external auditors and is satisfied that control procedures are in place to provide reasonable assurance that the accounts are reliable for publication.

The Audit Committee also reviewed the non-audit services provided by PricewaterhouseCoopers ("PwC"), the external auditors, in 2004 and was satisfied that the independence of the external auditors had not been impaired. The Audit Committee has recommended to the Board that PwC be nominated for re-appointment as the external auditors at the forthcoming Annual General Meeting of the Company.

CODE OF BEST PRACTICE

The Company complies with the Code of Best Practice as set out in Appendix 14 of the Listing Rules during the period from 7 December 2004 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 will be effected in the year ending 31 December 2005.

INVESTOR RELATIONS AND COMMUNICATION

The Company pursues a proactive policy of promoting investor relations and communication by holding meetings with institutional investors and analysts. Occasionally, we also arrange facility tours for them to better understand our operations. In order to further promote effective communication, the Company maintains a website (*www.idsgroup.com*) to disseminate company information and answer enquiries electronically on a timely basis.

CORPORATE COMMUNICATION

The Company holds monthly Executive Group Meeting for senior executives to formulate company-wide policies and strategies, and to review and discuss significant issues affecting the Company.

As part of the Company's entrepreneurial corporate culture and business policy, semi-annual Leadership Council Meeting, with active participation of the Group Chairman, the Group Managing Director, executive directors and the head of all business units across the region, are held to review business performance and strategic issues.

The Company also maintains the IDSlink, our intranet, to publish messages from the Group Managing Director and update staff on the latest news about the Group.

The directors submit their first report together with the audited accounts for the year ended 31 December 2004.

PRINCIPAL ACTIVITIES AND ANALYSIS OF OPERATIONS

The principal activity of the Company is investment holding. The activities of its principal subsidiaries are set out in note 29 to the accounts.

Details of the analysis of the Group's performance for the year by business segments and geographical segments are set out in note 3 to the accounts.

RESULTS AND APPROPRIATIONS

The results of the Group for the year are set out in the consolidated profit and loss account on page 78.

The directors do not recommend the payment of a final dividend.

RESERVES

Movements in the reserves of the Group and of the Company during the year are set out in note 22 to the accounts.

DONATIONS

Charitable and other donations made by the Group during the year amounted to US$39,000.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group are set out in note 13 to the accounts.

SHARE CAPITAL

Details of the movements in share capital of the Company are set out in note 21 to the accounts.

DISTRIBUTABLE RESERVES

As at 31 December 2004, the Company did not have any reserves available for distribution to shareholders under the Companies Act 1981 of Bermuda (as amended).

FINANCIAL SUMMARY

A summary of the results for the year ended and of the assets and liabilities of the Group as at 31 December 2004 and for the previous three financial years are set out on page 128. Since the Company was listed on 7 December 2004, the published results are available from 2001 to 2004 only.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Bye-laws and there are no restrictions against such rights under the laws of Bermuda.

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.

SHARE OPTION SCHEME

By the written resolutions of the then sole shareholder of the Company dated 4 November 2004 and amended by a committee of the board on 22 November 2004, the Company had adopted a share option scheme (the "Scheme").

(i) Purpose

The purpose of the Scheme is to enable the Company to grant options to selected eligible participants as incentives or rewards for their contributions to the Group and those companies in the equity share capital of which the Company, directly or indirectly, has a 20% or greater beneficial interest but excluding the Company's subsidiaries ("Associated Companies").

(ii) Qualifying participants

Any employee including executive director, non-executive director (including independent non-executive director) and officer of the Group or any Associated Companies, any business partner, agent, consultant or representative of the Group or any Associated Companies, a person who is seconded to work for any member of the Group and Associated Companies, where at least 40% of his time is devoted to the business of a member of the Group and Associated Companies (collectively referred as Eligible Person), and any trust for the benefit of an Eligible Person or his immediate family members and a company controlled by an Eligible Person or his immediate family members.

(iii) Maximum number of shares

The overall limit on the number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and other schemes must not exceed 30% of the shares in issue from time to time. Subject to the aforesaid limit, the total number of shares available for issue under options which may be granted under the Scheme and any other schemes must not, in aggregate, exceed 30,000,000 shares unless separate shareholders' approval has been obtained.

As at 31 December 2004, the number of shares available for issue under the Scheme is 92,700,000 shares representing 30% of the issued share capital of the Company of which 13,500,000 share options were granted and outstanding.

(iv) Limit for each participant

The total number of shares of the Company issued and to be issued upon exercise of options (including exercised, cancelled and outstanding) granted in any 12-month period to each participant must not exceed 1% of the shares of the Company in issue.

(v) Option period

The period within which the shares must be taken up under an option shall be determined by the Board in its absolute discretion at the time of grant, but such period must not exceed 10 years from the date of grant of the relevant option.

The Board has the authority to determine the minimum period for which an option must be held before it can be exercised. The Scheme itself does not specify any minimum holding period.

(vi) Payment on application and acceptance

An offer of the grant of an option shall remain open for acceptance for a period of 28 days from the date of offer (or such other period as the Board may specify in the offer and acceptance letter ("Offer Letter")).

A consideration specified in the Offer Letter is payable by the grantee to the Company on acceptance of the offer.

(vii) Subscription price

The exercise price shall not be less than the higher of (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of grant; (ii) the average closing prices of the shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of the shares.

(viii) Remaining life of the scheme

The Board may at any time within 10 years commencing on 7 December 2004 make offers for the grant of options under the Scheme.

Details of the share options granted under the Scheme and remain outstanding as at 31 December 2004 are as follows:

Name	Outstanding options at 1 January 2004	Options granted during the year	Outstanding options at 31 December 2004	Exercise price HK$	Date of grant	Exercise period
Benedict CHANG Yew Teck	—	750,000[1]	750,000	4.825	14/12/04	01/01/07–31/12/08
	—	750,000[1]	750,000	4.825	14/12/04	01/01/08–31/12/09
	—	750,000[1]	750,000	4.825	14/12/04	01/01/09–31/12/10
Joseph Chua PHI	—	375,000[1]	375,000	4.825	14/12/04	01/01/07–31/12/08
	—	375,000[1]	375,000	4.825	14/12/04	01/01/08–31/12/09
	—	375,000[1]	375,000	4.825	14/12/04	01/01/09–31/12/10
Rajesh Vardichand RANAVAT	—	345,000[1]	345,000	4.825	14/12/04	01/01/07–31/12/08
	—	345,000[1]	345,000	4.825	14/12/04	01/01/08–31/12/09
	—	345,000[1]	345,000	4.825	14/12/04	01/01/09–31/12/10
Continuous contract employees	—	3,030,000[1]	3,030,000	4.825	14/12/04	01/01/07–31/12/08
	—	3,030,000[1]	3,030,000	4.825	14/12/04	01/01/08–31/12/09
	—	3,030,000[1]	3,030,000	4.825	14/12/04	01/01/09–31/12/10

Notes:

(1) The closing price per share immediately before the date on which the options were granted was HK$4.525.

(2) During the year, no options were exercised, cancelled or lapsed.

(3) The above options granted are not recognized in the accounts until they are exercised. Rule 17.08 of the Listing Rules stipulates that the listed issuer is encouraged to disclose in its annual report and interim report the value of options granted to participants set out in (i) to (v) of Rule 17.07 during the financial year. The directors consider that it is not appropriate to state the value of the options as a number of factors critical for the valuation cannot be determined accurately. Any valuation of the options based on various speculative assumptions would be meaningless and could be misleading to the shareholders. The directors therefore consider the disclosure of the relevant market price and the exercise price, which are readily ascertainable, will be appropriate.

DIRECTORS

The directors during the year were:

Executive Directors

Benedict CHANG Yew Teck	(Appointed on 17 October 2003)
Joseph Chua PHI	(Appointed on 17 August 2004)
Rajesh Vardichand RANAVAT	(Appointed on 17 August 2004)

Non-executive Directors

Dr. Victor FUNG Kwok King	(Appointed on 17 October 2003)
Dr. William FUNG Kwok Lun	(Appointed on 17 August 2004)
Jeremy Paul Egerton HOBBINS	(Appointed on 17 October 2003)
Butt Farn LAU	(Appointed on 17 October 2003)
Derrick LEE Meow Chan	(Appointed on 17 August 2004)

Independent Non-executive Directors

William Winship FLANZ	(Appointed on 17 August 2004)
John Estmond STRICKLAND	(Appointed on 21 October 2004)
Dr. FU Yu Ning	(Appointed on 1 November 2004)
Professor Hau Leung LEE	(Appointed on 1 November 2004)

In accordance with Bye-law 87 of the Company's Bye-laws, Mr. Benedict CHANG Yew Teck, Mr. Jeremy Paul Egerton HOBBINS and Mr. Butt Farn LAU will retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

The Company has received from each independent non-executive director an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules and the Company still considers such directors to be independent.

DIRECTORS' SERVICE CONTRACTS

None of the directors who are proposed for re-election at the forthcoming annual general meeting has a service contract with the Group which is not determinable within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

No contracts of significance in relation to the Group's business to which the Company or its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year excepted as disclosed under Connected Transactions stated below and note 28 to the accounts.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Brief biographical details of the directors and senior management are set out on pages 28 to 34.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2004, the directors and chief executives of the Company and their associates had the following interests in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of the Securities and Futures Ordinance ("SFO")), as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code"):

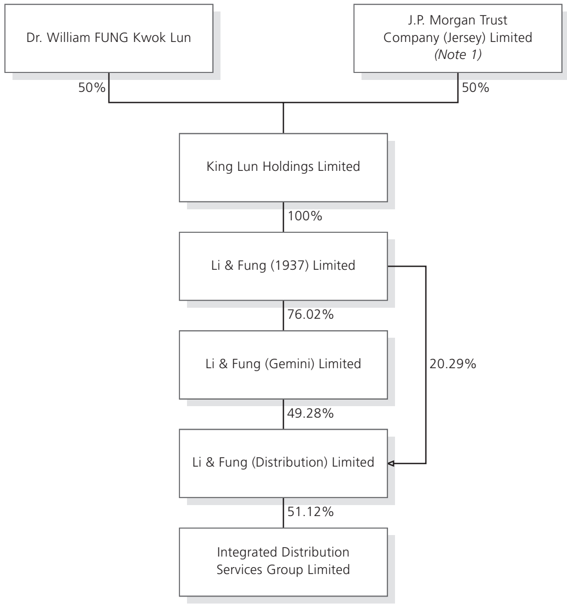
(A) Long position in shares and underlying shares of the Company

Name of Director	Number of shares Personal interest	Family interest	Corporate/ trust/similar interest	Number of underlying shares under equity derivatives (Share Options)	Total interest	Percentage of issued share capital (%)
Dr. Victor FUNG Kwok King	—	—	157,960,800 *(Note 1)*	—	157,960,800	51.12
Dr. William FUNG Kwok Lun	—	—	157,960,800 *(Note 1)*	—	157,960,800	51.12
Mr. Benedict CHANG Yew Teck	—	—	—	2,250,000	2,250,000	0.73
Mr. Joseph Chua PHI	—	—	—	1,125,000	1,125,000	0.36
Mr. Rajesh Vardichand RANAVAT	—	—	—	1,035,000	1,035,000	0.33

Note:

1. King Lun Holdings Limited ("King Lun") through its indirect non-wholly owned subsidiary, Li & Fung (Gemini) Limited, held a 49.28% interest in Li & Fung (Distribution) Limited ("LFD"). In addition, King Lun also through its wholly owned subsidiary, Li & Fung (1937) Limited, held 20.29% interest in LFD. LFD held 157,960,800 shares, representing 51.12% of the issued share capital of the Company. King Lun are owned as to 50% by Dr. William FUNG Kwok Lun and as to 50% by J.P. Morgan Trust Company (Jersey) Limited (which also indirectly held 8.77% of the issued share capital of LFG), the trustee of a trust established for the benefit of the family members of Dr. Victor FUNG Kwok King. Dr. Victor FUNG Kwok King and Dr. William FUNG Kwok Lun are deemed to have interests in these shares through their respective interests in King Lun and indirect interests in LFD as set out above.

The interests of Dr. Victor FUNG Kwok King and Dr. William FUNG Kwok Lun in shares of the Company are summarized in the following chart:



(B) Long position in shares and underlying shares of associated corporations

Name of Director	Name of associated corporation	Class of shares	Number of shares/ Registered capital	Nature of interest	Approximate percentage of interests (%)
Benedict CHANG Yew Teck	Li & Fung (Gemini) Limited	Ordinary shares	462,018	controlled corporation *(Note 1)*	6.73
Dr. Victor FUNG Kwok King	Agrochemical Pembekalan (Sarawak) Sdn. Bhd.	Ordinary shares	1,000,000	beneficiary of a trust	100
	Anglo-Thai Company Limited	Ordinary shares	6,859,980	as above	99.9997
	Anglo-Thai Corporation Limited	Ordinary shares	20,887,323	as above	100
	Anglo-Thai Services Limited *(In Members' Voluntary Liquidation)*	(i) A shares (ii) B shares	(i) 160 (ii) 3,920	as above	(i) 3.92 (ii) 100
	Anglo-Thai Tractors Limited	Ordinary shares	499,980	as above	99.996
	Auto Electric Limited	Ordinary shares	75,000	as above	100
	B-Trak Holdings (Malaysia) Sdn. Bhd.	Ordinary shares	40,000,000	as above	100
	Borneo Agencies Limited	(i) Ordinary shares (ii) Preference shares	(i) 2,000 (ii) 2,000	as above	(i) 100 (ii) 100
	Borneo Investments (Singapore) Pte Ltd (*In Members' Voluntary Liquidation)*	Ordinary shares	4	as above	100

Name of Director	Name of associated corporation	Class of shares	Number of shares/ Registered capital	Nature of interest	Approximate percentage of interests (%)
	Borneo Technical (Thailand) Limited	(i) Ordinary shares (ii) Preference shares	(i) 16,000 (ii) 5,400	as above	(i) 100 (ii) 100
	Borneo Technical Co. (M) Sdn. Bhd.	Ordinary shares	4,231,002	as above	100
	Borneo Technical Hong Kong Limited *(In Members' Voluntary Liquidation)*	Ordinary shares	1,000	as above	100
	Bosca Development Limited	Ordinary shares	2	as above	100
	Branded Lifestyle International Limited	Ordinary share	1	as above	100
	Branded Lifestyle Korea Ltd.	Common stock	160,000	as above	100
	Buttercup Foods Sdn. Bhd. *(In Compulsory Liquidation)*	Ordinary shares	2,040,000	as above	51
	Canathan Inc.	Ordinary shares	9,762	as above	97.62
	Circle K - Amazens Retalhistas (Macau) Limitada	Quotas	1 quota of Patacas 9,000 and 1 quota of Patacas 1,000	as above	100
	Circle K Convenience Stores (Greater China) Limited	Ordinary shares	10,000	as above	100

Name of Director	Name of associated corporation	Class of shares	Number of shares/ Registered capital	Nature of interest	Approximate percentage of interests *(%)*
	Circle K Convenience Stores (HK) Limited	Ordinary shares	183,756	as above	100
	Circle K Convenience Stores Limited	Ordinary shares	10,000	as above	100
	Circle K Convenience Stores PRC (BVI) Limited	Ordinary share	1	as above	100
	Circle K Convenience Stores PRC Limited	Ordinary shares	2	as above	100
	Circle K PRC Properties Limited	Ordinary shares	2	as above	100
	Convenience Retail Asia (BVI) Limited	Ordinary shares	10,000	as above	100
	Convenience Retail Asia Limited *(Note 2)*	Ordinary shares	373,692,000	as above	55.61
	Convenience Retail Southern China Limited *(incorporated in Hong Kong)*	Ordinary shares	2	as above	100
	Convenience Retail Southern China Limited *(incorporated in PRC)*	Registered capital	RMB39,000,000	as above	65
	Cornerstone Enterprises Limited	Ordinary shares	10,000	as above	100

Name of Director	Name of associated corporation	Class of shares	Number of shares/ Registered capital	Nature of interest	Approximate percentage of interests *(%)*
	Dephina Limited	Ordinary shares	10,000	as above	100
	Eagle Up International Limited	Ordinary share	1	as above	100
	Ellinwood Limited	Ordinary share	1	as above	100
	Factory Products Centre (Thailand) Limited	(i) Ordinary shares (ii) Preference shares	(i) 49,000 (ii) 51,000	as above	(i) 100 (ii) 100
	Ferrinch (L) Limited	(i) Class A shares (ii) Class B shares	(i) 1,500,000 (ii) 3,000,000	as above	(i) 100 (ii) 100
	Gibb, Livingston & Company Limited	Ordinary shares	26,600	as above	100
	Gibb, Livingston International Limited	Ordinary shares	100,000	as above	100
	Gilman and Company Limited	Ordinary shares	100,000	as above	100
	Gilman Industrial Limited	(i) Ordinary shares (ii) Non-voting deferred shares	(i) 610,050 (ii) 175,000	as above	(i) 100 (ii) 100
	Globalgate Group Limited	Ordinary share	1	as above	100
	廣州利豐利聯倉行有限公司[@] Guangzhou Lifung DistriCenter Co. Ltd	Registered capital	USD10,800,000	as above	90

Name of Director	Name of associated corporation	Class of shares	Number of shares/ Registered capital	Nature of interest	Approximate percentage of interests (%)
	廣州利豐保生房產發展有限公司@ Guangzhou Li & Fung Real Estate Development Co. Ltd	Registered capital	RMB12,780,000	as above	60
	廣州利豐保加商貿城發展有限公司@ Guangzhou Li & Fung TradeTown Development Company Limited	Registered capital	RMB36,000,000	as above	60
	港景房地產發展(鶴山)有限公司@ Harbourview Properties Development (Heshan) Limited	Registered capital	HKD10,170,000	as above	100
	鶴山利豐港口區開發有限公司@ Heshan Lifung Harbour District Development Co. Ltd	Registered capital	RMB44,800,000	as above	70
	Highpoint Investment Holdings Limited	Ordinary share	1	as above	100
	Home Mart Limited	Ordinary shares	2	as above	100
	Independent Credit & Leasing Sdn. Bhd. *(In Members' Voluntary Liquidation)*	Ordinary shares	10,000,000	as above	100
	JDH (China) Limited *(In Members' Voluntary Liquidation)*	Ordinary shares	400,000	as above	100

Name of Director	Name of associated corporation	Class of shares	Number of shares/ Registered capital	Nature of interest	Approximate percentage of interests (%)
	南京英和發展有限公司@ JDH (Nanjing) Development Co., Ltd.	Registered capital	USD800,000	as above	80
	英和(南京)投資實業有限公司@ JDH (Nanjing) Investment Enterprise Limited	Registered capital	USD3,600,000	as above	100
	JDH (Philippines), Inc.	Ordinary shares	5,500,000	as above	100
	JDH Marketing Sdn. Bhd.	Ordinary shares	2,000,000	as above	100
	利義股份有限公司@ JDH Marketing Services Co., Ltd.	Ordinary shares	6,000,000	as above	100
	King Lun Holdings Limited	Ordinary shares	1,332,840	as above	50
	Kistor Limited	(i) Class A shares (ii) Class B shares	(i) 9,000 (ii) 1,000	as above	(i) 100 (ii) 100
	Kwikpart (Thailand) Limited	(i) Ordinary shares (ii) Preference shares	(i) 690,900 (ii) 719,100	as above	(i) 100 (ii) 100
	Kwikpart Holdings Limited	Ordinary share	1	as above	100
	Kwikpart Sdn. Bhd.	Ordinary shares	350,000	as above	100

Name of Director	Name of associated corporation	Class of shares	Number of shares/ Registered capital	Nature of interest	Approximate percentage of interests *(%)*
	Kwikpart Singapore Pte Ltd *(In Members' Voluntary Liquidation)*	Ordinary shares	1,694,500	as above	100
	L&F Branded Lifestyle (Singapore) Pte Ltd	Ordinary shares	500,000	as above	100
	L&F Branded Lifestyle International Limited	Ordinary share	1	as above	100
	LF Asia Investments Limited	Ordinary share	1	as above	100
	LF Distribution Centers Limited	Ordinary shares	2,500,000	as above	100
	LF DistriCenters Development Limited	Ordinary shares	2	as above	100
	LF Group (Properties) Limited	Ordinary shares	11,000,002	as above	100
	LF Industrial Estates Limited	(i) Class A shares (ii) Class B shares	(i) 76,838,400 (ii) 11,500,000	as above	(i) 74.24 (ii) 100
	LF Lumlukka Properties Limited	Ordinary shares	300,000	as above	100
	LF Property Consultants Limited	Ordinary shares	3	as above	100
	LFC Holdings Limited	Ordinary shares	2	as above	100
	LFD (China) Limited	Ordinary shares	2,000	as above	100

Name of Director	Name of associated corporation	Class of shares	Number of shares/ Registered capital	Nature of interest	Approximate percentage of interests *(%)*
	LFD (Singapore) Pte. Ltd.	Ordinary shares	163,714,597	as above	100
	LFD (Thailand) Limited	Ordinary shares	655,000	as above	100
	LFD Investment Holdings Limited	Ordinary shares	44,150	as above	100
	LFD Manufacturing (Hong Kong) Limited	Ordinary shares	2	as above	100
	英和製造(上海)有限公司@ LFD Manufacturing (Shanghai) Ltd.	Registered capital	USD5,000,000	as above	100
	LFD Manufacturing Limited *(incorporated in Hong Kong)*	Ordinary shares	3,000	as above	100
	LFD Properties Limited	Ordinary shares	2	as above	100
	LFD Technical Services Limited	Ordinary share	1	as above	100
	LFIE Management (BVI) Ltd	Ordinary shares	1,000	as above	100
	LFIE Management Ltd	Ordinary shares	1,000	as above	100
	Li & Fung (1937) Limited	Ordinary shares	139,250,000	as above	100
	Li & Fung (Distribution) Limited	Full voting ordinary shares	13,800,000	as above	100

Name of Director	Name of associated corporation	Class of shares	Number of shares/ Registered capital	Nature of interest	Approximate percentage of interests (%)
	Li & Fung (Gemini) Limited	Ordinary shares	5,825,438	as above	84.80
	Li & Fung (Retailing) Limited	Ordinary shares	3,384,372	as above	100
	Li & Fung (Warehousing) Limited	Ordinary shares	2	as above	100
	Li & Fung China Investments Limited	Ordinary shares	1,076,000	as above	100
	Li & Fung Development (China) Limited	Ordinary shares	2	as above	100
	Li & Fung Distribution (Asia) Limited	Ordinary share	1	as above	100
	Li & Fung Distribution (China) Limited	Ordinary share	1	as above	100
	Li & Fung Distribution (International) Limited	Ordinary share	1	as above	100
	Li & Fung Distribution (Malaysia) Limited	Ordinary share	1	as above	100
	Li & Fung Distribution (Management) Limited	Ordinary shares	2	as above	100
	Li & Fung Distribution (Overseas) Sdn. Bhd.	Ordinary shares	2	as above	100

Name of Director	Name of associated corporation	Class of shares	Number of shares/ Registered capital	Nature of interest	Approximate percentage of interests (%)
	Li & Fung Distribution (Singapore) Limited	Ordinary shares	50,000	as above	100
	Li & Fung IDS Logistics Limited	Ordinary shares	24,000,000	as above	100
	Li & Fung Industrial Holdings Limited	Ordinary shares	9,400,000	as above	100
	Li & Fung Industrial Limited	(i) Ordinary shares (ii) Non-voting deferred shares	(i) 2 (ii) 80,000,000	as above	(i) 100 (ii) 100
	Li & Fung JDH Healthcare Limited	Ordinary shares	2	as above	100
	Li & Fung JDH Limited	(i) Ordinary shares (ii) Non-voting deferred shares	(i) 50 (ii) 1,500,000	as above	(i) 100 (ii) 100
	Li & Fung Licensing Limited	Ordinary shares	7,238,872	as above	100
	Li & Fung Management Services Limited	Ordinary shares	100	as above	100
	Li & Fung Marketing (Hong Kong) Limited	Ordinary shares	2	as above	100
	Li & Fung Pacific Holdings Limited	Ordinary shares	25,371,016	as above	100

Name of Director	Name of associated corporation	Class of shares	Number of shares/ Registered capital	Nature of interest	Approximate percentage of interests (%)
	Li & Fung Packaging Limited	Ordinary shares	2	as above	100
	Li & Fung Retailing (Malaysia) Sdn. Bhd.	Ordinary shares	2	as above	100
	Li & Fung Retailing (Management) Limited	Ordinary share	1	as above	100
	Li & Fung Retailing (Singapore) Pte Limited	Ordinary shares	2	as above	100
	Li & Fung Ventures Holdings Limited	Ordinary share	1	as above	100
	Malinch Associate Holdings Sdn. Bhd.	Ordinary shares	22,000,000	as above	100
	Mobilia Limited	Ordinary shares	2	as above	100
	Moutrie Trading Sdn. Bhd.	Ordinary shares	10,000,000	as above	100
	Myanmar LFD Group Limited *(In Members' Voluntary Liquidation)*	Ordinary shares	50	as above	100
	南京機利民家電有限公司@ Nanjing Gilman Home Appliances Limited	Registered capital	RMB1,425,000	as above	95

Name of Director	Name of associated corporation	Class of shares	Number of shares/ Registered capital	Nature of interest	Approximate percentage of interests (%)
	南京英和貿易有限公司@ Nanjing JDH Trading Company Limited	Registered capital	RMB2,850,000	as above	95
	Neptune Pacific Limited	Ordinary share	1	as above	100
	New Investment Corporation	Common shares	4,071	as above	100
	Northpoint Properties Sdn. Bhd.	Ordinary shares	2	as above	100
	Peladang Agencies (Sarawak) Sdn. Bhd.	Ordinary shares	300,000	as above	100
	PNA Product Network (Thailand) Limited	(i) Ordinary shares (ii) Preference shares	(i) 213,150 (ii) 221,850	as above	(i) 100 (ii) 100
	Pottrix Trading Limited	Ordinary share	1	as above	100
	Product Network Asia Limited	Ordinary shares	2	as above	100
	Promising Development Limited	Ordinary shares	2	as above	100
	Prosper Development Limited	Ordinary shares	2	as above	100
	Reading Industries Limited	Ordinary shares	100	as above	100
	Riverside Developments Limited	Ordinary shares	2	as above	100

Name of Director	Name of associated corporation	Class of shares	Number of shares/ Registered capital	Nature of interest	Approximate percentage of interests (%)
	Romanov Company Limited	Ordinary shares	2	as above	100
	Sandakan Developments Sendirian Berhad	Ordinary shares	210,000	as above	100
	Sebman (Malaysia) Sdn. Bhd.	Ordinary shares	2	as above	100
	Sebor (Sarawak) Marketing and Services Sdn. Bhd.	Ordinary shares	5,000,000	as above	100
	Sebor (Sarawak) Sdn. Bhd.	Ordinary shares	5,392,329	as above	56.74
	SebQuest Technology Sdn. Bhd.	Ordinary shares	60,000	as above	60
	Sichling B.V.	Ordinary shares	50	as above	100
	Slumberland China Limited *(In Members' Voluntary Liquidation)*	Ordinary shares	500,000	as above	100
	Strategic Assets Limited	Ordinary share	1	as above	100
	The Borneo Company (Sabah) Sdn. Bhd. *(In Members' Voluntary Liquidation)*	Ordinary shares	7,500,000	as above	100
	The Borneo Company Limited	Ordinary shares	4,553,300	as above	100

Name of Director	Name of associated corporation	Class of shares	Number of shares/ Registered capital	Nature of interest	Approximate percentage of interests *(%)*
	The Borneo Company Private Limited *(In Members' Voluntary Liquidation)*	Ordinary shares	8,836,152	as above	100
	Tiram Kimia Sdn. Bhd. *(In Members' Voluntary Liquidation)*	Ordinary shares	2,100,000	as above	21
	Toys "R" Us — Lifung Limited	(i) Ordinary shares (ii) Preference shares	(i) 81,000,000 (ii) 160,000	as above	(i) 100 (ii) 100
	Toys "R" Us — Lifung Taiwan Limited	Ordinary shares	34,000,000	as above	100
	Toys "R" Us — Singapore (Pte) Limited	Ordinary shares	4,000,000	as above	100
	Toys "R" Us (Malaysia) Sdn Bhd	Ordinary shares	14,000,000	as above	100
	Toys "R" Us Asia Limited	Ordinary shares	2	as above	100
	Toys (Labuan) Holding Limited	Ordinary share	1	as above	100
	Toys (Labuan) Limited	Ordinary shares	17,148,047	as above	95
	Toys LiFung Limited	Ordinary shares	2	as above	100
	Toys Lifung Netherlands B.V.	Ordinary shares	182	as above	100
	Toys Retailing (Thailand) Ltd	(i) Ordinary shares (ii) Preferred shares	(i) 730 (ii) 1,770	as above	(i) 100 (ii) 100

Name of Director	Name of associated corporation	Class of shares	Number of shares/ Registered capital	Nature of interest	Approximate percentage of interests (%)
	Toys Retailing Holdings (Thailand) Ltd	(i) Ordinary shares (ii) Preferred shares	(i) 730 (ii) 1,770	as above	(i) 100 (ii) 100
	Trademart Wholesale Limited	(i) A shares (ii) B shares	(i) 255,000 (ii) 200,000	as above	(i) 100 (ii) 100
	Viagold International Limited	Ordinary share	1	as above	100
	Web-Logistic (HK) Limited	Ordinary shares	15,600,000	as above	100
	Westgate International Limited	Ordinary shares	2	as above	100
Dr. William FUNG Kwok Lun	Agrochemical Pembekalan (Sarawak) Sdn. Bhd.	Ordinary shares	1,000,000	controlled corporation	100
	Anglo-Thai Company Limited	Ordinary shares	6,859,980	as above	99.9997
	Anglo-Thai Corporation Limited	Ordinary shares	20,887,323	as above	100
	Anglo-Thai Services Limited *(In Members' Voluntary Liquidation)*	(i) A shares (ii) B shares	(i) 160 (ii) 3,920	as above	(i) 3.92 (ii) 100
	Anglo-Thai Tractors Limited	Ordinary shares	499,980	as above	99.996
	Auto Electric Limited	Ordinary shares	75,000	as above	100
	B-Trak Holdings (Malaysia) Sdn. Bhd.	Ordinary shares	40,000,000	as above	100

Name of Director	Name of associated corporation	Class of shares	Number of shares/ Registered capital	Nature of interest	Approximate percentage of interests *(%)*
	Borneo Agencies Limited	(i) Ordinary shares (ii) Preference shares	(i) 2,000 (ii) 2,000	as above	(i) 100 (ii) 100
	Borneo Investments (Singapore) Pte Ltd *(In Members' Voluntary Liquidation)*	Ordinary shares	4	as above	100
	Borneo Technical (Thailand) Limited	(i) Ordinary shares (ii) Preference shares	(i) 16,000 (ii) 5,400	as above	(i) 100 (ii) 100
	Borneo Technical Co. (M) Sdn. Bhd.	Ordinary shares	4,231,002	as above	100
	Borneo Technical Hong Kong Limited *(In Members' Voluntary Liquidation)*	Ordinary shares	1,000	as above	100
	Bosca Development Limited	Ordinary shares	2	as above	100
	Branded Lifestyle International Limited	Ordinary share	1	as above	100
	Branded Lifestyle Korea Ltd.	Common stock	160,000	as above	100
	Buttercup Foods Sdn. Bhd. *(In Compulsory Liquidation)*	Ordinary shares	2,040,000	as above	51
	Canathan Inc.	Ordinary shares	9,762	as above	97.62

Name of Director	Name of associated corporation	Class of shares	Number of shares/ Registered capital	Nature of interest	Approximate percentage of interests *(%)*
	Circle K - Amazens Retalhistas (Macau) Limitada	Quotas	1 quota of Patacas 9,000 and 1 quota of Patacas 1,000	as above	100
	Circle K Convenience Stores (Greater China) Limited	Ordinary shares	10,000	as above	100
	Circle K Convenience Stores (HK) Limited	Ordinary shares	183,756	as above	100
	Circle K Convenience Stores Limited	Ordinary shares	10,000	as above	100
	Circle K Convenience Stores PRC (BVI) Limited	Ordinary share	1	as above	100
	Circle K Convenience Stores PRC Limited	Ordinary shares	2	as above	100
	Circle K PRC Properties Limited	Ordinary shares	2	as above	100
	Convenience Retail Asia (BVI) Limited	Ordinary shares	10,000	as above	100
	Convenience Retail Asia Limited *(Note 2)*	Ordinary shares	373,692,000	as above	55.61
	Convenience Retail Southern China Limited *(incorporated in Hong Kong)*	Ordinary shares	2	as above	100

Name of Director	Name of associated corporation	Class of shares	Number of shares/ Registered capital	Nature of interest	Approximate percentage of interests *(%)*
	Convenience Retail Southern China Limited *(incorporated in PRC)*	Registered capital	RMB39,000,000	as above	65
	Cornerstone Enterprises Limited	Ordinary shares	10,000	as above	100
	Dephina Limited	Ordinary shares	10,000	as above	100
	Eagle Up International Limited	Ordinary share	1	as above	100
	Ellinwood Limited	Ordinary share	1	as above	100
	Factory Products Centre (Thailand) Limited	(i) Ordinary shares (ii) Preference shares	(i) 49,000 (ii) 51,000	as above	(i) 100 (ii) 100
	Ferrinch (L) Limited	(i) Class A shares (ii) Class B shares	(i) 1,500,000 (ii) 3,000,000	as above	(i) 100 (ii) 100
	Gibb, Livingston & Company Limited	Ordinary shares	26,600	as above	100
	Gibb, Livingston International Limited	Ordinary shares	100,000	as above	100
	Gilman and Company Limited	Ordinary shares	100,000	as above	100
	Gilman Industrial Limited	(i) Ordinary shares (ii) Non-voting deferred shares	(i) 610,050 (ii) 175,000	as above	(i) 100 (ii) 100

Name of Director	Name of associated corporation	Class of shares	Number of shares/ Registered capital	Nature of interest	Approximate percentage of interests (%)
	Globalgate Group Limited	Ordinary share	1	as above	100
	廣州利豐利聯倉行有限公司@ Guangzhou Lifung DistriCenter Co. Ltd	Registered capital	USD10,800,000	as above	90
	廣州利豐保生房產發展有限公司@ Guangzhou Li & Fung Real Estate Development Co. Ltd	Registered capital	RMB12,780,000	as above	60
	廣州利豐保加商貿城發展有限公司@ Guangzhou Li & Fung TradeTown Development Company Limited	Registered capital	RMB36,000,000	as above	60
	港景房地產發展(鶴山)有限公司@ Harbourview Properties Development (Heshan) Limited	Registered capital	HKD10,170,000	as above	100
	鶴山利豐港口區開發有限公司@ Heshan Lifung Harbour District Development Co. Ltd	Registered capital	RMB44,800,000	as above	70
	Highpoint Investment Holdings Limited	Ordinary share	1	as above	100
	Home Mart Limited	Ordinary shares	2	as above	100

Name of Director	Name of associated corporation	Class of shares	Number of shares/ Registered capital	Nature of interest	Approximate percentage of interests *(%)*
	Independent Credit & Leasing Sdn. Bhd. *(In Members' Voluntary Liquidation)*	Ordinary shares	10,000,000	as above	100
	JDH (China) Limited *(In Members' Voluntary Liquidation)*	Ordinary shares	400,000	as above	100
	南京英和發展有限公司@ JDH (Nanjing) Development Co., Ltd.	Registered capital	USD800,000	as above	80
	英和(南京)投資實業有限公司@ JDH (Nanjing) Investment Enterprise Limited	Registered capital	USD3,600,000	as above	100
	JDH (Philippines), Inc.	Ordinary shares	5,500,000	as above	100
	JDH Marketing Sdn. Bhd.	Ordinary shares	2,000,000	as above	100
	利義股份有限公司@ JDH Marketing Services Co., Ltd.	Ordinary shares	6,000,000	as above	100
	King Lun Holdings Limited	Ordinary shares	1,332,840	as above	50
	Kistor Limited	(i) Class A shares (ii) Class B shares	(i) 9,000 (ii) 1,000	as above	(i) 100 (ii) 100
	Kwikpart (Thailand) Limited	(i) Ordinary shares (ii) Preference shares	(i) 690,900 (ii) 719,100	as above	(i) 100 (ii) 100

Name of Director	Name of associated corporation	Class of shares	Number of shares/ Registered capital	Nature of interest	Approximate percentage of interests *(%)*
	Kwikpart Holdings Limited	Ordinary share	1	as above	100
	Kwikpart Sdn. Bhd.	Ordinary shares	350,000	as above	100
	Kwikpart Singapore Pte Ltd *(In Members' Voluntary Liquidation)*	Ordinary shares	1,694,500	as above	100
	L&F Branded Lifestyle (Singapore) Pte Ltd	Ordinary shares	500,000	as above	100
	L&F Branded Lifestyle International Limited	Ordinary share	1	as above	100
	LF Asia Investments Limited	Ordinary share	1	as above	100
	LF Distribution Centers Limited	Ordinary shares	2,500,000	as above	100
	LF DistriCenters Development Limited	Ordinary shares	2	as above	100
	LF Group (Properties) Limited	Ordinary shares	11,000,002	as above	100
	LF Industrial Estates Limited	(i) Class A shares (ii) Class B shares	(i) 76,838,400 (ii) 11,500,000	as above	(i) 74.24 (ii) 100
	LF Lumlukka Properties Limited	Ordinary shares	300,000	as above	100
	LF Property Consultants Limited	Ordinary shares	3	as above	100

Name of Director	Name of associated corporation	Class of shares	Number of shares/ Registered capital	Nature of interest	Approximate percentage of interests (%)
	LFC Holdings Limited	Ordinary shares	2	as above	100
	LFD (China) Limited	Ordinary shares	2,000	as above	100
	LFD (Singapore) Pte. Ltd.	Ordinary shares	163,714,597	as above	100
	LFD (Thailand) Limited	Ordinary shares	655,000	as above	100
	LFD Investment Holdings Limited	Ordinary shares	44,150	as above	100
	LFD Manufacturing (Hong Kong) Limited	Ordinary shares	2	as above	100
	英和製造(上海)有限公司@ LFD Manufacturing (Shanghai) Ltd.	Registered capital	USD5,000,000	as above	100
	LFD Manufacturing Limited *(incorporated in Hong Kong)*	Ordinary shares	3,000	as above	100
	LFD Properties Limited	Ordinary shares	2	as above	100
	LFD Technical Services Limited	Ordinary share	1	as above	100
	LFIE Management (BVI) Ltd	Ordinary shares	1,000	as above	100
	LFIE Management Ltd	Ordinary shares	1,000	as above	100

Name of Director	Name of associated corporation	Class of shares	Number of shares/ Registered capital	Nature of interest	Approximate percentage of interests (%)
	Li & Fung (1937) Limited	Ordinary shares	139,250,000	as above	100
	Li & Fung (Distribution) Limited	Full voting ordinary shares	13,800,000	as above	100
	Li & Fung (Gemini) Limited	Ordinary shares	5,222,807	as above	76.02
	Li & Fung (Retailing) Limited	Ordinary shares	3,384,372	as above	100
	Li & Fung (Warehousing) Limited	Ordinary shares	2	as above	100
	Li & Fung China Investments Limited	Ordinary shares	1,076,000	as above	100
	Li & Fung Development (China) Limited	Ordinary shares	2	as above	100
	Li & Fung Distribution (Asia) Limited	Ordinary share	1	as above	100
	Li & Fung Distribution (China) Limited	Ordinary share	1	as above	100
	Li & Fung Distribution (International) Limited	Ordinary share	1	as above	100
	Li & Fung Distribution (Malaysia) Limited	Ordinary share	1	as above	100
	Li & Fung Distribution (Management) Limited	Ordinary shares	2	as above	100

Name of Director	Name of associated corporation	Class of shares	Number of shares/ Registered capital	Nature of interest	Approximate percentage of interests (%)
	Li & Fung Distribution (Overseas) Sdn. Bhd.	Ordinary shares	2	as above	100
	Li & Fung Distribution (Singapore) Limited	Ordinary shares	50,000	as above	100
	Li & Fung IDS Logistics Limited	Ordinary shares	24,000,000	as above	100
	Li & Fung Industrial Holdings Limited	Ordinary shares	9,400,000	as above	100
	Li & Fung Industrial Limited	(i) Ordinary shares (ii) Non-voting deferred shares	(i) 2 (ii) 80,000,000	as above	(i) 100 (ii) 100
	Li & Fung JDH Healthcare Limited	Ordinary shares	2	as above	100
	Li & Fung JDH Limited	(i) Ordinary shares (ii) Non-voting deferred shares	(i) 50 (ii) 1,500,000	as above	(i) 100 (ii) 100
	Li & Fung Licensing Limited	Ordinary shares	7,238,872	as above	100
	Li & Fung Management Services Limited	Ordinary shares	100	as above	100
	Li & Fung Marketing (Hong Kong) Limited	Ordinary shares	2	as above	100

Name of Director	Name of associated corporation	Class of shares	Number of shares/ Registered capital	Nature of interest	Approximate percentage of interests *(%)*
	Li & Fung Pacific Holdings Limited	Ordinary shares	25,371,016	as above	100
	Li & Fung Packaging Limited	Ordinary shares	2	as above	100
	Li & Fung Retailing (Malaysia) Sdn. Bhd.	Ordinary shares	2	as above	100
	Li & Fung Retailing (Management) Limited	Ordinary share	1	as above	100
	Li & Fung Retailing (Singapore) Pte Limited	Ordinary shares	2	as above	100
	Li & Fung Ventures Holdings Limited	Ordinary share	1	as above	100
	Malinch Associate Holdings Sdn. Bhd.	Ordinary shares	22,000,000	as above	100
	Mobilia Limited	Ordinary shares	2	as above	100
	Moutrie Trading Sdn. Bhd.	Ordinary shares	10,000,000	as above	100
	Myanmar LFD Group Limited *(In Members' Voluntary Liquidation)*	Ordinary shares	50	as above	100
	南京機利民家電有限公司@ Nanjing Gilman Home Appliances Limited	Registered capital	RMB1,425,000	as above	95

Name of Director	Name of associated corporation	Class of shares	Number of shares/ Registered capital	Nature of interest	Approximate percentage of interests *(%)*
	南京英和貿易有限公司@ Nanjing JDH Trading Company Limited	Registered capital	RMB2,850,000	as above	95
	Neptune Pacific Limited	Ordinary share	1	as above	100
	New Investment Corporation	Common shares	4,071	as above	100
	Northpoint Properties Sdn. Bhd.	Ordinary shares	2	as above	100
	Peladang Agencies (Sarawak) Sdn. Bhd.	Ordinary shares	300,000	as above	100
	PNA Product Network (Thailand) Limited	(i) Ordinary shares (ii) Preference shares	(i) 213,150 (ii) 221,850	as above	(i) 100 (ii) 100
	Pottrix Trading Limited	Ordinary share	1	as above	100
	Product Network Asia Limited	Ordinary shares	2	as above	100
	Promising Development Limited	Ordinary shares	2	as above	100
	Prosper Development Limited	Ordinary shares	2	as above	100
	Reading Industries Limited	Ordinary shares	100	as above	100
	Riverside Developments Limited	Ordinary shares	2	as above	100
	Romanov Company Limited	Ordinary shares	2	as above	100

Name of Director	Name of associated corporation	Class of shares	Number of shares/ Registered capital	Nature of interest	Approximate percentage of interests *(%)*
	Sandakan Developments Sendirian Berhad	Ordinary shares	210,000	as above	100
	Sebman (Malaysia) Sdn. Bhd.	Ordinary shares	2	as above	100
	Sebor (Sarawak) Marketing and Services Sdn. Bhd.	Ordinary shares	5,000,000	as above	100
	Sebor (Sarawak) Sdn. Bhd.	Ordinary shares	5,392,329	as above	56.74
	SebQuest Technology Sdn. Bhd.	Ordinary shares	60,000	as above	60
	Sichling B.V.	Ordinary shares	50	as above	100
	Slumberland China Limited *(In Members' Voluntary Liquidation)*	Ordinary shares	500,000	as above	100
	Strategic Assets Limited	Ordinary share	1	as above	100
	The Borneo Company (Sabah) Sdn. Bhd. *(In Members' Voluntary Liquidation)*	Ordinary shares	7,500,000	as above	100
	The Borneo Company Limited	Ordinary shares	4,553,300	as above	100
	The Borneo Company Private Limited *(In Members' Voluntary Liquidation)*	Ordinary shares	8,836,152	as above	100

Name of Director	Name of associated corporation	Class of shares	Number of shares/ Registered capital	Nature of interest	Approximate percentage of interests *(%)*
	Tiram Kimia Sdn. Bhd. *(In Members' Voluntary Liquidation)*	Ordinary shares	2,100,000	as above	21
	Toys "R" Us — Lifung Limited	(i) Ordinary shares (ii) Preference shares	(i) 81,000,000 (ii) 160,000	as above	(i) 100 (ii) 100
	Toys "R" Us — Lifung Taiwan Limited	Ordinary shares	34,000,000	as above	100
	Toys "R" Us — Singapore (Pte) Limited	Ordinary shares	4,000,000	as above	100
	Toys "R" Us (Malaysia) Sdn Bhd	Ordinary shares	14,000,000	as above	100
	Toys "R" Us Asia Limited	Ordinary shares	2	as above	100
	Toys (Labuan) Holding Limited	Ordinary share	1	as above	100
	Toys (Labuan) Limited	Ordinary shares	17,148,047	as above	95
	Toys LiFung Limited	Ordinary shares	2	as above	100
	Toys Lifung Netherlands B.V.	Ordinary shares	182	as above	100
	Toys Retailing (Thailand) Ltd	(i) Ordinary shares (ii) Preferred shares	(i) 730 (ii) 1,770	as above	(i) 100 (ii) 100
	Toys Retailing Holdings (Thailand) Ltd	(i) Ordinary shares (ii) Preferred shares	(i) 730 (ii) 1,770	as above	(i) 100 (ii) 100

Name of Director	Name of associated corporation	Class of shares	Number of shares/ Registered capital	Nature of interest	Approximate percentage of interests *(%)*
	Trademart Wholesale Limited	(i) A shares (ii) B shares	(i) 255,000 (ii) 200,000	as above	(i) 100 (ii) 100
	Viagold International Limited	Ordinary share	1	as above	100
	Web-Logistic (HK) Limited	Ordinary shares	15,600,000	as above	100
	Westgate International Limited	Ordinary shares	2	as above	100
Jeremy Paul Egerton HOBBINS	Li & Fung (Gemini) Limited	Ordinary shares	462,018	controlled corporation *(Note 3)*	6.73
Butt Farn LAU	Convenience Retail Asia Limited	Ordinary shares	2,390,000	beneficial owner	0.36
Rajesh Vardichand RANAVAT	Convenience Retail Asia Limited	Ordinary shares	26,000	beneficial owner	0.004

@ *The legal name of the relevant company is in Chinese.*

Notes:

1. 462,018 shares in Li & Fung (Gemini) Limited, representing 6.73% of its issued share capital, are held by Mikenwill Investments Limited which is owned by Mr. Benedict CHANG Yew Teck.

2. King Lun Holdings Limited ("King Lun") through its indirect wholly owned subsidiary, Li & Fung (Retailing) Limited held 373,692,000 shares in Convenience Retail Asia Limited. Dr. Victor FUNG Kwok King and Dr. William FUNG Kwok Lun are deemed to have interests in these shares through their interests in King Lun.

3. 462,018 shares in Li & Fung (Gemini) Limited, representing 6.73% of its issued shares capital, are held by Martinville Holdings Limited which is owned by Mr. Jeremy Paul Egerton HOBBINS.

(C) Short position in shares and underlying shares of the Company

None of the directors and chief executive of the Company or their associates had any short position in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

(D) Share options

The interests of the directors and chief executives in the share options (being regarded as unlisted physically settled equity derivatives) of the Company are detailed in the Share Option Scheme section stated above.

Save as disclosed above, at no time during the year, the directors and chief executives (including their spouse and children under the age of 18) had any interest in, or had been granted, or exercised, any rights to subscribe for shares of the Company or its associated corporations required to be disclosed pursuant to the SFO.

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS

As at 31 December 2004, other than the interests of the directors or chief executive of the Company as disclosed above, the following persons had interests or short position in the shares or underlying shares which fall to be disclosed to the Company under Section 336 of the SFO:

(A) Long position in shares of the Company

Name	Capacity	Number of shares	Percentage of issued share capital *(%)*
Li & Fung (Distribution) Limited	Beneficial owner	157,960,800	51.12
Li & Fung (Gemini) Limited	Interest of controlled corporation	157,960,800	51.12
Li & Fung (1937) Limited	Interest of controlled corporation	157,960,800	51.12
King Lun Holdings Limited	Interest of controlled corporation	157,960,800	51.12
J.P. Morgan Trust Company (Jersey) Limited	Interest of controlled corporation	157,960,800	51.12

(B) Short position in shares and underlying shares of the Company

As at 31 December 2004, the Company had not been notified of any short position being held by any substantial shareholder in the shares or underlying shares of the Company.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

MAJOR CUSTOMERS AND SUPPLIERS

The percentage of sales attributable to the Group's largest customer and the 5 largest customers are as follows:

— the largest customer	8%
— the five largest customers combined	31%

The percentage of purchases attributable to the Group's largest supplier and the 5 largest suppliers are as follows:

— the largest supplier	10%
— the five largest suppliers combined	32%

None of the directors, their associates or any shareholder (which to the knowledge of the directors own more than 5% of the Company's share capital) had an interest in the major customers and suppliers noted above.

CONNECTED TRANSACTIONS

(A) Connected transaction

On 10 November 2004, IDS Logistics (Hong Kong) Limited, a wholly owned subsidiary of the Company, entered into an agreement with Li & Fung China Investments Limited ("Li & Fung China"), a subsidiary of Li & Fung (Distribution) Limited, a substantial shareholder of the Company, whereby Li & Fung China would sell its entire 15% interests in Shanghai IDS Shen Hong Logistics Co., Ltd., a 65% owned subsidiary of the Company, to IDS Logistics (Hong Kong) Limited at a consideration of US$750,000 subject to the grant of the relevant PRC approvals. The aforesaid approval was obtained on 27 December 2004.

(B) Continuing connected transactions

During the year ended 31 December 2004, the Group had the following non-exempt continuing connected transactions, details of which were disclosed in the prospectus of the Company dated 24 November 2004:

(a) *Distribution and sale of goods*

The Group distributes consumer and healthcare products to the retail operations of the members of Li & Fung (1937) Limited ("LF 1937"), a substantial shareholder of the Company, at market rates.

(b) *Provision of shipping, handling and other logistics services*

Members of the Group had been providing shipping, handling services and a variety of other logistics services, including storage, cargo handling, container devanning, administration, labelling, goods return sorting and delivery to subsidiaries of LF 1937 and companies controlled by LF 1937 ("Parent Group"). The fees charged by the Group to members of the Parent Group are either at market rates or at rates similar to those offered to third party clients.

(c) *Lease arrangements*

The Group has been leasing certain office and warehouse premises to and from members of the Parent Group. Rental for the lease arrangements were negotiated between parties with reference to the then prevailing market rates.

Below is a table setting out the aggregate value for each of the non-exempt continuing connected transactions for the year ended 31 December 2004:

		US$'000
(a)	Distribution and sale of goods	
	— members of Convenience Retail Asia Limited ("CRA Group")	1,201
	— other members of the Parent Group	4
(b)	Provision of shipping, handling and other logistics services	
	— members of Li & Fung (Distribution) Limited ("LFD Group")	2,396
	— members of Li & Fung Limited	1,531
	— other members of the Parent Group	1,515
(c)	Rental recharge	
	(i) received from	
	— members of CRA Group	213
	— members of LFD Group	163
	— other members of the Parent Group	523
	(ii) paid to	
	— members of LFD Group	2,390
	— other members of the Parent Group	70

In respect of the above continuing connected transactions, the Stock Exchange has granted a waiver to the Company from strict compliance with the announcement and independent shareholders' approval requirements subject to some conditions.

The independent non-executive directors of the Company have reviewed the above continuing connected transactions and confirmed that the transactions have been entered into:

(i) in the ordinary and usual course of business of the Company;

(ii) either on normal commercial terms or, on terms no less favorable to the Company than terms available to or from independent third parties; and

(iii) in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Auditors of the Company also confirmed that, based on the work they have performed, the above continuing connected transactions:

(i) have received the approval of the board of directors of the Company;

(ii) are in accordance with the pricing policies of the Company;

(iii) have been entered into in accordance with the terms of the relevant agreements governing such transactions; and

(iv) have not exceeded the caps disclosed in the prospectus of the Company dated 24 November 2004.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the directors of the Company, the Company has maintained sufficient public float as required under the Listing Rules throughout the period from 7 December 2004 (date of listing) to 31 December 2004 and has continued to maintain such sufficiency as at the latest practicable date prior to the issue of this report.

AUDITORS

The accounts have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board
Victor FUNG Kwok King
Chairman

Hong Kong, 7 April 2005

PRICEWATERHOUSECOOPERS

羅兵咸永道會計師事務所

PricewaterhouseCoopers
22/F, Prince's Building
Central, Hong Kong

TO THE SHAREHOLDERS OF
INTEGRATED DISTRIBUTION SERVICES GROUP LIMITED
(incorporated in Bermuda with limited liability)

We have audited the accounts on pages 78 to 127 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The directors of the Company are responsible for the preparation of accounts which give a true and fair view. In preparing accounts which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

BASIS OF OPINION

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Institute of Certified Public Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the circumstances of the Company and the Group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the accounts are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts. We believe that our audit provides a reasonable basis for our opinion.

OPINION

In our opinion the accounts give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2004 and of the Group's profit and cash flows for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 7 April 2005

Consolidated Profit and Loss Account

For the year ended 31 December 2004

	Note	2004 US$'000	2003 US$'000
Total invoiced amounts	3	**659,734**	650,512
Revenue	3	**584,876**	591,814
Cost of sales		**(419,466)**	(448,625)
Gross profit		**165,410**	143,189
Other revenues	3	**261**	837
Marketing and logistics expenses		**(121,277)**	(104,905)
Administrative expenses		**(30,964)**	(31,352)
Other (expenses)/income, net	4	**(227)**	5,328
Operating profit	4	**13,203**	13,097
Finance costs, net	5	**(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	6	**(1,072)**	(2,908)
Profit after taxation		**11,469**	9,144
Minority interests		**(923)**	(776)
Profit attributable to shareholders	7, 22	**10,546**	8,368
Dividends	8, 22	**21,958**	11,022
Basic earnings per share	9	**US 4.31 cents**	US 3.49 cents

	Note	2004 US$'000	2003 US$'000
Non-current assets			
Intangible assets	12	**5,485**	3,399
Property, plant and equipment	13	**36,679**	63,161
Interests in a jointly controlled entity	14	**—**	4,848
Other long-term investments	15	**16**	16
Pension assets	20	**1,520**	3,366
Deferred tax assets	24	**1,819**	554
		45,519	75,344
Current assets			
Inventories	17	**78,081**	55,377
Trade and other receivables	18	**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	19	**182,759**	196,161
Bank loans and other borrowings	23	**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

	Note	2004 US$'000	2003 US$'000
Financed by:			
Share capital	21	**30,900**	24,000
Reserves	22	**49,336**	39,626
Shareholders' equity		**80,236**	63,626
Minority interests	25(b)	**4,483**	4,272
Non-current liabilities			
Unsecured bank loan	23	**30,110**	—
Obligations under finance leases	23	**138**	68
Deferred tax liabilities	24	**1,378**	4,313
		31,626	4,381
		116,345	72,279

On behalf of the Board

Victor FUNG Kwok King
Director

Benedict CHANG Yew Teck
Director

	Note	2004 US$'000	2003 US$'000
Non-current assets			
Interests in subsidiaries	16	**34,050**	—
Current assets			
Other receivables		**23**	12
Time deposits		**17,859**	—
		17,882	12
Current liabilities			
Other payables		**110**	—
Net current assets		**17,772**	12
Total assets less current liabilities		**51,822**	12
Financed by:			
Share capital	21	**30,900**	12
Reserves	22	**20,922**	—
Shareholders' equity		**51,822**	12

On behalf of the Board

Victor FUNG Kwok King
Director

Benedict CHANG Yew Teck
Director

	Note	2004 US$'000	2003 US$'000
Total equity as at 1 January		**63,626**	63,365
Issue of shares, net of expenses		**27,919**	—
Release of deferred tax liabilities upon disposal of revalued properties	24	—	805
Exchange differences arising on translation of the accounts of foreign subsidiaries, associated companies and a jointly controlled entity	22	**103**	2,110
Net increase not recognized in the consolidated profit and loss account		**28,022**	2,915
Profit for the year	22	**10,546**	8,368
Dividends	8, 22	**(21,958)**	(11,022)
		(11,412)	(2,654)
Total equity as at 31 December		**80,236**	63,626

Consolidated Cash Flow Statement

For the year ended 31 December 2004

	Note	2004 US$'000	2003 US$'000
Net cash inflow generated from operations	25(a)	**20,764**	19,964
Interest paid		**(2,428)**	(2,775)
Overseas tax refund		**159**	—
Overseas tax paid		**(3,199)**	(3,181)
Net cash inflow from operating activities		**15,296**	14,008
Investing activities			
Dividends received from associated companies and a jointly controlled entity		**—**	55
Dividends received from unlisted investments		**27**	120
Interest received		**1,741**	1,440
Net decrease in time deposits		**2,344**	2,979
Net changes in the non-trade amounts due from/(to) related companies		**86**	(55,471)
Purchase of property, plant and equipment		**(14,268)**	(12,001)
Purchase of intangible assets		**(2,772)**	(80)
Transfer of plant and equipment from related companies		**(970)**	(881)
Transfer of property, plant and equipment to related companies		**6,366**	23,944
Transfer of intangible assets from related companies		**—**	(1,722)
Disposal of subsidiaries	25(c)	**(370)**	6,229
Acquisition of a subsidiary	25(d)	**(979)**	—
Acquisition of additional interests in a subsidiary		**(750)**	—
Sale of plant and equipment		**30,098**	516
Proceeds on disposal/winding up of associated companies		**—**	3,304
Sale of long-term investments		**—**	963
Purchase of long-term investments		**—**	(405)
Net cash inflow/(outflow) from investing activities		**20,553**	(31,010)

	Note	2004 US$'000	2003 US$'000
Net cash inflow/(outflow) before financing		**35,849**	(17,002)
Financing activities			
Dividends paid to minority shareholders of subsidiaries	25(b)	**(25)**	(436)
Dividends paid	8, 22	**(21,958)**	—
Proceeds from shares issued, net	25(b)	**27,919**	—
New loans raised	25(b)	**48,002**	35,573
Repayment of loans	25(b)	**(47,132)**	(2,484)
Capital element of finance lease payments	25(b)	**(139)**	(76)
Net cash inflow from financing		**6,667**	32,577
Increase in cash and cash equivalents		**42,516**	15,575
Cash and cash equivalents at 1 January		**8,303**	(8,449)
Effect of foreign exchange rate changes		**(207)**	1,177
Cash and cash equivalents at 31 December		**50,612**	8,303
Analysis of balances of cash and cash equivalents:			
Bank balances and cash		**28,108**	17,919
Deposits with maturity less than three months		**23,828**	—
Bank overdrafts		**(1,324)**	(9,616)
		50,612	8,303

1. REORGANIZATION

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.

2. PRINCIPAL ACCOUNTING POLICIES

(a) Basis of preparation

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.

2. PRINCIPAL ACCOUNTING POLICIES (cont'd)

(a) Basis of preparation (cont'd)

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.

(b) Consolidation

The consolidated accounts include the accounts of the Company and its subsidiaries made up to 31 December.

Subsidiaries are those entities in which the Company, directly or indirectly, controls more than one half of the voting power; has the power to govern the financial and operating policies; to appoint or remove the majority of the members of the board of directors; or to cast majority of votes at the meetings of the board of directors.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated profit and loss account from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All significant intercompany transactions and balances within the Group are eliminated on consolidation.

2. PRINCIPAL ACCOUNTING POLICIES (cont'd)

(b) Consolidation (cont'd)

The gain or loss on the disposal of a subsidiary represents the difference between the proceeds of the sale and the Group's share of its net assets together with any unamortized goodwill or goodwill taken to reserves and which was not previously charged or recognized in the consolidated profit and loss account and any related accumulated exchange reserve.

Minority interests represent the interests of outside shareholders in the operating results and net assets of subsidiaries.

In the Company's balance sheet the investments in subsidiaries are stated at cost less provision for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

(c) Jointly controlled entities

A jointly controlled entity is a contractual arrangement whereby the Group and other parties undertake an economic activity which is subject to joint control and none of the participating parties has unilateral control over the economic activity.

The consolidated profit and loss account includes the Group's share of the results of the jointly controlled entity for the year, and the consolidated balance sheet includes the Group's share of net assets of the jointly controlled entities and goodwill (net of accumulated amortization) on acquisition.

2. PRINCIPAL ACCOUNTING POLICIES (cont'd)

(d) Associated companies

An associated company is a company, not being a subsidiary or a joint venture, in which an equity interest is held for the long-term and significant influence is exercised in its management.

The consolidated profit and loss account includes the Group's share of the results of associated companies for the year, and the consolidated balance sheet includes the Group's share of the net assets of the associated companies and also goodwill (net of accumulated amortization) on acquisition.

(e) Translation of foreign currencies

Transactions in foreign currencies are translated at the market rates or forward contract rates ruling at the transaction dates, where appropriate. Monetary assets and liabilities expressed in foreign currencies at the balance sheet date are translated at rates of exchange ruling at the balance sheet date or at the forward contract rates, where applicable. Exchange differences arising in these cases are dealt with in the profit and loss account.

The balance sheets of subsidiaries, the jointly controlled entity and associated companies expressed in foreign currencies are translated at the rates of exchange ruling at the balance sheet date whilst the profit and loss accounts are translated at an average rate. Unrealized differences on net investments in foreign subsidiaries, the jointly controlled entity and associated companies (including intra-group balances of an equity nature) and related long-term liabilities are taken directly to reserves.

2. PRINCIPAL ACCOUNTING POLICIES (cont'd)

(f) Intangibles

(i) *Software costs*
Software costs are stated at cost less accumulated amortization and accumulated impairment losses. Software costs are amortized over the estimated useful lives on a straight-line basis. In general, software costs are amortized over not more than 7 years.

(ii) *Trademarks*
Expenditure on acquired trademarks is capitalized and amortized using the straight-line method over their estimated useful lives, but not exceeding 20 years.

(g) Property, plant and equipment

(i) *Property, warehouse automated storage retrieval system ("ASRS"), plant and equipment*
Land and buildings and ASRS are stated at valuation which is determined by directors based on independent valuations performed every three years. The additions during the intervening years are stated at cost and the directors review the carrying value of the land and buildings and the ASRS and adjustment is made where there has been a material change. The valuations are on a replacement cost basis or an open market value basis related to ASRS and the individual properties, and separate values are not attributed to land and buildings. Increases in valuation are credited to the fixed assets revaluation reserve. Decreases in valuation are first offset against increases on earlier valuations in respect of the same asset and are thereafter debited to operating profit. Any subsequent increases are credited to operating profit up to the amount previously debited.

2. PRINCIPAL ACCOUNTING POLICIES (cont'd)

(g) Property, plant and equipment (cont'd)

(i) *Property, warehouse automated storage retrieval system ("ASRS"), plant and equipment (cont'd)*
Other property, plant and equipment comprising furniture, plant and machinery are stated at cost less accumulated depreciation and accumulated impairment losses.

(ii) *Depreciation*
Land and buildings are depreciated over the shorter of the period of the lease and their estimated useful lives while other property, plant and equipment are depreciated at rates sufficient to write off their cost less accumulated impairment losses over their estimated useful lives on a straight-line basis. The principal annual rates are as follows:

Land and buildings	shorter of the period of the lease or 2%
ASRS	5%–25%
Furniture, plant and machinery	10%–25%

Improvements are capitalized and depreciated over their expected useful lives to the Group.

2. PRINCIPAL ACCOUNTING POLICIES (cont'd)

(h) Impairment and gain or loss on sale of intangible and tangible assets

At each balance sheet date, both internal and external sources of information are considered to assess whether there is any indication that property, plant and equipment and intangible assets including goodwill previously written off against reserves are impaired. If any such indication exists, the recoverable amount of the asset is estimated and where relevant, an impairment loss is recognized to reduce the asset to its recoverable amount. Such impairment losses are recognized in the profit and loss account except where the asset is carried at valuation and the impairment loss does not exceed the revaluation surplus for that same asset, in which case it is treated as a revaluation decrease. Reversal of impairment losses is credited to the profit and loss account to the extent of impairment losses previously charged to the profit and loss account when the circumstances and events that led to the write-downs or write-offs cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future.

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognized in the profit and loss account. Any revaluation reserve balance remaining attributable to the relevant asset is transferred to retained earnings and is shown as a movement in reserves.

2. PRINCIPAL ACCOUNTING POLICIES (cont'd)

(i) Assets under leases

(i) *Finance leases*

Leases that substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as finance leases. Finance leases are capitalized at the inception of the leases at the lower of the fair value of the leased assets or the present value of the minimum lease payments. Each lease payment is allocated between the capital and finance charges so as to achieve a constant rate on the capital balances outstanding. The corresponding rental obligations, net of finance charges, are included in liabilities. The finance charges are charged to the profit and loss account over the lease periods.

Assets held under finance leases are depreciated over the shorter of their estimated useful lives or the lease periods.

(ii) *Operating leases*

Leases where substantially all the risks and rewards of ownership of assets remain with the leasing company are accounted for as operating leases. Payments made under operating leases net of any incentives received from the leasing company are charged to the profit and loss account on a straight-line basis over the lease periods.

2. PRINCIPAL ACCOUNTING POLICIES (cont'd)

(j) Other long-term investments

Other long-term investments represent investment securities which are stated at cost less any provision for impairment losses.

The carrying amounts of individual investments are reviewed at each balance sheet date to assess whether the fair values have declined below the carrying amounts. When a decline other than temporary has occurred, the carrying amount of such securities will be reduced to the fair value. The impairment loss is recognized as an expense in the profit and loss account. Reversal of impairment loss is credited to the profit and loss account when the circumstances and events that led to the write-downs or write-offs cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future.

(k) Inventories

Inventories comprise stocks and work in progress and are stated at the lower of cost and net realizable value. Cost, calculated principally on the first-in, first-out basis, comprises materials, direct labour and an appropriate proportion of all production overhead expenditure. Net realizable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

(l) Trade and other receivables

Provision is made against trade and other receivables to the extent they are considered to be doubtful. Trade and other receivables in the balance sheet are stated net of such provision.

2. PRINCIPAL ACCOUNTING POLICIES (cont'd)

(m) Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held at call with banks, cash investments with a maturity of three months or less from the date of investment and bank overdrafts.

(n) Warranty provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Group expects a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain.

The Group recognizes a provision for repairs or replacement of products still under warranty at the balance sheet date. This provision is calculated based on past history of the level of repairs and replacements.

(o) Employee benefits

(i) *Employee leave entitlements*

Employee entitlements to annual leave and long-service leave are recognized when they accrue to employees. A provision is made for the estimated liability for annual leave and long-service leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognized until the time of leave.

2. PRINCIPAL ACCOUNTING POLICIES (cont'd)

(o) Employee benefits (cont'd)

(ii) *Profit sharing and bonus plans*

Provisions for profit sharing and bonus plans, which are expected to be due wholly within 12 months after the balance sheet date, are recognized when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

(iii) *Pension obligations*

The Group operates a number of defined benefit and defined contribution plans for its employees, the assets of which are generally held in separate trustee-administered funds or being invested through insurance companies. The pension plans are generally funded by payments from employees and by the relevant companies in the Group, taking account of the recommendations of independent qualified actuaries.

The Group's contributions to the defined contribution retirement scheme are expensed as incurred and are not reduced by contribution forfeited by those employees who leave the scheme prior to vesting fully in the contributions.

2. PRINCIPAL ACCOUNTING POLICIES (cont'd)

(o) Employee benefits (cont'd)

(iii) *Pension obligations (cont'd)*

For defined benefit plans, pension costs are assessed using the projected unit credit method: the cost of providing pensions is charged to the profit and loss account so as to spread the regular cost over the service lives of employees in accordance with the advice of the actuaries who carry out a full valuation of the plans each year. The pension obligation is measured as the present value of the estimated future cash outflows using the market return on high quality corporate bonds or government bonds of the appropriate currency and term. Actuarial gains and losses are recognized over the average remaining service lives of employees. Past service costs are recognized as an expense on a straight-line basis over the average period until the benefits become vested.

(p) Deferred taxation

Deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the accounts. Taxation rates enacted or substantively enacted by the balance sheet date are used to determine deferred taxation.

Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

2. PRINCIPAL ACCOUNTING POLICIES (cont'd)

(p) Deferred taxation (cont'd)

Deferred taxation is provided on temporary differences arising on investments in subsidiaries, associated companies and joint ventures, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

(q) Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognized because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognized but is disclosed in the notes to the accounts. When a change in the probability of an outflow occurs so that the outflow is probable, it will then be recognized as a provision.

(r) Revenue recognition

Revenue from the sale of goods is recognized on the transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered to clients and title has passed. Collections on behalf of principals are not accounted for as revenue.

Revenue from the rendering of services and service fee income are recognized when the services are rendered.

(r) Revenue recognition (cont'd)

Interest income is recognized on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.

Dividend income is recognized when the right to receive payment is established.

Operating lease rental income is recognized on a straight-line basis.

(s) Borrowing costs

All borrowing costs are charged to the profit and loss account in the year in which they are incurred.

(t) Segment reporting

In accordance with the Group's internal financial reporting, the Group has determined that business segments be presented as the primary reporting format and geographical segments as the secondary reporting format.

Segment assets comprise operating assets and exclude items such as taxation and certain corporate intangible assets and corporate property, plant and equipment. Segment liabilities comprise operating liabilities and exclude items such as taxation and certain corporate borrowings which are included as corporate liabilities. Capital expenditure comprises additions to intangible assets, property, plant and equipment.

In respect of geographical segment reporting, sales are based on the country in which the client is located. Total assets and capital expenditure are where the assets are located.

3. REVENUE AND SEGMENT INFORMATION

(a)

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

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.

3. REVENUE AND SEGMENT INFORMATION (cont'd)

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

	2004 US$'000	2003 US$'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

3. REVENUE AND SEGMENT INFORMATION (cont'd)

Primary reporting format — business segments

The Group is organized on a worldwide basis into the following business segments:

Logistics
Marketing
Manufacturing

Secondary reporting format — geographical segments

The Group operates in the following geographical areas:

Hong Kong — Marketing and Logistics
Taiwan — Logistics
Thailand — Marketing, Logistics and Manufacturing
Malaysia — Marketing, Logistics and Manufacturing
Singapore — Marketing and Logistics
the Philippines — Marketing and Logistics
Indonesia — Marketing and Manufacturing
Mainland China ("PRC") — Marketing and Logistics
Brunei — Marketing

3. REVENUE AND SEGMENT INFORMATION (cont'd)

Primary reporting format — business segments

2004	Logistics US$'000	Marketing US$'000	Manufacturing US$'000	Corporate US$'000	Inter-segment elimination US$'000	Group total US$'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
Total assets	64,022	171,603	39,494	42,199		317,318
Total liabilities	51,048	115,258	27,284	39,009		232,599
Capital expenditure	6,828	4,147	4,378	2,913		18,266
Depreciation and amortization	3,319	1,781	1,464	998		7,562

3. REVENUE AND SEGMENT INFORMATION (cont'd)

Primary reporting format — business segments (cont'd)

2003	Logistics US$'000	Marketing US$'000	Manufacturing US$'000	Corporate US$'000	Inter-segment elimination US$'000	Group total US$'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
Segment assets	44,113	136,696	33,750	102,336		316,895
Interests in a jointly controlled entity	—	4,848	—	—		4,848
Total assets	44,113	141,544	33,750	102,336		321,743
Total liabilities	43,660	107,413	24,969	77,803		253,845
Capital expenditure	4,134	2,214	1,938	6,487		14,773
Depreciation and amortization	3,137	1,148	1,365	3,078		8,728
Reversal of impairment	—	—	—	(3,528)		(3,528)

3. REVENUE AND SEGMENT INFORMATION (cont'd)

Secondary reporting format — geographical segments

	Revenue 2004 US$'000	Total assets 2004 US$'000	Capital expenditure 2004 US$'000
Hong Kong	225,018	98,841	6,425
Taiwan	12,964	29,894	2,121
Thailand	110,169	50,474	1,493
Malaysia	125,302	51,368	5,069
Singapore	44,796	25,127	257
the Philippines	14,639	6,118	242
Indonesia	8,225	6,655	114
PRC	39,921	41,927	2,476
Brunei	12,427	6,914	69
	593,461	317,318	18,266
Less: Inter-segment elimination	(8,585)	—	—
Total	584,876	317,318	18,266

3. REVENUE AND SEGMENT INFORMATION (cont'd)

Secondary reporting format — geographical segments (cont'd)

	Revenue 2003 US$'000	Total assets 2003 US$'000	Capital expenditure 2003 US$'000
Hong Kong	202,771	76,270	3,708
Taiwan	14,262	13,435	67
Thailand	95,051	56,229	5,650
Malaysia	101,164	80,373	2,462
Singapore	40,596	49,836	55
the Philippines	104,693	12,817	766
Indonesia	8,215	8,495	155
PRC	18,831	13,873	1,873
Brunei	9,504	5,567	37
	595,087	316,895	14,773
Less: Inter-segment elimination	(3,273)	—	—
Interests in a jointly controlled entity	—	4,848	—
Total	591,814	321,743	14,773

4. OPERATING PROFIT

Operating profit is stated after charging/(crediting) 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)
Staff costs *(note 10)*	74,419	57,092
Depreciation of		
Owned property, plant and equipment	6,757	8,368
Leased property, plant and equipment	114	38
Operating leases		
Hire of plant and machinery	1,130	1,084
Land and buildings	16,123	9,247
Auditors' remuneration	646	456
Amortization of intangible assets *(note 12)*	691	322
Provision for warranty	513	227
(Reversal of provision)/provision for bad and doubtful debts	(284)	409
Provision for obsolescence	1,073	723
Costs of inventories sold (excluding provision for obsolescence)	405,002	430,012
Net exchange gain	(54)	(666)
Gain on disposal of property, plant and equipment	(1,159)	(49)

5. 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

6. TAXATION

Hong Kong profits tax has not been provided as the Group has no assessable profit in Hong Kong for the years ended 31 December 2004 and 2003. 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 US$'000	2003 US$'000
Current taxation:		
— Overseas taxation	5,216	2,668
Deferred taxation *(note 24)*	(4,144)	185
	1,072	2,853
Share of taxation attributable to:		
Associated companies	—	55
Taxation charges	1,072	2,908

6. TAXATION (cont'd)

The differences between the Group's expected tax charge at respective domestic tax rates and the Group's tax charge for the year were as follows:

	2004 US$'000	2003 US$'000
Profit before taxation	12,541	12,052
Tax calculated at the domestic rates applicable to profits in the countries concerned	3,372	3,239
Expenses not deductible for taxation purposes	630	386
Eliminated income subject to tax	615	138
Income not subject to taxation	(148)	(445)
Increase in unrecognized tax losses	595	649
Decrease in unrecognized temporary differences	(200)	(394)
Utilization of previously unrecognized:		
— tax losses	(929)	(747)
— capital and reinvestment allowance	(785)	—
Recognition of previously unrecognized tax losses	(818)	—
(Under)/over provision in prior years	(122)	82
Reversal of deferred tax liabilities upon disposals of property, plant and equipment	(1,072)	—
Decrease in opening net deferred tax liabilities resulting from a decrease in tax rate	(66)	—
Taxation charge	1,072	2,908

7. PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The profit attributable to shareholders included a loss of US$97,000 (2003: US$nil) which is dealt with in the accounts of the Company.

8. DIVIDENDS

	2004 US$'000	2003 US$'000
Dividends paid 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 rates of dividend and the number of shares ranking for dividends are not presented as such information is not meaningful having regard to the purpose of these accounts.

9. 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 as detailed in note 21(c).

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.

10. STAFF COSTS (INCLUDING DIRECTORS' REMUNERATION)

Details of staff costs are as follows:

	2004 US$'000	2003 US$'000
Wages and salaries	**71,347**	54,460
Pension costs-defined contribution plans	**2,589**	2,303
Pension costs-defined benefit plans *(note 20(c))*	**483**	329
	74,419	57,092

11. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

The aggregate amounts of emoluments payable to Directors during the year are as follows:

	2004 US$'000	2003 US$'000
Fees	**45**	—
Other emoluments:		
Basic salaries, allowances and benefits in kind	**1,133**	878
Discretionary bonuses	**436**	277
Contributions to pensions schemes for Directors (and past directors) — as Directors	**4**	4
	1,618	1,159

Directors' fees disclosed above included US$13,000 (2003: US$nil) paid to independent non-executive directors.

Before the Reorganization, Li & Fung (Distribution) Limited ("LFD"), the immediate holding company of the Company, granted its share options to the Directors of the Company for their services provided for LFD's subsidiaries, including companies comprising the Group. During 2004, total outstanding share options of 727,000 (2003: 710,000) were granted to executive and non-executive directors of the Company.

These share options were terminated on 18 November 2004 and replaced by the share of the Company held by Capital Joint Holdings Limited, a company held by the management of LFD and the Company.

11. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (cont'd)

(a) Directors' emoluments (cont'd)

By the written resolution dated 4 November 2004 and amended by a committee of the board on 22 November 2004, the Company adopted a share option scheme. On 14 December 2004, 4,410,000 share options were granted to the executive directors at the exercise price of HK$4.825, which was the market value of the share at the date of grant.

During the year, no options were exercised, cancelled or lapsed.

The emoluments of the Directors fell within the following bands:

	Number of Directors 2004	 2003
Emolument bands		
US$nil–US$130,000 (HK$nil–HK$1,000,000)	**9**	6
US$130,001–US$195,000 (HK$1,000,001–HK$1,500,000)	—	1
US$390,001–US$455,000 (HK$3,000,001–HK$3,500,000)	**1**	1
US$455,001–US$520,000 (HK$3,500,001–HK$4,000,000)	**1**	—
US$520,001–US$585,000 (HK$4,000,001–HK$4,500,000)	—	1
US$650,001–US$708,000 (HK$5,000,001–HK$5,500,000)	**1**	—
	12	9

None of the Directors of the Company waived any emoluments during the year (2003: nil).

11. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (cont'd)

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include 3 Directors (2003: 2) whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining individuals whose emoluments were the highest in the Group for the year are as follows:

	2004	2003
	US$'000	US$'000
Basic salaries, allowances and benefits in kind	**544**	689
Bonuses	**84**	92
Pensions	**3**	5
	631	786

The emoluments fell within the following bands:

	Number of employees	
	2004	2003
Emolument bands		
US$195,001–US$260,000 (HK$1,500,001–HK$2,000,000)	**—**	2
US$260,001–US$325,000 (HK$2,000,001–HK$2,500,000)	**1**	1
US$325,001–US$390,000 (HK$2,500,001–HK$3,000,000)	**1**	—
	2	3

11. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (cont'd)

(c) During the year, no emoluments have been paid to the Directors of the Company or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

12. INTANGIBLE ASSETS

	Group		
	Software costs	Trademarks	Total
	US$'000	US$'000	US$'000
Cost			
At 1 January 2004	4,614	1,228	5,842
Exchange adjustment	8	—	8
Additions	2,772	—	2,772
At 31 December 2004	7,394	1,228	8,622
Accumulated amortization			
At 1 January 2004	2,321	122	2,443
Exchange adjustment	3	—	3
Charges for the year *(note 4)*	629	62	691
At 31 December 2004	2,953	184	3,137
Net book value			
At 31 December 2004	4,441	1,044	5,485
At 31 December 2003	2,293	1,106	3,399

13. PROPERTY, PLANT AND EQUIPMENT

	Group			
	Land and buildings US$'000	Warehouse automated storage retrieval system US$'000	Furniture, plant and machinery US$'000	Total US$'000
Cost or valuation:				
At 1 January 2004	26,584	15,494	63,280	105,358
Exchange adjustment	(228)	114	641	527
Acquisition of a subsidiary	—	—	2	2
Additions	475	—	14,049	14,524
Transfer from related companies	—	—	2,066	2,066
Transfer/disposals to related companies	(6,338)	—	(1,603)	(7,941)
Reclassification	—	(476)	476	—
Disposals	(14,944)	(15,132)	(2,120)	(32,196)
At 31 December 2004	5,549	—	76,791	82,340
Accumulated depreciation and accumulated impairment losses:				
At 1 January 2004	2,165	—	40,032	42,197
Exchange adjustment	(35)	—	364	329
Charge for the year	326	285	6,260	6,871
Transfer from related companies	—	—	1,096	1,096
Transfer/disposals to related companies	(1,814)	—	(621)	(2,435)
Reclassification	—	(27)	27	—
Disposals	(333)	(258)	(1,806)	(2,397)
At 31 December 2004	309	—	45,352	45,661
Net book value:				
At 31 December 2004	5,240	—	31,439	36,679
At 31 December 2003	24,419	15,494	23,248	63,161

13. PROPERTY, PLANT AND EQUIPMENT (cont'd)

(a) The analysis of the cost or valuation of the above assets is as follows:

	Group			
	Land and buildings	Warehouse automated storage retrieval system	Furniture, plant and machinery	Total
	US$'000	US$'000	US$'000	US$'000
At 31 December 2004				
At cost	607	—	76,791	77,398
At valuation	4,942	—	—	4,942
	5,549	—	76,791	82,340
At 31 December 2003				
At cost	6,401	—	63,280	69,681
At valuation	20,183	15,494	—	35,677
	26,584	15,494	63,280	105,358

13. PROPERTY, PLANT AND EQUIPMENT (cont'd)

(b) The Group's interests in land and buildings at their net book values are analyzed as follows:

	Group 2004 US$'000	Group 2003 US$'000
Outside Hong Kong, held on:		
Freehold	1,081	3,807
Leases of over 50 years	1,765	14,546
Leases of between 10 to 50 years	2,394	5,956
Leases of less than 10 years	—	110
	5,240	24,419

(c) Land and buildings and ASRS were revalued at 31 December 2002 on the basis of their open market value or replacement cost carried out by 哈爾濱華通資產評估有限公司, CB Richard Ellis, Agency For Real Estate Affairs, Jones Lang Lasalle, Raine & Horne International Zaki & Partners Sdn Bhd and Shanghai Cai Rui Assets Evaluation Company Limited, independent firms of qualified valuers. The revaluation surplus net of applicable deferred taxes was credited to reserves.

(d) The carrying amount of land and buildings at 31 December 2004 would have been US$2,612,000 (2003: US$25,613,000) had they been stated at cost less accumulated depreciation and accumulated impairment losses.

(e) The net book value of furniture, plant and machinery held by the Group under finance leases amounted to US$314,000 as at 31 December 2004 (2003: US$172,000).

14. INTERESTS IN A JOINTLY CONTROLLED ENTITY

	Group 2004 US$'000	Group 2003 US$'000
Share of net assets	—	4,848

The Group held interests in a jointly controlled entity in 2003:

Name	Place of establishment and operation	Principal activities	Effective % of ownership/ voting power/ profit sharing
Nanjing IDS Marketing Company Limited (formerly known as Nanjing Li & Fung JDH Trading Company Limited)	PRC	Import/export and marketing of general merchandise	49%

An agreement was signed by the Group on 12 March 2004 to acquire the remaining 51% interest of the above company. The company became a wholly owned subsidiary of the Company during the year.

15. OTHER LONG-TERM INVESTMENTS

	Group 2004 US$'000	Group 2003 US$'000
Investment securities:		
Unlisted shares, at cost	**16**	16

Other long-term investments mainly represent ordinary shares of other companies in which the Group has less than 20% shareholding.

16. INTERESTS IN SUBSIDIARIES

	Company 2004 US$'000	Company 2003 US$'000
Unlisted shares/investments, at cost *(note (a))*	**23,988**	—
Amounts due from subsidiaries *(note (b))*	**10,062**	—
	34,050	—

(a) Particulars of principal subsidiaries are set out in note 29 to the accounts.

(b) The amounts due from subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

17. INVENTORIES

	Group 2004 US$'000	Group 2003 US$'000
Finished goods and merchandise	**70,584**	47,595
Raw materials	**8,706**	8,995
Work in progress	**1,542**	1,105
	80,832	57,695
Less: Provision for obsolescence	**(2,751)**	(2,318)
	78,081	55,377

As at 31 December 2004, inventories stated at net realizable value amounted to US$1,506,000 (2003: US$1,145,000).

18. TRADE AND OTHER RECEIVABLES

	Group 2004 US$'000	Group 2003 US$'000
Trade receivables *(note (a))*	**112,492**	95,673
Other receivables, prepayments, and deposits	**24,581**	15,573
Due from related companies *(note (b))*	**3,113**	57,672
	140,186	168,918

18. TRADE AND OTHER RECEIVABLES (cont'd)

Notes:

(a) The Group normally granted credit terms to its customers ranging from 30 to 90 days. At 31 December, the aging analysis of the Group's trade receivable was as follows:

	Group	
	2004	2003
	US$'000	US$'000
Less than 90 days	**103,984**	87,662
91-180 days	**6,248**	6,213
181-360 days	**2,096**	1,386
Over 360 days	**164**	412
	112,492	95,673

Provision for bad and doubtful debts as at 31 December 2004 amounted to US$1,799,000 (2003: US$2,550,000) have been deducted from the above trade receivables.

(b) The amounts due from related companies can be analyzed as follows:

	Group	
	2004	2003
	US$'000	US$'000
Trade (i)	**1,995**	642
Non-trade (ii)	**1,118**	57,030
	3,113	57,672

(i) The trade balances were aged less than 90 days and the credit terms granted to related companies are no more than those granted to other third party customers.

(ii) The balances are unsecured, interest free and have no fixed terms of repayment. The non-trade balance in 2004 mainly represented recoverable expenses from LFD incurred for Global Offering which was subsequently settled after year end. As at 31 December 2003, US$8,337,000 was interest bearing at the relevant prevailing interest rate.

19. TRADE AND OTHER PAYABLES

	Group	
	2004	2003
	US$'000	US$'000
Trade payables *(note (a))*	**132,308**	98,944
Other payables and accruals	**47,710**	39,824
Obligations on pension — defined contribution plans *(note 20)*	**644**	487
Obligations on pension — defined benefits plans *(note 20)*	**472**	324
Due to related companies *(note (b))*	**1,625**	56,582
	182,759	196,161

Notes:

(a) The aging analysis of the Group's trade payable was as follows:

	Group	
	2004	2003
	US$'000	US$'000
Less than 90 days	**114,418**	83,342
91-180 days	**15,969**	11,383
181-360 days	**913**	2,211
Over 360 days	**1,008**	2,008
	132,308	98,944

19. TRADE AND OTHER PAYABLES (cont'd)

(b) The amounts due to related companies can be analyzed as follows:

	Group	
	2004	2003
	US$'000	US$'000
Trade (i)	869	—
Non-trade (ii)	756	56,582
	1,625	56,582

(i) The trade balances were aged less than 90 days and the credit terms granted by related companies are no more than those granted from other third party suppliers.

(ii) The balances are unsecured, interest free and have no fixed terms of repayment. The non-trade balance in 2004 mainly represented consideration payable for acquisition of additional interests in a subsidiary which is subsequently settled after year end. As at 31 December 2003, US$6,643,000 was interest bearing at the prevailing interest rate.

20. PENSIONS AND OTHER POST RETIREMENT ASSETS/(OBLIGATIONS)

	Group	
	2004	2003
	US$'000	US$'000
Assets on:		
— pensions-defined benefits plans *(note (a))*	1,520	3,366
Obligations on:		
— pensions-defined contribution plans	(644)	(487)
— pensions-defined benefits plans *(note (b))*	(472)	(324)
	(1,116)	(811)

20. PENSIONS AND OTHER POST RETIREMENT ASSETS/(OBLIGATIONS) (cont'd)

(a) Assets on pensions-defined benefits plans

The Group's major defined benefit retirement schemes are plans in Hong Kong, the Philippines and Taiwan. Most of the pension plans are final salary defined benefit plans. The assets of the funded plans are held independently of the Group's assets in separate trustee-administered funds or being invested through insurance companies. The Group's major plans are valued by qualified actuaries annually using the projected unit credit method. Defined benefit plans in Hong Kong, the Philippines and Taiwan are valued by Watson Wyatt.

(i) The amounts of assets recognized in the consolidated balance sheet are determined as follows:

	Group	
	2004	2003
	US$'000	US$'000
Fair value of plan assets	3,799	6,112
Present value of funded obligations	(3,430)	(3,346)
Present value of over-funded assets	369	2,766
Unrecognized actuarial losses	1,151	600
Pension assets in the consolidated balance sheet	1,520	3,366

As at 31 December 2004, the ratio of fair value of plan assets to present value of funded obligations was 110.8%.

20. PENSIONS AND OTHER POST RETIREMENT ASSETS/(OBLIGATIONS) (cont'd)

(a) Assets on pensions-defined benefits plans (cont'd)

(ii) The limit of assets to be recognized in the consolidated balance sheet are disclosed as follows:

	Group	
	2004	2003
	US$'000	US$'000
Cumulative unrecognized net actuarial losses and past service cost	1,151	600
Present value of available future refunds and reductions in future contributions	369	2,766
Limit	1,520	3,366

20. PENSIONS AND OTHER POST RETIREMENT ASSETS/(OBLIGATIONS) (cont'd)

(b) Obligations on pensions-defined benefits plans

The amounts of liabilities recognized in the consolidated balance sheet are determined as follows:

	Group	
	2004	2003
	US$'000	US$'000
Present value of funded obligations	**(2,575)**	(1,807)
Fair value of plan assets	**1,510**	1,006
Present value of unfunded obligations	**(1,065)**	(801)
Unrecognized actuarial losses	**593**	477
Pension liabilities in the consolidated balance sheet	**(472)**	(324)

As at 31 December 2004, the ratio of fair value of plan assets to present value of funded obligations was 58.6%.

20. PENSIONS AND OTHER POST RETIREMENT ASSETS/(OBLIGATIONS) (cont'd)

(c) The amount recognized in the consolidated profit and loss account were as follows:

	Group 2004 US$'000	Group 2003 US$'000
For pension assets:		
Current service cost	203	202
Interest cost	145	135
Expected return on plan assets	(262)	(234)
Net actuarial loss recognized	17	—
	103	103
For pension liabilities:		
Current service cost	323	185
Interest cost	94	59
Expected return on plan assets	(63)	(41)
Net actuarial loss recognized	26	23
	380	226
Total, included in staff costs *(note 10)*	483	329

20. PENSIONS AND OTHER POST RETIREMENT ASSETS/(OBLIGATIONS) (cont'd)

(d) Movement included in the consolidated balance sheet:

	Group 2004 US$'000	Group 2003 US$'000
Pension assets:		
At 1 January	3,366	3,452
Total expenses — *(note 20(c))*	(103)	(103)
Cash refunded to employer	(1,736)	—
Exchange differences	(7)	17
At 31 December	1,520	3,366
Pension liabilities:		
At 1 January	(324)	(247)
Exchange differences	(9)	7
Total expenses — *(note 20(c))*	(380)	(226)
Actual benefits paid	241	142
At 31 December	(472)	(324)

(e) The principal actuarial assumptions used were as follows:

	2004 %	2003 %
Discount rate	3.25–10	3.25–10
Expected rate of return on plan assets	3.25–10	3.25–10
Expected rate of future salary increases	3–8	3–8

21. SHARE CAPITAL AND OPTIONS

	Ordinary shares	
	No. of shares	US$'000
Authorized:		
At the date of incorporation and at 31 December 2003 *(note (a))*	12,000	12
Increase in authorized share capital *(note (b)(i))*	99,988,000	99,988
Sub-division of shares *(note (b)(ii))*	900,000,000	—
At 31 December 2004	1,000,000,000	100,000
Issued and fully paid:		
At the date of incorporation and at 31 December 2003 *(note (a))*	12,000	12
Sub-division of shares *(note (b)(ii))*	108,000	—
Issue of shares arising from the Reorganization *(note (c))*	239,880,000	23,988
Issue of shares by placing and public offer *(note (d))*	69,000,000	6,900
At 31 December 2004	309,000,000	30,900

21. SHARE CAPITAL AND OPTIONS (cont'd)

Details of the changes in the Company's share capital are as follows:

(a) The Company was incorporated on 25 September 2003 with an authorized capital of US$12,000, divided into 12,000 shares of US$1.0 each. 12,000 shares were allotted and issued to LFD for cash at par on 26 September 2003.

(b) Pursuant to the written resolutions of the shareholder of the Company on 4 November 2004,

(i) the authorized share capital of the Company was increased from US$12,000 to US$100,000,000, divided into 100,000,000 shares of US$1.0 each.

(ii) each issued and unissued share of US$1.0 each was sub-divided into ten shares of US$0.1 each.

As a result, the authorized share capital of the Company is US$100,000,000 divided into 1,000,000,000 shares.

(c) On 20 November 2004, a total of 239,880,000 shares were allotted and issued to LFD, all credited as fully paid, as consideration for the acquisition by the Company from LFD of its entire interests in IDS Group Limited (other than one issued share already owned by the Company) pursuant to the share swap agreement signed on the same date.

21. SHARE CAPITAL AND OPTIONS (cont'd)

(d) Pursuant to the written resolutions of the shareholder of the Company passed on 4 November 2004, the global offering was approved. The Company completed its global offering and issued the shares as follows:

(i) issued 60,000,000 shares of US$0.1 each at a price of HK$3.50 per share on 7 December 2004; and

(ii) issued 9,000,000 shares of US$0.1 each at a price of HK$3.50 per share on 9 December 2004, upon the full exercise of an over-allotment option.

The listing proceeds of the aforementioned shares, net of direct listing expenses amounted to approximately US$27.9 million. The resulting share premium amounted to approximately US$21,019,000.

(e) The share capital presented in the consolidated balance sheet as at 31 December 2003 represented the share capital of the Company, arising from the transactions as described in notes (a) and (c) above, which is deemed to have been in issue throughout the accounting periods presented in these accounts in accordance with the reorganization as set out in note 1.

21. SHARE CAPITAL AND OPTIONS (cont'd)

Details of share options granted by the Company pursuant to the share option scheme and the share options outstanding at 31 December 2004, are as follows:

Date of grant	Subscription price per share	Exercisable period	Share options granted during the year	As at 31 December 2004
14 December 2004	HK$4.825	1 January 2007– 31 December 2010	13,500,000	13,500,000

The terms of the scheme are in accordance with the provisions of Chapter 17 of the Listing Rules.

No shares have been allotted and issued under the share option scheme subsequent to 31 December 2004.

22. RESERVES

	Group				
	Properties revaluation reserve US$'000	Merger reserve (note a) US$'000	Accumulated losses US$'000	Exchange reserve US$'000	Total US$'000
At 1 January 2003	7,101	76,350	(43,684)	(402)	39,365
Exchange differences	—	—	—	2,110	2,110
Disposal of subsidiaries, properties, 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
Company and subsidiaries	2,281	70,850	(35,376)	1,922	39,677
A jointly controlled entity	—	—	(51)	—	(51)
At 31 December 2003	2,281	70,850	(35,427)	1,922	39,626

22. RESERVES (cont'd)

	Group					
	Share premium US$'000	Properties revaluation reserve US$'000	Merger reserve (note a) US$'000	Accumulated losses US$'000	Exchange reserve US$'000	Total US$'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 *(note (21(d))*	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 and subsidiaries	21,019	1,961	59,450	(35,119)	2,025	49,336
At 31 December 2004	21,019	1,961	59,450	(35,119)	2,025	49,336

22. RESERVES (cont'd)

Note:

(a) Merger reserve represented the difference between the sum of the nominal value and share premium of shares of the subsidiaries acquired from LFD for the purpose of the Reorganization as set out in Note 1 of these accounts and the nominal value of shares of the Company issued in exchange thereof.

		Company	
		Accumulated	
	Share premium	loss	Total
	US$'000	US$'000	US$'000
At the date of incorporation and at 31 December 2003	—	—	—
Issue of shares *(note 21(d))*	21,019	—	21,019
Loss for the year	—	(97)	(97)
As at 31 December 2004	21,019	(97)	20,922

The Company did not have any reserves available for distribution to shareholders as at 31 December 2004 and 2003.

23. BANK LOANS AND OTHER BORROWINGS

As at 31 December 2004, bank loans, bank overdrafts and other borrowings were repayable as follows:

	Group	
	2004	2003
	US$'000	US$'000
On demand and within one year		
Unsecured bank overdrafts	**1,324**	9,616
Unsecured bank loans	**13,728**	42,459
Obligations under finance leases	**133**	86
	15,185	52,161
In the third to fifth year		
Unsecured bank loan	**30,110**	—
In the second to fifth year, by instalments		
Obligations under finance leases	**138**	68
	45,433	52,229

23. BANK LOANS AND OTHER BORROWINGS (cont'd)

Finance lease liabilities were payable as follows:

	Group	
	2004	2003
	US$'000	US$'000
Within one year	147	96
In the second year	118	55
In the third to fifth year	39	17
	304	168
Future finance charges on finance leases	(33)	(14)
Present value of finance lease liabilities	271	154
The present value of finance lease liabilities is as follows:		
Within one year	133	86
In the second year	106	53
In the third to fifth year	32	15
	271	154

24. DEFERRED TAXATION

Deferred taxation is calculated in full on temporary differences under the liability method. The movement in deferred tax assets and liabilities (prior to offsetting of balances within the same taxation jurisdiction) during the year is as follows:

	Group					
Deferred tax liabilities	Accelerated tax depreciation		Others		Total	
	2004	2003	**2004**	2003	**2004**	2003
	US$'000	US$'000	**US$'000**	US$'000	**US$'000**	US$'000
At 1 January	**6,195**	7,736	**589**	554	**6,784**	8,290
Exchange differences	**(9)**	180	**(1)**	3	**(10)**	183
Disposal of a subsidiary	**—**	(1,120)	**—**	—	**—**	(1,120)
(Credited)/charged to profit and loss account	**(3,540)**	204	**(18)**	32	**(3,558)**	236
Credited to equity	**—**	(805)	**—**	—	**—**	(805)
At 31 December	**2,646**	6,195	**570**	589	**3,216**	6,784

	Group							
Deferred tax assets	Tax losses		Decelerated tax depreciation		Provisions and others		Total	
	2004	2003	**2004**	2003	**2004**	2003	**2004**	2003
	US$'000	US$'000	**US$'000**	US$'000	**US$'000**	US$'000	**US$'000**	US$'000
At 1 January	**(1,300)**	(1,891)	**(457)**	(332)	**(1,268)**	(639)	**(3,025)**	(2,862)
Exchange differences	**(31)**	(53)	**3**	(29)	**(18)**	(30)	**(46)**	(112)
(Credited)/charged to profit and loss account	**(368)**	644	**286**	(96)	**(504)**	(599)	**(586)**	(51)
At 31 December	**(1,699)**	(1,300)	**(168)**	(457)	**(1,790)**	(1,268)	**(3,657)**	(3,025)

24. DEFERRED TAXATION (cont'd)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred tax income taxes relate to the same fiscal authority. The following amounts, determined after appropriate offsetting, are shown in the balance sheet date:

	Group	
	2004	2003
	US$'000	US$'000
Deferred tax assets	**(1,819)**	(554)
Deferred tax liabilities	**1,378**	4,313

Deferred income tax assets are recognized for tax losses carried forwards to the extent that realization of the related tax benefit through the future taxable profits is probable. As at 31 December 2004, US$59,952,000 (2003: US$73,918,000) of the Group's unrecognized tax losses is carried forward against future taxable income; of which US$30,609,000 (2003: US$40,737,000) will expire within 5 years.

The amounts shown in the balance sheet include the following:

	Group	
	2004	2003
	US$'000	US$'000
Deferred tax assets to be received after more than 12 months	**(1,819)**	(554)
Deferred tax liabilities to be settled after more than 12 months	**1,378**	4,313

25. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of profit from operating activities to net cash inflow from operations:

	2004	2003
	US$'000	US$'000
Operating profit	**13,203**	13,097
Amortization of intangible assets	**691**	322
Depreciation charge	**6,871**	8,406
Reversal of impairment loss on property, plant and equipment	**—**	(3,528)
Gain on disposal of long-term investments	**—**	(234)
Loss/(gain) on disposal of subsidiaries	**227**	(1,009)
Loss on disposal/winding up of associates	**—**	143
Gain on disposal of property, plant and equipment	**(1,159)**	(49)
Dividends received from unlisted investments	**(27)**	(120)
Operating profit before working capital changes	**19,806**	17,028
Increase in inventories	**(21,222)**	(3,406)
Increase in pension assets, trade and other receivables	**(17,609)**	(10,836)
Increase in trade and other payables	**39,789**	17,178
Net cash inflow generated from operations	**20,764**	19,964

25. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (cont'd)

(b) Analysis of changes in financing during the year

	Share capital US$'000	Share premium US$'000	Bank loans US$'000	Minority interests US$'000	Obligations under finance leases US$'000
At 1 January 2003	24,000	—	9,249	3,251	140
Cash inflow from bank loans	—	—	35,573	—	—
Cash outflow from bank loans and finance lease	—	—	(2,484)	—	(76)
Dividends paid to minority shareholders in subsidiaries	—	—	—	(436)	—
Non-cash movements:					
Inception of finance lease	—	—	—	—	89
Minority interests' share of profits	—	—	—	776	—
Exchange differences	—	—	121	31	1
Disposals of interests in subsidiaries	—	—	—	650	—
At 31 December 2003	24,000	—	42,459	4,272	154
At 1 January 2004	24,000	—	42,459	4,272	154
Cash inflow from bank loans	—	—	48,002	—	—
Cash outflow from bank loans and finance lease	—	—	(47,132)	—	(139)
Dividends paid to minority shareholders in subsidiaries	—	—	—	(25)	—
Net proceeds from shares issued	6,900	21,019	—	—	—
Non-cash movements:					
Inception of finance lease	—	—	—	—	256
Minority interests' share of profits	—	—	—	923	—
Exchange differences	—	—	509	63	—
Acquisition of additional interests in a subsidiary	—	—	—	(750)	—
At 31 December 2004	30,900	21,019	43,838	4,483	271

25. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (cont'd)

(c) Disposal of interests in subsidiaries

	2004 US$'000	2003 US$'000
Net assets of subsidiaries disposed of:		
Property, plant and equipment	—	4,733
Trade and other receivables	9	8,861
Bank balances and cash	396	34
Taxation payable	(131)	(41)
Deferred tax liabilities	—	(1,120)
Other payables	(21)	(7,863)
Minority shareholders' interests	—	650
	253	5,254
(Loss)/gain on disposal of interests in subsidiaries	(227)	1,009
	26	6,263
Satisfied by cash	26	6,263

Analysis of the net (outflow)/inflow in respect of disposal of interests in subsidiaries:

	2004 US$'000	2003 US$'000
Sales proceeds	26	6,263
Cash and cash equivalents disposed of:		
Bank balances and cash	(396)	(34)
Net cash (outflow)/inflow in respect of the disposal of interests in subsidiaries	(370)	6,229

25. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (cont'd)

(d) Acquisition of a subsidiary

	2004 US$'000	2003 US$'000
Net assets:		
Property, plant and equipment	2	—
Inventories	944	—
Trade and other receivables	6,129	—
Bank balances and cash	4,128	—
Trade and other payables	(1,223)	—
	9,980	—
Transfer from interests in a jointly controlled entity	(4,873)	—
Net asset acquired	5,107	—
Satisfied by cash	5,107	—
The subsidiary acquired contributed :		
Net cash inflow from operating activities	2,936	—
Net cash outflow from investing activities	(829)	—

Analysis of the net outflow in respect of acquisition of a subsidiary:

	2004 US$'000	2003 US$'000
Cash consideration	(5,107)	—
Bank balances and cash in hand acquired	4,128	—
Net cash outflow in respect of acquisition of a subsidiary	(979)	—

25. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (cont'd)

(e) The dividends declared amounting to US$11,022,000 for the year ended 31 December 2003 were credited to non-trade amounts due to related companies in 2003.

(f) Included in the bank balances and cash of the Group as at 31 December 2004, US$11,670,000 (2003: US$5,703,000) were denominated in Renminbi, of which the remittance is subject to foreign exchange control.

26. CONTINGENT LIABILITIES

Bank guarantees

The Group has the following outstanding bank guarantees issued by banks in the ordinary course of business:

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

The Company did not have any contingent liabilities at 31 December 2004 (2003: Nil).

27. COMMITMENTS

(a) Capital commitments contracted but not provided for in respect of:

	Group	
	2004	2003
	US$'000	US$'000
Property, plant and equipment	**3,637**	185

(b) Commitments under operating leases

The Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	Group			
	Land and buildings		Others	
	2004	2003	**2004**	2003
	US$'000	US$'000	**US$'000**	US$'000
Not later than one year	**13,807**	4,749	**567**	463
Later than one year and not later than five years	**40,998**	11,230	**732**	494
Later than five years	**70,088**	16,618	**75**	—
	124,893	32,597	**1,374**	957

The Company did not have any commitments at 31 December 2004 (2003: Nil).

28. SIGNIFICANT RELATED PARTY TRANSACTIONS

In addition to related party transactions undertaken in connection with the Reorganization and balances maintained with related companies set out in Note 18(b) and Note 19(b), during the year, the Group entered into various transactions with related parties including holding company, certain fellow subsidiaries and other entities, directly or indirectly, controlled or significantly influenced by the holding company.

Set out below is a summary of significant related party transactions during the year:

		Group	
		2004	2003
	Note	**US$'000**	US$'000
Continuing transactions with fellow subsidiaries and related companies			
— Sale of goods and materials	(a)	**1,205**	994
— Revenue from rendering of logistics services including cost reimbursement	(a)	**5,442**	7,101
— Revenue from provision of billing agent service	(a)	**135**	—
— Administrative overhead recharge to	(c)	**506**	232
— Administrative overhead recharge from	(c)	**65**	76
— Rental recharge to	(b)	**899**	25
— Rental expense	(b)	**2,460**	91

28. SIGNIFICANT RELATED PARTY TRANSACTIONS (cont'd)

		Group	
		2004	2003
	Note	**US$'000**	US$'000
Discontinuing transactions with fellow subsidiaries			
— Rental recharge to	(b)	**233**	15
— Rental expense	(b)	**653**	3,273
— Administrative overhead recharge to	(c)	**947**	1,001
— Administrative overhead recharge from	(c)	**129**	90
— Interest income	(f)	**405**	1,055
— Interest expenses	(f)	**185**	488
— Sales of land and buildings	(e)	**5,384**	—
— Transfer of fixed assets to	(d)	**982**	23,944
— Transfer of fixed assets from	(d)	**970**	881
— Transfer of intangible assets from	(d)	**—**	1,722
— Sale of subsidiaries	(g)	**—**	6,263
— Sale of associated companies	(g)	**—**	1,967
— Sale of investments	(h)	**—**	566
— Purchase of investments	(h)	**750**	405
— Sales of goods and materials	(a)	**55**	560
— Purchase of goods and materials	(a)	**10,434**	96
— Revenue from rendering of logistics services	(a)	**366**	665
— Selling expenses recharge	(c)	**1,065**	—
— Service fee income	(c)	**58**	316
— Management fee payable	(c)	**—**	6,349

28. SIGNIFICANT RELATED PARTY TRANSACTIONS (cont'd)

(a) Sales/purchase of goods and revenue from rendering of logistics services and billing agent service were conducted in the normal course of business at prices and terms no less favorable than those charged to other third party customers/suppliers.

(b) Rental income/expenses were charged on normal commercial terms based on relevant lease agreements entered.

(c) Management fee, service fee, administrative overhead recharge and selling expenses recharge are charged on actual cost recovery basis.

(d) Fixed assets and intangible assets were transferred at net book value.

(e) Land and buildings were sold at market value.

(f) Interest income and expenses were charged at the relevant prevailing interest rates.

(g) These subsidiaries and associated companies were sold at their respective historical costs of investment.

(h) Other investments were sold/purchased at market value.

In the opinion of the Directors, the above transactions were entered into at terms as agreed with these related companies in the ordinary course of business.

29. PRINCIPAL SUBSIDIARIES

As at 31 December 2004, the Company held interests in the following principal subsidiaries:

Name	Place of incorporation	Principal activities	Place of operation	Particulars of issued/paid up share capital	Interest held
Directly held:					
IDS Group Limited	British Virgin Islands ("BVI")	Investment holding	Hong Kong	949,165 ordinary shares of US$1 each	100%
Indirectly held:					
IDS Borneo Sdn Bhd	Brunei Darussalam	General merchandising, shipping and insurance agency	Brunei Darussalam	3,000,000 ordinary shares of B$1 each	70%
IDS Logistics (Hong Kong) Limited	Hong Kong	Provision of logistics services	Hong Kong	10,000 ordinary shares of HK$1 each	100%
IDS Logistics International Limited	Hong Kong	Provision of supply chain management services	Hong Kong	2 ordinary shares of HK$1 each	100%
IDS Logistics (Taiwan) Limited	Hong Kong	Provision of logistics and packaging services	Taiwan	2 ordinary shares of HK$100 each	100%

29. PRINCIPAL SUBSIDIARIES (cont'd)

Name	Place of incorporation	Principal activities	Place of operation	Particulars of issued/paid up share capital	Interest held
IDS (Hong Kong) Limited	Hong Kong	Marketing and distribution of consumer and pharmaceutical products	Hong Kong	14,600,000 ordinary shares of HK$10 each	100%
PT. Singa Jaya Kapita	Indonesia	Investment holding	Indonesia	10,000,000 shares of Rp1,000 each	85%
PT. IDS Marketing Indonesia (formerly known as PT. JDH Erindo Jaya)	Indonesia	Marketing and distribution of consumer products	Indonesia	200 shares of Rp5,000,000 each	84.15%
PT. Slumberland Indonesia *(note (a))*	Indonesia	Marketing, distribution and manufacturing of mattresses and bed related products	Indonesia	750,000 shares of Rp2,046 each	40.08%
PT. IDS Manufacturing Indonesia (formerly known as PT. Tensia Manufacturing Indonesia)	Indonesia	Manufacturing of personal care and household products	Indonesia	12,000 shares of Rp37,800 each	99.25%

29. PRINCIPAL SUBSIDIARIES (cont'd)

Name	Place of incorporation	Principal activities	Place of operation	Particulars of issued/paid up share capital	Interest held
IDS Manufacturing Sdn. Bhd.	Malaysia	Investment holding	Malaysia	33,000,000 ordinary shares of RM1 each	100%
IDS Logistics Services (M) Sdn. Bhd.	Malaysia	Provision of logistics services	Malaysia	2,000,000 ordinary shares of RM1 each	100%
JDH Logic-Med Sdn. Bhd.	Malaysia	Marketing and distribution of medical equipments and related products	Malaysia	165,000 ordinary shares of RM1 each	100%
JDH Pharmaceutical Sdn. Bhd.	Malaysia	Marketing and distribution of medicine and pharmaceutical products	Malaysia	400,000 ordinary shares of RM1 each	100%
LFD Manufacturing Sdn. Bhd.	Malaysia	Manufacturing of pharmaceutical, foods and toiletries products	Malaysia	3,000,000 ordinary shares of RM1 each	100%
Slumberland (M) Sdn. Bhd.	Malaysia	Marketing, distribution and manufacturing of mattresses and bed related products	Malaysia	2,000,000 ordinary shares of RM1 each	80%

29. PRINCIPAL SUBSIDIARIES (cont'd)

Name	Place of incorporation	Principal activities	Place of operation	Particulars of issued/paid up share capital	Interest held
Slumberland Marketing Sdn. Bhd.	Malaysia	Marketing and distribution of mattresses and bed related products	Malaysia	2 ordinary shares of RM1 each	80%
IDS Logistics (Philippines), Inc.	Philippines	Provision of logistics services	Philippines	100,000 shares of Pesos100 each	100%
Shanghai IDS Shen Hong Logistics Co., Ltd.	PRC	Provision of logistics services	PRC	US$5,000,000	80%
Slumberland Harbin Co., Ltd.	PRC	Marketing, distribution and manufacturing of mattresses and bed related products	PRC	RMB3,278,000	80%
Slumberland Soft Furniture Shanghai Co., Ltd.	PRC	Marketing, distribution and manufacturing of mattresses and bed related products	PRC	US$1,100,000	80%

29. PRINCIPAL SUBSIDIARIES (cont'd)

Name	Place of incorporation	Principal activities	Place of operation	Particulars of issued/paid up share capital	Interest held
Nanjing IDS Marketing Company Limited (formerly known as Nanjing Li & Fung JDH Trading Company Limited)	PRC	Import/export and marketing of general merchandise	PRC	US$10,000,000	100%
IDS Logistics International Pte. Limited	Singapore	Provision of supply chain management services	Singapore	2 ordinary shares of S$1 each	100%
IDS Logistics Services Pte. Ltd.	Singapore	Provision of logistics services	Singapore	28,296,962 ordinary shares of S$1 each	100%
IDS Marketing (Singapore) Pte. Ltd. (formerly known as JDH Marketing (Singapore) Pte Ltd)	Singapore	Marketing and distribution of healthcare products	Singapore	300,000 ordinary shares of S$1 each 60,000 preference shares of S$1 each	100%
Slumberland (S) Pte Ltd	Singapore	Marketing and distribution of mattresses and bed related products	Singapore	400,000 ordinary shares of S$1 each	80%
JDH Marketing (Thailand) Limited	Thailand	Marketing and distribution of consumer products	Thailand	2,100,000 ordinary shares of Baht 100 each	100%

29. PRINCIPAL SUBSIDIARIES (cont'd)

Name	Place of incorporation	Principal activities	Place of operation	Particulars of issued/paid up share capital	Interest held
IDS Logistics (Thailand) Limited	Thailand	Provision of logistics services	Thailand	1,215,000 ordinary shares of Baht 250 each	100%
IDS Marketing (Thailand) Limited (formerly known as JDH Borneo (Thailand) Limited)	Thailand	Marketing and distribution of consumer and pharmaceutical products	Thailand	160,000 ordinary shares of Baht 100 each 55,000 preference shares of Baht 100 each	100%
LFD Manufacturing Limited	Thailand	Manufacturing of household, pharmaceutical and personal care products	Thailand	4,695,000 ordinary shares of Baht 100 each	100%
Slumberland (Thailand) Limited	Thailand	Marketing, distribution and manufacturing of mattresses and bed related products	Thailand	4,900 ordinary shares of Baht 100 each 5,100 preference shares of Baht 100 each	80% 100%

The above list gives the principal subsidiaries of the Company which are in the opinion of the Directors, principally affect the results and net assets of the Group. To give full details of subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

Notes:

(a) Drs. John Melonda & Rekan acted as the statutory auditor of the entity for the year.

(b) Shanghai IDS Shen Hong Logistics Co., Ltd. is a joint venture entity and Slumberland Harbin Co., Ltd., Slumberland Soft Furniture Shanghai Co., Ltd. and Nanjing IDS Marketing Company Limited are foreign investment enterprises.

30. ULTIMATE HOLDING COMPANY

The Directors regard King Lun Holdings Limited, a company incorporated in the British Virgin Islands, as being the ultimate holding company.

31. 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 LFD, 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.

32. APPROVAL OF ACCOUNTS

The accounts were approved by the board of directors on 7 April 2005.

The following table summarizes the consolidated results, assets and liabilities of the Group for the four years ended 31 December:

	2004 US$'000	2003 US$'000	2002 US$'000	2001 US$'000
Results				
Revenue	**584,876**	591,814	466,050	457,783
Profit before taxation	**12,541**	12,052	4,177	16,014
Taxation	**(1,072)**	(2,908)	(753)	(6,159)
Minority interests	**(923)**	(776)	(449)	(32)
Profit attributable to shareholders	**10,546**	8,368	2,975	9,823
Assets				
Non-current assets	**45,519**	75,344	96,625	85,815
Current assets	**271,799**	246,399	300,822	245,122
Total assets	**317,318**	321,743	397,447	330,937
Liabilities				
Current liabilities	**200,973**	249,464	324,770	243,916
Non-current liabilities	**31,626**	4,381	6,073	6,489
Total liabilities	**232,599**	253,845	330,843	250,405
Minority interests	**4,483**	4,272	3,251	1,670
Net assets	**80,236**	63,626	63,353	78,862

Notes:

1. The Company was incorporated on 25 September 2003 in Bermuda and became the holding company of the Group with effect from 20 November 2004 upon completion of the Reorganization as set out in the Company's prospectus dated 24 November 2004.

2. The results of the Group for the years ended 31 December 2001 and 2002 and the balance sheets of the Group as at 31 December 2001 and 2002 have been prepared using the merger accounting and are extracted from the Company's prospectus dated 24 November 2004.