INTEGRATED DISTRIBUTION SERVICES GROUP LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 2387)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2006

HIGHLIGHTS

	Six months ended 30 June		
	2006	2005	Change
	US$ million	*US$ million*	*%*
Revenue	**467.5**	370.3	26.2%
Core operating profit	**8.6**	7.9	8.0%
Operating profit	**8.6**	8.9	-3.7%
Profit attributable to shareholders	**8.5**	7.4	15.8%
Earnings per share	**US2.76 cents**	US2.39 cents	15.8%
Earnings per share (equivalent to)	**HK21.40 cents**	HK18.60 cents	15.8%
Interim dividend per share	**HK7.00 cents**	HK6.00 cents	

- 1st half 2006 profit attributable to shareholders registered double-digit increase of 15.8% from US$7.4 million to US$8.5 million
- China continued to register strong growth. Revenue represented 15.5% of Group total in 1st half 2006, up from 11.8% in 2005. 1st half China operating profit increased 139% year-on-year whilst operating margin improved from 3.0% in 1st half 2005 to 4.3% in 1st half 2006
- 1st half 2006 Logistics operating profit increase 15.4% against last period and Manufacturing registered strong rebound
- Solid balance sheet with US$56.8 million of gross cash (net cash of US$10.7 million) to fund future growth and acquisitions
- Significant progress in M&A – S&P signed to acquire logistics business in Malaysia and MOU signed to acquire a US-based garment logistics provider

The board of directors (the "Board") of Integrated Distribution Services Group Limited (the "Company") is pleased to announce the unaudited interim results of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 June 2006 together with the comparative figures for the corresponding period as follows:

CONDENSED CONSOLIDATED BALANCE SHEET

		Unaudited	Audited
		30 June 2006	31 December 2005
	Notes	***US$'000***	*US$'000*
ASSETS			
Non-current assets			
Intangible assets		**6,525**	6,852
Property, plant and equipment		**39,298**	39,351
Lease premium for land		**401**	395
Other non-current assets		**5,231**	4,858
Surplus on pension schemes		**518**	546
Deferred tax assets		**8,550**	4,546
		60,523	56,548
Current assets			
Inventories		**94,299**	91,074
Trade and other receivables	*4*	**165,646**	167,503
Taxation recoverable		**1,182**	692
Time deposits		**31,817**	37,039
Bank balances and cash		**24,946**	20,446
		317,890	316,754
Total assets		**378,413**	373,302

	Notes	Unaudited 30 June 2006 *US$'000*	Audited 31 December 2005 *US$'000*
EQUITY			
Capital and reserves attributable to the Company's shareholders			
Share capital		**30,900**	30,900
Reserves	*2*	**62,868**	56,364
		93,768	87,264
Minority interests		**5,547**	5,058
Total equity		**99,315**	92,322
LIABILITIES			
Non-current liabilities			
Unsecured bank loan		**–**	30,174
Obligations under finance leases		**14**	42
Deficit on pension schemes		**1,388**	1,244
Post-employment benefit liabilities		**2,339**	1,850
Other non-current liabilities		**3,359**	2,762
Deferred tax liabilities		**1,351**	1,123
		8,451	37,195
Current liabilities			
Trade and other payables	*5*	**219,778**	217,486
Bank loans and other borrowings		**46,041**	20,444
Taxation payable		**4,828**	5,855
		270,647	243,785
Total liabilities		**279,098**	280,980
Total equity and liabilities		**378,413**	373,302
Net current assets		**47,243**	72,969
Total assets less current liabilities		**107,766**	129,517

CONDENSED CONSOLIDATED INCOME STATEMENT

		Unaudited Six months ended 30 June	
		2006	2005
	Notes	***US$'000***	*US$'000*
Revenue	*3*	**467,450**	370,273
Cost of sales		**(352,867)**	(267,919)
Gross profit		**114,583**	102,354
Marketing and logistics expenses		**(89,174)**	(80,029)
Administrative expenses		**(16,825)**	(14,377)
Core operating profit	*3*	**8,584**	7,948
Other gains	*6*	**–**	963
Operating profit	*7*	**8,584**	8,911
Finance costs, net	*8*	**(516)**	(346)
Profit before taxation		**8,068**	8,565
Taxation	*9*	**1,010**	(630)
Profit for the period		**9,078**	7,935
Profit attributable to:			
Shareholders of the Company		**8,537**	7,375
Minority interests		**541**	560
		9,078	7,935
Interim dividend	*10*	**2,782**	2,386
Earnings per share for profit attributable to the shareholders of the Company during the period	*11*		
Basic		**US2.76 cents**	US2.39 cents
Diluted		**US2.69 cents**	US2.39 cents

Notes:

1. **Basis of preparation and accounting policies**

This unaudited condensed consolidated financial information has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34: Interim Financial Reporting, issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

This unaudited condensed consolidated financial information should be read in conjunction with the 2005 annual financial statements.

The accounting policies and methods of computation used in the preparation of this condensed consolidated financial information is consistent with those used in the annual financial statements for the year ended 31 December 2005.

This interim financial information has been prepared in accordance with those HKAS and Hong Kong Financial Reporting Standards ("HKFRS") and interpretations issued and effective as at the time of preparing this interim financial information.

The following new standards, amendments to standards and interpretations are mandatory for financial year ending 31 December 2006. Management has considered and concluded that there is either no significant financial impact or relevance to the Group:

HKAS 21 (Amendment)	Net Investment in a Foreign Operation
HKAS 39 (Amendment)	The Fair Value Option
HKAS 39 (Amendment)	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
HKAS 39 and HKFRS 4 (Amendments)	Financial Guarantee Contracts
HKFRS 6	Exploration for and Evaluation of Mineral Resources
HKFRS-Int 4	Determining whether an Arrangement contains a Lease
HKFRS-Int 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
HK(IFRIC)-Int 6	Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment

The Group had early adopted Amendment to HKAS 19, Employee Benefits – Actuarial Gains and Losses, Group Plans and Disclosures in financial year ended 31 December 2005.

The following new standards, amendments to standards and interpretations have been issued but are not effective for 2006. Management is currently assessing the impact on the Group's operations.

HKAS 1 (Amendment)	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC)-Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies
HK(IFRIC)-Int 8	Scope of HKFRS 2
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives

2. Reserves

			Unaudited			
	Share premium	**Employee share-based compensation reserve**	**Merger reserve**	**Exchange reserve**	**Accumulated losses/retained earnings**	**Total**
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
At 1 January 2005	21,019	–	59,450	2,025	(36,787)	45,707
Exchange differences	–	–	–	(2,233)	–	(2,233)
Profit for the period	–	–	–	–	7,375	7,375
Employee share option benefits	–	227	–	–	–	227
At 30 June 2005	21,019	227	59,450	(208)	(29,412)	51,076
Exchange differences	–	–	–	1,450	–	1,450
Transfer to accumulated losses/ retained earnings	–	–	(43,000)	–	43,000	–
Actuarial losses from post employment benefits recognized in reserve:						
– gross	–	–	–	–	(230)	(230)
– tax	–	–	–	–	186	186
Profit for the period	–	–	–	–	5,958	5,958
Dividends paid	–	–	–	–	(2,386)	(2,386)
Employee share option benefits	–	310	–	–	–	310
At 31 December 2005	21,019	537	16,450	1,242	17,116	56,364
Exchange differences	–	–	–	3,067	–	3,067
Profit for the period	–	–	–	–	8,537	8,537
Dividends paid	–	–	–	–	(5,575)	(5,575)
Employee share option benefits	–	475	–	–	–	475
At 30 June 2006	21,019	1,012	16,450	4,309	20,078	62,868

3. Revenue and segment information

The Group is principally engaged in the provision of logistics services, the marketing and distribution of consumer and healthcare products and manufacturing.

	Unaudited Six months ended 30 June	
	2006	2005
	US$'000	*US$'000*
Total invoiced amounts	**515,564**	413,046
Less: Collections on behalf of principals *(note)*	**(48,114)**	(42,773)
Revenue	**467,450**	370,273

Note:

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 HKAS 18 "Revenue", such collections on behalf of principals was deducted from the total invoiced amounts, to arrive at the revenue earned by the Group.

Primary reporting format – business segments

An analysis of the Group's segment revenue and contribution to operating profit for the period by business segment is as follows:

	Unaudited					
	Logistics	**Marketing**	**Manufacturing**	**Corporate**	**Inter-segment elimination**	**Group total**
	US$'000	***US$'000***	***US$'000***	***US$'000***	***US$'000***	***US$'000***
Six months ended 30 June 2006						
Sales of goods	**–**	**335,546**	**67,405**	**–**	**(109)**	**402,842**
Rendering of services	**65,484**	**3,645**	**2,047**	**–**	**(6,568)**	**64,608**
Revenue	**65,484**	**339,191**	**69,452**	**–**	**(6,677)**	**467,450**
Core operating profit	**5,880**	**5,896**	**2,145**	**(5,337)**		**8,584**
Other gains	**–**	**–**	**–**	**–**		**–**
Segment results	**5,880**	**5,896**	**2,145**	**(5,337)**		**8,584**
Finance costs, net						**(516)**
Profit before taxation						**8,068**
Taxation						**1,010**
Profit for the period						**9,078**
Depreciation and amortization	**1,955**	**1,207**	**691**	**598**		**4,451**
Capital expenditure	**1,132**	**844**	**803**	**127**		**2,906**

	Unaudited					
	Logistics	Marketing	Manufacturing	Corporate	Inter-segment elimination	Group total
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Six months ended 30 June 2005						
Sales of goods	–	254,586	59,591	–	(197)	313,980
Rendering of services	60,462	2,230	679	–	(7,078)	56,293
Revenue	60,462	256,816	60,270	–	(7,275)	370,273
Core operating profit	5,094	5,639	1,275	(4,060)		7,948
Other gains	–	423	–	540		963
Segment results	5,094	6,062	1,275	(3,520)		8,911
Finance costs, net						(346)
Profit before taxation						8,565
Taxation						(630)
Profit for the period						7,935
Depreciation and amortization	2,071	933	582	504		4,090
Capital expenditure	4,305	1,370	2,455	409		8,539

Secondary reporting format – geographical segments

	Unaudited Revenue Six months ended 30 June	
	2006	2005
	US$'000	*US$'000*
Hong Kong	**106,961**	116,664
Taiwan	**9,300**	8,807
Thailand	**67,041**	57,981
Malaysia	**65,512**	62,231
Singapore	**32,214**	26,415
The Philippines	**96,055**	44,322
Indonesia	**3,990**	3,875
PRC	**72,819**	44,006
Brunei	**15,618**	8,684
	469,510	372,985
Less: Inter-segment elimination	**(2,060)**	(2,712)
Total	**467,450**	370,273

4. **Trade receivables**

The aging analysis of the Group's trade receivables was as follows:

	Unaudited 30 June 2006 *US$'000*	Audited 31 December 2005 *US$'000*
Less than 90 days	**120,119**	124,552
91–180 days	**8,504**	6,165
181–360 days	**2,380**	1,788
Over 360 days	**959**	789
	131,962	133,294

The Group normally grants credit terms to its customers ranging from 30 to 90 days. In certain circumstances, longer credit terms are given based on negotiated contract terms.

5. **Trade payables**

The aging analysis of the Group's trade payables was as follows:

	Unaudited 30 June 2006 *US$'000*	Audited 31 December 2005 *US$'000*
Less than 90 days	**149,631**	144,531
91–180 days	**13,284**	13,721
181–360 days	**2,089**	2,260
Over 360 days	**1,328**	1,001
	166,332	161,513

6. **Other gains**

	Unaudited Six months ended 30 June	
	2006 *US$'000*	2005 *US$'000*
Realized exchange gain upon settlement of long term intra-group loan	**–**	540
Service fee income	**–**	423
Other gains	**–**	963

7. **Operating profit**

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

	Unaudited Six months ended 30 June	
	2006 *US$'000*	2005 *US$'000*
Depreciation of		
Owned property, plant and equipment	**3,798**	3,642
Leased property, plant and equipment	**37**	63
Amortization of intangible assets	**609**	378
Provision for impairment losses of trade receivables	**82**	295
Provision for obsolete inventories	**781**	471
Gain on disposal of plant and equipment	**(11)**	(151)
Costs of inventories sold	**345,974**	260,561
Net exchange (gain)/loss	**(58)**	15

8. **Finance costs, net**

	Unaudited Six months ended 30 June	
	2006 *US$'000*	2005 *US$'000*
Interest expense on bank loans and overdrafts	**(1,702)**	(1,206)
Interest expense on finance leases	**(4)**	(5)
	(1,706)	(1,211)
Interest income from bank deposits	**1,190**	865
Finance costs, net	**(516)**	(346)

The Group operates cash pooling arrangements in several economies to optimise the net finance cost on gross cash and borrowings by different subsidiaries in the same economy. A substantial portion of the interest income and expense stated above relates to such cash pooling arrangements. Accordingly, the finance costs is presented as interest expense net of interest income.

9. Taxation

Hong Kong profits tax has not been provided as the Group's assessable profits in Hong Kong for the six months ended 2006 and 2005 have been offset against tax losses from prior years. Taxation on overseas profits has been calculated on the estimated assessable profits for the period at the rates of taxation prevailing in the countries in which the Group operates.

Deferred taxation for the six months ended 2006 relates mainly to recognition of previously unrecognized tax losses for a Hong Kong entity.

The amount of taxation (credited)/charged to the condensed consolidated income statement for the period represents:

	Unaudited Six months ended 30 June	
	2006	2005
	US$'000	*US$'000*
Current taxation:		
– Overseas taxation	**2,683**	2,791
Deferred taxation	**(3,693)**	(2,161)
Taxation (credit)/charge	**(1,010)**	630

10. Interim dividend

	Unaudited Six months ended 30 June	
	2006	2005
	US$'000	*US$'000*
Interim dividend – proposed after balance sheet date of HK7.00 cents (equivalent to US0.90 cent) (2005: HK6.00 cents (equivalent to US0.77 cent)) per share *(note)*	**2,782**	2,386

Note:

At a meeting held on 16 August 2006 the directors declared an interim dividend of HK7.00 cents (equivalent to US0.90 cent) per share. This proposed dividend is not reflected as a dividend payable in this condensed consolidated financial information, but will be reflected as an appropriation of reserve for the year ending 31 December 2006.

11. Earnings per share

The calculation of the Group's basic and diluted earnings per share is based on the consolidated profit attributable to shareholders of US$8,537,000 (2005: US$7,375,000). The basic earnings per share is based on the weighted average number of 309,000,000 (2005: 309,000,000) shares in issue during the period.

The diluted earnings per share is based on the weighted average number of 309,000,000 (2005: 309,000,000) shares in issue during the period plus the weighted average number of 7,982,000 (2005: Nil) shares deemed to be issued at no consideration if all outstanding options had been exercised.

BUSINESS OVERVIEW

Overview

The Group is making solid progress towards all objectives of Three-Year Strategic Plan 2005–2007, including the doubling of profit against its 2004 base by 2007 based on a two-pronged strategy of aggressive organic growth and selective mergers and acquisitions.

The Group's business in China continues to enjoy robust growth, recording year-on-year increase in operating profit for the first half of 2006 of 139%. Continued expansion of distribution and logistics network further consolidated leadership position as the largest non-local third-party distributor of consumer products.

The Group won 37 new contracts during the first half of 2006. Over 20 of which are for providing additional services to existing customers, covering new product ranges or expanding into new geographies. A senior-level Regional Business Development (RBD) team was recently formed to spearhead regional partnership expansion.

Subsequent to the period under review, the Group announced the acquisition of a logistics company in Malaysia and two related distribution centers. The Group has also signed a Memorandum of Understanding with a US-based garment logistics company. These would bring tremendous opportunities to the Group upon completion.

Logistics

Logistics continued to record solid growth with improvement in operating margin. 17 new contracts were signed during the first six months of 2006 and the Group's network of logistics infrastructure expanded across the region to 60 distribution centers covering over 480,000 square meters.

The Group's focus on regional business development and execution has resulted in a robust new business pipeline and the smooth implementation of new contracts. The outlook for Logistics on the business development front remains positive. Many new customers have already confirmed that they will partner with the Group in the second half to fuel continued growth.

Acquisitions announced subsequent to the period under review will significantly enhance the scale of current operations and open up new opportunities to enter into electronics logistics segment and expand export logistics business for the garment industry.

Marketing

Marketing showed strong revenue growth driven mainly by accelerated growth in China and the full six-month impact of the Philippines operations, which commenced in April 2005. The Philippines business is still in the investment phase and is not expected to break even until 2007. This has impacted Marketing's operating profit and resulted in a modest growth of 4.6% over the same period last year.

The Group's Marketing business in China is growing from strength to strength. Distribution network expansion is progressing according to plan. Subsequent to the opening of six new branch offices, the Group is now capable of selling directly to retailers in 11 cities. As part of an initiative to expand its product portfolio with higher profit margin, the Group has engaged in the distribution of high-end skincare and cosmetics products.

Manufacturing

Despite the soft market sentiment in South East Asia arising from high oil prices and interest rates, Manufacturing showed a solid rebound against the first half of 2005 as a result of efforts to contain costs and enhance operational efficiency combined with increased volumes from new contracts.

The Listerine plant in Thailand is now in full operation and has become the Group's showcase example of establishing a dedicated facility for large-scale regional production. Efforts in business development have been stepped up to pursue regional export opportunities.

Subsequent to the period under review, the Group has also agreed terms to enter into a contract with Henkel to produce their industrial (metal cleaning) products in Indonesia. This will add substantially to the scale of the Group's manufacturing operations in Indonesia.

Financial Overview

	Six months ended 30 June		
	2006	2005	Change
	US$ million	*US$ million*	*%*
Revenue	**467.5**	370.3	26.2%
Core operating profit	**8.6**	7.9	8.0%
Operating profit	**8.6**	8.9	-3.7%
Profit attributable to shareholders	**8.5**	7.4	15.8%

Revenue

The Group reported revenue of US$467.5 million for the six months ended 30 June 2006, an increase of 26.2% compared with the six months ended 30 June 2005. The strong growth in revenue is driven by the 32.1% increase in the Marketing business due to continued expansion in China and the full six-month operations in the Philippines which commenced business in April 2005. Manufacturing and Logistics also recorded steady growth of 15.2% and 8.3% respectively.

Gross profit

Gross profit increased from US$102.4 million to US$114.6 million for the six months ended 30 June 2006. Gross profit margin declined from 27.6% in 2005 to 24.5% in 2006 mainly due to the lower gross profit margin from the new Marketing business in the Philippines at its investment stage.

Expenses

The combined marketing and logistics expenses increased by 11.4% for the six months ended 30 June 2006 to US$89.2 million. The increase was mainly attributed to the expansion of distribution network in the Chinese Mainland and the Philippines. The increase in logistics expenses reflected the growth of our Logistics business.

Administrative expenses increased by 17.0% for the six months ended 30 June 2006 to US$16.8 million. This was mainly attributable to increased managerial staff costs in support of the expanding operation scale and investment in developing information technology and human resources for the continuous, future business growth.

Core operating profit

Core operating profit increased by 8.0% to US$8.6 million for the six months ended 30 June 2006. This was primarily driven by strong turnaround in Manufacturing and the continuous growth in the Logistics and Marketing businesses.

Operating profit

Operating profit of US$8.6 million for the six months ended 30 June 2006 was 3.7% lower than last period which included a one-off service fee income in the Philippines and an exchange gain on intra-group loan settlement totaling US$1.0 million in 2005.

Net profit

Taxation was a credit of US$1.0 million for the six months ended 30 June 2006 compared to a charge of US$0.6 million last year due to the recognition of additional deferred tax credits in the current period.

Taking above into account, profit attributable to shareholders increased by 15.8% to US$8.5 million for the six months ended 30 June 2006.

Segmental Analysis

Logistics

The Group's Logistics business continued to grow in 2006. Revenue and segment results increased by 8.3% and 15.4% to US$65.5 million and US$5.9 million respectively for the six months ended 30 June 2006, driven by new contracts won and better operating leverage.

Marketing

As a result of the expansion in distribution network in China and full six-month operations in the Philippines, revenue increased by 32.1% to US$339.2 million. Core operating profit of the Marketing segment increased by 4.6% to US$5.9 million for the six months ended 30 June 2006. Business development remained strong in various economies.

Manufacturing

Revenue and segment results increased by 15.2% and 68.2% to US$69.5 million and US$2.1 million respectively for the six months ended 30 June 2006. The strong growth was mainly attributable to the successful production cost savings, operational efficiency improvement and a new plant set up in second half of 2005.

Geographical Analysis

Geographically, Hong Kong remained the Group's largest market, accounting for 22.8% of revenue. Following the Group's strategic entry into the Philippines Marketing business in April last year, revenue from the Philippines grew by 116.7% to US$96.1 million, representing 20.5% of total revenue, the second largest geographical market for the Group. The revenue for China also grew by 65.5% to US$72.8 million, representing 15.5% of total revenue and the Group's third largest market. Singapore, Thailand and Brunei also recorded more than 23% growth in revenue driven by new contracts won.

Liquidity and Financial Resources

As at 30 June 2006, the Group is in a strong financial position with a net cash position amounting to US$10.7 million. Hence, no gearing ratio is presented. In addition, the Group has available bank loans and overdraft facilities of US$169 million of which only US$46.1 million have been utilized.

Charges on Group Assets

As at 30 June 2006, there were no charges on the Group's assets.

Subsequent Events

On 3 August 2006, the Company entered into three sale and purchase agreements to acquire the entire issued share capital of a logistics company and two properties in Malaysia for an aggregate cash consideration of US$25.75 million. Details of the acquisition are set out in the announcement of the Company dated 3 August 2006.

FUTURE PROSPECTS

While consumer sentiment remains strong in Hong Kong and Singapore due to tightening labor markets and rising incomes, private consumption remains soft and is even weakening in Indonesia, Malaysia, the Philippines and Thailand, owing to interest rate increases and high inflation as a result of rising oil prices. Coupled with the threat of a pandemic outbreak of avian flu, the external environment poses some latent threats.

The Group will focus on the full development and investment of Country Resource Teams (CRT), which centralizes the country support functions of Finance, IT and HR. This will provide the Group the necessary resources and capability to support strong organic growth and new M&A initiatives.

The Group will step up its investments in people development and strategic HR initiatives are underway to strengthen its talent pool and to develop leaders for the future to steer the Group towards continued success. Other programs are also being designed to enhance the Group's ability to attract, nurture and retain talent to support long-term growth.

INTERIM DIVIDEND

The Board of Directors has declared an interim dividend of HK7.00 cents (equivalent to US0.90 cent) (2005: HK6.00 cents (equivalent to US0.77 cent)) in cash per share for the six months ended 30 June 2006, which will be payable to shareholders whose names appear on the Register of Members of the Company on 8 September 2006.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from 5 September 2006 to 8 September 2006, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the interim dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Abacus Share Registrars Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:00 p.m. on 4 September 2006. Dividend warrants will be despatched to shareholders on or about 22 September 2006.

PUBLICATION OF THE INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement is published on the website of the Stock Exchange. The Interim Report will be despatched to shareholders of the Company in due course.

CORPORATE GOVERNANCE

The Board of Directors and Management are committed to principles of good corporate governance consistent with prudent enhancement and management of shareholder value. These principles emphasize transparency, accountability and independence.

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 with their respective responsibilities endorsed by the Board in writing.

The Board has established the Audit Committee, the Compensation Committee and the Nomination Committee (all chaired by Non-executive Directors) with defined written terms of reference (available to shareholders upon request), which are of no less exacting terms than those set out in the Code on Corporate Governance Practices of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules").

Corporate Governance practices adopted by the Company during the six-month period to 30 June 2006 are in line with those practices set out in the Company's 2005 Annual Report.

AUDIT COMMITTEE

The Audit Committee met five times to date in 2006 (with an average attendance rate of 80%) to review with senior management and the Company's internal and external auditors, the significant internal and external audit findings and financial matters set out in the Committee's terms of reference. The Committee's review covers the audit plans and findings of the internal and external auditors, external auditor's independence, the accounting principles and practices adopted by the Group, Listing Rules and statutory compliance, internal controls, risk management and financial reporting matters (including the interim financial information for the six months ended 30 June 2006 before recommending them to the Board for approval).

INTERNAL CONTROL AND RISK MANAGEMENT

Based on the assessments made by senior management, the internal audit team of the Group Corporate Governance and Compliance Division during the six months ended 30 June 2006, the Audit Committee is satisfied that the internal controls and accounting systems of the Group have been in place and function effectively and are designed to provide reasonable assurance that material assets are protected, business risks attributable to the Group are identified and monitored, material transactions are executed in accordance with management's authorisation and the financial information are reliable for publication; and that there is an ongoing process in place for identifying, evaluating and managing the significant risks faced by the Group.

COMPLIANCE WITH THE MODEL CODE OF THE LISTING RULES

The Group has adopted procedures governing Directors' securities transactions in compliance with the Model Code as set out in Appendix 10 of the Listing Rules. Specific enquiries have been made to all Directors to confirm compliance with the Model Code. Relevant employees who are likely to be in possession of unpublished price-sensitive information of the Group are also subject to compliance with written guidelines on no less exacting terms than the Model Code. The Company noted no incident of non-compliance during the six-month period to 30 June 2006.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES OF THE LISTING RULES

The Board has reviewed the Company's corporate governance practices and is satisfied that the Company has complied with the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules during the six-month period to 30 June 2006.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SHARES

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

By Order of the Board
Victor FUNG Kwok King
Chairman

Hong Kong, 16 August 2006

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