iDS Group

Integrated Distribution Services Group Limited

(a company incorporated in Bermuda with limited liability)

marketing logistics manufacturing

Interim Report 2005

Contents

Corporate Information

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

Half Year Results to 30 June 2005

	Six months ended 30 June		
	2005	2004	Change
	US$ million	US$ million	%
Revenue	**370.3**	269.4	37.4%
Operating profit	**8.9**	7.2	23.6%
Profit attributable to shareholders	**7.4**	6.6	11.0%
Earnings per share	**US2.39 cents**	US2.77 cents	-13.7%
Earnings per share (equivalent to)	**HK18.6 cents**	HK21.6 cents	-13.7%
Interim dividend per share	**HK6.00 cents**	N/A	

Highlights

- Solid start to the 3-year Strategic Plan with Operating Profit growth of +24%

- Profit attributable to shareholders delivering double-digit increase (+11%) from US$6.6 million to US$7.4 million. Had it not been for a one-off tax credit in the previous period, growth over last year would have been higher

- Earnings per share lower due to increase in number of shares following IPO in December 2004

- Strong revenue growth from Logistics (+48%) and Marketing (+47%) with Manufacturing remaining flat

- Logistics continues to be the engine of growth with revenue up by 48% and Operating Profit up by 55%

- Solid balance sheet with US$48.8 million of gross cash (net borrowings of US$5.0 million) to fund future growth

I am pleased to report the interim results of Integrated Distribution Services Group Limited (the "Company") and its subsidiaries (collectively the "Group") for the six months ended 30 June 2005.

General consumer sentiment in the Group's markets in the region remains buoyant, despite some signs of softness in Malaysia and Thailand. The Group's efforts in business development continue to deliver strong results. During the first half of 2005, over 30 new contracts were concluded, and the total number of customers has increased to 380 as of 30 June 2005, compared to 350 at the end of 2004.

The Group's operations in the Chinese Mainland thrived with the booming economy. The revenue from our Chinese Mainland operations quadrupled year-on-year and contributed 11.8% of the Group's revenue in the first half of 2005, up from 4.0% over the same period in 2004. Both Logistics and Slumberland operations in the Chinese Mainland delivered strong growth. The China Marketing business, which was started in April 2004, performed ahead of budget.

PERFORMANCE

The Group's revenue rose by 37.4% to US$370.3 million in the first six months of 2005. Profit attributable to shareholders was US$7.4 million, representing a 11.0% increase compared to US$6.6 million for the same period in 2004. Earnings per share were 2.39 US cents. The Board of Directors has resolved to declare an interim dividend of HK6.0 cents per share.

IDS Logistics maintained its fast pace of growth and a steadily improving operating margin. Efforts to move into adjacencies during the past few years, first the footwear and apparel sector and later in the areas of regional hubbing, export logistics, retail logistics and automotive parts, began to bear fruit. IDS Logistics is now considered a dominant service provider in not only the Fast Moving Consumer Goods (FMCG) and healthcare sector, but also in footwear and apparel.

IDS Marketing experienced steady performance in Hong Kong and South East Asia with strong growth recorded in Brunei and the Chinese Mainland. Significant growth in revenue was mainly attributed to the strong top line registered in the Philippines since commencement of operations in April 2005. New service offerings that included billing and collection and merchandising have met initial success in winning new businesses.

IDS Manufacturing got off to a slow start in 2005 due to lower-than-expected order volume in Malaysia especially in our new Hot PET line and the start-up of the new Pfizer plant in Thailand. However, the Group experienced some signs of improvement towards the end of second quarter. Buoyed by the commencement of the production of Listerine mouthwash for Pfizer in Thailand, the Manufacturing business is expected to make a strong comeback in the second half of 2005.

The Group experienced some margin dilution with operating margin dropping to 2.4% in the first half of 2005 compared to 2.7% during the same period of 2004. This was mainly due to the new IDS Marketing operations in the Philippines, which registered high revenues but has yet to achieve critical mass.

PROSPECTS

The Group is cautiously optimistic about the second half of 2005. On the positive side, we see the overall Asian economy remaining strong and the trend of outsourcing continuing to gain traction. As brand owners' supply chains are becoming increasingly complex, they are focusing more on their core competencies of product development and brand marketing while outsourcing the logistics, marketing and manufacturing functions to third party professionals. This is a favorable trend that will benefit the overall business of the Group.

However, we also see some uncertainties on the horizon that may have an impact on our operating environment. Whilst rising oil prices and interest rates do not have material impact on our operations as the Group can pass on most of its costs, there is a possibility that such factors may dampen consumer spending and overall economic growth. Although we continue to see high levels of consumer confidence in markets such as the Chinese Mainland, Hong Kong and Singapore, some softness has been noted in places where government fuel subsidies have been cut, such as Thailand and Malaysia.

As part of its strategy to drive further growth, the Group continues to identify acquisition targets around the region. The Group is currently exploring a number of interesting opportunities that can provide us an entry into a new market or add scale to an existing operation.

CONCLUSION

The Group's strong first half 2005 interim results continue to build on our successful December 2004 listing. It is an encouraging and solid start to our Three-Year Strategic Plan for 2005–2007 and I wish here to express my thanks to the Directors and to the hard work of management and all members of staff.

Victor FUNG Kwok King
Chairman

Hong Kong, 18 August 2005

FINANCIAL OVERVIEW

	Six months ended 30 June		
	2005	2004	Change
	US$ million	US$ million	%
Revenue	**370.3**	269.4	37.4%
Operating profit	**8.9**	7.2	23.6%
Profit attributable to shareholders	**7.4**	6.6	11.0%

Revenue

The Group reported revenue of US$370.3 million for the six months ended 30 June 2005, an increase of 37.4% compared with the six months ended 30 June 2004. The increase in revenue was driven by a 47.9% growth in Logistics on the back of new contracts won last year from both existing as well as new customers. Similarly, Marketing business grew by 47.1% which was mainly attributed to the commencement of Marketing business in the Philippines in April 2005 as well as the rapid expansion of the China Marketing business since its inception in April 2004.

Gross Profit

Gross profit increased by 36.0% for the six months ended 30 June 2005 to US$102.4 million. The increase in gross profit was in line with the strong growth in revenue.

Expenses

Marketing and logistics expenses increased by 44.8% for the six months ended 30 June 2005 to US$80.0 million. This was primarily due to an increase in logistics expenses reflecting the strong growth of our Logistics business. The remaining increase in marketing and logistics expense was explained by the expansion of our distribution network in the Chinese Mainland and the Philippines.

Administrative expenses increased by 6.1% for the six months ended 30 June 2005 to US$14.5 million reflecting the expansion of our distribution network in the Chinese Mainland.

Operating Profit

As a result of the increase in gross profit and better operating leverage, operating profit increased by 23.6% for the six months ended 30 June 2005 to US$8.9 million.

Net Profit

The increase in taxation from a credit of US$0.08 million for the six months ended 30 June 2004 to a charge of US$0.6 million arose primarily due to the write back of deferred tax liabilities arising from disposal of a property in the previous period. The effect was partially offset by tax credit from recognition of deferred tax assets for the six months ended 30 June 2005.

Taking into account the above, profit attributable to shareholders grew 11.0% to US$7.4 million.

Segmental Analysis

Logistics

The Group's Logistics business continued its growth momentum. Revenue and segment results increased by 47.9% and 55.0% to US$60.5 million and US$5.1 million respectively for the six months ended 30 June 2005. The revenue growth was driven mainly by new contract wins as well as growth in existing business in all economies.

Marketing

As a result of the expansion of distribution network in the Chinese Mainland and entry in the Philippines accompanied by the strong revenue growth driven by new contracts from other economies, revenue and segment results of Marketing business increased by 47.1% and 38.7% to US$256.8 million and US$6.1 million respectively for the six months ended 30 June 2005.

Manufacturing

Revenue was flat at US$60.3 million compared to the same period last year but segment results decreased by 26.5% to US$1.3 million for the six months ended 30 June 2005. The decrease in segment result is primary attributable to soft demand in Malaysia due to poor retail sentiment combined with start-up costs relating to investment in a new plant in Thailand for Pfizer.

Geographically, Hong Kong is still the Group's largest market, accounting for 31.3% of revenue. As a result of the launch of our marketing business in the Philippines in the second quarter of 2005 and the progressive expansion of our distribution network from Southern China to remaining region in the second half of 2004, the revenue from the Philippines increased by 579.9% to US$44.3 million and the Chinese Mainland jumped by 304.5% to US$44.0 million.

Liquidity and Financial Resources

The gearing ratio is defined as net debt (represented by borrowings net of time deposits and bank balances and cash) divided by owners' equity. As at 30 June 2005, the Group had gearing ratio of 5.9%. In addition, the Group has available bank loans and overdraft facilities of US$180 million of which only US$53.8 million have been utilized.

Charges on Group Assets

As at 30 June 2005, there were no charges on the Group's assets.

Foreign Exchange Risk Management

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

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

Contingent liabilities

As at 30 June 2005, the Group has the following outstanding bank guarantees issued by banks in the ordinary course of business:

	Group	
	30 June	31 December
	2005	2004
	US$'000	US$'000
As security in favour of local tax and customs authorities in accordance with local regulations	8,923	9,201
For purchase of goods in favour of suppliers	8,074	7,756
Performance bonds and others	486	155
For rental payment in favour of the landlords	4,646	3,456
	22,129	20,568

Human Resources

As at 30 June 2005, the Group had a total workforce of 4,882, of which 762 were based in Hong Kong and 4,120 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. Total staff costs for 30 June 2005 amounted to US$42.9 million.

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.

OPERATIONS OVERVIEW

Logistics

Logistics continued to be the engine of our growth in the first half of 2005. Our increasing scale enabled us to enjoy further operating leverage, thus leading to steady improvement in operating margin.

To support the growth of our customer base, new facilities have been added to our infrastructure network in Hong Kong, the Chinese Mainland, Thailand, Malaysia and the Philippines. As of 30 June 2005, IDS Logistics operated 52 Distribution Centres (compared to 42 Distribution Centres as at 31 December 2004) covering 400,000 square metres.

Efforts over the past five years to enter into adjacent sectors have generated impressive returns. Besides our focus on the FMCG and healthcare sectors, IDS Logistics is now also recognised as a dominant service provider in footwear and apparel. Building from our initial foray into retail and automotive parts logistics sectors in Thailand, we have concluded several new contracts across the region that have further established our foothold in these industry sectors.

During the period under review, IDS Logistics also started its first cold storage operation in Thailand to handle the full range of fresh and frozen produce for Carrefour. This brand-new facility is designed according to world-class standards, and the partnership will enable us to acquire new expertise to strengthen our service scope for FMCG brands.

Marketing

IDS Marketing continued to expand in the Chinese Mainland in the first half of 2005. After the opening of a new office in Chengdu, IDS Marketing now has six major offices in the Chinese Mainland: Shenzhen, Guangzhou, Shanghai, Nanjing, Beijing and Chengdu, as well as sub branch offices in an additional 20 cities. Implementation of the Group's ERP system is underway and will become fully operational by the end of the year.

Operations in the Philippines commenced in April 2005 and have successfully signed up several major customers. The current focus is on new business development and aligning our cost base in line with the scale of business.

IDS Marketing will continue to expand on its menu of services to include billing and collection (Sales Operations Management) and merchandising. This has resulted in many of our Logistics customers to engage us in providing these services.

Slumberland showed steady growth with operations in the Chinese Mainland continuing to deliver strong performance. Market conditions in Malaysia are relatively soft. We have also begun to explore export business opportunities with the first orders coming from Greece, Sri Lanka and Maldives where distributors have been appointed.

Manufacturing

IDS Manufacturing recorded a decline in operating profit for the first half of 2005 mainly due to softness in the Malaysian consumer spending and a weaker than expected economy. We were also affected by start-up operations in Thailand for the new regional plant for Pfizer, which commenced production in July 2005. Order volume was lower than expected in Malaysia as brand owners tried to clear their inventory amidst lacklustre market demand. Incoming orders began to pick up towards the end of the second quarter, and we expect that this will continue to increase in the second half of 2005.

The export business continued to grow with production for P & G and Nestle commencing in the first quarter. The contract with Pfizer for the production of Listerine mouthwash commenced in July. This product is initially made for the domestic market with plans to cover export markets for this region starting from last quarter of this year.

In order to further extend our export capabilities to other markets such as Australia, North Asia and the Middle East, we are in the process of applying for the corresponding certifications required to ensure our plants are qualified for exporting products to these areas.

Since its installation in Malaysia in the second half of 2004, the Hot PET line has attracted a high level of interest in 2005. Besides tea product which the line is currently producing, several orders from other beverage brands are in the pipeline for production later this year.

Benedict CHANG Yew Teck
Group Managing Director

Hong Kong, 18 August 2005

CORPORATE GOVERNANCE PRACTICES

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

BOARD OF DIRECTORS

The Board of Directors currently consists of the Group non-executive Chairman, the Group Managing Director, two executive directors and eight non-executive directors (of whom four are independent). The Board met four times to date in 2005 (with an average attendance rate of 97.92%).

In order to reinforce 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.

At the Annual General Meeting held on 30 May 2005, a special resolution was passed to amend the existing Bye-laws of the Company so that every director (including the chairman of the Board and the managing director of the Company) is subject to retirement by rotation at least once every three years.

BOARD COMMITTEES

The Board has established the Audit Committee, Compensation Committee and Nomination Committee with defined 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 Listing Rules.

Audit Committee

The Audit Committee was established on 4 November 2004 to review the Group's financial reporting, internal controls, risk management matters, corporate governance issues and make relevant recommendations to the Board.

The Audit Committee is chaired by an independent non-executive director and the majority of the Committee members are independent non-executive directors. Its current members are as follows:

Mr John Estmond STRICKLAND* — Committee Chairman
Dr FU Yu Ning*
Prof Hau Leung LEE*
Mr Butt Farn LAU

* *independent non-executive directors*

The Audit Committee met three times to date in 2005 (with an average attendance rate of 91.67%) to review with senior management and the Company's internal and external auditors the internal and external audit findings, the accounting principles and practices adopted by the Group, listing rules and statutory compliance, and discussed auditing, internal controls, risk management and financial reporting matters (including the interim financial information for the six months ended 30 June 2005 before recommending them to the Board for approval).

In order to further enhance independent reporting by external auditors, the Audit Committee reviews the independence of external auditors annually. The Audit Committee has also reviewed the nature and volume of non-audit services provided by its external auditors and has satisfied to date that they have no significant impact on the independence and objectivity of the external auditors.

Compensation Committee

The Compensation Committee was established on 4 November 2004 and is chaired by the non-executive Group Chairman. The Committee's responsibility is to make recommendation to the Board on the Company's policy and structure for all remuneration of directors and senior management, including the allocation of share options to employees under the Company's Share Option Scheme. The Compensation Committee met once to date in 2005 (with an attendance rate of 100%) and its current members are as follows:

Dr Victor FUNG Kwok King — Committee Chairman
Mr William Winship FLANZ*
Prof Hau Leung LEE*

* *independent non-executive director*

Nomination Committee

The Nomination Committee was established on 4 November 2004 and is chaired by an independent non-executive director to make recommendations to the Board on the appointment of directors, evaluation of board composition and the management of board succession. The Nomination Committee will meet during the second half year of 2005. Its current members include a majority of independent non-executive directors:

Mr William Winship FLANZ* — Committee Chairman
Dr FU Yu Ning*
Mr Jeremy Paul Egerton HOBBINS

* *independent non-executive director*

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.

INTERNAL CONTROL

The Board recognizes the importance of maintaining a sound system of internal controls to safeguard shareholder's interest and investments and the Company's assets, and manage risks. The Board assumes the overall responsibility for reviewing the adequacy and integrity of the Group's systems of internal controls and risk management system through the Audit Committee.

The Board has delegated to management the implementation of such systems of internal controls as well as the review of relevant financial, operational and compliance controls and risk management procedures. Qualified personnel throughout the Group maintain and monitor these systems of control on an ongoing basis.

The Group's Corporate Governance and Compliance Division, under the supervision of our Group Chief Compliance Officer, independently reviews these controls and evaluates their adequacy, effectiveness and compliance, and reports directly to the Audit Committee on a regular basis.

Based on the assessment made by senior management and the internal audit team of the Group's Corporate Governance and Compliance Division during the six months ended 30 June 2005, the Audit Committee is satisfied that:

- the internal controls and accounting systems of the Group 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 accounts are reliable for publication; and

- there is an ongoing process in place for identifying, evaluating and managing the significant risks faced by the Group.

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 throughout the six-month period to 30 June 2005.

Relevant employees who are likely to be in possession of unpublished price-sensitive information of the Group are also subject to dealing guidelines on no less exacting terms than the Model Code.

No incident of non-compliance was noted by the Company to date in 2005.

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 been in compliance with the provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 to the Listing Rules during the six-month period to 30 June 2005.

INVESTOR RELATIONS AND COMMUNICATION

The Company continues to pursue a proactive policy of promoting investor relations and communication by holding meetings with institutional investors and analysts. As a channel to further promote effective communication, a corporate website (www.idsgroup.com) is maintained to disseminate company information and other relevant financial and non-financial information and answer enquiries electronically on a timely basis.

As at 30 June 2005, 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 interest	Other interest	Number of underlying shares under equity derivatives (Share Options)	Total interest	Approximate percentage of issued share capital (%)
Dr. Victor FUNG Kwok King	1,683,837	—	157,960,800 *(Note 1)*	—	—	159,644,637	51.66
Dr. William FUNG Kwok Lun	—	—	157,960,800 *(Note 1)*	—	—	157,960,800	51.12
Mr. Benedict CHANG Yew Teck	988,790	—	—	—	2,250,000	3,238,790	1.05
Mr. Joseph Chua PHI	733,334	—	—	—	1,125,000	1,858,334	0.60
Mr. Rajesh Vardichand RANAVAT	213,760	—	—	—	1,035,000	1,248,760	0.40
Mr. Jeremy Paul Egerton HOBBINS	841,918	—	—	—	—	841,918	0.27
Mr. Butt Farn LAU	427,380	—	—	—	—	427,380	0.14
Mr. John Estmond STRICKLAND	—	—	—	22,000 *(Note 2)*	—	22,000	0.00

Notes:

1. King Lun Holdings Limited ("King Lun") through its indirect non-wholly owned subsidiary, Li & Fung (Gemini) Limited ("LFG"), 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 (a) 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 and (b) as to 50% by Dr. William FUNG Kwok Lun. 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.

2. Mr. John Estmond STRICKLAND and his wife, Mrs. Anthea Evadne STRICKLAND are joint beneficial owners of these shares.

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

Name of Director	Name of associated corporation	Class of shares	Number of shares	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	King Lun Holdings Limited	Ordinary shares	1,332,840	beneficiary of a trust	50
	Li & Fung (Gemini) Limited	Ordinary shares	5,825,438	as above	84.80
Dr. William FUNG Kwok Lun	King Lun Holdings Limited	Ordinary shares	1,332,840	controlled corporation	50
	Li & Fung (Gemini) Limited	Ordinary shares	5,222,807	as above	76.02
Jeremy Paul Egerton HOBBINS	Convenience Retail Asia Limited	Ordinary shares	180,000	beneficial owner	0.03
	Li & Fung (Gemini) Limited	Ordinary shares	462,018	controlled corporation *(Note 2)*	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

* Dr. Victor FUNG Kwok King and Dr. William FUNG Kwok Lun, by virtue of their interests in King Lun Holdings Limited ("King Lun") and the Company, are deemed to be interested in the shares and underlying shares of certain associated corporations of the Company under the SFO. A waiver from full compliance with the Listing Rules for the disclosure of Directors' interests in the shares and underlying shares of the associated corporations has been granted by the Stock Exchange on 23 June 2005. Accordingly, the companies under the section headed "Long position in shares and underlying shares of major associated corporations" are only the major associated corporations of the Company and are not intended to be exhaustive.

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. 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 positions 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 below.

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").

Movements of the share options under the Scheme during the period are as follows:

	Number of options					
Name	As at 1 January 2005	Lapsed during the period	As at 30 June 2005	Exercise price	Date of grant	Exercise period
				HK$		
Benedict CHANG Yew Teck	750,000	—	750,000	4.825	14/12/04	01/01/07–31/12/08
	750,000	—	750,000	4.825	14/12/04	01/01/08–31/12/09
	750,000	—	750,000	4.825	14/12/04	01/01/09–31/12/10
Joseph Chua PHI	375,000	—	375,000	4.825	14/12/04	01/01/07–31/12/08
	375,000	—	375,000	4.825	14/12/04	01/01/08–31/12/09
	375,000	—	375,000	4.825	14/12/04	01/01/09–31/12/10
Rajesh Vardichand RANAVAT	345,000	—	345,000	4.825	14/12/04	01/01/07–31/12/08
	345,000	—	345,000	4.825	14/12/04	01/01/08–31/12/09
	345,000	—	345,000	4.825	14/12/04	01/01/09–31/12/10
Continuous contract employees	3,030,000	27,000	3,003,000	4.825	14/12/04	01/01/07–31/12/08
	3,030,000	27,000	3,003,000	4.825	14/12/04	01/01/08–31/12/09
	3,030,000	27,000	3,003,000	4.825	14/12/04	01/01/09–31/12/10

Note:

(1) During the period, no options were granted, exercised or cancelled.

Save as disclosed above, at no time during the period, 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.

As at 30 June 2005, other than the interests of the directors or the chief executive of the Company as disclosed above, the following persons had interests in the shares of the Company which fall to be disclosed to the Company under Section 336 of the SFO:

(A) LONG POSITIONS 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
INVESCO Asia Limited	Investment manager of various accounts	16,868,000	5.45

(B) SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 30 June 2005, the Company had not been notified of any short positions being held by any substantial shareholder in the shares or underlying shares of the Company.

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.

INTERIM DIVIDEND

The Board of Directors has declared an interim dividend of HK6.00 cents (equivalent to US0.77 cent) (2004: N/A) in cash per share for the six months ended 30 June 2005, which will be payable to shareholders whose names appear on the Register of Members of the Company on 9 September 2005.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from 6 September 2005 to 9 September 2005, 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 Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong for registration not later than 4:00 p.m. on 5 September 2005. Dividend warrants will be despatched to shareholders on or about 23 September 2005.

Condensed Consolidated Balance Sheet

	Note	As at 30 June 2005 Unaudited US$'000	As at 31 December 2004 (Restated) US$'000
ASSETS			
Non-current assets			
Intangible assets	5	**5,575**	5,485
Property, plant and equipment	5	**37,495**	33,880
Lease premium for land		**396**	403
Other long-term investments		**—**	16
Other non-current assets		**2,869**	3,031
Pension assets		**1,442**	1,520
Deferred tax assets	10	**4,497**	1,951
		52,274	46,286
Current assets			
Inventories		**80,310**	78,081
Trade and other receivables	6	**153,690**	137,088
Taxation recoverable		**639**	566
Time deposits		**30,615**	24,858
Bank balances and cash		**18,210**	28,108
		283,464	268,701
Total assets		**335,738**	314,987
EQUITY			
Capital and reserves attributable to the Company's shareholders			
Share capital	7	**30,900**	30,900
Reserves	8	**52,912**	47,661
		83,812	78,561
Minority interests		**4,601**	4,371
Total equity		**88,413**	82,932

	Note	As at 30 June 2005 Unaudited US$'000	As at 31 December 2004 (Restated) US$'000
LIABILITIES			
Non-current liabilities			
Unsecured bank loan	9	**30,104**	30,110
Obligations under finance leases	9	**87**	138
Obligations under defined benefit plans		**535**	472
Post-employment benefit liabilities		**1,010**	808
Other non-current liabilities		**851**	476
Deferred tax liabilities	10	**1,212**	834
		33,799	32,838
Current liabilities			
Trade and other payables	11	**185,864**	181,003
Bank loans and other borrowings	9	**23,611**	15,185
Taxation payable		**4,051**	3,029
		213,526	199,217
Total liabilities		**247,325**	232,055
Total equity and liabilities		**335,738**	314,987
Net current assets		**69,938**	69,484
Total assets less current liabilities		**122,212**	115,770

Condensed Consolidated Profit and Loss Account

		Unaudited	
		Six months ended 30 June	
		2005	2004
	Note	**US$'000**	US$'000
Revenue	4	**370,273**	269,394
Cost of sales		**(267,919)**	(194,111)
Gross profit		**102,354**	75,283
Marketing and logistics expenses		**(80,029)**	(55,283)
Administrative expenses		**(14,513)**	(13,673)
Other gains	12	**1,099**	1,112
Other expenses	13	**—**	(227)
Operating profit	13	**8,911**	7,212
Finance costs, net	14	**(346)**	(252)
Operating profit after finance costs		**8,565**	6,960
Share of profit of a jointly controlled entity		**—**	25
Profit before taxation		**8,565**	6,985
Taxation	15	**(630)**	78
Profit for the period		**7,935**	7,063
Profit attributable to:			
Shareholders of the Company		**7,375**	6,645
Minority interests		**560**	418
		7,935	7,063
Interim dividends	16	**2,386**	10,558
Basic earnings per share for profit attributable to the shareholders of the Company during the period	17	**US2.39 cents**	US2.77 cents

Condensed Consolidated Statement of Changes in Equity

	Unaudited				
	Attributable to shareholders of the Company				
	Share capital	Other reserves	Accumulated losses	Minority interests	Total
	US$'000	US$'000	US$'000	US$'000	US$'000
At 1 Jan 2004, as previously reported as equity	24,000	75,053	(35,427)	—	63,626
At 1 Jan 2004, previously reported separately as minority interests	—	—	—	4,272	4,272
Reversal of revaluation reserve for leasehold land and related decrease in expense	—	(2,281)	555	(112)	(1,838)
At 1 Jan 2004, as restated	24,000	72,772	(34,872)	4,160	66,060
Exchange differences	—	(1,232)	—	(39)	(1,271)
Profit for the period	—	—	6,645	418	7,063
Total recognized (expenses)/income for the six months ended 30 June 2004	—	(1,232)	6,645	379	5,792
Dividends	—	—	(10,558)	(25)	(10,583)
At 30 June 2004	24,000	71,540	(38,785)	4,514	61,269
At 31 Dec 2004, as previously reported as equity	**30,900**	**84,455**	**(35,119)**	**—**	**80,236**
At 31 Dec 2004, previously reported separately as minority interests	**—**	**—**	**—**	**4,483**	**4,483**
Reversal of revaluation reserve for leasehold land and related decrease in expense	**—**	**(1,961)**	**286**	**(112)**	**(1,787)**
At 31 Dec 2004, as restated	**30,900**	**82,494**	**(34,833)**	**4,371**	**82,932**
Opening adjustment for HKAS 39	**—**	**—**	**(118)**	**—**	**(118)**
At 1 Jan 2005, as restated	**30,900**	**82,494**	**(34,951)**	**4,371**	**82,814**
Exchange differences	**—**	**(2,233)**	**—**	**(98)**	**(2,331)**
Profit for the period	**—**	**—**	**7,375**	**560**	**7,935**
Total recognized (expenses)/income for the six months ended 30 June 2005	**—**	**(2,233)**	**7,375**	**462**	**5,604**
Employee share option benefits	**—**	**227**	**—**	**—**	**227**
Dividends	**—**	**—**	**—**	**(232)**	**(232)**
At 30 June 2005	**30,900**	**80,488**	**(27,576)**	**4,601**	**88,413**

Condensed Consolidated Cash Flow Statement

	Unaudited	
	Six months ended 30 June	
	2005	2004
	US$'000	US$'000
Net cash (used in)/generated from operating activities	(4,477)	10,520
Net cash (used in)/generated from investing activities	(7,495)	19,016
Net cash (used in)/generated before financing activities	(11,972)	29,536
Net cash generated from/(used in) financing activities	8,644	(4,863)
(Decrease)/Increase in cash and cash equivalents	(3,328)	24,673
Cash and cash equivalents at 1 January	50,612	8,303
Effect of foreign exchange rate changes	(491)	(358)
Cash and cash equivalents at 30 June	46,793	32,618
Analysis of balances of cash and cash equivalents:		
Bank balances and cash	18,210	36,336
Deposits with maturity less than three months	29,460	—
Bank overdrafts	(877)	(3,718)
	46,793	32,618

1. **BASIS OF PREPARATION AND ACCOUNTING POLICIES**

Pursuant to a group reorganization ("Reorganization") in preparation for the listing of the shares of the Company on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company became the holding company of the companies now comprising the Group on 20 November 2004. The comparative figures of the condensed consolidated financial information have been prepared on the basis of merger accounting as if the Company had been the holding company of the Group throughout the accounting periods presented.

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 2004 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 2004 except that the Group has changed certain of its accounting policies following its adoption of new/revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards ("new HKFRSs") which are effective for accounting periods commencing on or after 1 January 2005.

This interim financial information has been prepared in accordance with those HKFRS standards and interpretations issued and effective as at the time of preparing this interim financial information.

The changes to the Groups accounting policies and the effect of adoption these new policies are set out in note 2 below.

2. **THE ADOPTION OF NEW HKFRSS AND CHANGES IN ACCOUNTING POLICIES**

(a) **Effect of adopting new HKFRSs**

In 2005, the Group adopted the new/revised standards of HKFRSs below, which are relevant to its operation. The 2004 comparatives have been amended as required, in accordance with the relevant requirements.

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 12	Income Taxes
HKAS 14	Segment Reporting
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 18	Revenue
HKAS 19	Employee Benefits
HKAS 21	The Effects of Changes in Foreign Exchange Rates

2. THE ADOPTION OF NEW HKFRSS AND CHANGES IN ACCOUNTING POLICIES (cont'd)

(a) **Effect of adopting new HKFRSs (cont'd)**

HKAS 23	Borrowing Costs
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 32	Financial Instruments: Disclosure and Presentation
HKAS 33	Earnings per Share
HKAS 36	Impairment of Assets
HKAS 37	Provisions, Contingent Liabilities and Contingent Assets
HKAS 38	Intangible Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKFRS 2	Share-based Payments
HKFRS 3	Business Combinations

The adoption of HKASs 1, 2, 7, 8, 10, 12, 14, 16, 18, 19, 21, 23, 24, 27, 33 and 37 and HKFRS 3 did not result in substantial changes to the Group's accounting policies. In summary:

— HKAS 1 has affected the presentation of minority interests and other disclosures.

— HKAS 2, 8, 16 and 21 affect certain disclosures in the financial information.

— HKAS 7, 10, 12, 14, 18, 19, 23, 27, 33 and 37 do not have any impact as the Group's accounting policies already comply with the standards.

— HKAS 24 has affected the identification of related parties and some other related party disclosures.

The adoption of revised HKAS 17 has resulted in a change in the accounting policy relating to the reclassification of leasehold land and land use rights from property, plant and equipment to operating leases. The up-front prepayments made for leasehold land and land use rights are expensed in the profit and loss account on a straight-line basis over the period of the lease or where there is impairment, the impairment is expensed in the profit and loss account. In prior years, leasehold land was accounted for at valuation less accumulated depreciation and accumulated impairment.

The adoption of HKAS 32 and HKAS 39 has resulted in a change in accounting policy for recognition, measurement, derecognition and disclosure of financial instruments. Prior to this:

— the fair value of derivative financial instruments was not recognized in the balance sheet; and

— the trade and other receivables are initially recognized without discounting to the net present value at the effective interest rate.

In accordance with the provisions of HKAS 32 and HKAS 39:

— the fair value of derivative financial instruments is recognized in the balance sheet and any change in the fair value is recorded in the profit and loss account; and

— Trade and other receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

2. THE ADOPTION OF NEW HKFRSS AND CHANGES IN ACCOUNTING POLICIES (cont'd)

(a) Effect of adopting new HKFRSs (cont'd)

The adoption of HKAS 36 and HKAS 38 has resulted in a change in the accounting policy for trademarks. Prior to this, trademarks were:

— amortized on a straight-line basis over a period not exceeding 20 years; and

— assessed for impairment at each balance sheet date.

In accordance with the provisions of HKAS 36:

— the Group ceased amortization of trademarks with indefinite useful lives from 1 January 2005;

— from the year ending 31 December 2005 onwards, such trademarks are tested annually for impairment, as well as when there are indications of impairment.

The adoption of HKFRS 2 has resulted in a change in accounting policy for share-based payments. Prior to this, the provision of share options to employees did not result in a charge to the profit and loss account. Following the adoption of HKFRS 2, the fair value of share options at grant date is amortized over the relevant vesting periods to the profit and loss account.

All relevant changes in the accounting policies have been made in accordance with the transitional provisions of the respective standards, which require retrospective application to prior year comparatives other than:

— HKAS 36 and HKAS 38 — prospective accounting for trademarks from 1 January 2005.

— HKAS 39 which recognize all derivatives at fair value in the balance sheet on 1 January 2005 and adjust the balance to retained earnings as at that date.

(b) New Accounting Policies

The accounting policies used for the condensed consolidated financial information for the six months ended 30 June 2005 do not have substantial changes as those set out in the 2004 annual financial statements except for the following:

2.1 *Foreign currency translation*

(a) *Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The financial information are presented in US dollars, which is the Group's presentation currency.

2. THE ADOPTION OF NEW HKFRSS AND CHANGES IN ACCOUNTING POLICIES (cont'd)

(b) New Accounting Policies (cont'd)

2.1 *Foreign currency translation (cont'd)*

(b) *Translation of group entities*
The results and financial position of all the group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each profit and loss account are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(iii) all resulting exchange differences are recognized as a separate component of equity.

2.2 *Property, plant and equipment*
The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at least at each balance sheet date.

2.3 *Impairment of assets*
Assets that have an indefinite useful life are not subject to amortization, which are at least tested annually for impairment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

2.4 *Financial assets*
The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, and available-for-sale financial assets. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date.

Financial assets are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Available for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortized cost using the effective interest method, less provision for impairment. Realized and unrealized gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are included in the profit and loss account in the period in which they arise. Unrealized gains and losses arising from changes in the fair value of financial assets classified as available-for-sale are recognized in equity.

2. THE ADOPTION OF NEW HKFRSS AND CHANGES IN ACCOUNTING POLICIES (cont'd)

(b) New Accounting Policies (cont'd)

2.5 *Trade and other receivables*

Trade and other receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognized in the profit and loss account.

2.6 *Share-based compensation*

The Group operates an equity-settled, share-based compensation plan. The fair value of the employee services received in exchange for the grant of the options is recognized as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted.

2.7 *Comparatives*

Certain non-current assets/liabilities were previously included in the current assets/liabilities. The respective comparative figures have been reclassified to conform with the current period's presentation.

Effect of changes in accounting policies on condensed consolidated profit and loss account

	Effect of adopting				
	HKAS 17	HKFRS 2	HKAS 36 & HKAS 38	HKAS 39	Total
	US$'000	US$'000	US$'000	US$'000	US$'000
	(a)	(a)	(b)	(b)	
Year 2005					
Decrease in cost of sales	(21)	—	—	—	(21)
(Decrease)/increase in administrative expenses	(17)	227	(31)	(61)	118
Increase in taxation	12	—	—	—	12
Total increase/(decrease) in profit	26	(227)	31	61	(109)
Increase/(decrease) in basic earnings per share	0.01 cents	(0.07 cents)	0.01 cents	0.02 cents	(0.04 cents)
Year 2004					
Decrease in cost of sales	(21)	—	—	—	(21)
Decrease in administrative expenses	(17)	—	—	—	(17)
Increase in taxation	12	—	—	—	12
Total increase in profit	26	—	—	—	26
Increase in basic earnings per share	0.01 cents	—	—	—	0.01 cents

(a) adjustments which take effect retrospectively

(b) adjustments which take effect prospectively from 1 January 2005

2. THE ADOPTION OF NEW HKFRSS AND CHANGES IN ACCOUNTING POLICIES (cont'd)

(b) New Accounting Policies (cont'd)

Effect of changes in accounting policies on condensed consolidated balance sheets

	Effect of adopting					
	HKAS 17	HKFRS 2	HKAS 36 & HKAS 38	HKAS 39	Other reclassification	Total
	US$'000 (a)	US$'000 (a)	US$'000 (b)	US$'000 (b)	US$'000	US$'000
At 1 January 2004 (Equity only)						
Increase/(decrease) in equity:						
Properties revaluation reserve	(2,281)	—	—	—	—	(2,281)
Accumulated loss	555	—	—	—	—	555
Minority interests	(112)	—	—	—	—	(112)
At 31 December 2004						
Increase/(decrease) in assets:						
Fixed assets	(2,799)	—	—	—	—	(2,799)
Lease premium for land	403	—	—	—	—	403
Deferred tax assets	132	—	—	—	—	132
Other non-current assets	—	—	—	—	3,031	3,031
Trade and other receivables	(67)	—	—	—	(3,031)	(3,098)
Increase/(decrease) in liabilities/equity						
Properties revaluation reserve	(1,961)	—	—	—	—	(1,961)
Accumulated loss	286	—	—	—	—	286
Minority interests	(112)	—	—	—	—	(112)
Trade and other payables	—	—	—	—	(1,756)	(1,756)
Deferred tax liabilities	(544)	—	—	—	—	(544)
Obligations under defined benefit plans	—	—	—	—	472	472
Post-employee benefit liabilities	—	—	—	—	808	808
Other non-current liabilities	—	—	—	—	476	476

(a) adjustments which take effect retrospectively

(b) adjustments which take effect prospectively from 1 January 2005

	Effect of adopting				
	HKAS 17	HKFRS 2	HKAS 36 & HKAS 38	HKAS 39	Total
	US$'000 (a)	US$'000 (a)	US$'000 (b)	US$'000 (b)	US$'000
At 30 June 2005					
Increase/(decrease) in assets					
Intangible assets	—	—	31	—	31
Fixed assets	(2,756)	—	—	—	(2,756)
Lease premium for land	396	—	—	—	396
Deferred tax assets	132	—	—	—	132
Trade and other receivables	(65)	—	—	10	(55)
Increase/(decrease) in liabilities/equity					
Employee share-based compensation reserve	—	227	—	—	227
Properties revaluation reserve	(1,961)	—	—	—	(1,961)
Accumulated loss	312	(227)	31	(57)	59
Minority interests	(112)	—	—	—	(112)
Deferred tax liabilities	(532)	—	—	—	(532)
Trade and other payables	—	—	—	67	67

(a) adjustments which take effect retrospectively

(b) adjustments which take effect prospectively from 1 January 2005

3. CHANGE IN ACCOUNTING ESTIMATES

According to HKAS 16, the useful life of an asset shall be reviewed at least at each financial year-end. A revision of the useful lives of certain fixed assets was carried out during the period by management. The change in accounting estimates on the useful lives of fixed assets has decreased the depreciation charge by US$260,000 and increased the deferred tax charge by US$70,000 for the current period and is expected to decrease the depreciation charge by US$520,000 and increase the deferred tax charge by US$140,000 for each financial year.

4. 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	
	2005	2004
	US$'000	US$'000
Total invoiced amounts	**413,046**	299,427
Less: Collections on behalf of principals (see below)	**(42,773)**	(30,033)
Revenue	**370,273**	269,394

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 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:

Six months ended 30 June 2005

	Unaudited					
	Logistics	Marketing	Manufacturing	Corporate	Inter-segment elimination	Group total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
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
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	2,070	929	580	504		4,083

4. REVENUE AND SEGMENT INFORMATION (cont'd)

Primary reporting format — business segments (cont'd)

Six months ended 30 June 2004

	Unaudited					
	Logistics	Marketing	Manufacturing	Corporate	Inter-segment elimination	Group total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Sales of goods	—	172,628	59,300	—	(158)	231,770
Rendering of services	40,875	1,939	879	—	(6,069)	37,624
Revenue	40,875	174,567	60,179	—	(6,227)	269,394
Segment results	3,287	4,372	1,734	(2,181)		7,212
Finance costs, net						(252)
Share of profit of a jointly controlled entity						25
Profit before taxation						6,985
Taxation credit						78
Profit for the period						7,063
Depreciation and amortization	1,538	664	671	754		3,627

Secondary reporting format — geographical segments

	Unaudited	
	Revenue	
	Six months ended 30 June	
	2005	2004
	US$'000	US$'000
Hong Kong	**116,664**	104,903
Taiwan	**8,807**	5,464
Thailand	**57,981**	54,613
Malaysia	**62,231**	60,225
Singapore	**26,415**	19,954
The Philippines	**44,322**	6,519
Indonesia	**3,875**	4,126
PRC	**44,006**	10,878
Brunei	**8,684**	4,950
	372,985	271,632
Less: Inter-segment elimination	**(2,712)**	(2,238)
Total	**370,273**	269,394

5. CAPITAL EXPENDITURE

	Unaudited			
	Software costs	Trademarks	Total intangible assets	Fixed assets
	US$'000	US$'000	US$'000	US$'000
Net book value at 1 January 2005	4,441	1,044	5,485	36,679
Effect of adoption of HKAS 17	—	—	—	(2,799)
	4,441	1,044	5,485	33,880
Additions	498	—	498	8,041
Disposals	(26)	—	(26)	(127)
Amortization/depreciation charge	(378)	—	(378)	(3,705)
Exchange difference	(4)	—	(4)	(594)
Net book value at 30 June 2005	4,531	1,044	5,575	37,495

Software costs include internally generated capitalize software development costs.

6. TRADE AND OTHER RECEIVABLES

	Unaudited 30 June	(Restated) 31 December
	2005	2004
	US$'000	US$'000
Trade receivables	**120,891**	114,291
Less: provision for impairment of receivables	**(1,689)**	(1,799)
Trade receivables, net *(note (a))*	**119,202**	112,492
Other receivables, prepayments, and deposits *(note (b))*	**36,037**	24,514
Due from related companies *(note 20)*	**1,320**	3,113
	156,559	140,119
Less: non-current portion: prepayments and deposits	**(2,869)**	(3,031)
	153,690	137,088

6. TRADE AND OTHER RECEIVABLES (cont'd)

Notes:

(a) 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. At period / year end, the aging analysis of the Group's trade receivables was as follows:

	Unaudited 30 June 2005 US$'000	31 December 2004 US$'000
Less than 90 days	**106,123**	103,984
91–180 days	**10,458**	6,248
181–360 days	**1,826**	2,096
Over 360 days	**795**	164
	119,202	112,492

There is no concentration of credit risk with respect to trade receivables, as the Group has a large number of customers, internationally dispersed.

The Group has recognized a loss of US$295,000 (2004: US$194,000) for the impairment of its trade receivables during the six months ended 30 June 2005. The loss has been included in marketing and logistics expenses in the profit and loss account.

(b) Included in other receivables, prepayments, and deposits, there is an asset held for sale amounting to US$5,209,000 (2004: US$1,220,000). The balance represented costs incurred on further extensions of building situated on land under operating leases. Pursuant to the agreement with the respective landlord, such extensions will be sold to the landlord on a cost reimbursement basis upon the completion of construction.

7. SHARE CAPITAL AND OPTIONS

	Ordinary shares	
	No. of shares	US$'000
Authorized:		
At 1 January 2004 and 30 June 2004, ordinary shares of US$1 each	12,000	12
Increase in authorized ordinary share capital of US$1 each	99,988,000	99,988
Sub-division of shares to US$0.1 each	900,000,000	—
At 31 December 2004 and 30 Jun 2005, ordinary shares of US$0.1 each	1,000,000,000	100,000
Issued and fully paid:		
At 1 January 2004 and 30 June 2004, ordinary shares of US$1 each	12,000	12
Sub-division of shares to US$0.1 each	108,000	—
Issue of shares arising from the Reorganization	239,880,000	23,988
Issue of shares by placing and public offer	69,000,000	6,900
At 31 December 2004 and 30 Jun 2005, ordinary shares of US$0.1 each	309,000,000	30,900

7. SHARE CAPITAL AND OPTIONS (cont'd)

Share options

Details of the share option scheme are set out in the 2004 annual report. Movements in the number of share options outstanding and the exercise prices are as follows:

Expiry date	Exercise price HK$ per share	Share options 30 June 2005	Share options 31 December 2004
At 1 January	4.825	**13,500,000**	—
Granted	4.825	**—**	13,500,000
Lapsed	4.825	**(81,000)**	—
At 30 June/31 December	4.825	**13,419,000**	13,500,000

Share options outstanding at the end of the period/year have the following expiry date and exercise price:

Expiry date	Exercise price HK$ per share	Fair value of option HK$ per option	Share options 30 June 2005	Share options 31 December 2004
31 December 2008	4.825	0.83	**4,473,000**	4,500,000
31 December 2009	4.825	0.96	**4,473,000**	4,500,000
31 December 2010	4.825	1.07	**4,473,000**	4,500,000
			13,419,000	13,500,000

The fair value of options granted during the year ended 31 December 2004 was determined using the Black-Scholes valuation model. The significant inputs into the model were share price of HK$4.825, at the grant date, exercise price shown above, the share volatility of 30%, expected life of options of 4 to 6 years, expected dividend paid out rate of 50% and average annual risk-free interest rate of 2.22%.

No shares have been allotted and issued under the Share Option Scheme subsequent to 30 June 2005.

8. RESERVES

	Unaudited					
	Share premium	Properties revaluation reserve	Merger reserve	Exchange reserve	Accumulated losses	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
At 1 January 2004	—	2,281	70,850	1,922	(35,427)	39,626
Effect of change in accounting policies	—	(2,281)	—	—	555	(1,726)
	—	—	70,850	1,922	(34,872)	37,900
Exchange differences	—	—	—	(1,232)	—	(1,232)
Profit for the period	—	—	—	—	6,645	6,645
Dividends	—	—	—	—	(10,558)	(10,558)
At 30 June 2004	—	—	70,850	690	(38,785)	32,755
Exchange differences	—	—	—	1,335	—	1,335
Issue of shares by placing and public offer	21,019	—	—	—	—	21,019
Transfer to accumulated losses	—	—	(11,400)	—	11,400	—
Profit for the period	—	—	—	—	3,952	3,952
Dividends	—	—	—	—	(11,400)	(11,400)
At 31 December 2004	21,019	—	59,450	2,025	(34,833)	47,661

	Unaudited						
	Share premium	Employee share-based compensation reserve	Properties revaluation reserve	Merger reserve	Exchange reserve	Accumulated losses	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
At 1 January 2005	21,019	—	1,961	59,450	2,025	(35,119)	49,336
Effect of change in accounting policies	—	—	(1,961)	—	—	286	(1,675)
	21,019	—	—	59,450	2,025	(34,833)	47,661
Effect of initial adoption of HKAS 39	—	—	—	—	—	(118)	(118)
	21,019	—	—	59,450	2,025	(34,951)	47,543
Exchange differences	—	—	—	—	(2,233)	—	(2,233)
Employee share option benefits	—	227	—	—	—	—	227
Profit for the period	—	—	—	—	—	7,375	7,375
At 30 June 2005	21,019	227	—	59,450	(208)	(27,576)	52,912

9. BANK LOANS AND OTHER BORROWINGS

As at period/year end, bank loans, bank overdrafts and other borrowings were repayable as follows:

	Unaudited 30 June 2005 US$'000	31 December 2004 US$'000
On demand and within one year		
Unsecured bank overdrafts	**877**	1,324
Unsecured bank loans	**22,604**	13,728
Obligations under finance leases	**130**	133
	23,611	15,185
In the third to fifth year		
Unsecured bank loan	**30,104**	30,110
In the second to fifth year, by instalments		
Obligations under finance leases	**87**	138
	53,802	45,433

The carrying amounts of bank loans and other borrowings approximate their fair value.

10. DEFERRED TAXATION

Deferred taxation is calculated in full on temporary differences under the liability method.

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.

11. TRADE AND OTHER PAYABLES

	Unaudited 30 June 2005 US$'000	(Restated) 31 December 2004 US$'000
Trade payables *(note (a))*	**136,602**	132,308
Other payables and accruals	**46,236**	46,426
Obligations on pension — defined contribution plans	**435**	644
Due to related companies *(note 20)*	**2,591**	1,625
	185,864	181,003

11. TRADE AND OTHER PAYABLES (cont'd)

Notes:

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

	Unaudited 30 June 2005 US$'000	31 December 2004 US$'000
Less than 90 days	**123,217**	114,418
91–180 days	**11,246**	15,969
181–360 days	**1,196**	913
Over 360 days	**943**	1,008
	136,602	132,308

12. OTHER GAINS

	Unaudited Six months ended 30 June	
	2005	2004
	US$'000	US$'000
Gain on disposal of property, plant and equipment	**151**	974
Exchange gain	**525**	—
Service fee income	**423**	64
Others	**—**	74
Other gains	**1,099**	1,112

13. OPERATING PROFIT

Operating profit is stated after charging the following:

	Unaudited Six months ended 30 June	
	2005	2004
	US$'000	US$'000
Loss on disposal of a subsidiary	**—**	227
Other expenses	**—**	227
Depreciation of		
Owned property, plant and equipment	**3,642**	3,389
Leased property, plant and equipment	**63**	26
Amortization of intangible assets	**378**	212
Provision for impairment losses of trade receivables	**295**	194
Provision for obsolete inventories	**471**	293
Costs of inventories sold	**260,561**	183,728
Exchange loss	**—**	377

14. FINANCE COSTS, NET

	Unaudited	
	Six months ended 30 June	
	2005	2004
	US$'000	US$'000
Interest expense on bank loans and overdrafts	**(1,206)**	(974)
Interest expense on finance leases	**(5)**	(7)
Interest expense on balances with related companies	**—**	(184)
	(1,211)	(1,165)
Interest income from bank deposits	**865**	530
Interest income from related parties	**—**	383
Finance costs, net	**(346)**	(252)

The Group operates cash pooling arrangements in several economies to optimize the net finance costs 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.

15. TAXATION

Hong Kong profits tax has not been provided as the Group has no assessable profit in Hong Kong for the six months ended 2005 and 2004. Taxation on overseas profits has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the countries in which the Group operates.

The amount of taxation charged/(credited) to the condensed consolidated profit and loss account for the period represents:

	Unaudited	
	Six months ended 30 June	
	2005	2004
	US$'000	US$'000
Current taxation:		
— Overseas taxation	**2,791**	3,425
Deferred taxation	**(2,161)**	(3,503)
Taxation	**630**	(78)

16. INTERIM DIVIDENDS

	Unaudited Six months ended 30 June 2005 US$'000	2004 US$'000
Interim dividend, paid before the Reorganization *(note a)*	—	10,558
Interim dividend — proposed after balance sheet date of HK6.00 cents (equivalent to US0.77 cent) (2004: N/A) per share *(note b)*	**2,386**	—
	2,386	10,558

Note:

(a) The amounts represented dividends paid by the subsidiaries to its then shareholders before the Reorganization. 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 this interim financial information.

(b) At a meeting held on 18 August 2005 the directors declared an interim dividend of HK6.00 cents (equivalent to US0.77 cent) per share. This proposed dividend is not reflected as a dividend payable in this interim financial information, but will be reflected as an appropriation of reserve for the year ending 31 December 2005.

17. EARNINGS PER SHARE

The calculations of basic and diluted earnings per share are based on the Group's profit attributable to shareholders of US$7,375,000 (2004: US$6,645,000).

The basic earnings per share is based on the weighted average number of 309,000,000 (2004: 240,000,000) ordinary shares in issue during the period. 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 2004 after taking into consideration the effect of the Reorganization.

No diluted earnings per share has been presented for the period ended 30 June 2005 as the exercise of share options would be anti-dilutive.

18. CONTINGENT LIABILITIES

Bank guarantees

The Group has the following outstanding bank guarantees issued by banks for normal business operations:

	Unaudited 30 June 2005 US$'000	31 December 2004 US$'000
As security in favour of local tax and customs authorities in accordance with local regulations	**8,923**	9,201
For purchase of goods in favour of suppliers	**8,074**	7,756
Performance bonds and others	**486**	155
For rental payment in favour of the landlords	**4,646**	3,456
	22,129	20,568

19. COMMITMENTS

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

	Unaudited 30 June 2005 US$'000	31 December 2004 US$'000
Property, plant and equipment	**813**	3,637

(b) Commitments under operating leases

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

	Land and buildings		Others	
	Unaudited 30 June 2005 US$'000	31 December 2004 US$'000	Unaudited 30 June 2005 US$'000	31 December 2004 US$'000
Not later than one year	**16,002**	13,807	**372**	567
Later than one year and not later than five years	**46,436**	40,998	**539**	732
Later than five years	**84,124**	70,088	**—**	75
	146,562	124,893	**911**	1,374

20. SIGNIFICANT RELATED PARTY TRANSACTIONS

The Group is controlled by Li & Fung (Distribution) Limited, incorporated in the British Virgin Islands which owns 51.12% of the Company's shares. The remaining shares are widely held. The ultimate parent of the Group is King Lun Holdings Limited, incorporated in the British Virgin Islands.

The following transactions were carried out with the related parties:

	Note	Unaudited Six months ended 30 June 2005 US$'000	2004 US$'000
Continuing transactions with fellow subsidiaries			
— Sale of goods and materials	(a)	**338**	650
— Revenue from rendering of logistic service including cost reimbursement	(a)	**2,453**	2,594
— Revenue from provision of billing agent service	(a)	**98**	49
— Service fee income	(b)	**423**	—
— Rental recharge to	(c)	**675**	299
— Rental expense	(c)	**1,673**	942

20. SIGNIFICANT RELATED PARTY TRANSACTIONS (cont'd)

		Unaudited	
		Six months ended 30 June	
		2005	2004
	Note	US$'000	US$'000
Non-recurring transactions with fellow subsidiaries			
— Purchase of goods and materials	(a)	985	2,131
— Selling expenses recharge	(d)	—	1,064
— Rental expense	(c)	—	582
— Administrative overhead recharge to	(d)	—	725
— Transfer of fixed assets to	(e)	—	609
— Transfer of fixed assets from	(e)	273	710
— Sales of land and buildings	(f)	—	5,432

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

(b) Service fee income was charged on normal commercial terms based on relevant agreements entered.

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

(d) Administrative overhead recharge and selling expenses recharge were charged on actual cost recovery basis.

(e) Fixed assets were transferred at a value by reference to independent valuer. (2004: at net book value.)

(f) Land and buildings were sold at a value by reference to independent valuer.

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.

Directors' compensation

	Unaudited	
	Six months ended 30 June	
	2005	2004
	US$'000	US$'000
Salaries and other short-term employee benefits	1,211	716
Share-based payments	79	—
Post-employment benefits	2	2
	1,292	718

20. SIGNIFICANT RELATED PARTY TRANSACTIONS (cont'd)

Period-end balances with related parties

	Note	Unaudited 30 June 2005 US$'000	31 December 2004 US$'000
Due from related companies			
— an immediate holding company	(a)	—	1,118
— fellow subsidiaries	(b)	**1,320**	1,995
		1,320	3,113
Due to related companies			
— fellow subsidiaries	(c)	**2,591**	869
— fellow subsidiaries	(d)	—	756
		2,591	1,625

(a) Period-end balances arising from recharge of expense for global offering. The balances were unsecured, interest free and had no fixed terms of repayment and settled in 2005.

(b) Period-end balances arising from sales/services/recharge of administrative and rental expense. The balances are unsecured, interest free and with terms of repayment according to the credit terms granted.

(c) Period-end balances arising from purchase/rental expenses/recharge of administrative expense. The balances are unsecured, interest free and with terms of repayment according to the credit terms granted.

(d) Period-end balances arising from acquisition of additional interest in a subsidiary. The balances were unsecured, interest free and with terms of repayment according to the respective sales and purchase agreement and settled in 2005.

21. SUBSEQUENT EVENTS

Subsequent to the balance sheet date, the Group disposed of certain properties situated in Indonesia to several independent third parties. The sales proceeds and the estimated gains on disposal of the properties were approximately US$1,000,000 and US$800,000, respectively. These gains were not reflected in this condensed financial information, but will be reflected in the profit and loss account for the year ending 31 December 2005.

22. APPROVAL OF INTERIM REPORT

The interim report as set out on pages 20 to 43 was approved by the board of directors on 18 August 2005.

LISTING INFORMATION

Listing: Hong Kong Stock Exchange

Stock code: 2387

KEY DATES

18 August 2005
Announcement of 2005 Interim Results

6 September 2005 to 9 September 2005 (both days inclusive)
Closure of Register of Members

On or about 23 September 2005
Payment of 2005 Interim Dividend

SHARE INFORMATION

Board lot size: 1,000 shares

Shares outstanding as at 30 June 2005: 309,000,000 shares

Market Capitalization as at 30 June 2005: HK$1,606,800,000

Earnings per share for 2005 Interim: HK18.6 cents

Dividend per share for 2005 Interim: HK6.00 cents

SHARE REGISTRAR & TRANSFER OFFICES

Principal:
Butterfield Fund Services (Bermuda) Limited
Rosebank Centre
11 Bermudiana Road
Pembroke HM 08
Bermuda

Hong Kong Branch:
Abacus Share Registrars Limited
Ground Floor,
Bank of East Asia Harbour View Centre,
56 Gloucester Road
Wanchai
Hong Kong

ENQUIRIES CONTACT

Mr Stewart Kwok
Corporate Affairs Manager

Telephone: (852) 2686 3317
Fax: (852) 2686 3320
Email: stewart.kwok@idsgroup.com

Integrated Distribution Services Group Limited
15th Floor, LiFung Centre
2 On Ping Street, Siu Lek Yuen
Shatin, N.T.
Hong Kong

WEBSITE

www.idsgroup.com
www.irasia.com/listco/hk/ids