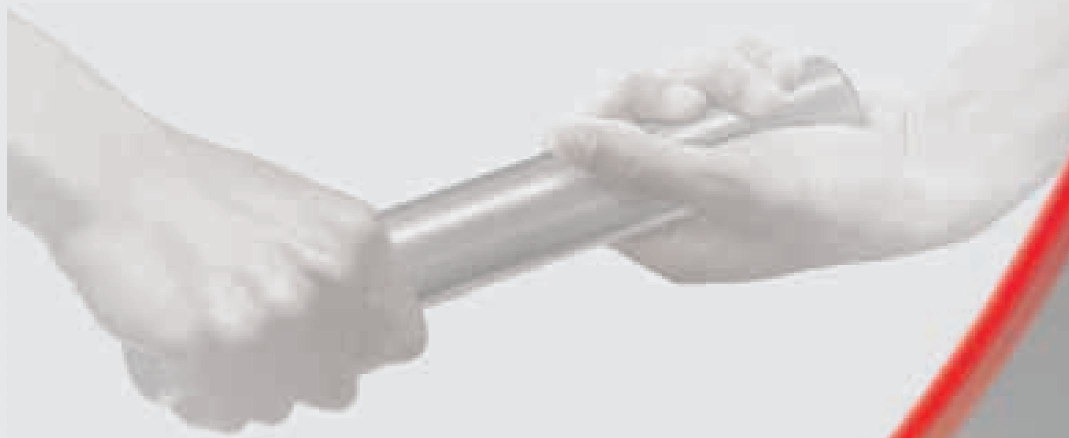
Interim Report 2008



Integrated Distribution Services Group Limited

(Incorporated in Bermuda with limited liability)

Stock Code: 2387

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iDS

Member of the Li & Fung Group

HIGH PERFORMANCE HIGH VALUES

This interim report is printed on environmental friendly paper

Contents

Corporate Information

Non-executive Directors

Dr. Victor FUNG Kwok King *(Chairman)*
John Estmond STRICKLAND#
Dr. FU Yu Ning#
Prof. LEE Hau Leung#
Andrew TUNG Lieh Cheung#
Dr. William FUNG Kwok Lun
Jeremy Paul Egerton HOBBINS
LAU Butt Farn
Rajesh Vardichand RANAVAT

Independent Non-executive Director

Executive Directors

Benedict CHANG Yew Teck
(Group Managing Director)
Joseph Chua PHI *(President)*

Group Chief Compliance Officer

James SIU Kai Lau

Chief Financial Officer

Srinivasan PARTHASARATHY

Company Secretary

YUEN Ying Kwai

Qualified Accountant

Simon CHAN Kam Chiu

Legal Advisors

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17th Floor, Prince's Building
10 Chater Road
Hong Kong

Registered Office

Clarendon House
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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

Auditor

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

Highlights

	Six months ended 30 June		
	2008	2007	Change
	US$ million	US$ million	%
Revenue	**816.43**	583.15	40.0%
Core operating profit before Slumberland	**10.20**	8.67	17.6%
Core operating profit	**10.20**	10.68	–4.5%
Operating profit	**24.31**	22.86	6.4%
Profit attributable to shareholders	**19.39**	16.49	17.6%
Earnings per share	**6.16 US cents**	5.32 US cents	15.8%
Earnings per share (equivalent to)	**48.01 HK cents**	41.57 HK cents	
Interim dividend per share	**14 HK cents**	12 HK cents	16.7%

- Despite a challenging business environment, profit attributable to shareholders recorded strong growth of 17.6% to US$19.39 million in the first half of 2008 compared to US$16.49 million in the first half of 2007.

- Core operating profit on a like-to-like basis excluding the Slumberland Asia Pacific business (which is being divested) increased by 17.6% to US$10.20 million. This was mainly driven by strong organic growth of 37.4% in our Asian operations.

- US & UK impacted by soft retail sentiment and the slow first half seasonality sales. Both markets are well positioned for strong rebound in the second half. Potential for substantial savings through facility infrastructure consolidation in the US & UK.

- Two successful acquisitions concluded during the period, including a US West Coast-based third-party logistics provider as well as a pharmaceuticals manufacturer and distributor in Hong Kong, to strengthen the Group's business scale and service offerings.

- Despite weak consumer sentiment, high inflation and the downbeat global economy, the Group remains confident with the long-term growth potential and fully intends to deliver on our 2008–2010 Strategic Plan goal of doubling net profit vs. 2007.

Chairman's Statement

Dear Shareholders,

I am pleased to report the interim results of Integrated Distribution Services Group Limited (the "Company") and its subsidiaries (collectively the "Group" or "IDS") for the six months ended 30 June 2008.

The business environment became increasingly unfavorable during the first half of 2008. Signals of economic slowdown that were first detected in the US extended to other major economies including the EU and Japan. This in turn has negatively impacted the growth of Asian economies. Rising fuel and food prices have resulted in huge inflation pressure across the region. It is not uncommon to see oil prices surging 30% or more year-on-year in some countries, which has led to more prudent spending. As a result, the growth forecast for Asia in 2008 has been adjusted downward from its multiyear high in 2007, although it maintains a respectable pace compared to other regions.

Should the US economy experience protracted softness and commodity prices remain at historic highs over a long period, inflation in Asia will accelerate and further impact consumer sentiment. Curbing inflation while maintaining sustainable economic growth remains the top challenge for the governments of various Asian countries, including China.

However, the domestic fundamentals of the Greater China and ASEAN economies remain strong. Internal consumption in China is expected to maintain double-digit growth. We believe that while the current economic environment certainly presents challenges, the long-term growth prospects of the region remain sound, and IDS will continue to move steadily toward its 2008–2010 Strategic Plan goal of doubling 2007 net profit by 2010 to US$56.3 million.

During the first six months of 2008, the Group's revenue grew by 40.0% to US$816.43 million, against US$583.15 million in the first half of 2007. This was driven by strong growth across all key markets, in particular China, Hong Kong, Malaysia and Thailand, as well as revenues from companies acquired in 2007 in East Malaysia and the UK.

Core operating profit in the first half of 2008 increased by 17.6% against last year to US$10.20 million on a like-to-like basis after excluding the Slumberland business, which is being divested on a progressive basis and Slumberland Asia Pacific ("SAP") became an associated company of IDS in June 2007. If the operating profit contribution from SAP in the first half of 2007 is included, then core operating profit sees a decline of 4.5% from US$10.68 million last year to US$10.20 million.

Compared to the same period last year, profit attributable to shareholders registered a 17.6% increase in the first six months of 2008. Earnings per share for the period was 6.16 US cents (equivalent to 48.01 HK cents), compared to 5.32 US cents (equivalent to 41.57 HK cents) for the first half of 2007. The Board of Directors has declared an interim dividend of 14 HK cents per share, 16.7% higher than the 12 HK cents per share declared in the first half of 2007.

IDS continued to make substantial progress identifying strategic merger and acquisition opportunities. The Group acquired 100% interest in Warehouse Technology, Inc. ("WTI"), a third-party logistics company in the US based in the Los Angeles Metropolitan area, and 95% of the issued capital of Universal Pharmaceutical Laboratories, Limited ("Universal"), a Hong Kong-based manufacturer and distributor of pharmaceutical and healthcare products.

The WTI acquisition enables IDS' US operations to enjoy substantial synergies after consolidating our current logistics facilities on the West Coast with those of WTI. Meanwhile, the acquisition of Universal will strengthen IDS' healthcare operations in Hong Kong and further expand our scope of manufacturing expertise to cover pharmaceutical products, thus enhancing our service offerings to our customers.

During the period, the Group continued the progressive divestment of its interest in SAP and reached another agreement with Hilding Anders in June 2008 for the divestment of its remaining 40% interest in SAP over a three-year period, commencing this year. Following the tranche that was transacted in June 2008, the Group currently holds 30% interest in SAP, out of which 20% will be disposed of in 2009 and the final 10% in 2010.

Both the Greater China and ASEAN regions registered strong growth in the first half of 2008 on the back of major new contract wins last year as well as organic growth from key customers. Excluding the Slumberland business, year-on-year operating profit in Greater China was up 26.9% to US$9.09 million. Both Distribution and Logistics businesses registered operating profit growth of about 27%. China again delivered stellar results with operating profit up 33%. Operating profit in the ASEAN region was up 47.2%, to US$11.19 million, driven mainly by strong results in Thailand and Malaysia. The acquisition of a distribution company in Sarawak in May 2007 also contributed to the strong performance in Malaysia.

Shortly after the period under review, IDS was granted approval in July 2008 from the Ministry of Commerce in China to engage in the distribution of pharmaceutical products and medical equipment. This marked yet another important milestone for IDS since receiving CEPA (Closer Economic Partnership Arrangement) approval to conduct distribution and wholesaling of consumer products in 2004, which triggered the onset of the Group's network expansion in China. Leveraging the use of our extensive distribution and logistics network, IDS is now well-placed to make a strong entry into China's healthcare sector and further strengthen our position as a leading distributor of consumer products, pharmaceuticals and medical equipment.

The strategic intent for IDS to expand globally is to connect our comprehensive Asian logistics and distribution network to those in the US and UK so that we can manage end-to-end global logistics programs for our multinational customers and our sister company, Li & Fung Limited's customer base. Investment in the US continued in the first half of 2008 with the implementation of the Group's regional Warehouse Management System in more logistics facilities. As a result of weak retail sentiment in the US and the seasonal nature of the UK business, which is traditionally skewed towards the second half of the year, the region recorded a loss of US$3.34 million in the first half of 2008, compared to a profit of US$0.26 million during the same period in 2007.

Despite the short-term impact on overall financial performance, the investments in the US have allowed us to establish a much stronger foundation and are prerequisites for the sustainable long-term growth of our business. As the benefits of our investments made in the US gradually materialize, and with peak season coming in the second half of the year, the US & UK region is expected to show a significant turnaround.

The business environment should remain challenging throughout the second half. Despite this, we expect the growth momentum of the first half to remain strong in Asia, especially China, for the rest of the year. We remain confident in our ability to achieve our 2008–2010 Strategic Plan breakthrough goal of doubling our 2007 net profit by the end of this strategic plan cycle in 2010.

On behalf of the Directors, I would like to take this opportunity to express my gratitude to the management and all members of staff for their efforts and contributions during the period.

Victor FUNG Kwok King
Chairman

Hong Kong, 21 August 2008

GMD's Report

I am delighted to report that for the first six months of 2008, IDS continued to deliver strong increase in profits. This is a good start to the IDS 2008–2010 Strategic Plan cycle. We saw continued growth and new opportunities emerge in China, our business development pipeline remains robust, our investments in the US & UK region resulted in a more solid foundation for these markets, we completed two M&A projects that strengthened our operations, and we executed a further rollout of our Leadership, Management and Talent (LMT) Development Program to reach even deeper into the organization.

Compared to the same period last year, IDS registered revenue growth of 40.0% to US$816.43 million in the first half of 2008, against US$583.15 million last year. Core operating profit of US$10.20 million for the first half of 2008 was 17.6% above last year after excluding the Slumberland business, which was included in last year's results before it became an associated company of the Group in June 2007. Operating profit for the first half of 2008 was US$24.31 million, 6.4% above last year.

Profit attributable to shareholders for the period increased by 17.6% to US$19.39 million, compared to US$16.49 million in the first six months of 2007. This result was mainly driven by continued strong organic growth in Asia and acquisitions made during 2007. Our growth would have been much stronger if not for the slow first-half seasonality sales for both our US and UK businesses. Cash flow from operations continued to remain strong at US$31.55 million.

Two successful acquisitions were concluded in the first half of 2008: a third-party logistics provider in the US, and a pharmaceutical company based in Hong Kong. The integration of both acquisitions went smoothly, and we have already embarked on programs to explore opportunities for synergies and savings. Both acquisitions are expected to further strengthen our local operations and expand our scope of service offerings.

IDS' growing reputation as a world-class provider of integrated distribution and logistics services is indicated in part by the many awards and recognitions we have won. During the first half of 2008, our logistics operation in China was awarded the Maxim Award by Nike in the "Simplify & Go" category, and it was also named "Distinguished Integrated Logistics Service Provider" at the China International Logistics Technology & Services Exhibition and 2008 International Logistics and SCM Cooperation and Development Conference. Our operations in Thailand, the Philippines, Taiwan and Singapore also won many major awards and recognitions from various customers and industry bodies.

FINANCIAL OVERVIEW

For the first six months ended 30 June 2008, the Group's revenue increased 40.0% to US$816.43 million. All three business segments registered strong revenue growth, 71.7% in Logistics, 51.2% in Manufacturing and 29.4% in Distribution. Gross profit increased by 39.2% to US$229.21 million. The Group's gross profit margin for the first half of ("1H") 2008 maintained at approximately 28.1% of revenue. Meanwhile, core operating profit recorded a slight decline of 4.5% from US$10.68 million in 1H 2007 to US$10.20 million in 1H 2008, which was due to the impact of the Slumberland business that was included in first five months of 2007 before it became an associated company of the Group in June 2007. Excluding the Slumberland business in 2007, core operating profit in 1H 2008 was actually 17.6% higher than 1H 2007.

During the period under review, IDS reached another agreement with Hilding Anders for the divestment of the remaining 40% interest in Slumberland Asia Pacific ("SAP") over a three-year period, commencing this year. Subsequent to the tranche transacted in June 2008, the Group's share in SAP was reduced to 30%. After including the one-off gain of US$14.04 million from the divestment of 20% interest in SAP, operating profit for 1H 2008 was US$24.31 million, up 6.4% over the same period last year.

Net finance costs increased by US$1.58 million to US$3.39 million, impacted by the financing of the new acquisitions. Taxation charge for the period dropped by 42.7% to US$2.17 million, reflecting an effective tax rate of 9.9% versus 17.9% for the same period last year. As a result, profit attributable to the shareholders reached US$19.39 million, an increase of 17.6% over the period ended 30 June 2007.

SEGMENTAL ANALYSIS

Logistics

Revenue increased 71.7% to US$185.11 million. 62.6% of that increase was attributable to the UK business acquired in the second half of 2007. The remaining 37.4% of the increase was driven by existing business and new contracts won.

The logistics business in Asia continued to record steady year-on-year growth of 14.8% in segment results. This was mainly driven by stellar performance in China, which became the Group's most profitable market for Logistics, as well as strong growth in other markets such as Thailand and Taiwan. However, after taking into account the losses recorded in the US & UK region due to continued investments and seasonality, segment results declined by 36.1% from US$7.15 million in 1H 2007 to US$4.57 million over the same period this year.

Distribution

Revenue and segment results increased by 29.4% and 23.3% to US$540.64 million and US$10.07 million respectively. Excluding the Slumberland business, growth in segment results would be higher at 63.5%. This was mainly driven by strong performances in China, Hong Kong, Malaysia and Thailand and the contribution from the newly acquired business in East Malaysia. Operating margin also improved considerably from 1.6% in 1H 2007 to 1.9% in 1H 2008.

Manufacturing

Revenue and segment results grew by 51.2% and 34.3% to US$97.20 million and US$2.31 million respectively. The growth was largely attributable to the increased volume of Listerine mouthwash production in Thailand. However, as a result of the change in business mix, margin declined from 2.7% in the first six months of 2007 to 2.4% in 1H 2008.

Geographical analysis

Greater China representing 37.6% of the total revenue grew 33.8% whereas ASEAN markets, which contributed 53.1% of the total revenue, grew 31.0%. Revenue registered for the US & UK region more than tripled as compared to last period attributable to the contribution of the newly acquired UK business. The region accounted for about 9.3% of the total Group revenue in 1H 2008.

LIQUIDITY AND FINANCIAL RESOURCES

Net cash flow from operating activities during the period was US$22.1 million. Net cash of the Group amounted to US$62.1 million at mid-year, compared to US$69.2 million at the same period last year. New loans were raised mainly for financing acquisitions in the first half. Consequently, the Group's gearing ratio as at 30 June 2008 increased to 36.5% compared to 29.3% at 2007 year end. The gearing ratio was calculated as net borrowings divided by total capital. Net borrowings of US$86.4 million is calculated as total borrowings (including short-term bank loans and other borrowings of US$69.3 million, long-term unsecured bank loans and obligations under finance leases of US$103.8 million) less time deposits and bank balances and cash of US$86.7 million. Total capital is calculated as total equity of US$150.4 million plus net borrowings. The Group has available bank loans and overdraft facilities of approximately US$300 million of which US$167.3 million have been utilized.

CHARGES ON GROUP ASSETS

As at 30 June 2008, there were no charges on the Group's assets.

FOREIGN EXCHANGE RISK MANAGEMENT

The Group operates in various economies over the world and is exposed to foreign exchange risk. Fluctuations in exchange rates in these economies can affect the earnings and net assets of the Group.

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

CONTINGENT LIABILITIES

(a) Bank guarantees

The Group has counter guaranteed the following outstanding bank guarantees issued by banks for normal business operation:

	Unaudited 30 June 2008 US$'000	Audited 31 December 2007 US$'000
As security in favor of local tax and customs authorities in accordance with local regulations	**523**	494
For purchase of goods in favor of suppliers	**11,440**	9,469
Performance bonds and others	**533**	593
For rental payment in favor of the landlords	**8,773**	8,210
	21,269	18,766

(b) The Company and its US subsidiary, IDS USA Inc. were advised on 14 December 2007 that they have been included as two of defendants in a civil claim for alleged breaches of contract relating to provision of services. Neither the Company nor IDS USA Inc. are parties to the contract and the amount of the claim against them is not specified. The management of the Group has reviewed the facts and circumstances and is of the view that the likelihood of the Company and its subsidiary suffering material loss is low.

HUMAN RESOURCES

As at 30 June 2008, the Group employed approximately 7,500 permanent employees. They were located throughout various operations within the Group. Total staff costs for the period ended 30 June 2008 amounted to approximately US$97.1 million (vs. US$72.8 million for the period ended 30 June 2007).

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

Greater China

All markets reported healthy growth in both revenue and operating profit. China continued to register strong performance and accounted for 19.1% of total Group revenue in the first half of 2008. Operating profit for the Greater China region in the first half of 2008 was US$9.09 million, up 26.9% compared to last year on a like-to-like basis excluding the Slumberland business for this region in 2007.

The plan to enter the healthcare sector in China was realized in July when IDS received approval from the Ministry of Commerce to engage in the wholesaling, distribution, import and export of pharmaceutical products and medical equipment. This will enable IDS to tap into the enormous potential of the healthcare sector in China by leveraging our extensive distribution and logistics network there.

The opening of a state-of-the-art healthcare distribution center in Hong Kong in February 2008 was well received by customers. IDS further strengthened its healthcare operation by acquiring a local pharmaceutical company in May, a move that gives the Group the capability to manufacture pharmaceutical products.

Major contracts won across the region included Asian hubbing services for ECCO and a number of healthcare distribution contracts in Hong Kong, and logistics and distribution services for Shell lubricants in Taiwan. The Group also secured more business to provide logistics services for garment companies including LiFung Trinity, a leading high-end to luxury menswear retailer, in China, Taiwan and Hong Kong. IDS invested in building a 6,500-square meter, purpose-designed distribution center for handling both Garment-On-Hanger ("GOH") and flat-pack garments specifically for this contract in Shanghai.

ASEAN

The ASEAN markets registered stellar performance in the first half of 2008 on the back of major contract wins last year as well as business growth from key customers, such as the Listerine manufacturing business in Thailand. The acquisition of a distribution company in Sarawak in May 2007 also contributed to strong performance in Malaysia. Excluding the Slumberland business in 2007, operating profit from the ASEAN region recorded year-on-year growth of 47.2%.

New contracts secured in the first half of 2008 included the ASEAN hub operations and distribution services for L'Oreal in Singapore and the Philippines, respectively, and manufacturing services for new Nestlé products in Malaysia. Shortly after the period under review, the Malaysia team secured the manufacturing contract for Fisherman's Friend lozenges, initially covering Malaysia and Singapore, with potential to expand to other markets such as Indonesia, Hong Kong and Australia.

US & UK

The US & UK region recorded a loss of US$3.34 million in the first half of 2008, compared to a profit of US$0.26 million during the same period in 2007. This was mainly attributable to continued investment in the US, weak retail sentiment and the impact of seasonality. However, the Group is confident that business in the US and UK will rebound strongly in the second half.

As a result of the investments made in technology, our people and the organization, we have now established a robust operation in the US and have positioned the business for aggressive growth. The acquisition of Warehouse Technology, Inc. ("WTI") was integrated smoothly, and the Group has embarked on a facility consolidation and rationalization program to realize rental savings through the use of larger distribution centers and racking.

The UK business, though negatively impacted by the soft retail market, has been tracking better than expected. During the period under review, the organization was streamlined and the distribution centers were rationalized through improved work process and infrastructure. This has resulted in higher operating efficiency, which contributed to significant cost savings.

ACQUISITIONS UPDATE

In May 2008, IDS announced the acquisition of all the shares in WTI, a third-party logistics company based in the Los Angeles metropolitan area, for a total consideration of US$10 million. WTI provides storage and transportation services to a portfolio of illustrious customers in the footwear, handbags and accessories sectors, including the Rosetti handbag division of Li & Fung Limited.

There are substantial synergies as a result of consolidating the current IDS logistics facilities on the West Coast with those of WTI. We will essentially be reducing our US distribution centers from 15 to nine facilities. With better space utilization, we can potentially generate over US$2.5 million savings per annum in occupancy costs alone.

IDS also made its maiden acquisition in its home base of Hong Kong, acquiring 95% of the issued capital of Universal Pharmaceutical Laboratories, Limited ("Universal") for a consideration of approximately US$14.6 million. Universal is a leading Hong Kong-based manufacturer and distributor of pharmaceutical and healthcare products. It runs a GMP-certified manufacturing facility in Hong Kong for the production of generic drugs and is a dominant supplier of certain restricted drugs in Hong Kong.

With this acquisition, IDS now has a much strengthened healthcare operation in Hong Kong. Our manufacturing expertise is further expanded to cover pharmaceutical products, thus enhancing our service offerings to our customers. This strategic move will also facilitate a strong entry into the healthcare sector in China, which has enormous potential for us.

2008–2010 STRATEGIC PLAN: DRIVERS OF GROWTH

IDS' strong first-half 2008 growth amidst a challenging business environment has generated momentum for the Group, which is geared for continued year-on-year growth. We fully intend to deliver on our 2008–2010 Strategic Plan breakthrough goal of doubling our 2007 net profit by 2010.

China will continue to be the major theatre of IDS' growth. The expanded business scope resulting from the healthcare opportunity in China offers huge potential for IDS. The Group is in the process of finalizing its China healthcare entry plan, taking into account our newly constructed state-of-the-art healthcare facility as well as the newly acquired manufacturing resources in Hong Kong. From our initial discussions, we foresee strong interest from multinational healthcare brands to partner with us in this all-important market.

Another factor that will support our strong growth in China is our entry into the GOH logistics sector. IDS is already the acknowledged leader in China's apparel and footwear logistics sector, partnering with an array of leading multinational and local brands such as Nike, Adidas, Puma, ECCO, Levis, Timberland, Columbia and Septwolves. Our foray into the GOH logistics sector will lead us to the next tipping point of aggressive expansion. With LiFung Trinity as our anchor client in the region, we expect to aggressively build our presence in the GOH industry and tap into opportunities to work with other Li & Fung clients.

Our venture into the US and UK, which aims to develop a strong International business by providing innovative, technologically enabled, end-to-end global supply chain management and logistics solutions from source to consumption, has gained further traction. Initial discussions with customers in both the US/UK and Asia revealed strong interest in the concept of logistics hubbing and end-to-end solutions. We are in the process of developing ViTAL, the operating system for IDS International, which will enable full visibility along the supply chain. We expect the business will enter an era of high growth in 2009 and beyond.

The Group's facility consolidation program in the US and UK will continue in the second half, with the aim of reducing the number of facilities from 21 to 12. This will generate significant annual savings in occupancy costs of over US$3.5 million. Operations rationalization, process improvements and labor cost savings due to larger distribution centers and strategic investments in technology will further improve performance. Also, our enhanced efforts in business development have strengthened our customer base and created a strong business pipeline. As a result, we expect to see a marked recovery of our US and UK businesses.

People development has always been a crucial focus for IDS as the Group continues building a strong talent base to drive our growth. We will continue along this path with the full implementation of our LMT Development program across the Group in the second half of 2008. Meanwhile, the second batch of Management Trainees has recently joined us for a two-year intensive on-the-job training program. We are also planning to launch the "New IDS Manager" training program for the current management team towards the end of the year.

Ben CHANG Yew Teck
Group Managing Director

Hong Kong, 21 August 2008

Corporate Governance

Corporate Governance Practices

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 an appropriate oversight by Independent Non-executive Directors.

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 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 2008 are in line with those practices set out in the Company's 2007 Annual Report.

Audit Committee

The Audit Committee was established with written terms of reference which cover the review of the Group's financial reporting, internal controls and corporate governance issues and to make relevant recommendations to the Board. The Audit Committee comprises three Independent Non-executive Directors, namely Mr. John Estmond STRICKLAND (Chairman of the Committee), Dr. FU Yu Ning and Mr. Andrew TUNG Lieh Cheung, and a Non-executive Director, Mr. LAU Butt Farn. Prof. LEE Hau Leung's membership was assumed by Mr. Tung on 16 May 2008. All committee members possess appropriate industry and financial expertise to advice on the above matters.

The Audit Committee met three times to date in 2008 (with an average attendance rate of 75%) to review with senior management and the Company's internal and external auditors, the significant internal and external audit findings and financial matters as required under 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-month period to 30 June 2008 before recommending them to the Board for approval).

Compensation Committee

The Compensation Committee was established with written terms of reference which cover the review of the Group's remuneration policy and the approving of the remuneration policy for all Executive Directors and senior management, including the allocation of share options to employees under the Company's Employee Share Option Scheme.

As at 30 June 2008, the Committee comprises the Group Non-executive Chairman, Dr. Victor FUNG Kwok King (Chairman of the Committee), Dr. FU Yu Ning and Prof. LEE Hau Leung (Independent Non-executive Directors). The Committee met twice to date in 2008 (with an attendance rate of 100%) to review the incentive scheme for Executive Directors and senior management and to recommend a refreshment of the scheme mandate limit of the Share Option Scheme.

Pursuant to an ordinary resolution passed at the Company's annual general meeting on 16 May 2008, the scheme mandate limit was refreshed to 31,699,100 shares, representing 10% of the number of issued shares of the Company as at the date of passing the resolution.

Nomination Committee

The Nomination Committee was established with written terms of reference which cover the recommendations to the Board on the appointment of Directors, evaluation of board composition and the management of board succession.

As at 30 June 2008, the Committee comprises two Independent Non-executive Directors, namely Prof. LEE Hau Leung (Chairman of the Committee) and Mr. Andrew TUNG Lieh Cheung and a Non-executive Director, Mr. Jeremy Paul Egerton HOBBINS. The Nomination Committee met once to date in 2008 (with an attendance rate of 100%) to review the re-appointment of retiring directors at 2008 Annual General Meeting, to assess independence of directors and to recommend the appointment of a new independent non-executive director and change in the composition of the Audit and Nomination Committees.

On 16 May 2008, Mr. William Winship FLANZ ceased as a Non-executive Director and the Chairman of the Nomination Committee after his retirement by rotation from the Board at the Annual General Meeting. Prof. LEE Hau Leung assumed Mr. Flanz's chairmanship in the Nomination Committee and Mr. Andrew TUNG Lieh Cheung was appointed as a member of the Nomination Committee on the same date.

Code of Conduct and Business Ethics

Whistle blowing policy, guidelines on business conduct and leaflet of the Group's business ethics policy are made available to the staff in the Company's intranet for quick reference.

Internal Control and Risk Management

The Board assumes the overall responsibility for reviewing the adequacy and integrity of the Group's system of internal controls and risk management through the Audit Committee.

The Board has delegated to executive management the ongoing and effective management of such systems of internal controls covering financial, operational risk management procedures and controls. Qualified personnel throughout the Group maintain and monitor these systems of control on an ongoing basis.

The Group's Internal Audit team within the Corporate Governance and Compliance Division, under the supervision of our Group Chief Compliance Officer, independently reviews such systems of internal controls implemented by management and evaluates their adequacy, effectiveness and compliance, and reports regularly to the Audit Committee. The Group Chief Compliance Officer reports all the major findings at the Audit Committee meetings.

Follow up on all recommendations was also performed on a periodical basis to ensure all agreed recommendations had been timely and satisfactorily implemented.

Based on the assessments made by senior management and the Group's Internal Audit team during the six-month period to 30 June 2008, the Audit Committee is satisfied that:

- the internal controls and accounting systems of the Group are 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 authorization and the financial statements are reliable for publication.

- 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. 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. Specific enquiries have been made to all Directors and relevant employees to confirm compliance with the Model Code. No incident of non-compliance of the Model Code was noted by the Company during the six-month period to 30 June 2008.

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 provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Listing Rules during the six-month period to 30 June 2008.

Investor Relations and Communication

The Company continues to pursue a proactive policy of promoting investor relations and communications by conducting analysts' briefings and road shows after the interim and final results announcement, participating in investors' conferences and making corporate presentations during the conferences, arranging company visits and facility tours and maintaining regular meetings with institutional shareholders and analysts. Since 2005, webcasts of results presentations at press conference have also been made available at our corporate website at *www.idsgroup.com*.

Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 30 June 2008, 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 Part XV 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 Companies ("Model Code"):

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

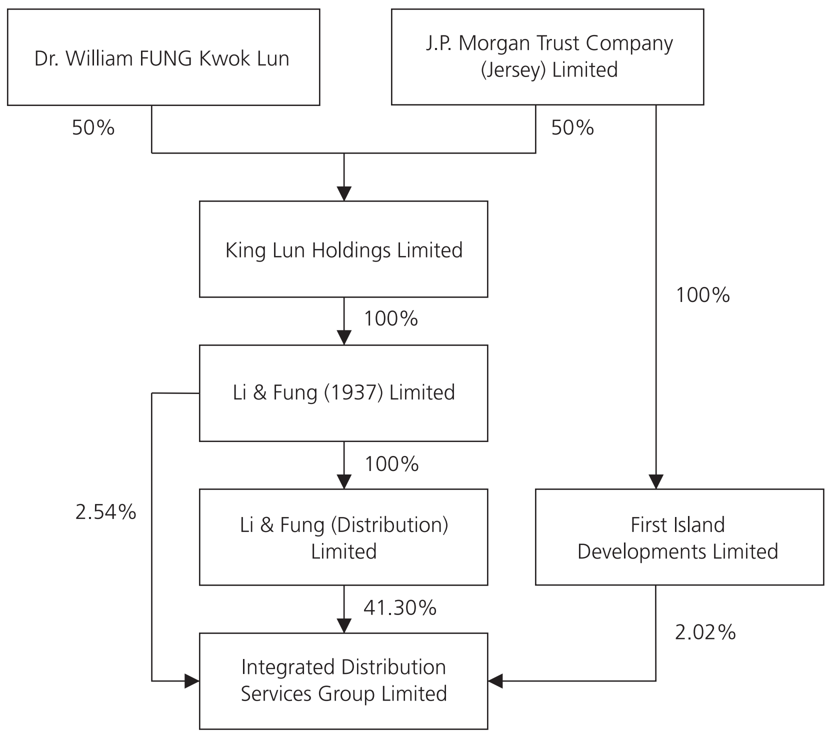
	Number of Shares						
Name of Directors	**Personal interest**	**Family interest**	**Corporate/ trust interest**	**Other interest**	**Number of underlying shares under equity derivatives (Share Options)**	**Total interest**	**Approximate percentage of issued share capital** (%)
Victor FUNG Kwok King	2,405,509	–	145,453,661 (Note 1)	–	–	147,859,170	46.63
William FUNG Kwok Lun	–	–	139,032,371 (Note 1)	–	–	139,032,371	43.84
Benedict CHANG Yew Teck	3,292,573	–	–	4,200,000 (Note 2a)	7,840,000 (Notes 2b&2c)	15,332,573	4.84
Joseph Chua PHI	1,689,632	–	–	–	2,460,000	4,149,632	1.31
Rajesh Vardichand RANAVAT	–	–	–	345,000 (Note 3)	1,770,000	2,115,000	0.67
Jeremy Paul Egerton HOBBINS	–	–	4,922,999 (Note 4)	–	–	4,922,999	1.55
LAU Butt Farn	610,549	–	–	–	–	610,549	0.19
John Estmond STRICKLAND	–	–	–	22,000 (Note 5)	–	22,000	0.00

Notes:

(1) King Lun Holdings Limited ("King Lun") through its wholly owned subsidiary, Li & Fung (1937) Limited ("LF 1937"), held 100% interest in Li & Fung (Distribution) Limited ("LFD"). LFD held 130,962,364 Shares, representing approximately 41.30% of the issued share capital of the Company. LF 1937 held 8,070,007 Shares, representing approximately 2.54% of the issued share capital of the Company.

King Lun was owned (a) as to 50% by J.P. Morgan Trust Company (Jersey) Limited (which also through First Island Developments Limited indirectly held 6,421,290 Shares, representing approximately 2.02% of the issued share capital of the Company), 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 were deemed to have interests in these Shares through their respective interests in King Lun and indirect interests in LFD and LF 1937 as set out above.

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



(2) These interests represented:

a. Mr. Benedict CHANG Yew Teck and his wife, LEONG Kim Mei, were joint beneficial owners of these Shares;

b. the beneficial interest of Mr. Benedict CHANG Yew Teck in 3,640,000 underlying shares deriving from share options granted by the Company to Mr. Benedict CHANG Yew Teck, the details of which are set out in the Share Option Scheme section stated below; and

c. the deemed interest of Mr. Benedict CHANG Yew Teck in 4,200,000 underlying shares deriving from options granted by LF 1937 to Mikenwill Investments Limited ("Mikenwill"), which was owned by Mr. Benedict CHANG Yew Teck, to require LF 1937 to sell to Mikenwill or its nominee 10,500,000 Shares in five tranches, with the first tranche, second tranche and third tranche of 2,100,000 Shares each being exercised on 9 January 2007, 17 September 2007 and 27 June 2008 respectively, and each of the remaining tranches having an exercisable period of one year during the period from 1 January 2009 to 31 December 2010 pursuant to an agreement made between LF 1937 and Mikenwill dated 5 January 2007.

(3) Mr. Rajesh Vardichand RANAVAT and his wife, Mrs. Sandhya Rajesh RANAVAT, were joint beneficial owners of these Shares.

(4) These Shares were held by Martinville Holdings Limited, which was owned by Mr. Jeremy Paul Egerton HOBBINS.

(5) Mr. John Estmond STRICKLAND and his wife, Mrs. Anthea Evadne STRICKLAND, were joint beneficial owners of these Shares.

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

By virtue of the SFO, each of Dr. Victor FUNG Kwok King and Dr. William FUNG Kwok Lun was taken as at 30 June 2008 to have short position through LF 1937, in which both of them were deemed to have interests as disclosed above, in respect of an aggregate of 4,200,000 underlying shares in the Company, representing approximately 1.32% of the total issued Shares. Such interest comprised LF 1937's short position in 4,200,000 underlying shares (being regarded as unlisted physically settled equity derivatives) deriving from an agreement made between LF 1937 and Mikenwill dated 5 January 2007, pursuant to which options were granted by LF 1937 to Mikenwill to require LF 1937 to sell to Mikenwill or its nominee 10,500,000 Shares in five tranches, with the first tranche, second tranche and third tranche of 2,100,000 Shares each being exercised on 9 January 2007, 17 September 2007 and 27 June 2008 respectively, and each of the remaining tranches having an exercisable period of one year during the period from 1 January 2009 to 31 December 2010.

Save as disclosed above, as at the 30 June 2008, 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.

(C) 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.

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.

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 Share Options						
	As at 01/01/2008	Exercised	Lapsed	As at 30/06/2008	Exercise price HK$	Grant Date	Exercise period
Benedict CHANG Yew Teck	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
	380,000	380,000	–	–	8.600	16/12/05	01/01/08-31/12/09
	380,000	–	–	380,000	8.600	16/12/05	01/01/09-31/12/10
	380,000	–	–	380,000	8.600	16/12/05	01/01/10-31/12/11
	380,000	–	–	380,000	15.100	15/12/06	01/01/09-31/12/10
	380,000	–	–	380,000	15.100	15/12/06	01/01/10-31/12/11
	380,000	–	–	380,000	15.100	15/12/06	01/01/11-31/12/12
	330,000	–	–	330,000	25.550	12/12/07	01/01/10-31/12/11
	330,000	–	–	330,000	25.550	12/12/07	01/01/11-31/12/12
	330,000	–	–	330,000	25.550	12/12/07	01/01/12-31/12/13
Joseph Chua PHI	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
	210,000	–	–	210,000	8.600	16/12/05	01/01/08-31/12/09
	210,000	–	–	210,000	8.600	16/12/05	01/01/09-31/12/10
	210,000	–	–	210,000	8.600	16/12/05	01/01/10-31/12/11
	265,000	–	–	265,000	15.100	15/12/06	01/01/09-31/12/10
	265,000	–	–	265,000	15.100	15/12/06	01/01/10-31/12/11
	265,000	–	–	265,000	15.100	15/12/06	01/01/11-31/12/12
	220,000	–	–	220,000	25.550	12/12/07	01/01/10-31/12/11
	220,000	–	–	220,000	25.550	12/12/07	01/01/11-31/12/12
	220,000	–	–	220,000	25.550	12/12/07	01/01/12-31/12/13
Rajesh Vardichand RANAVAT	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
	135,000	–	–	135,000	8.600	16/12/05	01/01/08-31/12/09
	135,000	–	–	135,000	8.600	16/12/05	01/01/09-31/12/10
	135,000	–	–	135,000	8.600	16/12/05	01/01/10-31/12/11
	210,000	–	–	210,000	15.100	15/12/06	01/01/09-31/12/10
	210,000	–	–	210,000	15.100	15/12/06	01/01/10-31/12/11
	210,000	–	–	210,000	15.100	15/12/06	01/01/11-31/12/12
	130,000	–	–	130,000	25.550	12/12/07	01/01/10-31/12/11
	130,000	–	–	130,000	25.550	12/12/07	01/01/11-31/12/12
	130,000	–	–	130,000	25.550	12/12/07	01/01/12-31/12/13

Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures (continued)

	Number of Share Options						
	As at 01/01/2008	Exercised	Lapsed	As at 30/06/2008	Exercise price HK$	Grant Date	Exercise period
Continuous contract employees	190,000	89,000	–	101,000	4.825	14/12/04	01/01/07-31/12/08
	2,364,000	1,709,000	6,000	649,000	4.825	14/12/04	01/01/08-31/12/09
	2,364,000	–	64,000	2,300,000	4.825	14/12/04	01/01/09-31/12/10
	806,000	574,000	–	232,000	8.600	16/12/05	01/01/08-31/12/09
	806,000	–	–	806,000	8.600	16/12/05	01/01/09-31/12/10
	806,000	–	–	806,000	8.600	16/12/05	01/01/10-31/12/11
	755,000	–	–	755,000	15.100	15/12/06	01/01/09-31/12/10
	755,000	–	–	755,000	15.100	15/12/06	01/01/10-31/12/11
	755,000	–	–	755,000	15.100	15/12/06	01/01/11-31/12/12
	1,912,000	–	20,000	1,892,000	25.550	12/12/07	01/01/10-31/12/11
	1,912,000	–	20,000	1,892,000	25.550	12/12/07	01/01/11-31/12/12
	1,912,000	–	20,000	1,892,000	25.550	12/12/07	01/01/12-31/12/13

Notes:

(1) The weighted average closing market price per Share immediately before the dates on which the Share Options were exercised was HK$21.26.

(2) The Share Option is valued under the Black-Scholes valuation model which is developed to estimate the fair value of European share options. The fair values calculated are inherently subjective and uncertain due to the assumptions made and the limitations of the model used. The value of an option varies with different variables of certain subjective assumptions. Any change in variables so adopted may materially affect the estimation of the fair value of an option.

Interests and Short Positions of Substantial Shareholders

As at 30 June 2008, other than the interests of the directors or chief executive of the Company as disclosed above, the following persons had interests or short positions in the Shares or underlying shares of the Company which fall to be disclosed to the Company under Section 336 of the SFO:

Name of Shareholders	Capacity	Number of Shares	Approximate percentage of issued share capital (%)
Long Positions			
Li & Fung (Distribution) Limited	Beneficial owner	130,962,364	41.30
Li & Fung (1937) Limited	Interest of controlled corporation	130,962,364	43.84
	Beneficial owner	8,070,007	
King Lun Holdings Limited	Interest of controlled corporation	139,032,371	43.84
J.P. Morgan Trust Company (Jersey) Limited	Interest of controlled corporation	145,453,661	45.87
Brookside Capital Investors, L.P.	Interest of controlled corporation	15,473,000	4.88
Commonwealth Bank of Australia	Interest of controlled corporation	20,081,000	6.33
Short Positions			
Li & Fung (1937) Limited	Beneficial owner	4,200,000 (Note)	1.32
King Lun Holdings Limited	Interest of controlled corporation	4,200,000 (Note)	1.32
J.P. Morgan Trust Company (Jersey) Limited	Interest of controlled corporation	4,200,000 (Note)	1.32

Interests and Short Positions of Substantial Shareholders (continued)

Note:

This short position represents LF 1937's short position in 4,200,000 underlying shares which constituted unlisted physically settled equity derivatives pursuant to arrangement as described in the Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures section stated above.

Save as disclosed above, the Company had not been notified of any short position being held by any substantial shareholder in the Shares or underlying shares of the Company as at 30 June 2008.

Other Information

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 14 HK cents (equivalent to 1.79 US cents) (2007: 12 HK cents (equivalent to 1.54 US cents)) in cash per Share for the six months ended 30 June 2008, which will be payable to shareholders whose names appear on the Register of Members of the Company on 10 September 2008.

Closure of Register of Members

The Register of Members will be closed from 5 September 2008 to 10 September 2008, both days inclusive, during which period no transfer of Shares will be registered. In order to qualify for the interim dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Tricor Abacus Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on 4 September 2008. Dividend warrants will be despatched to shareholders on or about 23 September 2008.

Condensed Consolidated Income Statement

	Note	Unaudited Six months ended 30 June 2008 US$'000	 2007 US$'000
Revenue	4	**816,427**	583,149
Cost of sales		**(587,213)**	(418,464)
Gross profit		**229,214**	164,685
Distribution and logistics expenses		**(190,102)**	(131,399)
Administrative expenses		**(28,914)**	(22,605)
Core operating profit	5	**10,198**	10,681
Other gains	6	**14,115**	12,178
Operating profit	7	**24,313**	22,859
Finance costs, net	8	**(3,394)**	(1,819)
Share of profits less losses of associated companies		**1,116**	85
Profit before taxation		**22,035**	21,125
Taxation	9	**(2,171)**	(3,787)
Profit for the period		**19,864**	17,338
Profit attributable to:			
Shareholders of the Company		**19,389**	16,486
Minority interest		**475**	852
		19,864	17,338
Interim dividend	10	**5,691**	4,801
Earnings per share for profit attributable to the shareholders of the Company during the period	11		
Basic		**6.16 US cents**	5.32 US cents
Diluted		**6.01 US cents**	5.12 US cents

The notes on page 33 to 59 form integral part of this condensed consolidated financial information.

Condensed Consolidated Balance Sheet

	Note	Unaudited 30 June 2008 US$'000	Audited 31 December 2007 US$'000
ASSETS			
Non-current assets			
Intangible assets	12	**82,973**	66,519
Property, plant and equipment	12	**104,836**	96,089
Lease premium for land		**3,056**	3,077
Associated companies		**6,463**	9,155
Other non-current assets	13	**10,053**	9,371
Assets under defined benefit plans		**996**	945
Deferred tax assets	17	**12,694**	11,146
		221,071	196,302
Current assets			
Inventories		**166,279**	163,869
Trade and other receivables	13	**271,593**	258,201
Taxation recoverable		**813**	679
Time deposits		**25,192**	33,816
Bank balances and cash		**61,492**	55,656
		525,369	512,221
Total assets		**746,440**	708,523
EQUITY			
Capital and reserves attributable to the Company's shareholders			
Share capital	14	**31,710**	31,288
Reserves		**111,210**	102,769
	15	**142,920**	134,057
Minority interest		**7,451**	6,523
Total equity	15	**150,371**	140,580

Condensed Consolidated Balance Sheet (continued)

	Note	Unaudited 30 June 2008 US$'000	Audited 31 December 2007 US$'000
LIABILITIES			
Non-current liabilities			
Unsecured bank loans	16	**99,338**	81,716
Obligations under finance leases	16	**4,428**	4,546
Liabilities under defined benefit plans		**4,470**	4,191
Other non-current liabilities	18	**5,550**	13,535
Deferred tax liabilities	17	**2,743**	2,838
		116,529	106,826
Current liabilities			
Trade and other payables	18	**403,998**	391,942
Bank loans and other borrowings	16	**69,321**	61,487
Taxation payable		**6,221**	7,688
		479,540	461,117
Total liabilities		**596,069**	567,943
Total equity and liabilities		**746,440**	708,523
Net current assets		**45,829**	51,104
Total assets less current liabilities		**266,900**	247,406
Net assets value per share		**47.42 US cents**	44.93 US cents

The notes on page 33 to 59 form integral part of this condensed consolidated financial information.

Condensed Consolidated Statement of Recognized Income and Expense

	Unaudited Six months ended 30 June	
	2008	2007
	US$'000	US$'000
Exchange differences	**(2,685)**	5,211
Profit for the period	**19,864**	17,338
Total recognized income for the period	**17,179**	22,549
Attributable to:		
Shareholders of the Company	**16,544**	21,544
Minority interest	**635**	1,005

The notes on page 33 to 59 form integral part of this condensed consolidated financial information.

Condensed Consolidated Cash Flow Statement

	Note	Unaudited Six months ended 30 June 2008 US$'000	2007 US$'000
Cash flows from operating activities			
Cash generated from operations	19(a)	**31,547**	27,296
Interest paid		**(3,775)**	(2,366)
Net overseas tax paid		**(5,664)**	(2,853)
Net cash generated from operating activities		**22,108**	22,077
Cash flows from investing activities			
Interest received		**753**	1,122
Net (increase)/decrease in time deposits		**(13,116)**	5,105
Purchase of property, plant and equipment		**(15,376)**	(5,909)
Purchase of intangible assets		**(3,623)**	(803)
Sale of plant and equipment		**515**	211
Acquisition of subsidiaries	19(b)	**(20,293)**	(7,167)
Acquisition of additional interest in a subsidiary		**–**	(766)
Disposal of a subsidiary		**–**	(4,662)
Settlement of consideration payable for acquisition of business		**(3,500)**	(4,299)
Dividend received from an associated company		**1,300**	–
Capital injection by minority shareholders of a subsidiary		**–**	18
Net cash used in investing activities		**(53,340)**	(17,150)
Net cash (used)/generated before financing activities		**(31,232)**	4,927
Cash flows from financing activities			
Dividends paid to minority shareholders of subsidiaries	15	**–**	(780)
Dividends paid	15	**(12,197)**	(11,141)
Capital element of finance lease payments		**(121)**	(77)
Net proceeds from issue of shares		**3,072**	1,792
Net increase/(decrease) in bank loans		**22,659**	(1,965)
Net cash generated from/(used in) financing activities		**13,413**	(12,171)
Decrease in cash and cash equivalents		**(17,819)**	(7,244)
Cash and cash equivalents at beginning of period		**79,308**	78,274
Effect of foreign exchange rate changes		**583**	(1,792)
Cash and cash equivalents at the end of period		**62,072**	69,238
Analysis of balances of cash and cash equivalents:			
Bank balances and cash		**61,492**	42,542
Deposits with maturity less than three months		**12,076**	27,334
Bank overdrafts		**(11,496)**	(638)
		62,072	69,238

The notes on page 33 to 59 form integral part of this condensed consolidated financial information.

Notes to Condensed Consolidated Financial Information

1 General information

The Company is a limited liability company incorporated in Bermuda and its shares are listed on The Stock Exchange of Hong Kong Limited. The address of its registered office and other corporate information are set out on page 2 of the interim report.

2 Basis of preparation

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 2007 annual financial statements.

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.

3 Accounting policies

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 2007.

The following new standards, amendments to standards and interpretations, which are relevant to the Group, are mandatory for financial year ending 31 December 2008. Management has considered and concluded that there is no significant financial impact to the Group:

HK(IFRIC)-Int 11	HKFRS 2 – Group and Treasury Share Transactions
HK(IFRIC)-Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

3 Accounting policies (continued)

The following new standards, amendments to standards and interpretations, which are relevant to the Group, have been issued but are not effective for 2008 and have not been early adopted by the Group. Management is currently assessing the impact on the Group's operations.

HKAS 1 (Revised)	Presentation of Financial Statements
HKAS 23 (Revised)	Borrowing Costs
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKAS 28 (Amendments)	Investments in Associates
HKAS 32 and HKAS 1 (Amendments)	Financial Instruments: Presentation and Presentation of Financial Statements
HKFRS 2 (Amendments)	Share-based Payment
HKFRS 3 (Revised)	Business Combinations
HKFRS 8	Operating Segments

4 Revenue and segment information

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

	Unaudited Six months ended 30 June	
	2008 US$'000	2007 US$'000
Sales of goods	**608,222**	467,567
Rendering of services	**208,205**	115,582
Revenue	**816,427**	583,149

Primary reporting format – business segments

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

Logistics
Distribution
Manufacturing

Secondary reporting format – geographical segments

The Group operates in the following geographical areas:

Greater China	–	Hong Kong, Mainland China and Taiwan
Asean	–	the Philippines, Singapore, Malaysia, Thailand, Indonesia and Brunei
US and UK	–	the United States of America ("the US") and United Kingdom ("UK")

4 Revenue and segment information (continued)

Primary reporting format – business segments

Six months ended 30 June 2008

	Unaudited					
	Logistics US$'000	Distribution US$'000	Manufacturing US$'000	Unallocated (note) US$'000	Inter-segment elimination US$'000	Group Total US$'000
Sales of goods	–	534,355	74,058	–	(191)	608,222
Rendering of services	185,106	6,289	23,137	–	(6,327)	208,205
Revenue	185,106	540,644	97,195	–	(6,518)	816,427
Gross profit	163,599	66,372	4,320	–	(5,077)	229,214
Distribution, logistics and administrative expenses	(159,024)	(56,306)	(2,015)	(6,748)	5,077	(219,016)
Core operating profit	4,575	10,066	2,305	(6,748)	–	10,198
Other gains	–	–	–	14,115		14,115
Segment results	4,575	10,066	2,305	7,367		24,313
Finance costs, net						(3,394)
Share of profits less losses of associated companies						1,116
Profit before taxation						22,035
Taxation						(2,171)
Profit for the period						19,864
Depreciation and amortization	5,441	1,705	1,419	1,423		9,988
Capital expenditure	10,350	575	5,883	2,191		18,999
Capital expenditure arising from acquisition of subsidiaries	8,863	9,866	–	–		18,729

Note: Unallocated mainly includes corporate costs, common information technology costs and land and buildings which cannot be meaningfully allocated to the business segments.

4 Revenue and segment information (continued)

Primary reporting format – business segments (continued)

Six months ended 30 June 2007

	Unaudited					
	Logistics US$'000	Distribution US$'000	Manufacturing US$'000	Unallocated (note) US$'000	Inter-segment elimination US$'000	Group Total US$'000
Sales of goods	–	413,360	54,363	–	(156)	467,567
Rendering of services	107,785	4,464	9,919	–	(6,586)	115,582
Revenue	107,785	417,824	64,282	–	(6,742)	583,149
Gross profit	103,635	63,262	3,376	–	(5,588)	164,685
Distribution, logistics and administrative expenses	(96,479)	(55,099)	(1,660)	(6,354)	5,588	(154,004)
Core operating profit	7,156	8,163	1,716	(6,354)	–	10,681
Other gains	–	–	–	12,178		12,178
Segment results	7,156	8,163	1,716	5,824		22,859
Finance costs, net						(1,819)
Share of profits less losses of associated companies						85
Profit before taxation						21,125
Taxation						(3,787)
Profit for the period						17,338
Depreciation and amortization	2,989	1,352	1,377	973		6,691
Capital expenditure	3,034	880	2,479	319		6,712
Capital expenditure arising from acquisition of a subsidiary	–	4,330	–	–		4,330

Note: Unallocated mainly includes corporate costs, common information technology costs and land and buildings which cannot be meaningfully allocated to the business segments.

4 Revenue and segment information (continued)

Primary reporting format – business segments (continued)

	Unaudited				
At 30 June 2008	**Logistics US$'000**	**Distribution US$'000**	**Manufacturing US$'000**	**Unallocated (note) US$'000**	**Group total US$'000**
Segment assets	**214,181**	**372,450**	**71,239**	**82,107**	**739,977**
Associated companies	**–**	**6,463**	**–**	**–**	**6,463**
Total assets	**214,181**	**378,913**	**71,239**	**82,107**	**746,440**
Total liabilities	**195,758**	**304,724**	**45,069**	**50,518**	**596,069**

	Audited				
At 31 December 2007	Logistics US$'000	Distribution US$'000	Manufacturing US$'000	Unallocated (note) US$'000	Group total US$'000
Segment assets	209,267	338,271	62,864	88,966	699,368
Associated companies	–	9,155	–	–	9,155
Total assets	209,267	347,426	62,864	88,966	708,523
Total liabilities	193,436	270,192	45,582	58,733	567,943

Note: Unallocated mainly includes corporate costs, common information technology costs and land and buildings which cannot be meaningfully allocated to the business segments.

4 Revenue and segment information (continued)

Secondary reporting format – geographical segments

	Unaudited					
	Revenue Six months ended 30 June		Segment results Six months ended 30 June		Capital expenditure Six months ended 30 June	
	2008 US$'000	2007 US$'000	**2008 US$'000**	2007 US$'000	**2008 US$'000**	2007 US$'000
Greater China	**307,913**	230,066	**9,087**	8,091	**14,834**	1,465
Asean	**434,122**	331,395	**11,194**	8,679	**7,158**	7,897
US and UK	**76,123**	23,008	**(3,335)**	265	**13,545**	1,361
Unallocated (note)	**–**	–	**(6,748)**	(6,354)	**2,191**	319
	818,158	584,469	**10,198**	10,681	**37,728**	11,042
Less: Inter-segment elimination	**(1,731)**	(1,320)				
	816,427	583,149				
Other gains			**14,115**	12,178		
Operating profit			**24,313**	22,859		

	Segment Assets	
	Unaudited 30 June 2008 US$'000	Audited 31 December 2007 US$'000
Greater China	**264,201**	232,873
Asean	**275,590**	281,155
US and UK	**124,542**	105,529
Unallocated (note)	**82,107**	88,966
	746,440	708,523

Note: Unallocated mainly includes corporate costs, common information technology costs and land and buildings which cannot be meaningfully allocated to the geographical segments.

5 Core operating profit

Core operating profit is the recurring profit generated from the Group's business which comprises profit before interest income, finance costs and tax, and excludes material gain or loss which are of capital nature or non-recurring nature (such as gain or loss on disposal or impairment provision of property, plant and equipment or other assets).

6 Other gains

	Unaudited Six months ended 30 June	
	2008 US$'000	2007 US$'000
Gain on partial disposal of an associated company	**14,038**	–
Gain on disposal of a subsidiary	**–**	11,286
Gain on acquisition of additional interest in a subsidiary	**77**	892
Other gains	**14,115**	12,178

7 Operating profit

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

	Unaudited Six months ended 30 June	
	2008 US$'000	2007 US$'000
Depreciation of		
Owned property, plant and equipment	**7,746**	5,632
Leased property, plant and equipment	**388**	27
Amortization of intangible assets	**1,794**	996
Amortization of prepaid operating lease payments	**60**	36
Provision for impairment losses on trade receivables	**420**	144
Provision/(Reversal of provision) for obsolete inventories	**56**	(249)
Gain on disposal of plant and equipment	**(64)**	(24)
Costs of inventories sold	**564,501**	413,638
Exchange gain	**(1,244)**	(313)

8 Finance costs, net

	Unaudited Six months ended 30 June	
	2008	2007
	US$'000	US$'000
Interest expense on bank loans and overdrafts	**3,576**	2,359
Interest expense on finance leases	**199**	7
Imputed interest on non-current payables	**372**	575
	4,147	2,941
Interest income from bank deposits	**(753)**	(1,122)
Finance costs, net	**3,394**	1,819

The Group operates cash pooling arrangements in several economies to optimize 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 cost is presented as interest expense net of interest income.

9 Taxation

Hong Kong profits tax has been provided for at the rate of 16.5% (2007:17.5%) on the estimated assessable profits for the period. 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.

9 Taxation (continued)

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

	Unaudited Six months ended 30 June	
	2008	2007
	US$'000	US$'000
Current taxation:		
– Hong Kong	**(10)**	39
– Overseas	**3,857**	2,200
	3,847	2,239
Deferred taxation:		
– Deferred tax assets	**(1,104)**	3,033
– Deferred tax liabilities	**(572)**	(1,485)
	(1,676)	1,548
Taxation charge	**2,171**	3,787

10 Interim dividend

	Unaudited Six months ended 30 June	
	2008	2007
	US$'000	US$'000
Interim dividend — declared after balance sheet date of 14 HK cents (equivalent to 1.79 US cents) (2007: 12 HK cents (equivalent to 1.54 US cents)) per share (note)	**5,691**	4,801

Note: At a meeting held on 21 August 2008, the directors declared an interim dividend of 14 HK cents (equivalent to 1.79 US cents) per share. The declared 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 2008.

11 Earnings per share

Basic

Basic earnings per share is calculated by dividing the profit attributable to shareholders of the Company by the weighted average number of ordinary shares in issue during the period.

	Unaudited Six months ended 30 June	
	2008	2007
	US$'000	US$'000
Profit attributable to shareholders of the Company (US$'000)	**19,389**	16,486
Weighted average number of ordinary shares in issue (thousands)	**314,973**	310,162
Basic earnings per share (US cents per share)	**6.16**	5.32

Diluted

Diluted earnings per share is based on the weighted average number of 314,973,000 (2007: 310,162,000) shares in issue during the period plus weighted average number of 7,905,000 (2007: 12,010,000) shares deemed to have been issued at no consideration if all outstanding options had been exercised. Options granted on 12 December 2007 was not included in the computation as these options are anti-dilutive as the weighted average market price during the period was less than the exercise price.

11 Earnings per share (continued)

Diluted (continued)

Weighted average dilutive share options outstanding during the period	Unaudited – Six months ended 30 June – 2008 – Number of Options	2008 – Consideration (note)	2008 – Total HK$	2007 – Number of Options	2007 – Consideration	2007 – Total HK$
Granted at 14 December 2004				10,966,500	at HK$4.825	52,913,363
– vested portion	**5,701,985**	**at HK$4.825**	**27,512,078**			
– unvested portion	**473,682**	**at HK$5.895**	**2,792,355**			
Granted at 16 December 2005				4,648,500	at HK$8.6	39,977,100
– vested portion	**3,366,637**	**at HK$8.6**	**28,953,078**			
– unvested portion	**788,863**	**at HK$10.875**	**8,578,554**			
Granted at 15 December 2006				4,830,000	at HK$15.1	72,933,000
– vested portion	**2,672,000**	**at HK$15.1**	**40,347,200**			
– unvested portion	**2,158,000**	**at HK$18.762**	**40,487,680**			
Total (a)	**15,161,167**		**148,670,945**	20,445,000		165,823,463
Equivalent number of shares at the weighted average market price during the period (b)	**15,161,167**	**at HK$20.49**	**310,652,305**	20,445,000	at HK$19.66	401,948,700
Discount (b)–(a)			**161,981,360**			236,125,237
Equivalent number of shares deemed to have issued at no consideration			**7,905,386**			12,010,439

11 Earnings per share (continued)

Diluted (continued)

	Unaudited Six months ended 30 June 2008 US$'000	2007 US$'000
Profit attributable to shareholders of the Company (US$'000)	**19,389**	16,486
Weighted average number of ordinary shares in issue (thousands)	**314,973**	310,162
Adjustments for share options (thousands)	**7,905**	12,010
Weighted average number of ordinary shares for diluted earnings per share (thousands)	**322,878**	322,172
Diluted earnings per share (US cents per share)	**6.01**	5.12

Note: In addition to the exercise price of share options, included in the consideration is the fair value of unvested share options, as a result of an amendment to HKAS 33 – Earnings per Share. Had the Group applied this computation method for the period ended 30 June 2007, the weighted average number of shares deemed to have been issued at no consideration would have been 10,988,000 as against 12,010,000 and the diluted earnings per share would have been 5.13 US cents as against 5.12 US cents.

12 Intangible assets and property, plant and equipment

	Goodwill US$'000	Customer base US$'000	Other intangible assets arising from business combinations US$'000	Software costs US$'000	Total intangible assets US$'000	Property, plant and equipment US$'000
Net book value at 1 January 2008	**48,005**	**5,952**	**–**	**12,562**	**66,519**	**96,089**
Additions	**–**	**–**	**–**	**3,623**	**3,623**	**15,376**
Acquisition of subsidiaries (note 19(b))	**14,549**	**–**	**1,800**	**–**	**16,349**	**2,380**
Adjustments on contingent consideration	**(1,784)**	**–**	**–**	**–**	**(1,784)**	**–**
Disposals	**–**	**–**	**–**	**–**	**–**	**(451)**
Amortization/depreciation charge	**–**	**(296)**	**(13)**	**(1,485)**	**(1,794)**	**(8,134)**
Exchange difference	**(6)**	**7**	**1**	**58**	**60**	**(424)**
Net book value at 30 June 2008	**60,764**	**5,663**	**1,788**	**14,758**	**82,973**	**104,836**

Software costs mainly include internally generated capitalized software development costs.

13 Trade and other receivables

	Unaudited 30 June 2008 US$'000	Audited 31 December 2007 US$'000
Trade receivables	**196,224**	210,066
Less: provision for impairment of receivables	**(3,713)**	(3,790)
Trade receivables, net (note (a))	**192,511**	206,276
Other receivables, prepayments, and deposits	**82,877**	58,374
Due from related companies (note (b) & note 22)	**6,258**	2,922
	281,646	267,572
Less: non-current portion: prepayments and deposits	**(10,053)**	(9,371)
	271,593	258,201

Notes:

(a) The Group normally granted 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 based on invoice date was as follows:

	Unaudited 30 June 2008 US$'000	Audited 31 December 2007 US$'000
Less than 90 days	**181,142**	190,603
91–180 days	**8,945**	12,211
181–360 days	**1,817**	2,004
Over 360 days	**607**	1,458
	192,511	206,276

The Group has recognized a loss of US$420,000 (2007: US$144,000) for the impairment of its trade receivables during the six months ended 30 June 2008. The loss has been included in distribution and logistics expenses in the condensed consolidated income statement.

(b) The amounts due from related companies were aged less than 90 days and the credit terms granted to related companies were no more favourable than those granted to other third party customers.

14 Share capital and options

	30 June 2008 Number of shares (in thousand)	30 June 2008 US$'000	31 December 2007 Number of shares (in thousand)	31 December 2007 US$'000
Authorized:				
At 30 June/31 December, ordinary shares of US$0.1 each	**1,000,000**	**100,000**	1,000,000	100,000
Issued and fully paid:				
At 1 January, ordinary shares of US$0.1 each	**312,881**	**31,288**	309,000	30,900
Exercise of share options	**4,222**	**422**	3,881	388
At 30 June/31 December, ordinary shares of US$0.1 each	**317,103**	**31,710**	312,881	31,288

Share options

Details of the share option scheme are set out in the 2007 annual report. Movements in the number of share options outstanding and the exercise prices are as follows:

	30 June 2008 Average exercise price HK$ per share	30 June 2008 Share options	31 December 2007 Average exercise price HK$ per share	31 December 2007 Share options
At 1 January	**13.929**	**25,057,000**	7.918	21,718,500
Granted	**–**	**–**	25.550	7,776,000
Exercised	**4.825**	**(3,268,000)**	4.825	(3,881,000)
Exercised	**8.600**	**(954,000)**	–	–
Lapsed (note)	**4.825**	**(70,000)**	4.825	(501,000)
Lapsed (note)	**25.550**	**(60,000)**	8.600	(55,500)
At 30 June/31 December	**15.609**	**20,705,000**	13.929	25,057,000

Note: Share options lapsed following the cessation of employment of certain grantees.

14 Share capital and options (continued)

Share options (continued)

Out of 20,705,000 outstanding options (2007: 25,057,000), 1,327,000 options were exercisable at 30 June 2008 (2007: 190,000). The weighted average share price at the time of exercise was HK$20.49 (2007: HK$23.23) per share. Subsequently, 321,000 shares have been allotted and issued under the Share Option Scheme up to 21 August 2008.

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

		Share options	
Expiry date	**Exercise price HK$ per share**	**30 June 2008**	31 December 2007
31 December 2008	4.825	**101,000**	190,000
31 December 2009	4.825	**649,000**	3,834,000
31 December 2010	4.825	**3,770,000**	3,834,000
31 December 2009	8.600	**577,000**	1,531,000
31 December 2010	8.600	**1,531,000**	1,531,000
31 December 2011	8.600	**1,531,000**	1,531,000
31 December 2010	15.100	**1,610,000**	1,610,000
31 December 2011	15.100	**1,610,000**	1,610,000
31 December 2012	15.100	**1,610,000**	1,610,000
31 December 2011	25.550	**2,572,000**	2,592,000
31 December 2012	25.550	**2,572,000**	2,592,000
31 December 2013	25.550	**2,572,000**	2,592,000
		20,705,000	25,057,000

14 Share capital and options (continued)

The fair value of options granted was determined using the Black-Scholes valuation model based on the assumptions:

Date of grant	12 December 2007	15 December 2006	16 December 2005	14 December 2004
Share price at date of grant	HK$25.55	HK$15.10	HK$8.60	HK$4.825
Exercise price	HK$25.55	HK$15.10	HK$8.60	HK$4.825
Share volatility	36%	34%	34%	30%
Average annual risk-free interest rate	2.51%	3.72%	4.11%	2.22%
Expected life of options	4 to 6 years	4 to 6 years	4 to 6 years	4 to 6 years
Expected dividend yield	3%	3%	3%	3%

15 Equity

	Unaudited								
	Share capital US$'000	Share premium US$'000	Employee share-based compensation reserve (note) US$'000	Merger reserve US$'000	Exchange reserve US$'000	Retained earnings US$'000	Total shareholders' fund US$'000	Minority interest US$'000	Total equity US$'000
At 1 January 2007	30,900	21,019	1,517	16,450	7,546	31,716	109,148	7,085	116,233
Exchange differences	–	–	–	–	5,058	–	5,058	153	5,211
Profit for the period	–	–	–	–	–	16,486	16,486	852	17,338
2006 final dividend paid	–	–	–	–	–	(11,141)	(11,141)	(780)	(11,921)
Employee share option benefits									
– cost of employee services	–	–	726	–	–	–	726	–	726
– proceeds from shares issued	290	1,502	–	–	–	–	1,792	–	1,792
– transfer to share premium	–	291	(291)	–	–	–	–	–	–
Disposal of a subsidiary	–	–	–	167	(793)	626	–	(3,763)	(3,763)
Acquisition of a subsidiary	–	–	–	–	–	–	–	4,113	4,113
Acquisition of additional interest in a subsidiary	–	–	–	–	–	–	–	(1,658)	(1,658)
Capital injection by minority shareholders of a subsidiary	–	–	–	–	–	–	–	18	18
At 30 June 2007	31,190	22,812	1,952	16,617	11,811	37,687	122,069	6,020	128,089
Exchange differences	–	–	–	–	2,706	–	2,706	299	3,005
Actuarial gains from post employment benefits recognized in reserve:									
– gross	–	–	–	–	–	1,054	1,054	–	1,054
– tax	–	–	–	–	–	(31)	(31)	–	(31)
Profit for the period	–	–	–	–	–	11,666	11,666	198	11,864
2007 interim dividend paid	–	–	–	–	–	(4,820)	(4,820)	–	(4,820)
Employee share option benefits									
– cost of employee services	–	–	808	–	–	–	808	–	808
– proceeds from shares issued	98	507	–	–	–	–	605	–	605
– transfer to share premium	–	101	(101)	–	–	–	–	–	–
Acquisition of a subsidiary	–	–	–	–	–	–	–	6	6
At 31 December 2007	31,288	23,420	2,659	16,617	14,517	45,556	134,057	6,523	140,580

15 Equity (continued)

	Unaudited								
	Share capital US$'000	Share premium US$'000	Employee share-based compensation reserve (note) US$'000	Merger reserve US$'000	Exchange reserve US$'000	Retained earnings US$'000	Total shareholders' fund US$'000	Minority interest US$'000	Total equity US$'000
At 1 January 2008	31,288	23,420	2,659	16,617	14,517	45,556	134,057	6,523	140,580
Exchange differences	–	–	–	–	(2,845)	–	(2,845)	160	(2,685)
Profit for the period	–	–	–	–	–	19,389	19,389	475	19,864
2007 final dividend paid	–	–	–	–	–	(12,197)	(12,197)	–	(12,197)
Employee share option benefits									
– cost of employee services	–	–	1,444	–	–	–	1,444	–	1,444
– proceeds from shares issued	422	2,650	–	–	–	–	3,072	–	3,072
– transfer to share premium	–	575	(575)	–	–	–	–	–	–
Acquisition of a subsidiary	–	–	–	–	–	–	–	406	406
Acquisition of additional interest in a subsidiary	–	–	–	–	–	–	–	(113)	(113)
At 30 June 2008	31,710	26,645	3,528	16,617	11,672	52,748	142,920	7,451	150,371

Note: Employee share-based compensation reserve represented a corresponding entry of employee share option expense charged to the income statement, net of transfer to share premium upon exercising of share options. The transfer to share premium during the period of US$575,000 represented the average share option value of approximately US$0.136 per option of the 4,222,000 options that were exercised in 2008.

16 Bank loans and other borrowings

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

	Unaudited 30 June 2008 US$'000	Audited 31 December 2007 US$'000
On demand and within one year		
Unsecured bank overdrafts	**11,496**	10,164
Unsecured bank loans	**56,492**	49,999
Obligations under finance leases	**1,333**	1,324
	69,321	61,487
In the second to fifth year		
Unsecured bank loan	**99,338**	81,716
In the second to fifth year, by instalments		
Obligations under finance leases	**4,428**	4,546
	173,087	147,749

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

17 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 offset current tax assets against current tax liabilities and when the deferred tax income taxes relate to the same fiscal authority.

18 Trade and other payables

	Unaudited 30 June 2008 US$'000	Audited 31 December 2007 US$'000
Trade payables (note (a))	**301,290**	293,700
Other payables and accruals	**105,589**	109,558
Obligations on pension – defined contribution plans	**1,098**	970
Due to related companies (note (b) & note 22)	**1,571**	1,249
	409,548	405,477
Less: non-current portion of other payables	**(5,550)**	(13,535)
	403,998	391,942

Notes:

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

	Unaudited 30 June 2008 US$'000	Audited 31 December 2007 US$'000
Less than 90 days	**262,651**	232,228
91–180 days	**36,618**	56,218
181–360 days	**1,102**	4,017
Over 360 days	**919**	1,237
	301,290	293,700

(b) The amounts due to related companies were aged less than 90 days and the credit terms granted by related companies were no more favorable than those granted from other third party suppliers.

19 Notes to the condensed consolidated cash flow statement

(a) *Cash generated from operations:*

	Unaudited Six months ended 30 June	
	2008 US$'000	2007 US$'000
Operating profit	**24,313**	22,859
Amortization of intangible assets	**1,794**	996
Depreciation charge	**8,134**	5,659
Amortization of prepaid operating lease payments	**60**	36
Gain on disposal of property, plant and equipment	**(64)**	(24)
Loss on disposal of intangible assets	**–**	4
Gain on partial disposal of an associated company	**(14,038)**	–
Gain on disposal of a subsidiary	**–**	(11,286)
Gain on acquisition of additional interest in a subsidiary	**(77)**	(892)
Share option expenses	**1,444**	726
Operating profit before working capital changes	**21,566**	18,078
Increase in inventories	**(106)**	(9,492)
Decrease/(increase) in trade and other receivables and assets under defined benefit plans	**7,969**	(2,120)
Increase in trade and other payables and liabilities under defined benefit plans	**2,118**	20,830
Net cash inflow generated from operations	**31,547**	27,296

(b) *Acquisition of subsidiaries*

In May 2008, the Group acquired 91% equity interest of Universal Pharmaceutical Laboratories, Limited ("UPLL") and a further 3% in June. UPLL has its operation in Hong Kong and is principally engaged in the pharmaceutical manufacturing and distribution business.

In May 2008, the Group acquired the entire issued capital of IDS USA West Inc. (formerly known as Warehouse Technology, Inc.) in the US. The company is principally engaged in storage and transportation of footwear, handbags and accessories.

The acquired businesses contributed revenues of approximately US$6,080,000 and net profit of approximately US$519,000 for the period from their respective dates of acquisition to 30 June 2008. If these acquisitions had occurred on 1 January 2008, the estimated unaudited consolidated revenue for the Group would have been approximately US$830,071,000 and unaudited profit for the period would have been approximately US$20,335,000.

19 Notes to the condensed consolidated cash flow statement (continued)

(b) Acquisition of subsidiaries (continued)

	Unaudited Six months ended 30 June		
	2008		2007
	Carrying amount US$'000	**Preliminary fair value US$'000**	Fair value US$'000
Net assets acquired:			
Other intangible assets arising from business combinations (note)	**–**	**1,800**	–
Software	**–**	**–**	202
Property, plant and equipment	**1,357**	**2,380**	2,479
Lease premium for land	**–**	**–**	1,649
Inventories	**2,274**	**2,274**	12,442
Trade and other receivables	**7,289**	**7,289**	7,816
Bank balances and cash	**2,021**	**2,021**	1,035
Deferred tax liabilities	**(20)**	**(20)**	(690)
Trade and other payables	**(3,037)**	**(3,037)**	(12,236)
Taxation payable	**(217)**	**(217)**	(205)
Bank loans and other borrowings	**(858)**	**(858)**	–
Obligation under finance leases	**(16)**	**(16)**	–
Minority interests	**(406)**	**(406)**	(4,113)
Preliminary value of net assets acquired	**8,387**	**11,210**	8,379
Goodwill on acquisition		**14,549**	–
		25,759	8,379
Analysis of the net outflow of cash and cash equivalent in respect of the acquisition:			
Purchase consideration		**24,459**	7,917
Expenses incurred on acquisition		**1,300**	462
Purchase consideration payable		**(2,500)**	–
Expenses payable in respect of acquisition		**(945)**	(177)
Cash and cash equivalents in subsidiaries acquired		**(2,021)**	(1,035)
		20,293	7,167

Note: Other intangible assets arising from business combinations represent customer base, know-how and supplier relationships. The Group has engaged an external firm of valuers to perform fair value assessment on these intangible assets in accordance with HKAS 38 "Intangible Assets" and HKFRS 3 "Business Combinations". As at the date of this interim report, the Group has not finalized the fair value assessments and the relevant fair value of assets stated above are on provisional basis.

19 Notes to the condensed consolidated cash flow statement (continued)

(c) Disposal of a subsidiary

	Unaudited Six months ended 30 June	
	2008	2007
	US$'000	US$'000
Intangible assets	–	1,044
Property, plant and equipment	–	5,067
Lease premium for land	–	315
Other non-current assets	–	219
Deferred tax assets	–	694
Inventories	–	6,486
Trade and other receivables	–	8,164
Bank balances and cash	–	6,999
Liabilities under defined benefit plans	–	(121)
Other non-current payables	–	(156)
Deferred tax liabilities	–	(168)
Trade and other payables	–	(16,237)
Bank overdraft	–	(459)
Taxation payable	–	(41)
Minority interests	–	(3,763)
	–	8,043
Transfer to associated companies	–	(5,958)
	–	2,085
Gain on disposal	–	11,286
	–	13,371
Analysis of net outflow of cash and cash equivalent in respect of the disposal:		
Cash consideration	–	13,543
Expenses incurred in respect of the disposal	–	(50)
Net cash refund relating to partial divestment in 2006	–	(122)
Sales consideration receivable	–	(11,543)
Expenses payable in respect of the disposal	–	50
Cash and cash equivalent disposed	–	(6,540)
	–	(4,662)

20 Contingent liabilities

(a) Bank guarantees

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

	Unaudited 30 June 2008 US$'000	Audited 31 December 2007 US$'000
As security in favor of local tax and customs authorities in accordance with local regulations	**523**	494
For purchase of goods in favor of suppliers	**11,440**	9,469
Performance bonds and others	**533**	593
For rental payment in favor of the landlords	**8,773**	8,210
	21,269	18,766

(b) The Company and its US subsidiary, IDS USA Inc. were advised on 14 December 2007 that they have been included as two of defendants in a civil claim for alleged breaches of contract relating to provision of services. Neither the Company nor IDS USA Inc. are parties to the contract and the amount of the claim against them is not specified. The management of the Group has reviewed the facts and circumstances and is of the view that the likelihood of the Company and its subsidiary suffering material loss is low.

21 Commitments

(a) *Capital commitments in respect of:*

	Unaudited 30 June 2008 US$'000	Audited 31 December 2007 US$'000
Property, plant and equipment		
Contracted but not provided for	**3,313**	643
Authorized but not contracted for	**2,252**	1,874
Intangible assets		
Authorized but not contracted for	**737**	2,343
	6,302	4,860

(b) *Commitments under operating leases*

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

	Buildings		**Others**	
	Unaudited 30 June 2008 US$'000	Audited 31 December 2007 US$'000	**Unaudited 30 June 2008 US$'000**	Audited 31 December 2007 US$'000
Not later than one year	**47,136**	41,999	**1,452**	1,273
Later than one year and not later than five years	**149,835**	122,428	**1,489**	1,590
Later than five years	**78,676**	92,216	**–**	–
	275,647	256,643	**2,941**	2,863

22 Significant related party transactions

	Unaudited Six months ended 30 June	
	2008	2007
	US$'000	US$'000
Continuing transactions:		
– Income from provision of shipping, handling and other logistics services	**8,811**	1,809
– Income from distribution and sales of goods	**590**	629
– Purchase of bedding related products	**1,654**	285
– Rental received from	**630**	596
– Rental paid to	**2,511**	981
Non-recurring transaction:		
– Acquisition of a subsidiary	**–**	6,696

Related party transactions mainly comprised of the provision of shipping, handling and other logistics services to Li & Fung Limited, subsidiaries of Li & Fung (1937) Limited ("LF 1937") and companies controlled by LF 1937.

The continuing related party transactions were conducted in the normal course of business and on arm's length basis. The acquisition of a subsidiary was negotiated on an arm's length basis.

Saved as disclosed above and the directors' compensation, the Group had no material related party transactions during the period.

Directors' compensation

	Unaudited Six months ended 30 June	
	2008	2007
	US$'000	US$'000
Salaries and other short-term employee benefits	**2,227**	1,980
Share-based payments	**573**	334
Post-employment benefits	**2**	2
	2,802	2,316

22 Significant related party transactions (continued)

Period-end balances with related parties

		Unaudited 30 June 2008 US$'000	Audited 31 December 2007 US$'000
Due from	(a)		
– related parties		**6,243**	2,792
– associated companies		**15**	130
Due to	(b)		
– related parties		**731**	452
– associated companies		**840**	797

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

(b) Period-end balances arose from purchase/recharge of administrative expense. The balances were unsecured, interest free and with terms of repayment according to the credit terms granted.

23 Approval of condensed consolidated financial information

The condensed consolidated financial information was approved for issue by the Board of Directors on 21 August 2008.

Information for Investors

Listing Information

Listing: Hong Kong Stock Exchange
Stock code: 2387

Key Dates

21 August 2008
Announcement of 2008 Interim Results

4 September 2008
Last day to register for 2008 Interim Dividend

5 September 2008 to 10 September 2008
(both days inclusive)
Closure of Register of Members

On or about 23 September 2008
Payment of 2008 Interim Dividend

Share Registrar & Transfer Offices

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

Hong Kong Branch:
Tricor Abacus Limited
26th Floor, Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

Share Information

Board lot size: 1,000 shares

Shares outstanding as at 30 June 2008:
317,103,000 shares

Market Capitalization as at 30 June 2008:
HK$4,864,360,020

Earnings per share (equivalent to) for 2008
Interim: 48.01 HK cents

Dividend per share for 2008
Interim: 14 HK cents

Enquires Contact

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