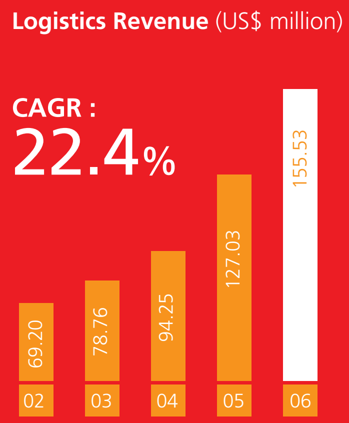

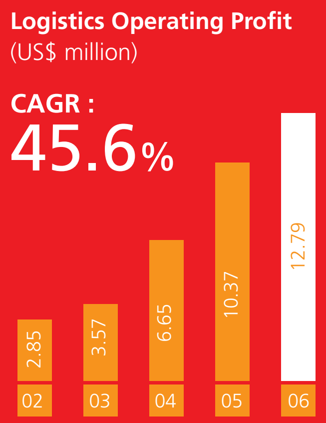

A purpose designed facility for the new logistics contract with L'Oreal in Hong Kong.

2006 Highlights

- Strong across-the-board organic growth recorded in all businesses. Core operating profit grew by 26.1% and was in line with our target of doubling profit in three years.
- 71 new contracts signed, about half of which were with existing customers to expand scope of service or geographical coverage.
- Major new contracts implemented, including Procter & Gamble in Taiwan, L'Oreal in Hong Kong, Diageo hubbing and labeling operation in Singapore and Henkel manufacturing in Indonesia, will fuel strong growth in 2007.
- Export logistics business continued to gain traction with several new contracts, including an offshore bonded distribution hub solution for Pacific Brands in China.
- Businesses in China continued to register outstanding growth with operating profit up 102.4%. Significant expansion in network during the year.

Our Philippines Logistics operations team receives Unilever's Service Supplier Award for the Year 2005 for the second consecutive year.

Our newly acquired logistics company in the US specializes in Garment-On-Hangers (GOH) operations.

Logistics

Our Logistics operations enjoyed another spectacular year in 2006 and delivered solid operating profit growth of 23.4% to US$12.79 million in 2006. Operating margin for the year stood at 8.2%, which is significantly higher than the market average. Since its inception seven years ago, the Logistics business has developed a robust foundation across the region that supports scalable growth. Today, it has become the major growth driver of the Group. Looking into 2007, the prospects are even more promising as two new acquisitions in Malaysia and the US will substantially enhance the scale of our operations and enable us to tap into the enormous potential of export logistics.

China recorded another year of stellar performance. This was attributed to increased activity levels of our existing customers as well as new customer wins. The Philippines delivered solid double-digit growth and received the Service Supplier Award for the Year 2005 from Unilever for the second consecutive year. Thailand and Malaysia made significant improvements in profitability as we tightened operations and focused on execution excellence. The Procter & Gamble contract was fully implemented in Taiwan, and the team is now moving past the learning curve involved in running this large-scale operation. Hong Kong added L'Oreal to its impressive customer base. Singapore has successfully implemented the regional hubbing and labeling solutions for Diageo.

Our International division had an encouraging year as many new projects got underway with both internal Li & Fung and external third-party customers. A contract was signed with Pacific Brands, a leading distributor of footwear, apparel and household products in Australia, to operate an off-shore bonded distribution hub in Suzhou, China. We have also added management strength to our IDS International team to drive aggressive growth.

35 logistics contracts were signed in 2006 with a good balance between new customers and existing ones. Including the newly acquired businesses, we now operate over 80 distribution centers and depots with a total area of about 7,000,000 square feet.

During the year, the Group completed the acquisition of two logistics companies. Integration of the new operations in Malaysia was completed seamlessly. Using our Country Resource Teams comprising Finance, Human Resources and Information Technology, we were able to efficiently provide back-end support while reaping the synergies generated from the front-end operations. With 100% customer retention after the acquisition, we have now become the leading logistics service provider in the FMCG segment in Malaysia.

The new store image for Slumberland was well received in China.

The first Beauty Spa for Ingrid Millet was opened in Chengdu, China.

Following the acquisition of a garment logistics company in the US, we have established for the first time a foothold outside Asia. The immediate priority is to strengthen back-end support functions and invest in upgrading the IT system. We believe the acquisition will bring us tremendous opportunities in managing the end-to-end supply chain between the US and Asia. Our existing customers who are importing goods from their manufacturing sources in China have expressed interest in exploring potential areas where we can add value to both their inbound and outbound logistics processes.

We have been successfully honing the Group's competitive edge through our effective use of technology to drive visibility, velocity and value. In line with customer demand, we will continue to roll-out new applications, including a Transport Management System, to sharpen our competitive edge.

The outlook for the Logistics operations in 2007 remains bullish. Our focus on strong organic growth, coupled with expanded scale from the acquired operations, is expected to carry Logistics to another record year in 2007.

Marketing

In 2006 the Marketing operations showed steady year-on-year growth of 24.2% and 9.3% in revenue and operating profit, respectively. China delivered an unprecedented level of growth, both in terms of revenue and operating profit, with operating margin improving from 2.5% in 2005 to 3.4% in 2006. Following the renewed focus on practicing operational excellence and building distribution coverage outside central Bangkok, Thailand registered a stellar performance for the year. Building upon its success in 2005, Brunei delivered another year of double-digit profit growth in 2006. Our Philippine business, which commenced operations in April 2005, was still in the investment phase with breakeven targeted in 2007.

FMCG & Healthcare Distribution

In 2006 there was substantial progress in network expansion in China. We opened another 11 new branch offices, bringing our total to 17. These branch offices allow us to conduct direct sales, thus enabling us to foster closer relationships with key international and local retail chains. Including the channels covered by our appointed wholesalers, we now cover over 120 cities in China. Our branch expansion effort continues in 2007, with emphasis on the most profitable cities already penetrated by modern trade.

One of our new branch offices in China.

Groundbreaking ceremony for Slumberland plant extension project in Thailand.

A recently upgraded facility in Malaysia for healthcare products; similar upgrades will take place in 2007 in Hong Kong and Singapore.

In order to solidify our leadership position in China, we continued to leverage our scalable information technology platform and integrated offerings with Logistics to further build a sustainable network for expansion. To enhance order-processing efficiency and improve productivity, we rolled out the use of PDAs to mechanize the order taking process. As of the end of 2006, over 80 units have already been deployed for use. We expect that all of our sales personnel in China will be equipped with PDAs by July 2007.

Last year we saw an accelerating retail growth trend in Macau. To tap into this potential, we are planning to open a branch office in Macau that will commence operations in April 2007.

The Philippine operations delivered strong revenue growth in 2006 with major contract wins including Procter & Gamble in the second half. However, overall performance was behind schedule due to the challenging business environment and difficult trading practices. We are however targeting to meet the objective of achieving breakeven by the end of 2007.

Following the success of our portfolio rationalization programs two years ago in Thailand and Singapore, we are similarly doing the same in Malaysia and Indonesia. Both

Our new service offering of Credit & Cash Management has proven to be effective in attracting customers with specialized needs that are not being sufficiently addressed in the industry.

operations have strong positions in the Healthcare segment but relatively small FMCG units that lack critical mass. The immediate plan is to further expand our Healthcare business while carefully reviewing our position in the FMCG segment.

Our new service offering of Credit & Cash Management has been successfully rolled out in three major markets, namely Hong Kong, Thailand and Singapore. The service has proven to be effective in attracting customers with specialized needs that are not being sufficiently addressed in the industry. We will continue to expand this service offering to new markets and plan to kick off in China by the second half of 2007.

Participating in major trade fairs and exhibitions to promote our services.

Manufacturing stream meeting in Phuket to foster exchange of best practices and teamwork.

Another initiative for 2007 is to step up our efforts in pursuing regional healthcare opportunities. Working in conjunction with our Logistics colleagues, we will invest in upgrading our distribution center facilities to add operational scale and improve service quality.

With our business building, quality improvement and cost saving programs in place, we remain optimistic about the future of our Marketing Distribution operations.

Slumberland

The Slumberland business made substantial progress in developing export sales and recorded steady double-digit growth in China in 2006. However, this growth was offset by soft demands in Malaysia, Thailand and Indonesia.

During the year, Slumberland won several hotel orders from China, Hong Kong and India, and appointed an agent in Bangladesh. We have also established a partnership with France Bed, the leading bedding manufacturer and licensee of Slumberland in Japan, to supply them with spring units and mattresses.

In December 2006, IDS completed the transaction of divesting the first tranche of 12.5% Slumberland Asia Pacific shares to Hilding Anders International AB. The consideration for the tranche was US$9.69 million, and IDS has recorded a gain of US$8.00 million. IDS now holds a 67.5% interest in Slumberland Asia Pacific and will continue to play an active role in working with Hilding Anders to drive the development of the business.

In order to enhance our production capacity to cater for growing demand, we commenced two major capacity expansion projects towards the end of 2006. The Shanghai plant extension project, targeted for April 2007 completion, will allow us to meet the strong demand of the buoyant China market. In Thailand, we have started building a new 100,000 square feet factory-cum-office facility. The expected completion time is mid-2007.

Manufacturing

Surging oil prices and political uncertainties continued to dampen domestic sentiment and consumption in Thailand and Malaysia in 2006. In view of the slower market demand, we saw our customers revising downwards their order forecasts, scaling back their marketing campaigns and delaying product launch programs. In spite of the tough operating environment, our Manufacturing operations delivered very encouraging results. Operating profit increased by 29.6% to US$5.09 million as compared to 2005, while operating margin improved from 2.9% in 2005 to 3.7% in 2006.

The manufacturing plant for Henkel in Indonesia will commence operations in early 2007.

The trend by major multinational brand owners to outsource and consolidate their manufacturing activities plays to our strength.

These commendable results were mainly attributable to our effective cost control measures and efficiency enhancement initiatives. Through benchmarking of performance and sharing of best practices, we were able to generate significant cost savings through productivity improvements.

The trend by major multinational brand owners to outsource and consolidate their manufacturing activities plays to our strength. It also works in our favor as the order volumes from these customers are less susceptible to domestic demand fluctuations. Currently, regional export volume accounts for approximately one-third of our Manufacturing business. We will continue to focus on increasing the proportion of regional export business to reduce impact caused by unfavorable local economic conditions.

Our Listerine mouthwash facility in Thailand is growing from strength to strength. Johnson & Johnson has confirmed its intention to continue with the existing Manufacturing partnership following its acquisition of Pfizer Consumer Healthcare. Upon visiting our facility, representatives from Johnson & Johnson were impressed by the quality and scalability of our operation. Both parties have commenced discussion to construct an extension near the existing site to cater for further volume growth.

Construction of a dedicated facility for Henkel in Indonesia was completed in 2006 with commercial production commencing smoothly in January 2007. The 36,000 square feet plant is equipped with four fully automatic lines to produce solvents and liquids for industrial use. The contract initially covers only the domestic market; however, there is a strong possibility to extend the contract to cover its various export markets in the near future. If this happens, it will substantially enhance the scale and profitability of our manufacturing base in Indonesia. This will enable our operations to reach a new level of sophistication and will position us to win more large-scale contracts with multinational brand owners.

Demand for our TetraPak line in Malaysia remains strong. Subsequent to the period under review, we have signed a contract with Amoy Canning for the production of fruit juices and yogurt drinks in Tetra Wedge packing. Based on the orders received during the first two months, we are hopeful of a solid year in 2007.