FINANCIAL OVERVIEW

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

Revenue

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

Gross Profit

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

Expenses

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

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

Operating Profit

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

Net Profit

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

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

Segmental Analysis

Logistics

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

Marketing

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

Manufacturing

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

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

Liquidity and Financial Resources

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

Charges on Group Assets

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

Foreign Exchange Risk Management

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

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

Contingent liabilities

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

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

Human Resources

As at 30 June 2005, the Group had a total workforce of 4,882, of which 762 were based in Hong Kong and 4,120 were located throughout our overseas operations in the eight economies in Asia, namely Taiwan, Thailand, Malaysia, Singapore, the Philippines, Indonesia, the Chinese Mainland and Brunei. Total staff costs for 30 June 2005 amounted to US$42.9 million.

The Group offers its staff competitive remuneration schemes. In addition, discretionary bonuses and share options are granted to eligible staff based on individual and Group performance. The Group is committed to nurturing a learning culture in the organization.

OPERATIONS OVERVIEW

Logistics

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

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

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

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

Marketing

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

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

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

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

Manufacturing

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

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

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

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

Benedict CHANG Yew Teck
Group Managing Director

Hong Kong, 18 August 2005