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

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

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

This unaudited condensed consolidated financial information should be read in conjunction with the 2004 annual financial statements.

The accounting policies and methods of computation used in the preparation of this condensed consolidated financial information is consistent with those used in the annual financial statements for the year ended 31 December 2004 except that the Group has changed certain of its accounting policies following its adoption of new/revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards ("new HKFRSs") which are effective for accounting periods commencing on or after 1 January 2005.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

— assessed for impairment at each balance sheet date.

In accordance with the provisions of HKAS 36:

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

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

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

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

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

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

(b) New Accounting Policies

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

2.1 *Foreign currency translation*

(a) *Functional and presentation currency*

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

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

(b) New Accounting Policies (cont'd)

2.1 *Foreign currency translation (cont'd)*

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

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

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

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

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

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

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

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

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

(b) New Accounting Policies (cont'd)

2.5 *Trade and other receivables*

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

2.6 *Share-based compensation*

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

2.7 *Comparatives*

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

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

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

(a) adjustments which take effect retrospectively

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

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

(b) New Accounting Policies (cont'd)

Effect of changes in accounting policies on condensed consolidated balance sheets

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

(a) adjustments which take effect retrospectively

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

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

(a) adjustments which take effect retrospectively

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

3. CHANGE IN ACCOUNTING ESTIMATES

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

4. REVENUE AND SEGMENT INFORMATION

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

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

Collections on behalf of principals

Among other services, the Group has provided standalone credit and cash management service to its clients who usually have their own selling and marketing capabilities. Under this arrangement, the Group generally does not bear any inventory and/or account receivable risks of the invoiced amount, though invoices are issued in the Group's name.

The net amount paid to the Group's clients under this arrangement was recorded as collections on behalf of principals. In accordance with HKAS 18 "Revenue", such collections on behalf of principals was deducted from the total invoiced amounts, to arrive at the revenue earned by the Group.

Primary reporting format — business segments

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

Six months ended 30 June 2005

	Unaudited					
	Logistics	Marketing	Manufacturing	Corporate	Inter-segment elimination	Group total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Sales of goods	—	254,586	59,591	—	(197)	313,980
Rendering of services	60,462	2,230	679	—	(7,078)	56,293
Revenue	60,462	256,816	60,270	—	(7,275)	370,273
Segment results	5,094	6,062	1,275	(3,520)		8,911
Finance costs, net						(346)
Profit before taxation						8,565
Taxation						(630)
Profit for the period						7,935
Depreciation and amortization	2,070	929	580	504		4,083

4. REVENUE AND SEGMENT INFORMATION (cont'd)

Primary reporting format — business segments (cont'd)

Six months ended 30 June 2004

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

Secondary reporting format — geographical segments

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

5. CAPITAL EXPENDITURE

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

Software costs include internally generated capitalize software development costs.

6. TRADE AND OTHER RECEIVABLES

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

6. TRADE AND OTHER RECEIVABLES (cont'd)

Notes:

(a) The Group normally grants credit terms to its customers ranging from 30 to 90 days. In certain circumstances, longer credit terms are given based on negotiated contract terms. At period / year end, the aging analysis of the Group's trade receivables was as follows:

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

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

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

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

7. SHARE CAPITAL AND OPTIONS

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

7. SHARE CAPITAL AND OPTIONS (cont'd)

Share options

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

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

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

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

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

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

8. RESERVES

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

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

9. BANK LOANS AND OTHER BORROWINGS

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

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

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

10. DEFERRED TAXATION

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred tax income taxes relate to the same fiscal authority.

11. TRADE AND OTHER PAYABLES

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

11. TRADE AND OTHER PAYABLES (cont'd)

Notes:

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

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

12. OTHER GAINS

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

13. OPERATING PROFIT

Operating profit is stated after charging the following:

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

14. FINANCE COSTS, NET

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

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

15. TAXATION

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

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

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

16. INTERIM DIVIDENDS

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

Note:

(a) The amounts represented dividends paid by the subsidiaries to its then shareholders before the Reorganization. The rates of dividend and the number of shares ranking for dividends are not presented as such information is not meaningful having regard to the purpose of this interim financial information.

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

17. EARNINGS PER SHARE

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

The basic earnings per share is based on the weighted average number of 309,000,000 (2004: 240,000,000) ordinary shares in issue during the period. In determining the weighted average number of ordinary shares deemed to be in issue, a total of 239,880,000 ordinary shares were deemed to be in issue since 1 January 2004 after taking into consideration the effect of the Reorganization.

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

18. CONTINGENT LIABILITIES

Bank guarantees

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

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

19. COMMITMENTS

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

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

(b) Commitments under operating leases

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

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

20. SIGNIFICANT RELATED PARTY TRANSACTIONS

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

The following transactions were carried out with the related parties:

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

20. SIGNIFICANT RELATED PARTY TRANSACTIONS (cont'd)

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

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

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

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

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

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

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

In the opinion of the Directors, the above transactions were entered into at terms as agreed with these related companies in the ordinary course of business.

Directors' compensation

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

20. SIGNIFICANT RELATED PARTY TRANSACTIONS (cont'd)

Period-end balances with related parties

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

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

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

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

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

21. SUBSEQUENT EVENTS

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

22. APPROVAL OF INTERIM REPORT

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