

Logistics



Powering the engine
of our growth

German and Bobby exemplifies the close working relationship that helped IDS win Unilever's coveted 2004 Vendor of the Year Award in the Philippines.

German Martizano
*Customer Logistics
Development Manager
Unilever Philippines*

Bobby Prieto
*Operations Manager
Logistics Philippines*

Moving from strength to strength

Our logistics relationships with our regional customers continue to grow. Thirty new contracts were signed during the year. Prospects for 2006 remain strong with new wins with P&G in Taiwan, Johnson Diversey in China and Diageo in Singapore.

Logistics continued to deliver solid growth in 2005 with revenue increasing 34.8% to US\$127.0 million in 2005. Operating profit surged 55.9% to US\$10.4 million, representing an improvement in operating margin from 7.1% in 2004 to 8.2% in 2005. Over a five-year period, our revenue grew at a CAGR of 26.9% whilst operating profit grew at a CAGR of 68.2%.

Our logistics relationships with our regional customers continue to grow. Thirty new contracts were signed during the year. Out of these, over half were either geographical expansion or service scope extension with existing customers. Subsequent to the period under review, Logistics has concluded a number of major contracts including Procter & Gamble in Taiwan, Johnson Diversey in China and Diageo in Singapore. The

contract with Procter & Gamble, already a Manufacturing customer, is scheduled for commencement in July 2006. This is another typical example of how we extend our service from one business stream to another. Together with Unilever, L'Oréal, Fonterra, Ferrero, Reckitt Benckiser, Kellogg's, amongst others, under its fold, our Taiwan Logistics operation has ascended to an unparalleled market leadership position in the highly competitive Fast Moving Consumer Goods (FMCG) sector. In China, the contract with Johnson Diversey will become a launch pad for us to aggressively expand our network, further cross-leveraging the growth of our Marketing business.

Across the region, our infrastructure network has continued to expand in tandem with business growth. As

2005 Highlights

- Achieved strong operating leverage with revenue and operating profit growth registering at 34.8% and 55.9%, respectively.
- Improved operating margin from 7.1% in 2004 to 8.2% in 2005.
- Signed over 30 new contracts, more than half were either geographical expansion or service scope extension with existing customers.
- Commenced new service offering of Transportation and Network Optimization Management with several projects commissioned by major customers in China and the Philippines.
- Made substantial progress in our hubbing and export logistics businesses under International division.

of 31 December 2005, Logistics operated more than 50 Distribution Centers, compared with 42 at the end of 2004. Our first cold storage, dedicated to Carrefour operations in Thailand, commenced operation in May 2005, while another facility dedicated to the cross-docking operation of Watsons in Hong Kong opened in June 2005.

Our focus on operational excellence and partnership was widely recognized by our partners and the industry in 2005. In April, IDS Logistics Philippines won the much-coveted Unilever 2004 Vendor of the Year Award for our excellent service by consistently exceeding all Key Performance Indicators (KPIs). In September, IDS Logistics International won the SCM Logistics Excellence

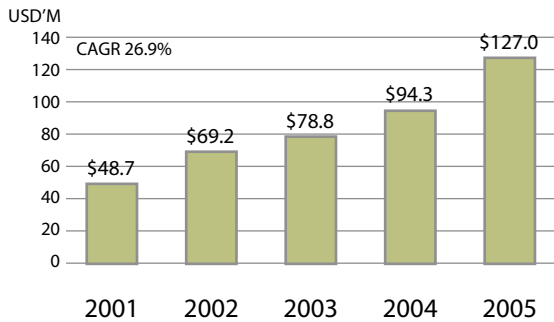
Award 2005 in Singapore for Best Young Asian Integrated Logistics Service Provider. Meanwhile, our Nike operations in China received the Best Solution for Garments at the 1st China Supply Chain Management Awards in December 2005.

Our new ventures in the automotive parts sector and export logistics continued to make encouraging progress. During the year, we signed a new contract with Yokohama tires in the Philippines, while Thailand secured further businesses from General Motors and Michelin.

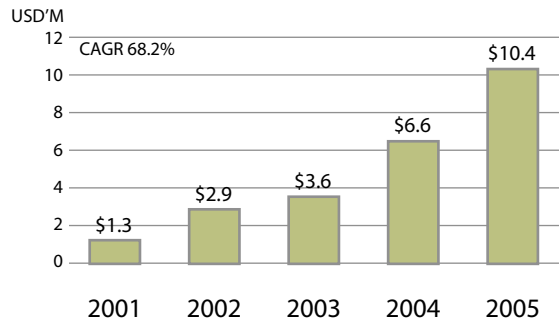
IDS Logistics International also made major headway in implementing its business model. In addition to new projects with customers of Li & Fung Trading, IDS



The IDS cold storage facility in Thailand dedicated to the Carrefour operations was opened in May 2005.



Logistics Revenue



Logistics Operating Profit

Logistics International also commenced export logistics projects with several third party customers. These projects offer enormous potential. One of our key imperatives for 2006 is to further develop the International division to reach the next phase of aggressive growth.

As a consequence of rising fuel prices, more and more customers are looking for ways to optimize their transportation costs through improved routing and a rationalized depot network. We clearly see the potential of offering sophisticated Transportation and Network Management solutions as another value-added service. Using the latest mapping technology and operations research methodology, we have been commissioned by some of our major customers to conduct studies in China and the Philippines. We are confident that our continuous enhancement of service offerings will further differentiate us from our competitors, thus strengthen our partnerships with customers.



IDS Singapore was awarded the 2005 SCM Logistics Excellence Award for Best Young Asian Integrated Logistics Service Provider.



IDS also won the much-coveted Unilever 2004 Vendor of the Year Award in the Philippines.