



*Together with their colleagues, Noel and Tim are now helping to expand the 20-year partnership between IDS and Cerebos in Hong Kong into China.*

**Building brand equity**

**Noel Ng**  
*Marketing Manager  
Marketing Hong Kong*

**Tim Cheung**  
*Senior Sales Manager  
Cerebos Hong Kong*

# Strong all round growth across Asia

China registered stellar growth.

The Philippines was successfully launched.

Throughout South East Asia, our Marketing business made solid progress. Distribution network expansion, technology and new innovative services will drive profitable growth in 2006.

Marketing enjoyed an outstanding year in 2005 with revenue surging 51.6% from US\$379.9 million in 2004 to US\$575.9 million in 2005, while operating profit increasing 30.2% from US\$9.1 million to US\$11.9 million during the same period. We saw steady all round growth across Asia, most notably in China, Brunei and the Philippines. Our China Marketing operations, which commenced business in April 2004, has in a short span of less than two years, surpassed expectation and begun delivering sustainable profit.

As of 31 December 2005, our distribution network in China covers over 100 top-tier cities, underpinned by 45 sales offices and six branch offices. These branch offices are strategically located in Shenzhen, Guangzhou, Shanghai, Chengdu, Nanjing and Beijing. Our reach covers 6,000 modern trade outlets, which include the majority of hypermarkets, supermarkets and department stores. With the full implementation of our regional Enterprise Resources Planning (ERP) system, JD Edwards Enterprise

One in October 2005, we have now put in place a scalable technology infrastructure that will support our aggressive expansion and pave the way for the rollout of other business application projects. Most importantly, with our CEPA status, we are now one of the leading wholly-owned non-local distributors of consumer goods in China.

In 2006, our key imperative in China is to further expand our direct sales coverage to exceed 20 cities, and our reach to cover 10,000 outlets. We will be vigilantly managing credit risk through strong sales operations management. We will also be tightly managing our cost base to ensure sustained profitability. Our strength in China will allow us to rapidly build scale by attracting customers with whom we have existing relationships in other markets or streams.

The Brunei operations had a stellar year on the back of important new business wins which included Nestlé and more recently Philip Morris giving us market leadership in FMCG distribution.

## 2005 Highlights

- Strong revenue growth of 51.6% versus last year mainly attributed to the expansion and full year impact of our China business, and commencement of our Philippines operations in April 2005.
- Operating profit grew 30.2% largely due to better-than-planned results in China.
- Newly unbundled Credit & Cash Management service offering positively received by existing and potential customers.
- Slumberland continued to expand in China; started exports to Vietnam, the Philippines and India.

Our operations in the Philippines was successfully launched in April 2005. It has since contributed immensely to Marketing's solid revenue growth in 2005. By joining force with our highly successful Logistics operations, our Marketing operations has embarked on an aggressive business expansion program, the effort of which will reap enormous benefits in 2006. We expect to achieve breakeven by 2007.

Throughout South East Asia, we saw steady growth with Thailand and Singapore benefiting from portfolio rationalization where we have exited from marginal or loss-making accounts. We have strengthened the organization by bringing in new and experienced

management at the local level in Singapore, Thailand, Malaysia and Indonesia whose main focus will be on rebuilding the business and driving growth in each of these markets.

We continued to roll out our new Credit & Cash Management service in 2005, and the response was encouraging. This service encompasses credit control, billing & collection, and claims & return processing. This service offering gives flexibility to brand owners who prefer to conduct selling and marketing operations in-house but choose to leverage our experience and expertise in managing their sales-to-cash conversion cycle more efficiently.



Our new Marketing offices in Shenzhen (left) and Guangzhou (right) is representative of our rapid distribution network expansion in China.

The Slumberland bedding business continued to make steady progress with double-digit growth recorded in China and Hong Kong. The retail network in China continued to expand in 2005 with new outlets in Tianjin, Changchun and Mudanjiang in the north, and Xiamen, Taichang and Haimen along the east coast. At the end of 2005, there were 131 Slumberland retail outlets in China, compared to 104 at the end of 2004.

In 2005 we made significant progress in aggressively developing export markets for Slumberland. Through active participation in furniture fairs, market visits and discussions with hotel groups, we were able to appoint new distributors in Sri Lanka, the Maldives, Vietnam, the Philippines and India in 2005. To cater for the increasing export demand, Slumberland completed a major manufacturing plant expansion in March 2005. The two-storey extension has a production area of over 3,000 square meters, increasing our production capacity by 50%.

We foresee that the prices of raw materials will continue to be highly volatile in 2006. We will strive to maintain Slumberland's market leadership position by launching innovative and differentiated products, and by strengthening our brand image through creative marketing programs.



Our Marketing operations co-located with our Logistics operations in Thailand in July 2005.



IDS and Abbott has forged a strong partnership in China and pioneering new distribution strategies.



The newly completed Slumberland plant extension project in Malaysia will drive production efficiencies and increase the throughput.