Interim Report 2006

Integrated Distribution Services Group Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 2387)

Contents

Corporate Information

Non-executive Directors

Dr. Victor FUNG Kwok King *(Chairman)*
William Winship FLANZ*
John Estmond STRICKLAND*
Dr. FU Yu Ning*
Prof. LEE Hau Leung*
Dr. William FUNG Kwok Lun
Jeremy Paul Egerton HOBBINS
LAU Butt Farn

* *Independent Non-executive Director*

Executive Directors

Benedict CHANG Yew Teck *(Group Managing Director)*
Joseph Chua PHI
Rajesh Vardichand RANAVAT

Group Chief Compliance Officer

James SIU Kai Lau

Company Secretary

YUEN Ying Kwai

Qualified Accountant

Edward POON Che Man

Legal Advisors

Johnson Stokes & Master
17th Floor, Prince's Building
10 Chater Road
Hong Kong

Registered Office

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Principal Bankers

The Hongkong and Shanghai Banking Corporation Limited
Standard Chartered Bank (Hong Kong) Limited

Principal Place of Business

15th Floor, LiFung Centre
2 On Ping Street
Siu Lek Yuen, Shatin, N.T.
Hong Kong

Auditors

PricewaterhouseCoopers
Certified Public Accountants
22nd Floor, Prince's Building, Central
Hong Kong

Highlights

	Six months ended 30 June		
	2006	2005	Change
	US$ million	US$ million	%
Revenue	**467.5**	370.3	26.2%
Core operating profit	**8.6**	7.9	8.0%
Operating profit	**8.6**	8.9	-3.7%
Profit attributable to shareholders	**8.5**	7.4	15.8%
Earnings per share	**US2.76 cents**	US2.39 cents	15.8%
Earnings per share (equivalent to)	**HK21.40 cents**	HK18.60 cents	15.8%
Interim dividend per share	**HK7.00 cents**	HK6.00 cents	16.7%

- 1st half 2006 profit attributable to shareholders registered double-digit increase of 15.8% from US$7.4 million to US$8.5 million

- China continued to register strong growth. Revenue represented 15.5% of Group total in 1st half 2006, up from 11.8% in 2005. 1st half China operating profit increased 139.4% year-on-year whilst operating margin improved from 3.0% in 1st half 2005 to 4.3% in 1st half 2006

- 1st half 2006 Logistics operating profit increased 15.4% against last period and Manufacturing registered strong rebound

- Solid balance sheet with US$56.8 million of gross cash (net cash of US$10.7 million) to fund future growth and acquisitions

- Significant progress in M&A – S&P signed to acquire logistics business in Malaysia and MOU signed to acquire a US-based garment logistics provider

Chairman's Statement

Dear Shareholders,

It gives me great pleasure to report the interim results of Integrated Distribution Services Group Limited (the "Company") and its subsidiaries (collectively the "Group") for the six months ended 30 June 2006.

The economies within which the Group operates continued to show disparate trends. While consumer sentiment remains strong in Hong Kong and Singapore due to tightening labor markets and rising incomes, private consumption remains soft and is even weakening in Indonesia, Malaysia, the Philippines and Thailand, owing to interest rate increases and high inflation as a result of rising oil prices. Coupled with the threat of a pandemic outbreak of avian flu, the external environment poses some latent threats.

The Group's efforts in identifying suitable acquisition targets have resulted in good progress. Subsequent to the period under review, the Group announced its acquisition of a logistics company in Malaysia, which will significantly enhance the scale of our current operations. The Group has also signed a Memorandum of Understanding ("MOU") to acquire a garment logistics company in the US. This would enable the Group to establish a presence in the US, which is crucial to the rapid expansion of our export logistics services for US customers.

Revenue for the Group increased by 26.2% to US$467.5 million during the first six months of 2006, against US$370.3 million in 2005. This growth was mainly driven by the strong performance in China, coupled with the full six-month results of the Philippines Marketing business, which commenced operations in April 2005. Profit attributable to shareholders registered an increase of 15.8% to US$8.5 million in 2006. Earnings per share for the period were US2.76 cents. The Board of Directors has proposed an interim dividend of HK7 cents per share, as compared to HK6 cents per share in 2005.

The Logistics business continued to show solid growth of 15.4% in profit, despite a milder growth in revenue of 8.3%. Margin for the period reached 9.0%, which is outstanding in industry terms. The major contracts won in the first half, including Procter & Gamble in Taiwan, Diageo in Singapore, and Johnson Diversey in China and the Philippines, are expected to drive strong growth in the second half of 2006 and beyond. The current focus is on the smooth implementation of new contracts to shorten gestation periods and minimize interruptions for our customers. The outlook for Logistics on the business development front remains positive. Many new customers have already confirmed that they will come on board in the second half.

The Marketing business showed strong top-line growth of 32.1%, while operating profit showed a modest 4.6% growth due to start-up investments in the Philippines. The Philippines operations is on track to achieve break even by 2007. By that time, we expect that operations there will reach critical mass and begin contributing to the bottom line. During the period under review, the Marketing business also made its first attempt to diversify its product portfolio, including the high-end skincare and cosmetics segment in China.

Chairman's Statement

After a weak start in 2005, the rebound of the Manufacturing business that began in the second half of last year continued into the first half of 2006. Operating profit surged 68.2% as compared to first half of 2005 as a result of effective cost control measures and efficiency improvement initiatives. The Listerine plant in Thailand is now in full operation and has become the Group's showcase example of establishing a dedicated facility for large-scale regional production. In view of weak domestic consumption in countries where our manufacturing facilities are located, efforts in business development have been stepped up to pursue regional export opportunities.

The Group's business in China continues to enjoy robust growth, recording year-on-year increase in operating profit for the first half of 2006 of 139.4% and improvement in operating margin from 3.0% to 4.3%. Revenue from China represented 15.5% of Group total in the first half of 2006, up from 11.8% in 2005. The network expansion of the Marketing business in China is progressing according to plan. We have added six branch offices capable of conducting direct sales with key accounts, thus further consolidating our leadership position of being the largest non-local third-party distributor of consumer products. We expect that growth in the service sector in China will remain strong, aided by the Government's efforts to promote private consumption.

In conclusion, I am confident that the IDS Group is well on track to build on the momentum of the first half for yet another strong finish in 2006. Our new business wins in the first half, and our mergers and acquisitions initiatives now unfolding, will provide us a strong base for 2007, positioning us well to meet our Three-Year Strategic Plan 2005-2007 target of doubling our 2004 profit.

On behalf of the Directors, I would like to take this opportunity to express my gratitude to the management and all members of staff for their efforts and contributions during the period.

Victor FUNG Kwok King
Chairman

Hong Kong, 16 August 2006

GMD's Report

At the midway point of our current Strategic Plan 2005 – 2007, I am delighted to report that the Group is making solid progress towards our Plan objectives including the doubling of profit against our 2004 base. Our two-pronged strategy of focusing on aggressive organic growth and selective mergers and acquisitions ("M&A") is beginning to yield results. Since the Group's IPO in December 2004, our growth has been purely organic. With the two recently announced Logistics acquisitions, the Group's growth will henceforth be strongly supplemented by our M&A initiatives.

On 3 August 2006 we signed a Sale & Purchase Agreement ("S&P") to acquire Sitt Tatt Logistics, a third-party logistics company based in Malaysia. This was quickly followed by the signing of a Memorandum of Understanding for the acquisition of Impac Logistics, a US-based third-party garment logistics provider. I am confident that these acquisitions will not only strengthen the Group's profit growth, but will also open up new Logistics opportunities for us.

For the first six months of 2006, revenue grew by 26.2% against the same period last year to US$467.5 million. Profit attributable to shareholders rose to US$8.5 million, an increase of 15.8% over first half of 2005. At the end of the period under review, the Group has a strong balance sheet of US$56.8 million gross cash (net cash of US$10.7 million) to fund future growth and acquisitions.

The Group continued to leverage its strength in business development. A senior-level Regional Business Development ("RBD") team was recently formed to spearhead regional partnership expansion. Annual gross profit (service fee) from new contracts won in the first half of 2006 is already about 75% of total gross profit gained from new contracts won for all of 2005.

Financial Overview

	Six months ended 30 June		
	2006 US$ million	2005 US$ million	Change %
Revenue	**467.5**	370.3	26.2%
Core operating profit	**8.6**	7.9	8.0%
Operating profit	**8.6**	8.9	-3.7%
Profit attributable to shareholders	**8.5**	7.4	15.8%

Revenue

The group reported revenue of US$467.5 million for the six months ended 30 June 2006, an increase of 26.2% compared with the six months ended 30 June 2005. The strong growth in revenue was driven by the 32.1% increase in the Marketing business due to continued expansion in China and the full six-month operations in the Philippines which commenced business in April 2005. Manufacturing and Logistics also recorded steady growth of 15.2% and 8.3% respectively.

Gross profit

Gross profit increased from US$102.4 million to US$114.6 million for the six months ended 30 June 2006. Gross profit margin declined from 27.6% in first half of 2005 to 24.5% in first half of 2006 mainly due to the lower gross profit margin from the new Marketing business in the Philippines.

Expenses

The combined marketing and logistics expenses increased by 11.4% for the six months ended 30 June 2006 to US$89.2 million. The increase was mainly attributed to the expansion of distribution network in China and the Philippines. The increase in logistics expenses reflected the growth of our Logistics business.

Administrative expenses for the six months ended 30 June 2006 increased by 17.0% to US$16.8 million. This was mainly attributable to increased managerial staff costs in support of the expanding operations and investment in developing information technology and human resources for the continuous, future business growth.

Core operating profit

Taking the above into account, core operating profit increased by 8.0% to US$8.6 million for the six months ended 30 June 2006.

Operating profit

Operating profit of US$8.6 million for the six months ended 30 June 2006 was 3.7% lower than last period which included a one-off service fee income in the Philippines and an exchange gain on intra-group loan settlement totaling US$1.0 million in 2005.

Net profit

Taxation was a credit of US$1.0 million for the six months ended 30 June 2006 compared to a charge of US$0.6 million last period due to the recognition of additional deferred tax assets in the current period.

Taking the above into account, profit attributable to shareholders increased by 15.8% to US$8.5 million for the six months ended 30 June 2006.

Segmental Analysis

Logistics

The Group's Logistics business continued to grow in 2006. Revenue and segment results increased by 8.3% and 15.4% to US$65.5 million and US$5.9 million respectively for the six months ended 30 June 2006, driven by new contracts won and better operating leverage.

Marketing

As a result of the expansion in distribution network in China and full six-month operations in the Philippines, revenue increased by 32.1% to US$339.2 million. Core operating profit of the Marketing segment increased by 4.6% to US$5.9 million for the six months ended 30 June 2006.

Manufacturing

Revenue and segment results increased by 15.2% and 68.2% to US$69.5 million and US$2.1 million respectively for the six months ended 30 June 2006. The strong growth was mainly attributable to the successful cost savings and operational efficiency improvement measures and the commencement of Listerine production in the second half of 2005.

Geographical Analysis

Geographically, Hong Kong remained the Group's largest market, accounting for 22.8% of revenue. Following the Group's strategic entry into the Philippines Marketing business in April last year, revenue from the Philippines grew by 116.7% to US$96.1 million, representing 20.5% of total revenue, and became the second largest geographical market for the Group. The revenue for China grew by 65.5% to US$72.8 million, representing 15.5% of total revenue and became the Group's third largest market. Singapore, Thailand and Brunei recorded 23.4% growth in revenue driven by new contracts won.

Liquidity and Financial Resources

As at 30 June 2006, the Group was in a strong financial position with a net cash position amounting to US$10.7 million. Hence, no gearing ratio is presented. In addition, the Group has available bank loans and overdraft facilities of US$169.2 million of which only US$46.1 million have been utilized.

Charges on Group Assets

As at 30 June 2006, there were no charges on the Group's assets.

Foreign Exchange Risk Management

The Group operates regionally in 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 the 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 in foreign currencies and restrict from engaging in speculative foreign exchange transactions.

Contingent Liabilities

As at 30 June 2006, the Group has counter-guaranteed the following outstanding bank guarantees issued by banks in the ordinary course of business:

	30 June 2006 US$'000	31 December 2005 US$'000
As security in favor of local tax and customs authorities in accordance with local regulations	**9,496**	9,032
For purchase of goods in favor of suppliers	**9,009**	9,145
Performance bonds and others	**643**	566
For rental payment in favor of the landlords	**5,006**	4,665
	24,154	23,408

Human Resources

As at 30 June 2006, the Group had a total workforce of 5,230, of which 790 were based in Hong Kong and 4,440 were located throughout our overseas operations in the eight economies in Asia, namely Taiwan, Thailand, Malaysia, Singapore, the Philippines, Indonesia, China and Brunei. Total staff costs for 30 June 2006 amounted to US$50.8 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 record strong growth with steady improvement in operating margin. Operating profit increased by 15.4% compared to first half of 2005, despite a more modest growth in revenue of 8.3%. Operating margin for the period reached 9.0%, which is outstanding in industry terms, compared to 8.4% recorded for the first half of 2005.

17 new logistics contracts were signed during the first six months of 2006, including Procter & Gamble in Taiwan, L'Oreal in Hong Kong, Johnson Diversey in China and the Philippines, and Diageo in Singapore. Our network of infrastructure also expanded across the region to support business growth. As of 30 June 2006, Logistics operates 60 distribution centers covering over 480,000 square meters.

Our strategy of focusing on regional business development and execution has resulted in a robust new business pipeline and the smooth implementation of new contracts. The first phase of Procter & Gamble in Taiwan has commenced in July, with the next phase scheduled for the fourth quarter.

By leveraging Logistics as the penetration point, we have been able to secure new customers for the Group with whom we can extend our relationships into new markets or new services. New customers who have confirmed to partner with us in the second half include Timex in the Philippines, C&A and Pacific Brands in China and Henkel in Singapore, to name just a few. These new wins are expected to fuel strong growth for the rest of the year and in 2007.

GMD's Report

Marketing

Marketing showed strong revenue growth driven mainly by accelerated expansion in China and the full six-month impact of the Philippines operations, which commenced in April 2005. The Philippines business is still in the investment phase and is not expected to break even until 2007. This has impacted Marketing's operating profit and resulted in a modest growth of 4.6% over the same period last year. Excluding the Philippines business, Marketing recorded an underlying growth of 13.0% in operating profit against the first half of 2005.

Business in China is growing from strength to strength, and the Group made remarkable progress in developing and expanding our distribution network. During the period under review, four new branch offices have been added: Hangzhou, Tianjin, Zhongshan and Suzhou. Together with Dalian and Shenyang, which opened in July, we are now capable of selling directly to key account retailers in 11 cities and will expand to 20 cities by end of 2006.

Our overall coverage in China is expected to grow to 120 large and medium-sized cities by end of the year, reaching 10,000 modern trade outlets. As part of an initiative to expand our product portfolio with higher profit margin products, we have engaged in the distribution of high-end skincare and cosmetics products and opened the first beauty salon in a department store in Chengdu.

Our focus on developing the export business for Slumberland continued to show success with the first orders from Japan and the Philippines shipped and a hotel order from India confirmed during the period. We believe there is enormous potential for the export business to become the growth driver as we see sales in mature markets such as Hong Kong, Malaysia and Thailand showing signs of slowdown. We also launched a new store design concept and renovated some of our retail stores in China and Singapore to create a more contemporary image.

Manufacturing

Despite the soft market sentiment in South East Asia arising from high oil prices and interest rates, efforts to contain costs and enhance operational efficiency combined with increased volumes from new contracts contributed to substantial improvement in operating margin and a strong rebound in operating profit. Operating profit increased by 68.2% in the first half of 2006 against the same period in 2005, while operating margin grew from 2.1% in the first half of 2005 to 3.1% in 2006.

The Listerine plant in Thailand, which commenced production in the fourth quarter of 2005, is now in full operation exporting products across the region. The sale of Pfizer's Consumer Healthcare including Listerine to Johnson & Johnson is not expected to negatively impact our business. We have a strong relationship with Johnson & Johnson who is also one of our largest customers in Thailand.

The Group has assigned dedicated resources to strengthen our business development efforts. We have a healthy pipeline, which will become a key driver for our growth in 2007 and beyond should some of these projects materialize. Subsequent to the period under review, we have agreed terms to enter into a contract with Henkel to produce their industrial (metal cleaning) products in Indonesia. This will add substantially to the scale of our manufacturing operations in Indonesia, enhancing operational efficiency and profitability.

We expect that market conditions for Manufacturing will continue to be tough for the rest of the year. The challenge for us will be to identify innovative ideas to continuously drive down costs and increase efficiency.

GMD's Report

Acquisition Updates

Subsequent to the period under review, the Group announced two potential logistics acquisitions. The two acquisitions are: (a) Sitt Tatt Logistics ("STL"), a third-party logistics company in Malaysia, and two related distribution centers, and (b) Impac Logistics Services LLC ("Impac"), a US-based garment logistics service provider.

STL has a strong management team and a solid customer base, many of whom we already serve in other countries. The acquisition of STL will enable our Malaysian operations to achieve critical mass and gain a strategic entry into the electronics logistics segment.

Impac enjoys strong reputation as a premier Garment-on-Hanger logistics provider in the United States with extensive operations in New Jersey, Los Angeles and Miami. This acquisition will give us immediate strong logistics presence in the US and complement our extensive logistics infrastructure in Asia. It will enable us to rapidly expand our export logistics business and position us to develop end-to-end Supply Chain solutions to existing and new customers.

Future Prospects

The outlook for 2006 remains positive and I am confident that the Group will continue the momentum of building on the results of the first half.

We are committed to stepping up our investments in strategic Human Resources initiatives. Training programs for all levels of management have been planned and are ready to roll out in the second half of 2006 and in 2007 to strengthen our talent pool and develop leaders for the future to steer the Group towards continued success.

In addition, we will focus on the full development and investment of Country Resource Teams ("CRT"), which centralizes the country support functions of Finance, IT and HR. This will provide us the necessary resources and capability to support strong organic growth and new M&A initiatives.

Ben CHANG Yew Teck
Group Managing Director

Hong Kong, 16 August 2006

Corporate Governance

Corporate Governance Practices

The Board of Directors and Management are committed to principles of good corporate governance consistent with prudent enhancement and management of shareholder value. These principles emphasize transparency, accountability and independence.

In order to reinforce their respective independence, accountability and responsibility, the role of the Group Chairman is separate from that of the Group Managing Director with their respective responsibilities endorsed by the Board in writing.

The Board has established the Audit Committee, the Compensation Committee and the Nomination Committee (all chaired by Non-executive Directors) with defined written terms of reference (available to shareholders upon request), which are of no less exacting terms than those set out in the Code on Corporate Governance Practices of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

Corporate governance practices adopted by the Company during the six-month period to 30 June 2006 are in line with those practices set out in the Company's 2005 Annual Report.

Audit Committee

The Audit Committee was established in November 2004 to review the Group's financial reporting, internal controls and corporate governance issues and to make relevant recommendations to the Board. The Audit Committee comprises three Independent Non-executive Directors, namely Mr. John Estmond STRICKLAND (Chairman of the Committee), Dr. FU Yu Ning and Prof. LEE Hau Leung, and a Non-executive Director, Mr. LAU Butt Farn. All committee members possess appropriate industry and financial expertise to advise on the above matters.

The Audit Committee met five times to date in 2006 (with an average attendance rate of 80%) to review with senior management and the Company's internal and external auditors, the significant internal and external audit findings and financial matters set out in the Committee's terms of reference. The Committee's review covers the audit plans and findings of the internal and external auditors, external auditor's independence, the accounting principles and practices adopted by the Group, Listing Rules and statutory compliance, internal controls, risk management and financial reporting matters (including the interim financial information for the six months ended 30 June 2006 before recommending them to the Board for approval).

Compensation Committee

The Compensation Committee was established in November 2004, comprising the Group Non-executive Chairman, Dr. Victor FUNG Kwok King (being the Chairman of the Committee), Mr. William Winship FLANZ and Prof. LEE Hau Leung (being Independent Non-executive Directors). The written terms of reference of the Compensation Committee cover the review of the Group's remuneration policy and the approving of the remuneration policy for all Executive Directors and senior management, including the allocation of share options to employees under the Company's Employee Share Option Scheme.

Nomination Committee

The Nomination Committee was established in November 2004, comprising two Independent Non-executive Directors, Mr. William Winship FLANZ (being the Chairman of the Committee) and Dr. FU Yu Ning and a Non-executive Director, Mr. Jeremy Paul Egerton HOBBINS. The written terms of reference of the Nomination Committee cover the recommendations to the Board on the appointment of Directors, evaluation of board composition and the management of board succession. The Nomination Committee carries out the process of selecting and recommending candidates for Directorship including the consideration of referrals and engagement of external recruitment professionals when necessary.

Corporate Governance

Code of Conduct and Business Ethics

Whistle blowing policy, guidelines on business conduct and leaflet of the Group's business ethics policy are sent to all staff.

Internal Control and Risk Management

The Board is responsible for maintaining an adequate system of internal controls in the Company and reviewing its effectiveness through the Audit Committee.

The Board has delegated to executive management the implementation of such systems of internal controls as well as the review of relevant financial, operational and compliance controls and risk management procedures.

Qualified personnel throughout the Group maintain and monitor these systems of control on an ongoing basis. The Group's Internal Audit team within the Corporate Governance and Compliance Division, under the supervision of our Group Chief Compliance Officer, independently reviews these controls and evaluates their adequacy, effectiveness and compliance, and reports regularly to the Audit Committee. The Group Chief Compliance Officer reports all the major findings at the Audit Committee Meetings on a regular basis. Follow up on all recommendations is also performed on a periodic basis to ensure all agreed recommendations have been timely and satisfactorily implemented.

Based on the assessments made by senior management, the Internal Audit team of the Group's Corporate Governance and Compliance Division during the six months ended 30 June 2006, the Audit Committee is satisfied that:

- the internal controls and accounting systems of the Group have been in place and function effectively and are designed to provide reasonable assurance that material assets are protected, business risks attributable to the Group are identified and monitored, material transactions are executed in accordance with management's authorization and the financial information are reliable for publication.

- there is an ongoing process in place for identifying, evaluating and managing the significant risks faced by the Group.

Compliance with the Model Code of the Listing Rules

The Group has adopted procedures governing Directors' securities transactions in compliance with the Model Code as set out in Appendix 10 of the Listing Rules. Specific enquiries have been made to all Directors to confirm compliance with the Model Code. Relevant employees who are likely to be in possession of unpublished price-sensitive information of the Group are also subject to compliance with written guidelines on no less exacting terms than the Model Code. The Company noted no incident of non-compliance during the six-month period to 30 June 2006.

Compliance with the Code on Corporate Governance Practices of the Listing Rules

The Board has reviewed the Company's corporate governance practices and is satisfied that the Company has complied with the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules during the six-month period to 30 June 2006.

Investor Relations and Communication

The Company continues to pursue a proactive policy of promoting investor relations and communications by conducting analysts' briefings and road shows after the interim and final results announcement, participating in investors' conferences and making corporate presentations during the conferences, arranging visits to the Company and Distribution Centres and maintaining regular meetings with institutional shareholders and analysts. Since 2005, webcasts of results presentations at press conference have also been made available at our corporate website *(www.idsgroup.com)*.

Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures

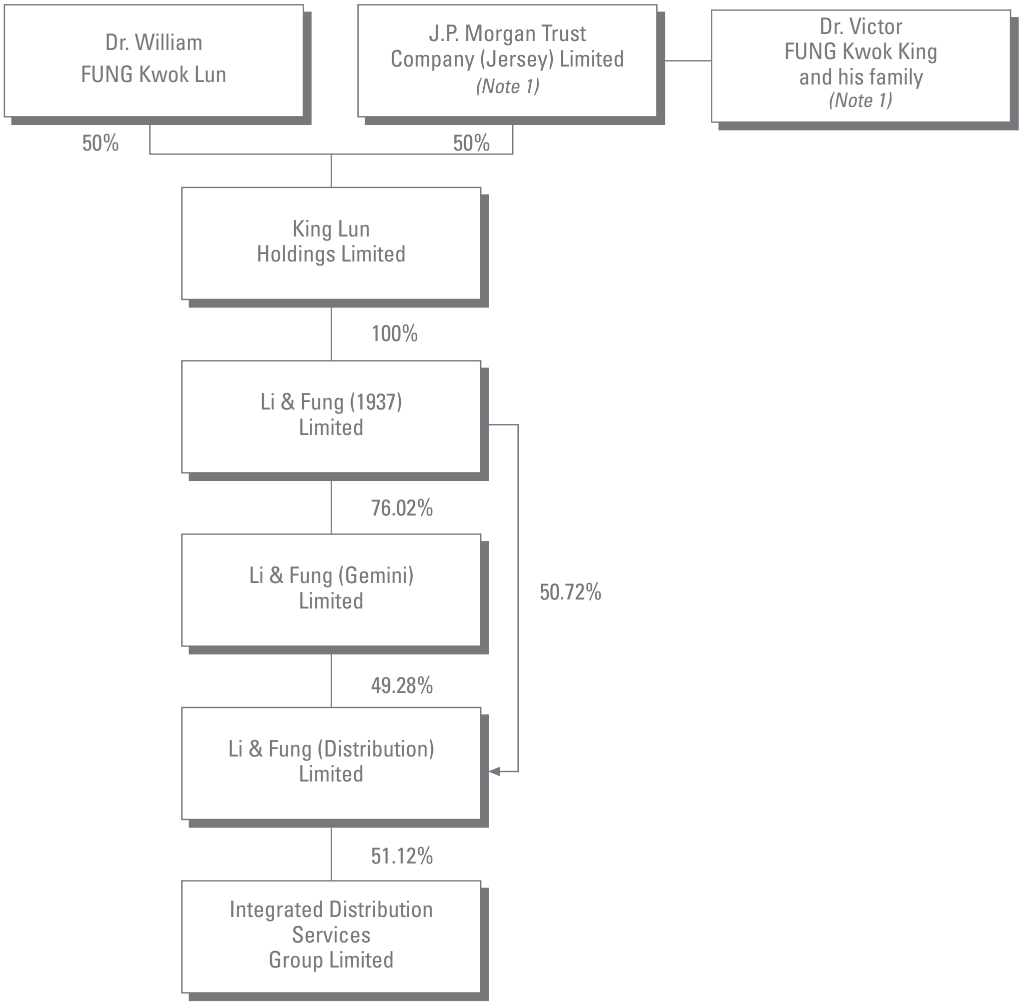
As at 30 June 2006, the directors and chief executives of the Company and their associates had the following interests in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"):

(A) Long position in shares and underlying shares of the Company

	Number of shares				Number of underlying shares under equity derivatives		
Name of Director	**Personal interest**	**Family interest**	**Corporate/ trust interest**	**Other interest**	**(Share Options)**	**Total interest**	**Approximate percentage of issued share capital (%)**
Dr. Victor FUNG Kwok King	2,405,509	–	157,960,917 *(Note 1)*	–	–	160,366,426	51.90
Dr. William FUNG Kwok Lun	–	–	157,960,917 *(Note 1)*	–	–	157,960,917	51.12
Benedict CHANG Yew Teck	1,412,573	–	–	–	3,390,000	4,802,573	1.55
Joseph Chua PHI	1,047,632	–	–	–	1,755,000	2,802,632	0.91
Rajesh Vardichand RANAVAT	305,375	–	–	–	1,440,000	1,745,375	0.56
Jeremy Paul Egerton HOBBINS	1,202,754	–	–	–	–	1,202,754	0.39
LAU Butt Farn	610,549	–	–	–	–	610,549	0.20
John Estmond STRICKLAND	–	–	–	22,000 *(Note 2)*	–	22,000	0.00

Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures

The interests of Dr. Victor FUNG Kwok King and Dr. William FUNG Kwok Lun in shares of the Company are summarized in the following chart:



Notes:

1. *King Lun Holdings Limited ("King Lun") through its indirect non-wholly owned subsidiary, Li & Fung (Gemini) Limited ("LFG"), held a 49.28% interest in Li & Fung (Distribution) Limited ("LFD"). In addition, King Lun also through its wholly owned subsidiary, Li & Fung (1937) Limited, held 50.72% interest in LFD. LFD held 157,960,917 shares, representing 51.12% of the issued share capital of the Company. King Lun are owned (a) as to 50% by J.P. Morgan Trust Company (Jersey) Limited (which also indirectly held 8.77% of the issued share capital of LFG), the trustee of a trust established for the benefit of the family members of Dr. Victor FUNG Kwok King and (b) as to 50% by Dr. William FUNG Kwok Lun. Dr. Victor FUNG Kwok King and Dr. William FUNG Kwok Lun are deemed to have interests in these shares through their respective interests in King Lun and indirect interests in LFD as set out above.*

2. *Mr. John Estmond STRICKLAND and his wife, Mrs. Anthea Evadne STRICKLAND are joint beneficial owners of these shares.*

(B) Long position in shares and underlying shares of associated corporations

	Name of Director	Name of associated corporation	Class of shares	Number of shares	Nature of interest	Approximate percentage of interests (%)
*	Dr. Victor FUNG Kwok King	King Lun Holdings Limited	Ordinary	1,332,840	beneficiary of a trust	50.00
		Li & Fung (Gemini) Limited	Ordinary	5,825,438	as above	84.80
*	Dr. William FUNG Kwok Lun	King Lun Holdings Limited	Ordinary	1,332,840	controlled corporation	50.00
		Li & Fung (Gemini) Limited	Ordinary	5,222,807	as above	76.02
	Benedict CHANG Yew Teck	Li & Fung (Gemini) Limited	Ordinary	462,018	controlled corporation *(Note 1)*	6.73
	Rajesh Vardichand RANAVAT	Convenience Retail Asia Limited	Ordinary	26,000	beneficial owner	0.004
	Jeremy Paul Egerton HOBBINS	Convenience Retail Asia Limited	Ordinary	180,000	beneficial owner	0.03
		Li & Fung (Gemini) Limited	Ordinary	462,018	controlled corporation *(Note 2)*	6.73
	LAU Butt Farn	Convenience Retail Asia Limited	Ordinary	2,390,000	beneficial owner	0.35

* *Dr. Victor FUNG Kwok King and Dr. William FUNG Kwok Lun, by virtue of their interests in King Lun Holdings Limited ("King Lun") and the Company, are deemed to be interested in the shares and underlying shares of certain associated corporations of the Company under the SFO. A waiver application was submitted to the Stock Exchange for exempt from disclosure of their interests and short positions in the shares and underlying shares of the associated corporations (save for King Lun and Li & Fung (Gemini) Limited) of the Company, and a waiver was granted by the Stock Exchange on 25 July 2006 ("Waiver").*

Notes:

1. *462,018 shares in Li & Fung (Gemini) Limited, representing 6.73% of its issued share capital, are held by Mikenwill Investments Limited which is owned by Mr. Benedict CHANG Yew Teck.*

2. *462,018 shares in Li & Fung (Gemini) Limited, representing 6.73% of its issued shares capital, are held by Martinville Holdings Limited which is owned by Mr. Jeremy Paul Egerton HOBBINS.*

Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures

(C) Short positions in shares and underlying shares of the Company and associated corporations

Save as the grant of Waiver by the Stock Exchange disclosed above, none of the directors and chief executives of the Company or their associates had any short position in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

(D) Share options

The interests of the directors and chief executives in the share options (being regarded as unlisted physically settled equity derivatives) of the Company are detailed in the Share Option Scheme section stated below.

Share Option Scheme

By the written resolutions of the then sole shareholder of the Company dated 4 November 2004 and amended by a committee of the Board on 22 November 2004, the Company had adopted a share option scheme (the "Scheme").

Movements of the share options under the Scheme during the period are as follows:

	Number of Share Options					
	As at 01/01/2006	Lapsed	As at 30/06/2006	Exercise price *HK$*	Grant date	Exercise period
Benedict CHANG Yew Teck	750,000	–	750,000	4.825	14/12/04	01/01/07-31/12/08
	750,000	–	750,000	4.825	14/12/04	01/01/08-31/12/09
	750,000	–	750,000	4.825	14/12/04	01/01/09-31/12/10
	380,000	–	380,000	8.600	16/12/05	01/01/08-31/12/09
	380,000	–	380,000	8.600	16/12/05	01/01/09-31/12/10
	380,000	–	380,000	8.600	16/12/05	01/01/10-31/12/11
Joseph Chua PHI	375,000	–	375,000	4.825	14/12/04	01/01/07-31/12/08
	375,000	–	375,000	4.825	14/12/04	01/01/08-31/12/09
	375,000	–	375,000	4.825	14/12/04	01/01/09-31/12/10
	210,000	–	210,000	8.600	16/12/05	01/01/08-31/12/09
	210,000	–	210,000	8.600	16/12/05	01/01/09-31/12/10
	210,000	–	210,000	8.600	16/12/05	01/01/10-31/12/11

Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures

Share Option Scheme (cont'd)

	Number of Share Options					
	As at 01/01/2006	Lapsed	As at 30/06/2006	Exercise price *HK$*	Grant date	Exercise period
Rajesh Vardichand RANAVAT	345,000	–	345,000	4.825	14/12/04	01/01/07-31/12/08
	345,000	–	345,000	4.825	14/12/04	01/01/08-31/12/09
	345,000	–	345,000	4.825	14/12/04	01/01/09-31/12/10
	135,000	–	135,000	8.600	16/12/05	01/01/08-31/12/09
	135,000	–	135,000	8.600	16/12/05	01/01/09-31/12/10
	135,000	–	135,000	8.600	16/12/05	01/01/10-31/12/11
Continuous contract employees	2,787,000	84,000	2,703,000	4.825	14/12/04	01/01/07-31/12/08
	2,787,000	84,000	2,703,000	4.825	14/12/04	01/01/08-31/12/09
	2,787,000	84,000	2,703,000	4.825	14/12/04	01/01/09-31/12/10
	941,500	50,000	891,500	8.600	16/12/05	01/01/08-31/12/09
	941,500	50,000	891,500	8.600	16/12/05	01/01/09-31/12/10
	941,500	50,000	891,500	8.600	16/12/05	01/01/10-31/12/11

Note:
During the period, no options were granted, exercised or cancelled.

Save as disclosed above, at no time during the period, the directors and chief executives (including their spouse and children under the age of 18) had any interest in, or had been granted, or exercised, any rights to subscribe for shares of the Company or its associated corporations required to be disclosed pursuant to the SFO.

Interests and Short Positions of Substantial Shareholders

As at 30 June 2006, other than the interests of the directors or the chief executives of the Company as disclosed above, the following persons had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO:

(A) Long positions in shares of the Company

Name	Capacity	Number of Shares	Approximate percentage of issued share capital (%)
Li & Fung (Distribution) Limited	Beneficial owner	157,960,917	51.12
Li & Fung (Gemini) Limited	Interest of controlled corporation	157,960,917	51.12
Li & Fung (1937) Limited	Interest of controlled corporation	157,960,917	51.12
King Lun Holdings Limited	Interest of controlled corporation	157,960,917	51.12
J.P. Morgan Trust Company (Jersey) Limited	Interest of controlled corporation	157,960,917	51.12
Matthews International Capital Management, LLC	Investment Manager	22,065,000	7.14
Brookside Capital Investors, L.P.	Interest of controlled corporation	15,473,000	5.01

(B) Short positions in shares and underlying shares of the Company

As at 30 June 2006, the Company had not been notified of any short positions being held by any substantial shareholder in the shares or underlying shares of the Company.

Other Information

Purchase, Sale or Redemption of the Company's Listed Shares

The Company has not redeemed any of its listed shares during the period. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's listed shares during the period.

Interim Dividend

The Board of Directors has declared an interim dividend of HK7.00 cents (equivalent to US0.90 cent) (2005: HK6.00 cents (equivalent to US0.77 cent)) in cash per share for the six months ended 30 June 2006, which will be payable to shareholders whose names appear on the Register of Members of the Company on 8 September 2006.

Closure of Register of Members

The Register of Members will be closed from 5 September 2006 to 8 September 2006, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the interim dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Abacus Share Registrars Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:00 p.m. on 4 September 2006. Dividend warrants will be despatched to shareholders on or about 22 September 2006.

Condensed Consolidated Balance Sheet

	Note	Unaudited 30 June 2006 US$'000	Audited 31 December 2005 US$'000
ASSETS			
Non-current assets			
Intangible assets	5	**6,525**	6,852
Property, plant and equipment	5	**39,298**	39,351
Lease premium for land		**401**	395
Other non-current assets	6	**5,231**	4,858
Surplus on pension schemes		**518**	546
Deferred tax assets	10	**8,550**	4,546
		60,523	56,548
Current assets			
Inventories		**94,299**	91,074
Trade and other receivables	6	**165,646**	167,503
Taxation recoverable		**1,182**	692
Time deposits		**31,817**	37,039
Bank balances and cash		**24,946**	20,446
		317,890	316,754
Total assets		**378,413**	373,302
EQUITY			
Capital and reserves attributable to the Company's shareholders			
Share capital	7	**30,900**	30,900
Reserves	8	**62,868**	56,364
		93,768	87,264
Minority interests		**5,547**	5,058
Total equity		**99,315**	92,322

Condensed Consolidated Balance Sheet

	Note	Unaudited 30 June 2006 US$'000	Audited 31 December 2005 US$'000
LIABILITIES			
Non-current liabilities			
Unsecured bank loan	9	–	30,174
Obligations under finance leases	9	**14**	42
Deficit on pension schemes		**1,388**	1,244
Post-employment benefit liabilities		**2,339**	1,850
Other non-current payables	11	**3,359**	2,762
Deferred tax liabilities	10	**1,351**	1,123
		8,451	37,195
Current liabilities			
Trade and other payables	11	**219,778**	217,486
Bank loans and other borrowings	9	**46,041**	20,444
Taxation payable		**4,828**	5,855
		270,647	243,785
Total liabilities		**279,098**	280,980
Total equity and liabilities		**378,413**	373,302
Net current assets		**47,243**	72,969
Total assets less current liabilities		**107,766**	129,517

The notes on page 26 to 45 form integral part of this condensed consolidated financial information.

Condensed Consolidated Income Statement

	Note	Unaudited Six months ended 30 June 2006 US$'000	2005 US$'000
Revenue	4	**467,450**	370,273
Cost of sales		**(352,867)**	(267,919)
Gross profit		**114,583**	102,354
Marketing and logistics expenses		**(89,174)**	(80,029)
Administrative expenses		**(16,825)**	(14,377)
Core operating profit	12	**8,584**	7,948
Other gains	13	**–**	963
Operating profit	14	**8,584**	8,911
Finance costs, net	15	**(516)**	(346)
Profit before taxation		**8,068**	8,565
Taxation	16	**1,010**	(630)
Profit for the period		**9,078**	7,935
Profit attributable to:			
Shareholders of the Company		**8,537**	7,375
Minority interests		**541**	560
		9,078	7,935
Interim dividend	17	**2,782**	2,386
Earnings per share for profit attributable to the shareholders of the Company during the period	18		
Basic		**US2.76 cents**	US2.39 cents
Diluted		**US2.69 cents**	US2.39 cents

The notes on page 26 to 45 form integral part of this condensed consolidated financial information.

Condensed Consolidated Statement of Changes in Equity

	Unaudited				
	Attributable to shareholders of the Company				
	Share capital	**Other reserves**	**(Accumulated losses)/ retained earnings**	**Minority interests**	**Total**
	US$'000	US$'000	US$'000	US$'000	US$'000
At 1 January 2005	30,900	82,494	(36,787)	4,371	80,978
Exchange differences	–	(2,233)	–	(98)	(2,331)
Profit for the period	–	–	7,375	560	7,935
Total recognized (expenses)/income for the period	–	(2,233)	7,375	462	5,604
Employee share option benefits	–	227	–	–	227
Dividends paid	–	–	–	(232)	(232)
At 30 June 2005	30,900	80,488	(29,412)	4,601	86,577
At 1 January 2006	**30,900**	**39,248**	**17,116**	**5,058**	**92,322**
Exchange differences	**–**	**3,067**	**–**	**148**	**3,215**
Profit for the period	**–**	**–**	**8,537**	**541**	**9,078**
Total recognized income for the period	**–**	**3,067**	**8,537**	**689**	**12,293**
Employee share option benefits	**–**	**475**	**–**	**–**	**475**
Dividends paid	**–**	**–**	**(5,575)**	**(200)**	**(5,775)**
At 30 June 2006	**30,900**	**42,790**	**20,078**	**5,547**	**99,315**

The notes on page 26 to 45 form integral part of this condensed consolidated financial information.

Condensed Consolidated Cash Flow Statement

		Unaudited Six months ended 30 June	
		2006	2005
	Note	**US$'000**	US$'000
Cash flow from operating activities			
Net cash generated from/(used in) operations	19	**16,495**	(1,576)
Interest paid		**(1,706)**	(1,211)
Net overseas tax paid		**(4,200)**	(1,690)
Net cash generated from/(used in) operating activities		**10,589**	(4,477)
Cash flows from investing activities			
Interest received		**1,190**	865
Net increase in time deposits		**(1,430)**	(125)
Purchase of property, plant and equipment		**(2,734)**	(8,041)
Purchase of intangible assets		**(172)**	(498)
Sale of plant and equipment		**93**	304
Net cash used in investing activities		**(3,053)**	(7,495)
Net cash generated/(used) before financing activities		**7,536**	(11,972)
Cash flows from financing activities			
Dividends paid to minority shareholders of subsidiaries		**(200)**	(232)
Dividends paid	8	**(5,575)**	–
Net (decrease)/increase in bank loans		**(6,005)**	8,930
Capital element of finance lease payments		**(52)**	(54)
Net cash (used in)/generated from financing activities		**(11,832)**	8,644
Decrease in cash and cash equivalents		**(4,296)**	(3,328)
Cash and cash equivalents at beginning of period		**55,985**	50,612
Effect of foreign exchange rate changes		**692**	(491)
Cash and cash equivalents at the end of period		**52,381**	46,793
Analysis of balances of cash and cash equivalents:			
Bank balances and cash		**24,946**	18,210
Deposits with maturity less than three months		**29,093**	29,460
Bank overdrafts		**(1,658)**	(877)
		52,381	46,793

The notes on page 26 to 45 form integral part of this condensed consolidated financial information.

Notes to Condensed Consolidated Financial Information

1 GENERAL INFORMATION

Integrated Distribution Services Group Limited (the "Company") and its subsidiaries (together the "Group") are principally engaged in the provision of logistics services, the marketing and distribution of consumer and healthcare products and manufacturing. The Group operates mainly in geographical areas of Hong Kong, Taiwan, Thailand, Malaysia, Singapore, the Philippines, Indonesia, Mainland China ("PRC") and Brunei.

The Company is a limited liability company incorporated in Bermuda on 25 September 2003. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.

The Company has its primary listing on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The condensed consolidated financial information was approved for issue by the Board of Directors on 16 August 2006.

2 BASIS OF PREPARATION

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 2005 annual financial statements.

This interim financial information has been prepared in accordance with those HKAS and Hong Kong Financial Reporting Standards ("HKFRS") and interpretations issued and effective as at the time of preparing this interim financial information.

3 ACCOUNTING POLICIES

The accounting policies and methods of computation used in the preparation of this condensed consolidated financial information are consistent with those used in the annual financial statements for the year ended 31 December 2005.

The following new standards, amendments to standards and interpretations are mandatory for financial year ending 31 December 2006. Management has considered and concluded that there is either no significant financial impact or relevance to the Group:

HKAS 21 (Amendment)	Net Investment in a Foreign Operation
HKAS 39 (Amendment)	The Fair Value Option
HKAS 39 (Amendment)	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
HKAS 39 and HKFRS 4 (Amendments)	Financial Guarantee Contracts
HKFRS 6	Exploration for and Evaluation of Mineral Resources
HKFRS-Int 4	Determining whether an Arrangement contains a Lease
HKFRS-Int 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
HK(IFRIC)-Int 6	Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment

The Group had early adopted Amendment to HKAS 19, Employee Benefits – Actuarial Gains and Losses, Group Plans and Disclosures in financial year ended 31 December 2005.

The following new standards, amendments to standards and interpretations have been issued but are not effective for 2006. Management is currently assessing the impact on the Group's operations.

HKAS 1 (Amendment)	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC)-Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies
HK(IFRIC)-Int 8	Scope of HKFRS 2
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives

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	
	2006	2005
	US$'000	US$'000
Total invoiced amounts	**515,564**	413,046
Less: Collections on behalf of principals (see below)	**(48,114)**	(42,773)
Revenue	**467,450**	370,273

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

The Group is organized on a worldwide basis into the following business segments:

Logistics
Marketing
Manufacturing

4 REVENUE AND SEGMENT INFORMATION (cont'd)

Secondary reporting format – geographical segments

The Group operates in the following geographical areas:

Hong Kong	–	Marketing and Logistics
Taiwan	–	Logistics
Thailand	–	Marketing, Logistics and Manufacturing
Malaysia	–	Marketing, Logistics and Manufacturing
Singapore	–	Marketing and Logistics
the Philippines	–	Marketing and Logistics
Indonesia	–	Marketing and Manufacturing
Mainland China ("PRC")	–	Marketing and Logistics
Brunei	–	Marketing

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 2006	Unaudited					
	Logistics US$'000	Marketing US$'000	Manufacturing US$'000	Corporate US$'000	Inter-segment elimination US$'000	Group total US$'000
Sales of goods	–	335,546	67,405	–	(109)	402,842
Rendering of services	65,484	3,645	2,047	–	(6,568)	64,608
Revenue	65,484	339,191	69,452	–	(6,677)	467,450
Core operating profit	5,880	5,896	2,145	(5,337)		8,584
Other gains	–	–	–	–		–
Segment results	5,880	5,896	2,145	(5,337)		8,584
Finance costs, net						(516)
Profit before taxation						8,068
Taxation						1,010
Profit for the period						9,078
Depreciation and amortization	1,955	1,207	691	598		4,451
Capital expenditure	1,132	844	803	127		2,906

4 REVENUE AND SEGMENT INFORMATION (cont'd)

Primary reporting format – business segments (cont'd)

	Unaudited					
Six months ended 30 June 2005	**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
Core operating profit	5,094	5,639	1,275	(4,060)		7,948
Other gains	–	423	–	540		963
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	2,071	933	582	504		4,090
Capital expenditure	4,305	1,370	2,455	409		8,539

4 REVENUE AND SEGMENT INFORMATION (cont'd)

Primary reporting format – business segments (cont'd)

An analysis of the Group's segment assets and liabilities at period/year end is as follows:

30 June 2006	Unaudited				
	Logistics US$'000	**Marketing US$'000**	**Manufacturing US$'000**	**Corporate US$'000**	**Group total US$'000**
Total assets	**60,916**	**222,223**	**45,228**	**50,046**	**378,413**
Total liabilities	**45,832**	**165,669**	**28,054**	**39,543**	**279,098**

31 December 2005	Audited				
	Logistics US$'000	**Marketing** US$'000	**Manufacturing** US$'000	**Corporate** US$'000	**Group total** US$'000
Total assets	71,309	209,834	46,431	45,728	373,302
Total liabilities	54,779	155,911	28,274	42,016	280,980

Secondary reporting format – geographical segments

	Unaudited			
	Revenue Six months ended 30 June		**Capital expenditure Six months ended 30 June**	
	2006 US$'000	2005 US$'000	**2006 US$'000**	2005 US$'000
Hong Kong	**106,961**	116,664	**351**	572
Taiwan	**9,300**	8,807	**77**	186
Thailand	**67,041**	57,981	**750**	3,663
Malaysia	**65,512**	62,231	**379**	2,189
Singapore	**32,214**	26,415	**135**	375
the Philippines	**96,055**	44,322	**294**	873
Indonesia	**3,990**	3,875	**140**	146
PRC	**72,819**	44,006	**683**	535
Brunei	**15,618**	8,684	**97**	–
	469,510	372,985	**2,906**	8,539
Less: Inter-segment elimination	**(2,060)**	(2,712)	**–**	–
Total	**467,450**	370,273	**2,906**	8,539

4 REVENUE AND SEGMENT INFORMATION (cont'd)

Secondary reporting format – geographical segments (cont'd)

	Total Assets	
	Unaudited 30 June 2006 US$'000	Audited 31 December 2005 US$'000
Hong Kong	**97,367**	103,466
Taiwan	**19,441**	28,696
Thailand	**60,493**	54,704
Malaysia	**52,846**	52,724
Singapore	**25,089**	30,302
the Philippines	**28,480**	26,799
Indonesia	**7,545**	7,439
PRC	**75,706**	60,105
Brunei	**11,446**	9,067
	378,413	373,302

5 CAPITAL EXPENDITURE

	Unaudited			
	Software costs US$'000	**Trademarks US$'000**	**Total intangible assets US$'000**	**Property, plant and equipment US$'000**
Net book value at 1 January 2006	**5,808**	**1,044**	**6,852**	**39,351**
Additions	**172**	**–**	**172**	**2,734**
Disposals	**–**	**–**	**–**	**(82)**
Amortization/depreciation charge	**(609)**	**–**	**(609)**	**(3,835)**
Exchange difference	**110**	**–**	**110**	**1,130**
Net book value at 30 June 2006	**5,481**	**1,044**	**6,525**	**39,298**

Software costs include internally generated capitalized software development costs.

6 TRADE AND OTHER RECEIVABLES

	Unaudited 30 June 2006 US$'000	Audited 31 December 2005 US$'000
Trade receivables	**133,577**	134,792
Less: provision for impairment of receivables	**(1,615)**	(1,498)
Trade receivables, net *(note (a))*	**131,962**	133,294
Other receivables, prepayments, and deposits	**37,490**	37,768
Due from related companies *(note (b) and note 22)*	**1,425**	1,299
	170,877	172,361
Less: non-current portion: prepayments and deposits	**(5,231)**	(4,858)
	165,646	167,503

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 2006 US$'000	*Audited 31 December 2005 US$'000*
Less than 90 days	***120,119***	*124,552*
91-180 days	***8,504***	*6,165*
181-360 days	***2,380***	*1,788*
Over 360 days	***959***	*789*
	131,962	*133,294*

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 an expense of US$82,000 (2005: US$295,000) for the impairment of its trade receivables during the six months ended 30 June 2006. This has been included in marketing and logistics expenses in the condensed consolidated income statement.

(b) The amounts due from related companies were aged less than 90 days and the credit terms granted to related companies were no more favorable than those granted to other third party customers.

7 SHARE CAPITAL AND OPTIONS

	Ordinary Shares	
	No. of shares	US$'000
Authorized:		
At 31 December 2005 and 30 June 2006, ordinary shares of US$0.1 each	1,000,000,000	100,000
Issued and fully paid:		
At 31 December 2005 and 30 June 2006, ordinary shares of US$0.1 each	309,000,000	30,900

Share options

Details of the share option scheme are set out in the 2005 annual financial statements. Movements in the number of share options outstanding and the exercise prices are as follows:

	30 June 2006		31 December 2005	
	Average exercise price HK$ per share	**Share options**	Average Exercise price HK$ per share	Share options
At 1 January	**5.887**	**17,770,500**	4.825	13,500,000
Granted	**–**	**–**	8.600	4,999,500
Lapsed *(note)*	**8.600**	**(150,000)**	–	–
Lapsed *(note)*	**4.825**	**(252,000)**	4.825	(729,000)
At 30 June/31 December	**5.879**	**17,368,500**	5.887	17,770,500

Note:
Share options lapsed following the cessation of employment of certain grantees.

None of the outstanding options were exercisable at 30 June 2006. No shares have been allotted and issued under the Share Option Scheme subsequent to 30 June 2006.

7 SHARE CAPITAL AND OPTIONS (cont'd)

Share options (cont'd)

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

		Share options	
	Exercise price	**30 June**	31 December
Expiry date	**HK$ per share**	**2006**	2005
31 December 2008	4.825	**4,173,000**	4,257,000
31 December 2009	4.825	**4,173,000**	4,257,000
31 December 2010	4.825	**4,173,000**	4,257,000
31 December 2009	8.600	**1,616,500**	1,666,500
31 December 2010	8.600	**1,616,500**	1,666,500
31 December 2011	8.600	**1,616,500**	1,666,500
		17,368,500	17,770,500

The fair value of options granted during the years ended 31 December 2005 and 2004 was determined using the Black-Scholes valuation model based on the following assumptions:

Date of grant	**16 December 2005**	**14 December 2004**
Share price at date of grant	HK$8.60	HK$4.825
Exercise price	HK$8.60	HK$4.825
Share volatility	34%	30%
Average annual risk-free interest rate	4.11%	2.22%
Expected life of options	4 to 6 years	4 to 6 years
Expected dividend yield	3%	3%

8 RESERVES

	Unaudited					
	Share premium US$'000	Employee share-based compensation reserve US$'000	Merger reserve US$'000	Exchange reserve US$'000	(Accumulated losses)/ retained earnings US$'000	Total US$'000
At 1 January 2005	21,019	–	59,450	2,025	(36,787)	45,707
Exchange differences	–	–	–	(2,233)	–	(2,233)
Profit for the period	–	–	–	–	7,375	7,375
Employee share option benefits	–	227	–	–	–	227
At 30 June 2005	21,019	227	59,450	(208)	(29,412)	51,076
Exchange differences	–	–	–	1,450	–	1,450
Transfer to accumulated losses/retained earnings	–	–	(43,000)	–	43,000	–
Actuarial losses from post employment benefits recognized in reserve:						
– gross	–	–	–	–	(230)	(230)
– tax	–	–	–	–	186	186
Profit for the period	–	–	–	–	5,958	5,958
Dividends	–	–	–	–	(2,386)	(2,386)
Employee share option benefits	–	310	–	–	–	310
At 31 December 2005	21,019	537	16,450	1,242	17,116	56,364
Exchange differences	–	–	–	**3,067**	–	**3,067**
Profit for the period	–	–	–	–	**8,537**	**8,537**
Dividends	–	–	–	–	**(5,575)**	**(5,575)**
Employee share option benefits	–	**475**	–	–	–	**475**
At 30 June 2006	**21,019**	**1,012**	**16,450**	**4,309**	**20,078**	**62,868**

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 2006 US$'000	Audited 31 December 2005 US$'000
On demand and within one year		
Unsecured bank overdrafts	**1,658**	206
Unsecured bank loans	**44,295**	20,126
Obligations under finance leases	**88**	112
	46,041	20,444
In the second to fifth year		
Unsecured bank loan	**–**	30,174
In the second to fifth year, by instalments		
Obligations under finance leases	**14**	42
	46,055	50,660

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 2006 US$'000	Audited 31 December 2005 US$'000
Trade payables *(note (a))*	**166,332**	161,513
Other payables and accruals	**53,745**	55,551
Obligations on pension – defined contribution plans	**522**	709
Due to related companies *(note (b) and note 22)*	**2,538**	2,475
	223,137	220,248
Less: non-current portion of other payables	**(3,359)**	(2,762)
	219,778	217,486

Notes:

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

	Unaudited 30 June 2006 US$'000	*Audited 31 December 2005 US$'000*
Less than 90 days	***149,631***	*144,531*
91-180 days	***13,284***	*13,721*
181-360 days	***2,089***	*2,260*
Over 360 days	***1,328***	*1,001*
	166,332	*161,513*

(b) The amounts due to related companies were aged less than 90 days and the credit terms granted by related companies were no more favorable than those granted from other third party suppliers.

12 CORE OPERATING PROFIT

Core operating profit is the recurring profit generated from the Group's business which comprises profit before interest income, finance costs and tax, and excludes material gain or loss which are of capital nature or non-recurring nature (such as gain or loss on disposal or impairment provision of property, plant and equipment or other assets).

13 OTHER GAINS

	Unaudited Six months ended 30 June	
	2006	2005
	US$'000	US$'000
Realized exchange gain upon settlement of long term intra-group loan	–	540
Service fee income	–	423
Other gains	–	963

14 OPERATING PROFIT

Operating profit is stated after charging/(crediting) the following:

	Unaudited Six months ended 30 June	
	2006	2005
	US$'000	US$'000
Depreciation of		
Owned property, plant and equipment	**3,798**	3,642
Leased property, plant and equipment	**37**	63
Amortization of intangible assets	**609**	378
Amortization of prepaid operating lease payments	**7**	7
Provision for impairment losses on trade receivables	**82**	295
Provision for obsolete inventories	**781**	471
Gain on disposal of plant and equipment	**(11)**	(151)
Costs of inventories sold	**345,974**	260,561
Exchange (gain)/loss	**(58)**	15

15 FINANCE COSTS, NET

	Unaudited Six months ended 30 June	
	2006	2005
	US$'000	US$'000
Interest expense on bank loans and overdrafts	**(1,702)**	(1,206)
Interest expense on finance leases	**(4)**	(5)
	(1,706)	(1,211)
Interest income from bank deposits	**1,190**	865
Finance costs, net	**(516)**	(346)

The Group operates cash pooling arrangements in several economies to optimize the net finance cost 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.

16 TAXATION

Hong Kong profits tax has not been provided as the Group's assessable profits in Hong Kong for the six months ended 2006 and 2005 have been offset against tax losses from prior years. Taxation on overseas profits has been calculated on the estimated assessable profits for the period at the rates of taxation prevailing in the countries in which the Group operates.

Deferred taxation for the six months ended 2006 relates mainly to recognition of previously unrecognized tax losses for a Hong Kong entity.

The amount of taxation (credited)/charged to the condensed consolidated income statement for the period represents:

	Unaudited Six months ended 30 June	
	2006	2005
	US$'000	US$'000
Current taxation:		
– Overseas taxation	**2,683**	2,791
Deferred taxation	**(3,693)**	(2,161)
Taxation (credit)/charge	**(1,010)**	630

17 INTERIM DIVIDEND

	Unaudited Six months ended 30 June	
	2006	2005
	US$'000	US$'000
Interim dividend – proposed after balance sheet date of HK7.00 cents (equivalent to US0.90 cent) (2005: HK6.00 cents (equivalent to US0.77 cent)) per share *(note)*	**2,782**	2,386

Note:
At a meeting held on 16 August 2006 the directors declared an interim dividend of HK7.00 cents (equivalent to US0.90 cent) per share. This proposed dividend is not reflected as a dividend payable in this condensed consolidated financial information, but will be reflected as an appropriation of reserve for the year ending 31 December 2006.

18 EARNINGS PER SHARE

Basic

Basic earnings per share is calculated by dividing the profit attributable to shareholders of the Company by the weighted average number of ordinary shares in issue during the period.

	Unaudited Six months ended 30 June	
	2006	2005
Profit attributable to shareholders of the Company (US$'000)	**8,537**	7,375
Weighted average number of ordinary shares in issue (thousands)	**309,000**	309,000
Basic earnings per share (US cents per share)	**2.76**	2.39

Diluted

Diluted earnings per share is based on the weighted average number of 309,000,000 (2005: 309,000,000) shares in issue during the period plus weighted average number of 7,982,000 (2005: Nil) shares deemed to have been issued at no consideration if all outstanding options had been exercised.

	Unaudited Six months ended 30 June	
	2006	2005
Profit attributable to shareholders of the Company (US$'000)	**8,537**	7,375
Weighted average number of ordinary shares in issue (thousands)	**309,000**	309,000
Adjustments for share options (thousands)	**7,982**	–
Weighted average number of ordinary shares for diluted earnings per share (thousands)	**316,982**	309,000
Diluted earnings per share (US cents per share)	**2.69**	2.39

19 NOTES TO THE CONDENSED CONSOLIDATED CASH FLOW STATEMENTS

Cash generated from operations:

	Unaudited Six months ended 30 June	
	2006	2005
	US$'000	US$'000
Operating profit	**8,584**	8,911
Amortization of intangible assets	**609**	378
Depreciation charge	**3,835**	3,705
Amortization of prepaid operating lease payments	**7**	7
Gain on disposal of property, plant and equipment	**(11)**	(151)
Share option expenses	**475**	227
Operating profit before working capital changes	**13,499**	13,077
Increase in inventories	**(1,340)**	(3,280)
Decrease/(increase) in trade and other receivables and surplus on pension schemes	**5,789**	(18,398)
(Decrease)/increase in trade and other payables, deficit on pension schemes and post employment benefit liabilities	**(1,453)**	7,143
Opening adjustment for HKAS 39	**–**	(118)
Net cash generated from/(used in) operations	**16,495**	(1,576)

20 CONTINGENT LIABILITIES

Bank guarantees

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

	Unaudited 30 June 2006 US$'000	Audited 31 December 2005 US$'000
As security in favor of local tax and customs authorities in accordance with local regulations	**9,496**	9,032
For purchase of goods in favor of suppliers	**9,009**	9,145
Performance bonds and others	**643**	566
For rental payment in favor of the landlords	**5,006**	4,665
	24,154	23,408

21 COMMITMENTS

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

	Unaudited 30 June 2006 US$'000	Audited 31 December 2005 US$'000
Property, plant and equipment	**1,381**	150

(b) Commitments under operating leases

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

	Buildings		**Others**	
	Unaudited 30 June 2006 US$'000	Audited 31 December 2005 US$'000	**Unaudited 30 June 2006 US$'000**	Audited 31 December 2005 US$'000
Not later than one year	**17,559**	16,650	**568**	516
Later than one year and not later than five years	**55,739**	49,575	**638**	451
Later than five years	**74,013**	76,246	**–**	–
	147,311	142,471	**1,206**	967

22 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 significant transactions carried out with the related parties were:

		Unaudited Six months ended 30 June	
		2006	2005
	Note	**US$'000**	US$'000
Transactions with fellow subsidiaries			
Credit to income statement:			
– Sale of goods and materials	(a)	**516**	338
– Revenue from rendering of logistic service including cost reimbursement	(a)	**1,199**	2,453
– Service fee income	(b)	**–**	423
– Rental recharge	(c)	**544**	675
Charge to income statement:			
– Purchase of goods and materials	(a)	**–**	985
– Rental expense	(c)	**1,321**	1,673
Transfer-in of property, plant and equipment	(d)	**–**	273

Note:

(a) Sales/purchase of goods and revenue from rendering of logistic service were conducted in the normal course of business at prices and terms no less than those charged to/by 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) Property, plant and equipment were transferred at a value with reference to independent valuer.

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

22 SIGNIFICANT RELATED PARTY TRANSACTIONS (cont'd)

Directors' compensation

	Unaudited Six months ended 30 June	
	2006	2005
	US$'000	US$'000
Salaries and other short-term employee benefits	**1,462**	1,211
Share-based payments	**196**	79
Post-employment benefits	**2**	2
	1,660	1,292

Period-end balances with related parties

		Unaudited	Audited
		30 June	31 December
		2006	2005
	Note	**US$'000**	US$'000
Due from related companies			
– fellow subsidiaries	(a)	**1,425**	1,299
Due to related companies			
– fellow subsidiaries	(b)	**2,538**	2,475

Note:

(a) 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.

(b) 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.

23 SUBSEQUENT EVENTS

On 3 August 2006, the Group entered into three sale and purchase agreements to acquire the entire issued share capital of a logistics company and two properties in Malaysia for an aggregate cash consideration of approximately US$25.75 million. Details of the acquisition are set out in the announcement of the Company dated 3 August 2006.

Information for Investors

Listing Information

Listing: Hong Kong Stock Exchange
Stock code: 2387

Key Dates

16 August 2006
Announcement of 2006 Interim Results

5 September 2006 to 8 September 2006 (both days inclusive)
Closure of Register of Members

On or about 22 September 2006
Payment of 2006 Interim Dividend

Share Registrar & Transfer Offices

Principal:
Butterfield Fund Services (Bermuda) Limited
Rosebank Centre
11 Bermudiana Road
Pembroke HM 08
Bermuda

Hong Kong Branch:
Abacus Share Registrars Limited
26th Floor, Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

Share Information

Board lot size: 1,000 shares

Shares outstanding as at 30 June 2006:
309,000,000 shares

Market Capitalization as at 30 June 2006:
HK$4,279,650,000

Earnings per share (equivalent to) for 2006
Interim: HK21.40 cents

Dividend per share for 2006
Interim: HK7.00 cents

Enquiries Contact

Mr. Stewart Kwok
Corporate Affairs Manager

Telephone:	(852) 2686 3317
Fax:	(852) 2686 3320
Email:	stewart.kwok@idsgroup.com

Integrated Distribution Services Group Limited
15th Floor, LiFung Centre
2 On Ping Street
Siu Lek Yuen, Shatin, N.T.
Hong Kong

Website

www.idsgroup.com
www.irasia.com/listco/hk/ids

利豐集團成員