INTEGRATED DISTRIBUTION SERVICES GROUP LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 2387)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2008

HIGHLIGHTS

	Six months ended 30 June		
	2008	2007	Change
	US$ million	US$ million	%
Revenue	**816.43**	583.15	40.0%
Core operating profit before Slumberland	**10.20**	8.67	17.6%
Core operating profit	**10.20**	10.68	-4.5%
Operating profit	**24.31**	22.86	6.4%
Profit attributable to shareholders	**19.39**	16.49	17.6%
Earnings per share	**6.16 US cents**	5.32 US cents	15.8%
Earnings per share (equivalent to)	**48.01 HK cents**	41.57 HK cents	
Interim dividend per share	**14 HK cents**	12 HK cents	16.7%

- Despite a challenging business environment, profit attributable to shareholders recorded strong growth of 17.6% to US$19.39 million in 1H 2008 compared to US$16.49 million in 1H 2007.
- Core operating profit on a like-to-like basis excluding the Slumberland Asia Pacific business (which is being divested) increased by 17.6% to US$10.20 million. This was mainly driven by strong organic growth of 37.4% in our Asian operations.
- US & UK impacted by soft retail sentiment and the slow first half seasonality sales. Both markets are well positioned for strong rebound in 2H. Potential for substantial savings through facility infrastructure consolidation in USA & UK.
- Two successful acquisitions concluded during the period, including a US West Coast-based third party logistics provider as well as a pharmaceuticals manufacturer and distributor in Hong Kong, to strengthen the Group's business scale and service offerings.
- Despite weak consumer sentiment, high inflation and the downbeat global economy, the Group remain confident with the long-term growth potential and fully intends to deliver on our Strategic Plan 2008-2010 goal of doubling net profit vs. 2007.

The board of directors (the "Board") of Integrated Distribution Services Group Limited (the "Company") is pleased to announce the unaudited interim results of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 June 2008 together with the comparative figures for the corresponding period as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

		Unaudited	
		Six months ended 30 June	
		2008	2007
	Note	**US$'000**	US$'000
Revenue	2	**816,427**	583,149
Cost of sales		**(587,213)**	(418,464)
Gross profit		**229,214**	164,685
Distribution and logistics expenses		**(190,102)**	(131,399)
Administrative expenses		**(28,914)**	(22,605)
Core operating profit		**10,198**	10,681
Other gains	3	**14,115**	12,178
Operating profit	4	**24,313**	22,859
Finance costs, net	5	**(3,394)**	(1,819)
Share of profits less losses of associated companies		**1,116**	85
Profit before taxation		**22,035**	21,125
Taxation	6	**(2,171)**	(3,787)
Profit for the period		**19,864**	17,338
Profit attributable to:			
Shareholders of the Company		**19,389**	16,486
Minority interest		**475**	852
		19,864	17,338
Interim dividend	7	**5,691**	4,801
Earnings per share for profit attributable to the shareholders of the Company during the period	8		
Basic		**6.16 US cents**	5.32 US cents
Diluted		**6.01 US cents**	5.12 US cents

CONDENSED CONSOLIDATED BALANCE SHEET

	Note	**Unaudited 30 June 2008 US$'000**	Audited 31 December 2007 US$'000
ASSETS			
Non-current assets			
Intangible assets		**82,973**	66,519
Property, plant and equipment		**104,836**	96,089
Lease premium for land		**3,056**	3,077
Associated companies		**6,463**	9,155
Other non-current assets		**10,053**	9,371
Assets under defined benefit plans		**996**	945
Deferred tax assets		**12,694**	11,146
		221,071	196,302
Current assets			
Inventories		**166,279**	163,869
Trade and other receivables	9	**271,593**	258,201
Taxation recoverable		**813**	679
Time deposits		**25,192**	33,816
Bank balances and cash		**61,492**	55,656
		525,369	512,221
Total assets		**746,440**	708,523
EQUITY			
Capital and reserves attributable to the Company's shareholders			
Share capital		**31,710**	31,288
Reserves	11	**111,210**	102,769
		142,920	134,057
Minority interest		**7,451**	6,523
Total equity		**150,371**	140,580

CONDENSED CONSOLIDATED BALANCE SHEET (continued)

	Note	**Unaudited 30 June 2008 US$'000**	Audited 31 December 2007 US$'000
LIABILITIES			
Non-current liabilities			
Unsecured bank loans		**99,338**	81,716
Obligations under finance leases		**4,428**	4,546
Liabilities under defined benefit plans		**4,470**	4,191
Other non-current liabilities		**5,550**	13,535
Deferred tax liabilities		**2,743**	2,838
		116,529	106,826
Current liabilities			
Trade and other payables	10	**403,998**	391,942
Bank loans and other borrowings		**69,321**	61,487
Taxation payable		**6,221**	7,688
		479,540	461,117
Total liabilities		**596,069**	567,943
Total equity and liabilities		**746,440**	708,523
Net current assets		**45,829**	51,104
Total assets less current liabilities		**266,900**	247,406
Net assets value per share		**47.42 US cents**	44.93 US cents

Notes:

1. Basis of preparation and accounting policies

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 2007 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.

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 2007.

The following new standards, amendments to standards and interpretations, which are relevant to the Group, are mandatory for financial year ending 31 December 2008. Management has considered and concluded that there is no significant financial impact to the Group:

HK(IFRIC)-Int 11	HKFRS 2 – Group and Treasury Share Transactions
HK(IFRIC)-Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The following new standards, amendments to standards and interpretations, which are relevant to the Group, have been issued but are not effective for 2008 and have not been early adopted by the Group. Management is currently assessing the impact on the Group's operations.

HKAS 1 (Revised)	Presentation of Financial Statements
HKAS 23 (Revised)	Borrowing Costs
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKAS 28 (Amendments)	Investments in Associates
HKAS 32 and HKAS 1 (Amendments)	Financial Instruments: Presentation and Presentation of Financial Statements
HKFRS 2 (Amendments)	Share-based Payment
HKFRS 3 (Revised)	Business Combinations
HKFRS 8	Operating Segments

2 Segment information

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

Primary reporting format - business segments

	Unaudited					
Six months ended 30 June 2008	**Logistics US$'000**	**Distribution US$'000**	**Manufacturing US$'000**	**Unallocated (note) US$'000**	**Inter-segment elimination US$'000**	**Group total US$'000**
Sales of goods	**-**	**534,355**	**74,058**	**-**	**(191)**	**608,222**
Rendering of services	**185,106**	**6,289**	**23,137**	**-**	**(6,327)**	**208,205**
Revenue	**185,106**	**540,644**	**97,195**	**-**	**(6,518)**	**816,427**
Gross profit	**163,599**	**66,372**	**4,320**	**-**	**(5,077)**	**229,214**
Distribution, logistics and administrative expenses	**(159,024)**	**(56,306)**	**(2,015)**	**(6,748)**	**5,077**	**(219,016)**
Core operating profit	**4,575**	**10,066**	**2,305**	**(6,748)**	**-**	**10,198**
Other gains	**-**	**-**	**-**	**14,115**		**14,115**
Segment results	**4,575**	**10,066**	**2,305**	**7,367**		**24,313**
Finance costs, net						**(3,394)**
Share of profits less losses of associated companies						**1,116**
Profit before taxation						**22,035**
Taxation						**(2,171)**
Profit for the period						**19,864**
Depreciation and amortization	**5,441**	**1,705**	**1,419**	**1,423**		**9,988**
Capital expenditure	**10,350**	**575**	**5,883**	**2,191**		**18,999**
Capital expenditure arising from acquisition of subsidiaries	**8,863**	**9,866**	**-**	**-**		**18,729**

Note: Unallocated mainly includes corporate costs, common information technology costs and land and buildings which cannot be meaningfully allocated to the business segments.

2 Segment information (continued)

Primary reporting format - business segments (continued)

Six months ended 30 June 2007	Logistics US$'000	Distribution US$'000	Manufacturing US$'000	Unallocated (note) US$'000	Inter-segment elimination US$'000	Group total US$'000
	Unaudited					
Sales of goods	-	413,360	54,363	-	(156)	467,567
Rendering of services	107,785	4,464	9,919	-	(6,586)	115,582
Revenue	107,785	417,824	64,282	-	(6,742)	583,149
Gross profit	103,635	63,262	3,376	-	(5,588)	164,685
Distribution, logistics and administrative expenses	(96,479)	(55,099)	(1,660)	(6,354)	5,588	(154,004)
Core operating profit	7,156	8,163	1,716	(6,354)	-	10,681
Other gains	-	-	-	12,178		12,178
Segment results	7,156	8,163	1,716	5,824		22,859
Finance costs, net						(1,819)
Share of profits less losses of associated companies						85
Profit before taxation						21,125
Taxation						(3,787)
Profit for the period						17,338
Depreciation and amortization	2,989	1,352	1,377	973		6,691
Capital expenditure	3,034	880	2,479	319		6,712
Capital expenditure arising from acquisition of a subsidiary	-	4,330	-	-		4,330

Note: Unallocated mainly includes corporate costs, common information technology costs and land and buildings which cannot be meaningfully allocated to the business segments.

2 Segment information (continued)

Primary reporting format - business segments (continued)

			Unaudited		
At 30 June 2008	**Logistics US$'000**	**Distribution US$'000**	**Manufacturing US$'000**	**Unallocated (note) US$'000**	**Group total US$'000**
Segment assets	**214,181**	**372,450**	**71,239**	**82,107**	**739,977**
Associated companies	**-**	**6,463**	**-**	**-**	**6,463**
Total assets	**214,181**	**378,913**	**71,239**	**82,107**	**746,440**
Total liabilities	**195,758**	**304,724**	**45,069**	**50,518**	**596,069**

			Audited		
At 31 December 2007	Logistics US$'000	Distribution US$'000	Manufacturing US$'000	Unallocated (note) US$'000	Group total US$'000
Segment assets	209,267	338,271	62,864	88,966	699,368
Associated companies	-	9,155	-	-	9,155
Total assets	209,267	347,426	62,864	88,966	708,523
Total liabilities	193,436	270,192	45,582	58,733	567,943

Note: Unallocated mainly includes corporate costs, common information technology costs and land and buildings which cannot be meaningfully allocated to the business segments.

2 Segment information (continued)

Secondary reporting format - geographical segments

	Revenue		Unaudited Segment results		Capital expenditure	
	Six months ended 30 June		Six months ended 30 June		Six months ended 30 June	
	2008	2007	**2008**	2007	**2008**	2007
	US$'000	US$'000	**US$'000**	US$'000	**US$'000**	US$'000
Greater China	**307,913**	230,066	**9,087**	8,091	**14,834**	1,465
Asean	**434,122**	331,395	**11,194**	8,679	**7,158**	7,897
US and UK	**76,123**	23,008	**(3,335)**	265	**13,545**	1,361
Unallocated (note)	**-**	-	**(6,748)**	(6,354)	**2,191**	319
	818,158	584,469	**10,198**	10,681	**37,728**	11,042
Less: Inter-segment elimination	**(1,731)**	(1,320)				
	816,427	583,149				
Other gains			**14,115**	12,178		
Operating profit			**24,313**	22,859		

	Segment Assets	
	Unaudited	Audited
	30 June 2008	31 December 2007
	US$'000	US$'000
Greater China	**264,201**	232,873
Asean	**275,590**	281,155
US and UK	**124,542**	105,529
Unallocated (note)	**82,107**	88,966
	746,440	708,523

Note: Unallocated mainly includes corporate costs, common information technology costs and land and buildings which cannot be meaningfully allocated to the geographical segments.

3 Other gains

	Unaudited Six months ended 30 June	
	2008	2007
	US$'000	US$'000
Gain on partial disposal of an associated company	**14,038**	-
Gain on disposal of a subsidiary	**-**	11,286
Gain on acquisition of additional interest in a subsidiary	**77**	892
Other gains	**14,115**	12,178

4 Operating profit

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

	Unaudited Six months ended 30 June	
	2008	2007
	US$'000	US$'000
Depreciation of		
Owned property, plant and equipment	**7,746**	5,632
Leased property, plant and equipment	**388**	27
Amortization of intangible assets	**1,794**	996
Amortization of prepaid operating lease payment	**60**	36
Provision for impairment losses on trade receivables	**420**	144
Provision/(Reversal of provision) for obsolete inventories	**56**	(249)
Gain on disposal of plant and equipment	**(64)**	(24)
Costs of inventories sold	**564,501**	413,638
Exchange gain	**(1,244)**	(313)

5 Finance costs, net

	Unaudited Six months ended 30 June	
	2008	2007
	US$'000	US$'000
Interest expense on bank loans and overdrafts	**3,576**	2,359
Interest expense of finance leases	**199**	7
Imputed interest on non-current payables	**372**	575
	4,147	2,941
Interest income from bank deposits	**(753)**	(1,122)
Finance costs, net	**3,394**	1,819

6 Taxation

Hong Kong profits tax has been provided for at the rate of 16.5% (2007: 17.5%) on the estimated assessable profits for the period. 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.

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

	Unaudited Six months ended 30 June	
	2008	2007
	US$'000	US$'000
Current taxation:		
- Hong Kong	**(10)**	39
- Overseas	**3,857**	2,200
	3,847	2,239
Deferred taxation:		
- Deferred tax assets	**(1,104)**	3,033
- Deferred tax liabilities	**(572)**	(1,485)
	(1,676)	1,548
Taxation charge	**2,171**	3,787

7 Interim dividend

	Unaudited Six months ended 30 June	
	2008	2007
	US$'000	US$'000
Interim dividend – declared after balance sheet date of 14 HK cents (equivalent to 1.79 US cents) (2007: 12 HK cents (equivalent to 1.54 US cents)) per share (note)	**5,691**	4,801

Note: At a meeting held on 21 August 2008, the directors declared an interim dividend of 14 HK cents (equivalent to 1.79 US cents) per share. The declared dividend is not reflected as a dividend payable in this condensed financial information, but will be reflected as an appropriation of reserve for the year ending 31 December 2008.

8 Earnings per share

The calculation of the Group's basic and diluted earnings per share is based on the consolidated profit attributable to shareholders of US$19,389,000 (2007: US$16,486,000). The basic earnings per share is based on weighted average number of 314,973,000 (2007: 310,162,000) shares in issue during the period.

Diluted earnings per share is based on the weighted average number of 314,973,000 (2007: 310,162,000) shares in issue during the period plus weighted average number of 7,905,000 (2007: 12,010,000) shares deemed to have been issued at no consideration if all outstanding options had been exercised.

9 Trade receivables

The aging analysis of the Group's trade receivable based on invoice date was as follows:

	Unaudited 30 June 2008 US$'000	Audited 31 December 2007 US$'000
Less than 90 days	**181,142**	190,603
91-180 days	**8,945**	12,211
181-360 days	**1,817**	2,004
Over 360 days	**607**	1,458
	192,511	206,276

The Group normally granted credit terms to its customers ranging from 30 to 90 days. In certain circumstances, longer credit terms are given based on negotiated contract terms.

10 Trade payables

The aging analysis of the Group's trade payable was as follows:

	Unaudited 30 June 2008 US$'000	Audited 31 December 2007 US$'000
Less than 90 days	**262,651**	232,228
91-180 days	**36,618**	56,218
181-360 days	**1,102**	4,017
Over 360 days	**919**	1,237
	301,290	293,700

11 Reserves

	Unaudited					
	Share premium US$'000	Employee share-based compensation reserve US$'000	Merger reserve US$'000	Exchange reserve US$'000	Retained earnings US$'000	Total US$'000
At 1 January 2007	21,019	1,517	16,450	7,546	31,716	78,248
Exchange differences	-	-	-	5,058	-	5,058
Profit for the period	-	-	-	-	16,486	16,486
2006 final dividend paid	-	-	-	-	(11,141)	(11,141)
Employee share option benefits						
- cost of employee services	-	726	-	-	-	726
- proceeds from shares issued	1,502	-	-	-	-	1,502
- transfer to share premium	291	(291)	-	-	-	-
Disposal of a subsidiary	-	-	167	(793)	626	-
At 30 June 2007	22,812	1,952	16,617	11,811	37,687	90,879
Exchange differences	-	-	-	2,706	-	2,706
Actuarial gains from post employment benefits recognized in reserve:						
- gross	-	-	-	-	1,054	1,054
- tax	-	-	-	-	(31)	(31)
Profit for the period	-	-	-	-	11,666	11,666
2007 interim dividend paid	-	-	-	-	(4,820)	(4,820)
Employee share option benefits						
- cost of employee services	-	808	-	-	-	808
- proceeds from shares issued	507	-	-	-	-	507
- transfer to share premium	101	(101)	-	-	-	-
At 31 December 2007	23,420	2,659	16,617	14,517	45,556	102,769

11 Reserves (continued)

	Unaudited					
	Share premium US$'000	Employee share-based compensation reserve US$'000	Merger reserve US$'000	Exchange reserve US$'000	Retained earnings US$'000	Total US$'000
At 1 January 2008	**23,420**	**2,659**	**16,617**	**14,517**	**45,556**	**102,769**
Exchange differences	**-**	**-**	**-**	**(2,845)**	**-**	**(2,845)**
Profit for the period	**-**	**-**	**-**	**-**	**19,389**	**19,389**
2007 final dividend paid	**-**	**-**	**-**	**-**	**(12,197)**	**(12,197)**
Employee share option benefits						
- cost of employee services	**-**	**1,444**	**-**	**-**	**-**	**1,444**
- proceeds from shares issued	**2,650**	**-**	**-**	**-**	**-**	**2,650**
- transfer to share premium	**575**	**(575)**	**-**	**-**	**-**	**-**
At 30 June 2008	**26,645**	**3,528**	**16,617**	**11,672**	**52,748**	**111,210**

BUSINESS REVIEW

Overview

Despite a challenging business environment, the Group continued to deliver steady growth in the first half ("1H") of 2008. For the first six months ended 30 June 2008, the Group's revenue increased 40.0% to US$816.43 million. All three business segments registered strong revenue growth, 71.7% in Logistics, 51.2% in Manufacturing and 29.4% in Distribution. Gross profit increased by 39.2% to US$229.21 million. The Group's gross profit margin for 1H 08 maintained at approximately 28.1% of revenue. Meanwhile, core operating profit recorded a slight decline of 4.5% from US$10.68 million in 1H 2007 to US$10.20 million in 1H 2008, which was due to the impact of the Slumberland business that was included in first five months of 2007 before it became an associated company of the Group in June 2007. Excluding the Slumberland business in 2007, core operating profit in 1H 2008 was actually 17.6% higher than 1H 2007.

During the period under review, IDS reached another agreement with Hilding Anders for the divestment of the remaining 40% interest in Slumberland Asia Pacific ("SAP") over a three-year period, commencing this year. Subsequent to the tranche transacted in June 2008, the Group's share in SAP was reduced to 30%. After including the one-off gain of US$14.04 million from the divestment of 20% interest in SAP, operating profit for 1H 2008 was US$24.31 million, up 6.4% over the same period last year.

Net finance costs increased by US$1.58 million to US$3.39 million, impacted by the financing of the new acquisitions. Taxation charge for the period dropped by 42.7% to US$2.17 million, reflecting an effective tax rate of 9.9% versus 17.9% for the same period last year. As a result, profit attributable to the shareholders reached US$19.39 million, an increase of 17.6% over the period ended 30 June 2007.

IDS also completed the acquisition of a 100% interest in Warehouse Technology, Inc. ("WTI"), a West Coast-based third party logistics provider in the US for a consideration of US$10 million; and a 95% interest in Universal Pharmaceutical Laboratories, Limited ("Universal"), a pharmaceutical company based in Hong Kong for a consideration of approximately US$14.6 million. The WTI acquisition will enable IDS' US operations to establish a stronger relationship with Li & Fung Limited ("L&F"), as WTI is the logistics provider for the Rosetti Handbag division of L&F. It also offers enormous potential for synergy by consolidating the Group's current logistics facilities on the West Coast with those of WTI. The acquisition of Universal can substantially strengthen the Group's healthcare operations in Hong Kong and expand its scope of manufacturing expertise to cover pharmaceutical products.

SEGMENTAL ANALYSIS

Logistics

Revenue increased 71.7% to US$185.11 million. 62.6% of that increase was attributable to the UK business acquired in the second half of 2007. The remaining 37.4% of the increase was driven by existing business and new contracts won.

The logistics business in Asia continued to record steady year-on-year growth of 14.8% in segment results. This was mainly driven by stellar performance in China, which became the Group's most profitable market for Logistics, as well as strong growth in other markets such as Thailand and Taiwan. However, after taking into account the losses recorded in the US & UK region due to continued investments and seasonality, segment results declined by 36.1% from US$7.15 million in the first half of 2007 to US$4.57 million over the same period this year.

Distribution

Revenue and segment results increased by 29.4% and 23.3% to US$540.64 million and US$10.07 million respectively. Excluding the Slumberland business, growth in segment results would be higher at 63.5%. This was mainly driven by strong performances in China, Hong Kong, Malaysia and Thailand and the contribution from the newly acquired businesses in East Malaysia. Operating margin also improved considerably from 1.6% in 1H 2007 to 1.9% in 1H 2008.

Manufacturing

Revenue and segment results grew by 51.2% and 34.3% to US$97.20 million and US$2.31 million respectively. The growth was largely attributable to the increased volume of Listerine mouthwash production in Thailand. However, as a result of the change in business mix, margin declined from 2.7% in the first six months of 2007 to 2.4% in 1H 2008.

Geographical analysis

Greater China representing 37.6% of the total revenue grew 33.8% whereas ASEAN markets, which contributed 53.1% of the total revenue, grew 31.0%. Revenue registered for the US & UK region more than tripled as compared to last period attributable to the contribution of the newly acquired UK business. The region accounted for about 9.3% of the total Group revenue in 1H 2008.

Operations review

Both the Greater China and ASEAN regions registered strong growth in the first half of 2008 on the back of major new contract wins last year as well as business growth from key customers in markets such as China and Thailand. The acquisition of a distribution company in Sarawak last year also contributed to the strong performance in Malaysia. Excluding the Slumberland business, operating profit in these two regions recorded year-on-year growth of 26.9% and 47.2% respectively.

Shortly after the period under review, the Group was granted approval from the Ministry of Commerce in China to engage in the distribution of pharmaceutical products and medical equipment. This is an important milestone, and the Group will leverage the use of its extensive network of logistics and distribution infrastructure developed over the past few years to make a strong entry into China’s healthcare sector.

The Group continued to make substantial progress in business development across the region. Major contracts won include logistics and distribution service for Shell lubricants in Taiwan, the ASEAN hubbing operation for L’Oreal in Singapore, distribution service for L’Oreal in the Philippines, and manufacturing service for Fisherman’s Friend and new Nestle products in Malaysia. The opening of a state-of-the-art healthcare distribution center in Hong Kong in February 2008 has been well received by customers and contributed to winning several new contracts. The Group also secured the logistics contract for LiFung Trinity, a leading high to luxury end menswear retailer, in China, Taiwan and Hong Kong. A 6,500-square meter distribution center in Shanghai that was purpose-designed to handle both Garment-On-Hangers (“GOH”) and flat-pack garments was built specifically for this contract.

The US & UK region, which acts as an extension of the Group’s Asian logistics network, recorded a loss of US$3.34 million in the first half of 2008, compared to a profit of US$0.26 million during the same period in 2007. Consumer sentiment continued to soften in the US in 1H 2008, which inevitably impacted business performance. The Group continued to implement its regional Warehouse Management System ("WMS") across the US operations and has substantially completed the project. Meanwhile, following the acquisition of WTI in May 2008, the US operations completed the first phase of facility consolidation program by enhancing existing WTI facilities, which resulted in the reduction of approximately 10,000 square meters of floor space.

For its part, the UK business is traditionally very seasonal in nature, with the majority of activities taking place in the second half of the year in preparation for the festive season. Despite a weaker retail market compared to last year, business performance has been trailing better than anticipated. With the streamlining of organization and rationalization of facilities through workflow and infrastructure enhancement, the Group expects that the operation will be profitable on a full year basis.

FUTURE PROSPECTS

The business environment is expected to be challenging throughout the second half. High oil prices and inflation are dampening consumer expenditure, a tightening credit market in the US is expected to result in even more prudent spending, and growth forecasts for Asia are being adjusted even further downward. Curbing inflation while maintaining sustainable economic growth remains the top challenge for governments of various Asian countries, including China.

Despite this, the fundamentals of the markets in Asia are still strong and the Group is optimistic about the long-term growth prospects of the region. The Group remains focused on its 2008–2010 Strategic Plan target of doubling profit by 2010, and is committed to achieving this through vigilant control of expenses, aggressive organic growth and strategic mergers and acquisitions.

The expanded business scope as a result of the healthcare license in China offers huge additional potential for IDS. The Group is in the process of finalizing its China healthcare entry plan to derive the most value and synergy from the license, its Good Supplier Practice ("GSP") warehousing facilities together with the newly acquired manufacturing capability in Hong Kong. Discussions are taking place with potential customers, and there is strong interest on the part of multinational healthcare brands to enter China in partnership with IDS.

The Group's facility consolidation program in the US will continue in the second half, with the aim of reducing floor space by 20% by the end of the program. That will translate into significant savings, which will benefit the performance of its US operations from 2009 onwards. Now that the Group has largely implemented WMS at its US logistics facilities, the focus will be on winning business from L&F in the US. Initial discussions have taken place, and the Group will leverage the existing relationship acquired through WTI to significantly expand its partnership with L&F. As the benefits of investments made in the US gradually materialize, and with peak season coming in the second half of the year, the US & UK region is expected to show a significant turn around.

LIQUIDITY AND FINANCIAL RESOURCES

Net cash flow from operating activities during the period was US$22.1 million. Net cash of the Group amounted to US$62.1 million at midyear, compared to US$69.2 million at the same period last year. New loans were raised mainly for financing acquisitions in the first half. Consequently, the Group's gearing ratio as at 30 June 2008 increased to 36.5% compared to 29.3% at 2007 year end. The gearing ratio was calculated as net borrowings divided by total capital. Net borrowings of US$86.4 million is calculated as total borrowings (including short-term bank loans and other borrowings of US$69.3 million, long-term unsecured bank loans and obligations under finance leases of US$103.8 million) less time deposits and bank balances and cash of US$86.7 million. Total capital is calculated as total equity of US$150.4 million plus net borrowings. The Group has available bank loans and overdraft facilities of approximately US$300 million of which US$167.3 million have been utilized.

CHARGES ON GROUP ASSETS

As at 30 June 2008, there were no charges on the Group's assets.

FOREIGN EXCHANGE RISK MANAGEMENT

The Group operates in various economies over the world and is 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 the operations. The foreign currencies involved in these transactions include mainly U.S. Dollars, Euro, Japanese Yen and Pound Sterling. The Group purchases foreign currency contracts to protect against the adverse effect of such exchange fluctuations on the foreign currency. The Group policy is to hedge all material purchases transacted in foreign currencies and restrict from engaging in speculative foreign exchange transactions.

CONTINGENT LIABILITIES

(a) Bank guarantees

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

	Unaudited 30 June 2008 US$'000	Audited 31 December 2007 US$'000
As security in favor of local tax and customs authorities in accordance with local regulations	**523**	494
For purchase of goods in favor of suppliers	**11,440**	9,469
Performance bonds and others	**533**	593
For rental payment in favor of the landlords	**8,773**	8,210
	21,269	18,766

(b) The Company and its US subsidiary, IDS USA Inc. were advised on 14 December 2007 that they have been included as two of defendants in a civil claim for alleged breaches of contract relating to provision of services. Neither the Company nor IDS USA Inc. are parties to the contract and the amount of the claim against them is not specified. The management of the Group has reviewed the facts and circumstances and is of the view that the likelihood of the Company and its subsidiary suffering material loss is low.

HUMAN RESOURCES

As at 30 June 2008, the Group employed approximately 7,500 permanent employees. They were located throughout various operations within the Group. Total staff costs for the period ended 30 June 2008 amounted to approximately US$97.1 million (vs. US$72.8 million for the period ended 30 June 2007).

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.

INTERIM DIVIDEND

The Board of Directors has declared an interim dividend of 14 HK cents (equivalent to 1.79 US cents) (2007: 12 HK cents (equivalent to 1.54 US cents)) in cash per share for the six months ended 30 June 2008, which will be payable to shareholders whose names appear on the Register of Members of the Company on 5 September 2008.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from 2 September 2008 to 5 September 2008, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the interim dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Tricor Abacus Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on 1 September 2008. Dividend warrants will be despatched to shareholders on or about 23 September 2008.

PUBLICATION OF THE INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement is published on the website of Hong Kong Exchanges and Clearing Limited at *www.hkexnews.hk* and on the website of the Company at *www.idsgroup.com*. The Interim Report will be despatched to the shareholders of the Company and available on the same websites in due course.

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 an appropriate oversight by Independent Non-executive Directors.

In order to reinforce 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 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 2008 are in line with those practices set out in the Company's 2007 Annual Report.

AUDIT COMMITTEE

The Audit Committee met three times to date in 2008 (with an average attendance rate of 75%) to review with senior management and the Company's internal and external auditors, the significant internal and external audit findings and financial matters as required under 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-month period to 30 June 2008 before recommending them to the Board for approval).

INTERNAL CONTROL AND RISK MANAGEMENT

The Board assumes the overall responsibility for reviewing the adequacy and integrity of the Group's system of internal controls and risk management through the Audit Committee.

The Board has delegated to executive management the ongoing and effective management of such systems of internal controls covering financial, operational risk management procedures and controls. Qualified personnel throughout the Group maintain and monitor these systems of control on an ongoing basis.

Based on the assessments made by senior management and the Group's Internal Audit team during the six-month period to 30 June 2008, the Audit Committee is satisfied that the internal controls and accounting systems of the Group are 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 statements are reliable for publication; and that 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. 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. Specific enquiries have been made to all Directors and relevant employees to confirm compliance with the Model Code. No incident of non-compliance of the Model Code was noted by the Company during the six-month period to 30 June 2008.

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 provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Listing Rules during the six-month period to 30 June 2008.

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.

By Order of the Board
Victor FUNG Kwok King
Chairman

Hong Kong, 21 August 2008

As at the date of this announcement, the executive directors of the Company are Mr. Benedict CHANG Yew Teck and Mr. Joseph Chua PHI; the non-executive directors of the Company are Dr. Victor FUNG Kwok King, Dr. William FUNG Kwok Lun, Mr. Jeremy Paul Egerton HOBBINS, Mr. LAU Butt Farn and Mr. Rajesh Vardichand RANAVAT; and the independent non-executive directors of the Company are Mr. John Estmond STRICKLAND, Dr. FU Yu Ning, Prof. LEE Hau Leung and Mr. Andrew TUNG Lieh Cheung.