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 2009

HIGHLIGHTS

	Six months ended 30 June		
	2009 US$ million	2008 US$ million	Change %
Revenue	**846.66**	816.43	3.7%
Gross profit	**219.39**	229.21	-4.3%
Core operating profit	**8.92**	10.20	-12.5%
Operating profit	**24.80**	24.31	2.0%
Profit attributable to shareholders	**18.46**	19.39	-4.8%
Earnings per share	**5.81 US cents**	6.16 US cents	-5.7%
Earnings per share (equivalent to)	**45.04 HK cents**	48.01 HK cents	
Interim dividend per share	**14 HK cents**	14 HK cents	

- Group performance was impacted by a very challenging business environment, especially in the US & UK. Profit attributable to shareholders in 1H 2009 was US$18.46 million, 4.8% below 1H 2008.

- Asia delivered a strong 19.3% growth in operating profit to US$24.20 million on the back of new business wins and effective cost control. Improvement in operating margins was registered across all business streams.

- Solid performance from Greater China, operating profit up 27.5% to US$11.59 million. ASEAN operating profit of US$12.61 million in 1H09, up 12.7% vs. 1H08 was dampened by currency exchange rates.

- Weak retail sentiment resulted in significant revenue decrease for the US and UK business. Revenue was down 38.1%, resulting in an operating loss of US$8.26 million, compared to a loss of US$3.34 million last year.

- 2H09 expected to finish much stronger than 2H08 driven by continued strong Asian growth and a stronger 2H turnaround of US & UK business.

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 2009 together with the comparative figures for the corresponding period as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

		Unaudited	
		Six months ended 30 June	
	Note	**2009**	2008
		US$'000	US$'000
Revenue	2	**846,659**	816,427
Cost of sales		**(627,273)**	(587,213)
Gross profit		**219,386**	229,214
Other income	3	**600**	-
Distribution and logistics expenses		**(181,967)**	(190,102)
Administrative expenses		**(29,095)**	(28,914)
Core operating profit		**8,924**	10,198
Other gains, net	4	**15,879**	14,115
Operating profit	5	**24,803**	24,313
Finance costs, net	6	**(1,973)**	(3,394)
Share of results of associated companies		**26**	1,116
Profit before taxation		**22,856**	22,035
Taxation	7	**(3,849)**	(2,171)
Profit for the period		**19,007**	19,864
Profit attributable to:			
Shareholders of the Company		**18,460**	19,389
Minority interest		**547**	475
		19,007	19,864
Interim dividend	8	**5,778**	5,691
Earnings per share for profit attributable to the shareholders of the Company during the period	9		
Basic		**5.81 US cents**	6.16 US cents
Diluted		**5.76 US cents**	6.01 US cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited	
	Six months ended 30 June	
	2009	2008
	US$'000	US$'000
Profit for the period	**19,007**	19,864
Other comprehensive income		
Exchange differences	**1,431**	(2,685)
Net asset revaluation gain	**418**	-
Total comprehensive income for the period	**20,856**	17,179
Total comprehensive income attributable to:		
Shareholders of the Company	**20,322**	16,544
Minority interest	**534**	635
	20,856	17,179

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	**Unaudited 30 June 2009 US$'000**	Audited 31 December 2008 US$'000
ASSETS			
Non-current assets			
Intangible assets		**83,257**	80,975
Property, plant and equipment		**111,568**	104,944
Lease premium for land		**4,312**	2,819
Associated companies		**-**	7,077
Other non-current assets		**10,430**	9,899
Assets under defined benefit plans		**61**	53
Deferred tax assets		**10,594**	11,167
		220,222	216,934
Current assets			
Inventories		**180,742**	186,123
Trade and other receivables	10	**259,628**	252,491
Asset held for sale		**1,755**	-
Taxation recoverable		**800**	618
Time deposits		**34,994**	46,736
Bank balances and cash		**57,942**	56,196
		535,861	542,164
Total assets		**756,083**	759,098
EQUITY			
Capital and reserves attributable to the Company's shareholders			
Share capital		**31,943**	31,749
Reserves		**117,109**	103,325
		149,052	135,074
Minority interest		**9,813**	7,099
Total equity		**158,865**	142,173

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

	Note	**Unaudited 30 June 2009 US$'000**	Audited 31 December 2008 US$'000
LIABILITIES			
Non-current liabilities			
Unsecured bank loans		**35,752**	29,752
Obligations under finance leases		**2,617**	2,811
Liabilities under defined benefits plans		**6,869**	6,682
Other non-current liabilities		**4,159**	4,601
Deferred tax liabilities		**2,811**	3,464
		52,208	47,310
Current liabilities			
Trade and other payables	11	**399,670**	447,035
Bank loans and other borrowings		**140,374**	117,441
Taxation payable		**4,966**	5,139
		545,010	569,615
Total liabilities		**597,218**	616,925
Total equity and liabilities		**756,083**	759,098
Net current liabilities		**(9,149)**	(27,451)
Total assets less current liabilities		**211,073**	189,483
Net assets value per share		**49.73 US cents**	44.78 US cents

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Unaudited									
	Share capital	Share premium	Employee share-based compensation reserve	Merger reserve	Revaluation reserve	Exchange reserve	Retained earnings	Total	Minority interest	Total equity
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
At 1 January 2008	31,288	23,420	2,659	16,617	-	14,517	45,556	134,057	6,523	140,580
Profit for the period	-	-	-	-	-	-	19,389	19,389	475	19,864
Exchange differences	-	-	-	-	-	(2,845)	-	(2,845)	160	(2,685)
Total comprehensive income for the period	-	-	-	-	-	(2,845)	19,389	16,544	635	17,179
2007 final dividend paid	-	-	-	-	-	-	(12,197)	(12,197)	-	(12,197)
Employee share option benefits										
- cost of employee services	-	-	1,444	-	-	-	-	1,444	-	1,444
- proceeds from shares issued	422	2,650	-	-	-	-	-	3,072	-	3,072
- transfer to share premium	-	575	(575)	-	-	-	-	-	-	-
Acquisition of a subsidiary	-	-	-	-	-	-	-	-	406	406
Acquisition of additional interest in a subsidiary	-	-	-	-	-	-	-	-	(113)	(113)
At 30 June 2008	31,710	26,645	3,528	16,617	-	11,672	52,748	142,920	7,451	150,371
At 1 January 2009	**31,749**	**26,890**	**4,953**	**16,617**	**-**	**6,099**	**48,766**	**135,074**	**7,099**	**142,173**
Profit for the period	**-**	**-**	**-**	**-**	**-**	**-**	**18,460**	**18,460**	**547**	**19,007**
Exchange differences	**-**	**-**	**-**	**-**	**-**	**1,444**	**-**	**1,444**	**(13)**	**1,431**
Increase in fair value of previously held interest upon step acquisition to a subsidiary	**-**	**-**	**-**	**-**	**418**	**-**	**-**	**418**	**-**	**418**
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**418**	**1,444**	**18,460**	**20,322**	**534**	**20,856**
2008 final dividend paid	**-**	**-**	**-**	**-**	**-**	**-**	**(9,029)**	**(9,029)**	**-**	**(9,029)**
Employee share option benefits										
- cost of employee services	**-**	**-**	**1,294**	**-**	**-**	**-**	**-**	**1,294**	**-**	**1,294**
- proceeds from shares issued	**194**	**1,197**	**-**	**-**	**-**	**-**	**-**	**1,391**	**-**	**1,391**
- transfer to share premium	**-**	**271**	**(271)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Step acquisition to a subsidiary	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**2,180**	**2,180**
At 30 June 2009	**31,943**	**28,358**	**5,976**	**16,617**	**418**	**7,543**	**58,197**	**149,052**	**9,813**	**158,865**

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 2008 annual financial statements.

This interim financial information has been prepared in accordance with those Hong Kong Financial Reporting Standards ("HKFRSs") 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 2008, except that the following new standards, amendments to standards, which are relevant to the Group, have been adopted for financial year ending 31 December 2009.

HKAS 1 (Revised)	Presentation of Financial Statements
HKAS 23 (Revised)	Borrowing Costs
HKFRS 2 (Amendment)	Share-based Payment
HKFRS 7 (Amendment)	Financial Instruments: Disclosures
HKFRS 8	Operating Segments

The adoption of HKAS 1 (Revised) and HKFRS 8 affects certain presentation and disclosures of the financial statements.

The adoption of HKAS 23 (Revised), HKFRS 2 (Amendment) and HKFRS 7 (Amendment) has no significant impact on the Group's financial statements.

The following amendments to standards, which are relevant to the Group, have been issued but are not effective for 2009 and have not been early adopted by the Group. Management is currently assessing the impact of these amendments on the Group's financial statements.

HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKFRS 3 (Revised)	Business Combinations

In addition, HKICPA also published a number of amendments for the existing standards under its annual improvement project. These amendments are not expected to have a significant impact on the results and financial position to the Group.

2 Segment information

Six months ended 30 June 2009	Greater China US$'000	ASEAN US$'000	US and UK US$'000	Total US$'000	Unallocated (note) US$'000	Elimination US$'000	Group total US$'000
	Unaudited						
Revenue	**397,290**	**402,583**	**47,137**	**847,010**	**-**	**(351)**	**846,659**
Cost of sales	**(300,549)**	**(325,335)**	**(1,740)**	**(627,624)**	**-**	**351**	**(627,273)**
Gross profit	**96,741**	**77,248**	**45,397**	**219,386**	**-**	**-**	**219,386**
Expenses, net	**(85,153)**	**(64,637)**	**(53,653)**	**(203,443)**	**(7,019)**		**(210,462)**
Core operating profit	**11,588**	**12,611**	**(8,256)**	**15,943**	**(7,019)**		**8,924**
Other gains, net	**-**	**-**	**-**	**-**	**15,879**		**15,879**
Segment results	**11,588**	**12,611**	**(8,256)**	**15,943**	**8,860**		**24,803**
Share of results of associated companies		**26**		**26**			**26**
Finance costs, net							**(1,973)**
Profit before taxation							**22,856**
Taxation							**(3,849)**
Profit for the period							**19,007**
Depreciation and amortization	**3,134**	**3,289**	**1,926**	**8,349**	**1,190**		**9,539**
Capital expenditure	**5,533**	**3,280**	**1,741**	**10,554**	**1,030**		**11,584**
Capital expenditure arising from acquisition of subsidiaries	**-**	**2,609**	**-**	**2,609**	**-**		**2,609**

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

2 Segment information (continued)

Six months ended 30 June 2008	Greater China US$'000	ASEAN US$'000	US and UK US$'000	Total US$'000	Unallocated (note) US$'000	Elimination US$'000	Group total US$'000
	Unaudited						
Revenue	307,913	434,122	76,123	818,158	-	(1,731)	816,427
Cost of sales	(221,838)	(352,026)	(15,080)	(588,944)	-	1,731	(587,213)
Gross profit	86,075	82,096	61,043	229,214	-	-	229,214
Expenses	(76,988)	(70,902)	(64,378)	(212,268)	(6,748)		(219,016)
Core operating profit	9,087	11,194	(3,335)	16,946	(6,748)		10,198
Other gains, net	-	-	-	-	14,115		14,115
Segment results	9,087	11,194	(3,335)	16,946	7,367		24,313
Share of results of associated companies		1,116		1,116			1,116
Finance costs, net							(3,394)
Profit before taxation							22,035
Taxation							(2,171)
Profit for the period							19,864
Depreciation and amortization	2,760	3,754	2,051	8,565	1,423		9,988
Capital expenditure	4,968	7,158	4,682	16,808	2,191		18,999
Capital expenditure arising from acquisition of subsidiaries	9,866	-	8,863	18,729	-		18,729

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

2 Segment information (continued)

At 30 June 2009	**Greater China US$'000**	**ASEAN US$'000**	**US & UK US$'000**	**Total US$'000**	**Unallocated (note) US$'000**	**Group total US$'000**
	Unaudited					
Total assets	**284,572**	**331,778**	**107,279**	**723,629**	**32,454**	**756,083**
Total liabilities	**245,673**	**235,091**	**75,415**	**556,179**	**41,039**	**597,218**

At 31 December 2008	Greater China US$'000	ASEAN US$'000	US & UK US$'000	Total US$'000	Unallocated (note) US$'000	Group total US$'000
	Audited					
Segment assets	309,250	313,768	101,835	724,853	27,168	752,021
Associated companies	-	7,077	-	7,077	-	7,077
Total assets	309,250	320,845	101,835	731,930	27,168	759,098
Total liabilities	268,371	233,398	86,139	587,908	29,017	616,925

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

2 Segment information (continued)

	Unaudited					
	Revenue		**Segment results**		**Capital expenditure**	
	Six months ended 30 June		**Six months ended 30 June**		**Six months ended 30 June**	
	2009	2008	**2009**	2008	**2009**	2008
	US$'000	US$'000	**US$'000**	US$'000	**US$'000**	US$'000
Logistics	**149,655**	185,106	**(279)**	4,575	**3,606**	19,213
Distribution	**616,717**	540,644	**12,440**	10,066	**7,401**	10,441
Manufacturing	**87,662**	97,195	**3,782**	2,305	**2,151**	5,883
Unallocated (note)	**-**	-	**(7,019)**	(6,748)	**1,035**	2,191
	854,034	822,945	**8,924**	10,198	**14,193**	37,728
Less: Inter-segment elimination	**(7,375)**	(6,518)				
	846,659	816,427				
Other gains			**15,879**	14,115		
Operating profit			**24,803**	24,313		

	Segment Assets	
	Unaudited	Audited
	30 June 2009	31 December 2008
	US$'000	US$'000
Logistics	**195,504**	200,998
Distribution	**420,893**	427,850
Manufacturing	**74,518**	65,165
Unallocated (note)	**65,168**	65,085
	756,083	759,098

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

3 Other income

	Unaudited Six months ended 30 June	
	2009	2008
	US$'000	US$'000
Dividend income from an associated company	**600**	-

4 Other gains, net

	Unaudited Six months ended 30 June	
	2009	2008
	US$'000	US$'000
Gain on partial divestment of an associated company	**16,345**	14,038
Gain on acquisition of additional interest in a subsidiary	**34**	77
Other expenses	**(500)**	-
Other gains, net	**15,879**	14,115

5 Operating profit

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

	Unaudited Six months ended 30 June	
	2009	2008
	US$'000	US$'000
Depreciation of		
Owned property, plant and equipment	**7,542**	7,746
Leased property, plant and equipment	**212**	388
Amortization of intangible assets	**1,718**	1,794
Amortization of prepaid operating lease payment	**67**	60
Provision for impairment losses on trade receivables	**59**	420
Provision for obsolete inventories	**986**	56
Loss/(gain) on disposal of plant and equipment	**38**	(64)
Costs of inventories sold	**620,563**	564,501
Exchange gain	**(106)**	(1,244)

6 Finance costs, net

	Unaudited Six months ended 30 June	
	2009	2008
	US$'000	US$'000
Interest expense on bank loans and overdrafts	**2,770**	3,576
Interest expense on finance leases	**121**	199
Imputed interest on non-current payables	**-**	372
	2,891	4,147
Interest income from bank deposits	**(918)**	(753)
Finance costs, net	**1,973**	3,394

7 Taxation

Hong Kong profits tax has been provided for at the rate of 16.5% 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	
	2009	2008
	US$'000	US$'000
Current taxation:		
- Hong Kong profits tax	**50**	(10)
- Overseas taxation	**4,037**	3,857
	4,087	3,847
Deferred taxation:		
- Deferred tax assets	**2,581**	(1,104)
- Deferred tax liabilities	**(2,819)**	(572)
	(238)	(1,676)
Taxation	**3,849**	2,171

8 Interim dividend

	Unaudited Six months ended 30 June	
	2009	2008
	US$'000	US$'000
Interim dividend - declared after balance sheet date of 14 HK cents (equivalent to 1.81 US cents) (2008: 14 HK cents (equivalent to 1.79 US cents)) per share	**5,778**	5,691

At a meeting held on 11 August 2009, the directors declared an interim dividend of 14 HK cents (equivalent to 1.81 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 2009.

9 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$18,460,000 (2008: US$19,389,000). The basic earnings per share is based on weighted average number of 317,703,000 (2008: 314,973,000) shares in issue during the period.

Diluted earnings per share is based on the weighted average number of 317,703,000 (2008: 314,973,000) shares in issue during the period plus weighted average number of 3,060,000 (2008: 7,905,000) shares deemed to have been issued at no consideration if all outstanding options had been exercised.

10 Trade receivables

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

	Unaudited 30 June 2009 US$'000	Audited 31 December 2008 US$'000
Current	**155,036**	145,585
Less than 90 days	**43,509**	49,749
91-180 days	**4,003**	4,177
181-360 days	**1,203**	1,240
Over 360 days	**330**	209
	204,081	200,960

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.

11 Trade payables

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

	Unaudited 30 June 2009 US$'000	Audited 31 December 2008 US$'000
Less than 90 days	**278,567**	205,751
91-180 days	**16,931**	136,516
181-360 days	**2,005**	2,375
Over 360 days	**608**	973
	298,111	345,615

BUSINESS REVIEW

Overview

During the first half of 2009, the Group faced a very challenging business environment, especially in the US and UK. Despite the success of retaining and expanding services with existing customers, accelerating the pace of new account wins and benefitting from acquisitions last year, IDS still registered a slower growth in revenue. This was due to the significant drops in like-to-like customer volumes, especially in the US & UK. Weaker currency exchange rates against the US dollar in ASEAN countries and the UK also affected revenues. Revenue for the first six months of 2009 recorded a modest 3.7% increase, from US$816.43 million in the first half of 2008 to US$846.66 million this year. Gross profit registered a slight decline of 4.3% to US$219.39 million for the first half of 2009, which was mainly attributable to lower business volumes in the US and UK and resulted in a reduction in gross profit margin from 28.1% in the first half of 2008 to 25.9% this year.

Asia delivered an operating profit of US$24.20 million in the first half of this year, against US$20.28 million during the same period last year, up nearly 20%. This was mainly driven by new business wins and effective cost control. Another significant achievement for IDS' businesses in Asia was the improvement in operating margins across all our business streams – Logistics, Distribution and Manufacturing – due to stronger operating leverage. Compared to the first half of 2008, operating margin for Logistics improved from 7.1% to 7.8%. Distribution grew from 1.9% to 2.0%, and Manufacturing surged from 2.4% to 4.3%. Overall Asia's operating profit margin before Corporate expense was 3.0%, a sharp increase from 2.7% a year ago.

However, growth in Asia has been more than offset by the challenging operating environment in the US and UK, where operating losses increased from US$3.34 million for the first half of 2008 to US$8.26 million this year. As a consequence, the Group's core operating profit for the first half of 2009 was US$8.92 million, or 12.5% below the US$10.20 million registered during the same period last year.

After taking into account the US$16.35 million gain from the divestment of 20% interest in Slumberland Asia Pacific (SAP), the Group's operating profit for the period was US$24.80 million, or 2.0% above the same period of last year. Net finance costs decreased by US$1.42 million to US$1.97 million due to lower interest rates. However, taxation charges for the period increased by US$1.68 million due mainly to higher Asia taxable profits and recognition of deferred tax credits in 2008. As a result, profit attributable to the shareholders for the first six months of 2009 was US$18.46 million, 4.8% below the US$19.39 million recorded in the first half of 2008.

OPERATIONS REVIEW AND SEGMENTAL ANALYSIS

Despite the economic slowdown and soft retail sentiment, the **Greater China** revenue grew 29% to US$397.29 million. This was driven mainly by the commencement of new contracts in late 2008 and early 2009 such as Remy Cointreau and Converse in China, Sanofi-Aventis and Philips Lighting in Hong Kong, and Shell lubricants in Taiwan, as well as the acquisition of a healthcare distribution company in Hong Kong in mid-2008. As a result, the region registered strong operating profit performance of US$11.59 million for the first half of 2009, which represents a 27.5% increase over 2008. All markets within the region recorded double-digit growth in operating profit during the period.

After being granted approval from state authorities, the Group commenced distribution of pharmaceuticals, medical devices and OTC healthcare products in China in 2009. This has gone very smoothly as several new brand owners have signed up with IDS and numerous other parties have expressed interest. We expect to see rapid growth in this business from 2010 onwards.

The **ASEAN** region also registered a respectable 12.7% growth in operating profit to US$12.61 million during the period, in spite of a 7.3% decline in revenue. The decline in revenue was mainly caused by the weakening of ASEAN currencies against the US dollars. Excluding the foreign exchange effect, revenue growth was 6%. Thailand maintained its momentum, which can attributed to increased Listerine production volume after adding Australia, New Zealand and Japan to its list of export markets as well as strong performances from key customers such as Gilead and Procter & Gamble. Meanwhile, significant progress has been made turning around the business in Indonesia back to profitability.

During the period, the Group acquired an additional 20% interest in its associated company in Sabah to become the majority shareholder. As a consequence, the company has become a subsidiary of the Group and the Group now enjoys a leading position in the distribution of consumer products across the East Malaysian corridor.

Due to the economic downturn, the resulting weak retail spending in the **US and UK** has led to a significant decrease in revenue in the region over the first half of 2009. Many customers have shown year-on-year volume declines in excess of 30%. Despite the acquisition of a logistics company in the US in May 2008 and expanded business partnership with Li & Fung (L&F), first-half revenue registered a decline of 38.1% in 2009 compared to last year. The region recorded an operating loss of US$8.26 million for the period compared to a US$3.34 million loss in the first half of 2008, even though the Group realized the savings from facility consolidation and cost reduction programs that were implemented in 2008.

The US operation continued to take on more business from L&F. L&F is now the single largest customer of IDS in the US, accounting for about 20% of revenue there. Additional business from L&F is expected to come on board in the second half, and plans are in place to consolidate all L&F businesses into a new 650,000-square-foot distribution center on the West Coast towards the end of the year to enhance operational efficiency and ensure room for business expansion. In the UK, an agreement has been reached with Marks & Spencer, the largest customer of our UK operations, to guarantee the throughput volume of our distribution center in Leicester. This will ensure that our Leicester facility runs a profitable operation in the second half.

By business segment, Distribution revenue grew 14.1% to US$616.72 million while Logistics and Manufacturing decreased by 19.2% to US$149.66 million and 9.8% to US$87.66 million respectively. Distribution and Manufacturing core operating profit registered a double-digit growth of 23.6% and 64.1% respectively. Logistics result was close to breakeven due to the losses from the US and UK.

FUTURE PROSPECTS

Although recent indicators have shown that the downward trend of the US economy is becoming less acute, it is certainly too early to say if there will be imminent rebound. Until the unemployment rate begins to come down and consumers regain their confidence in the US, we expect that the global economic environment will continue to be difficult. Our current focus remains on preparing ourselves to emerge stronger when the economy recovers.

The Group will continue to control costs vigilantly while focusing on business development in order to bring in more revenue to compensate for the volume drop of our existing customers. We have seen encouraging results, such as the pace at which we won new contracts in Asia during the first half, and the pipeline leading into the second half remains robust. The commencement of major contracts including the logistics service for Colgate Palmolive in Hong Kong as well as the Muji hubbing operation in China will further boost the growth of our Asian operations for the rest of the year.

During the period we commenced the building of high standard healthcare distribution centers in Singapore and Thailand. Following the success of the Hong Kong facility, we expect the new facilities, once becomes fully functional by the fourth quarter of 2009, will substantially strengthen our regional healthcare distribution proposition.

The Group is under active negotiation to complete the acquisition of a US/Asia-based freight forwarding company and a logistics business in Indonesia. The completion of the freight forwarding deal will significantly strengthen the IDS International operations and enable IDS to better offer end-to-end global logistics solutions. The Indonesia acquisition will enable the Group to quickly build a logistics network in the country to complement its existing distribution and manufacturing businesses.

We expect the Asian operations to maintain a strong growth for the rest of 2009 and we will be seeing improvements in the US and UK business. Together with the revenue-generating and cost-cutting initiatives the Group has undertaken and the potential acquisition opportunities, we are cautiously optimistic about our second half 2009 performance.

LIQUIDITY AND FINANCIAL RESOURCES

Net cash outflow from operating activities during the period was US$11.91 million resulting from the increase of working capital caused by lower trade payables arising from change in payment terms. Net borrowings as at 30 June 2009 were US$85.81 million against US$86.40 million as at 30 June 2008 and US$47.07 million as at 31 December 2008. The Group's gearing ratio as at 30 June 2009 was 35.1% against 36.5% at 30 June 2008 and 24.9% at 31 December 2008. The gearing ratio was calculated as net borrowings divided by total capital. Net borrowings of US$85.81 million was calculated as total borrowings (including short-term bank loans and other borrowings of US$140.38 million, long term unsecured bank loans and obligations under finance leases of US$38.37 million) less time deposits and bank balances and cash of US$92.94 million. Total capital was calculated as total equity of US$158.87 million and net borrowings. The Group has available bank loans and overdraft facilities of approximately US$292 million of which US$174.9 million have been utilized.

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 US 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 2009 US$'000	Audited 31 December 2008 US$'000
For purchase of goods in favor of suppliers	**19,907**	21,771
For rental payment in favor of the landlords	**9,304**	8,797
Performance bonds and others	**1,662**	780
As security in favor of local tax and customs authorities in accordance with local regulations	**627**	629
	31,500	31,977

(b) The Company and two of its subsidiaries, IDS USA Inc. and IDS Group Limited, have been included as three of defendants in a civil claim in the US for alleged breaches of contract relating to provision of services. Neither the Company nor its subsidiaries are parties to the contract. The management of the Group has reviewed the facts and circumstances and is of the view that the likelihood of the Company and its subsidiaries suffering material loss is low.

HUMAN RESOURCES

As at 30 June 2009, the Group employed approximately 7,800 permanent employees. They were located throughout various operations within the Group. Total staff costs for the period ended 30 June 2009 amounted to approximately US$98.57 million compared to US$97.12 million for the same period 2008.

The Group offers its staff competitive remuneration schemes, including Share Option Scheme. In addition, discretionary bonuses 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 1.81 US cents) (2008: 14 HK cents (equivalent to 1.79 US cents)) in cash per share for the six months ended 30 June 2009, which will be payable to shareholders whose names appear on the Register of Members of the Company on 17 September 2009.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from 10 September 2009 to 17 September 2009, both dates 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 9 September 2009. Dividend warrants will be despatched to shareholders on or about 17 September 2009.

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 2009 are in line with those practices set out in the Company's 2008 Annual Report.

AUDIT COMMITTEE

The Audit Committee met three times to date in 2009 (with an average attendance rate of 83.33%) 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 2009 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 2009, the Audit Committee is satisfied that an effective internal controls and accounting systems, including adequacy of resources of the Group, are in place and function effectively. Such systems 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 written confirmations have been obtained from all Directors and relevant employees to confirm compliance with the Model Code. No incident of non-compliance was noted by the Company during the six-month period to 30 June 2009.

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 2009.

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, 11 August 2009

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 and Mr. LAU Butt Farn; 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.