Integrated Distribution Services Group Limited
(Incorporated in Bermuda with limited liability) Stock Code: 2387

ANNUAL REPORT 2009

利和 iDS

YOUR VALUE-CHAIN LOGISTICS PARTNER

HIGH PERFORMANCE HIGH VALUES

CONTENT

This annual report is printed on environmental friendly paper


IDS Taiwan
IDS United States
IDS United Kingdom
IDS Brunei
IDS Indonesia
IDS Philippines

YOUR VALUE-CHAIN LOGISTICS PARTNER

IDS creates value in our customers' end-to-end supply chains by using Logistics as the fundamental enabler of our Menu of Integrated-Distribution Services. We are an Asian-based multinational with deep and extensive networks in Greater China, ASEAN, the US & UK. We appreciate the delicate intricacies and complexities of Asian markets, and understand how to efficiently and responsively ” ow products from Asia into US & Europe and vice versa.

2009 FINANCIAL & EVENT HIGHLIGHTS

In 2009, IDS returned to strong profit growth. This was accomplished on the back of robust Asian performance. It was also a milestone year of festivities and fun as we gathered colleagues & customers, friends & families to celebrate the 10th Anniversary of our founding.

Strategic M&A's

IDS completed several modest but strategically important M&A's to gain entry into new geographies and industry segments, including the wholesaling of apparels and accessories in Asia.

Healthcare Distribution Centers

New healthcare DC's in Thailand and Singapore were commissioned in 2009. Like the HK facility, they have been built to the highest requirements of the pharmaceutical industry.

USA DC Rationalization

IDS further rationalized its logistics facilities in the US by consolidating operations into newer and bigger boxes like this 650,000-square-foot DC for Li & Fung, USA.

UK M&S Partnership

IDS UK showed substantial improvement in business performance after strengthening its partnership with new contracts with its key customers like M&S and Republic.

Logistics Operations Support

We built a team of seasoned professionals to enhance the design of our existing and new DC's, introduce better MHE, promote best practices and improve operational performance.

New Business Wins

IDS enjoyed continued success in business development in 2009 by securing some 80 new contracts and retaining a majority of contract renewals with existing customers.

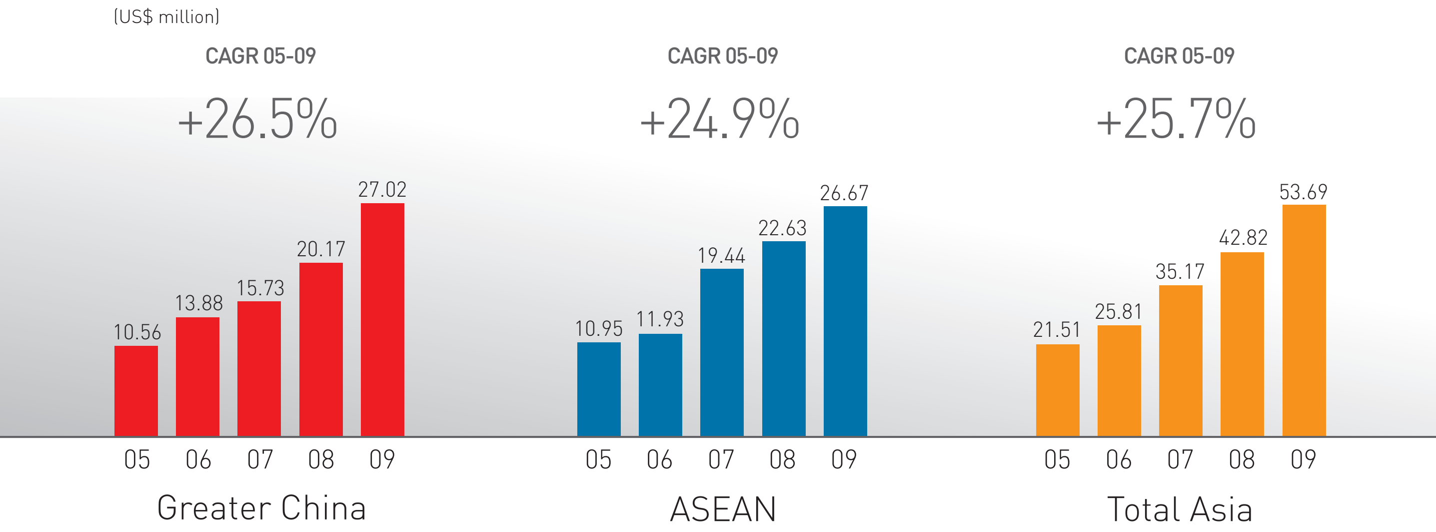
10th Anniversary Celebration

IDS celebrated its 10th Anniversary with a year-long program of celebratory events and family days. Appreciation gift packs were also handed out to all employees and customers.

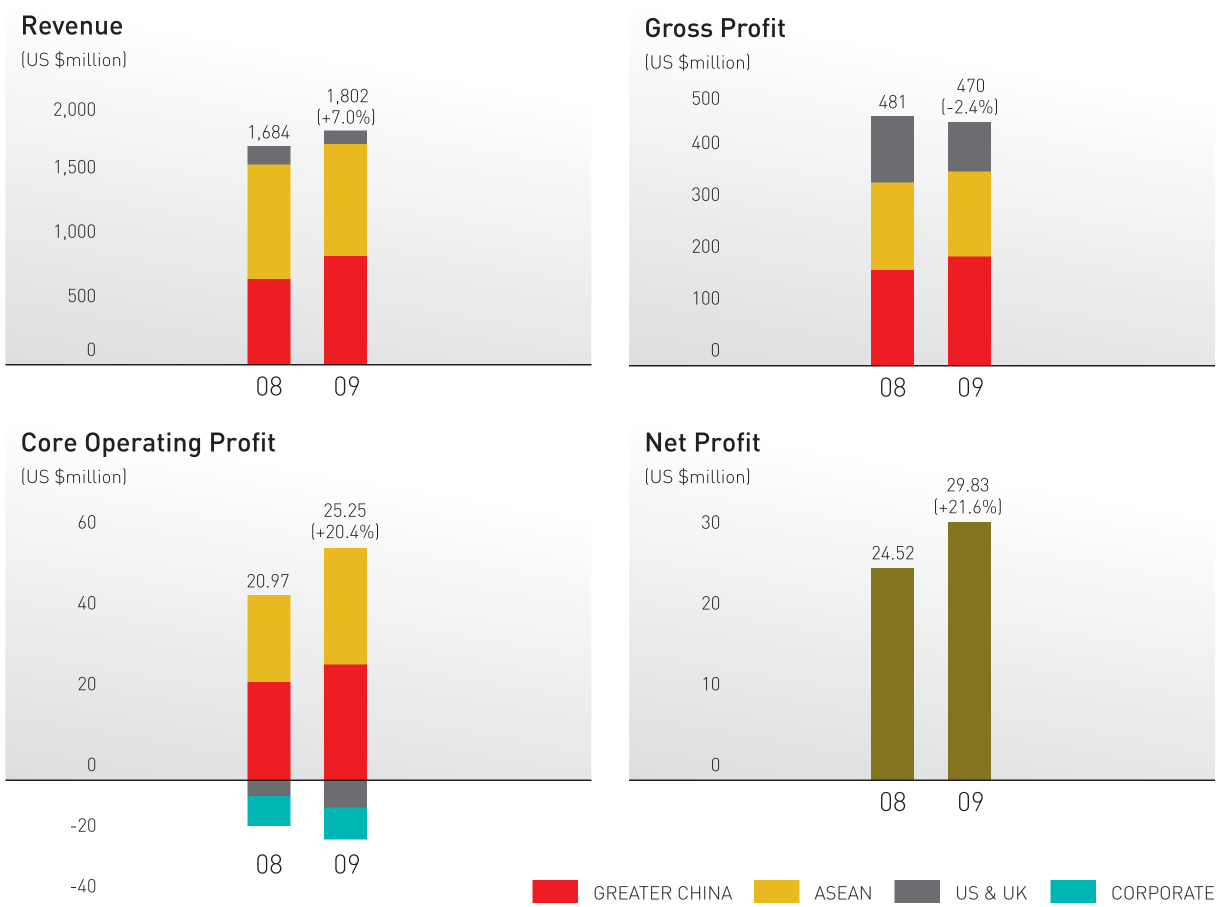
FINANCIAL HIGHLIGHTS

	Full Year ended 31 Dec		
(US$ million)	**2009**	2008	Change (%)
Revenue	**1,802.06**	1,683.79	7.0%
Gross profit	**469.94**	481.27	-2.4%
Core operating profit	**25.25**	20.97	20.4%
Operating profit	**45.50**	34.62	31.4%
Profit attributable to shareholders	**29.83**	24.52	21.6%
Interim dividend (per share)	**14 HK cents**	14 HK cents	–
Final dividend (per share)	**30 HK cents**	22 HK cents	36.4%
Full year dividend (per share)	**44 HK cents**	36 HK cents	22.2%

STRONG ASIAN OPERATING PROFIT GROWTH

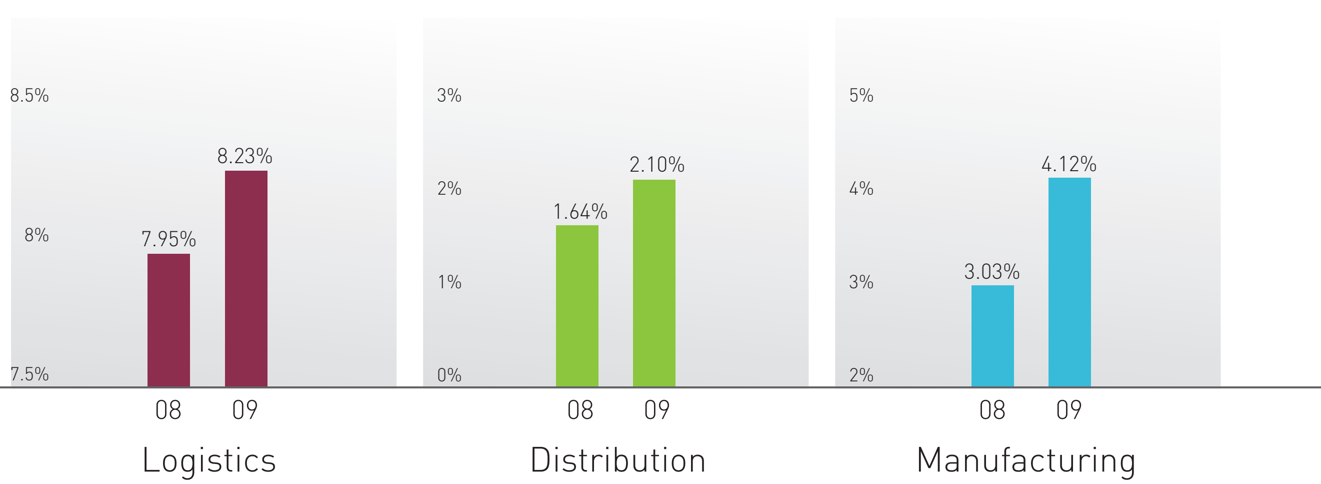


In spite of modest Revenue growth and a drop in Gross Profit, IDS delivered commendable increases in Core Operating Profit and Net Profit.



SOLID OPERATING PROFIT MARGIN INCREASE ACROSS ALL BUSINESSES IN ASIA

All business streams in Asia registered solid margin improvements, reflecting commendable operating leverage.



EVENT HIGHLIGHTS

1 JANUARY

Management Trainees Graduation

The MT Class of 2009 attended their graduation workshop after completing the 18-month MT Program. These young managers will form the future leadership base of IDS. The 4th batch of some 80 MT's will join the IDS MT Program in July 2010.

2 FEBRUARY

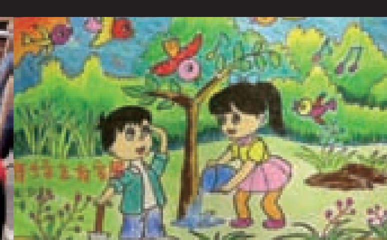
Leadership Council Meeting

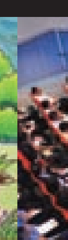
The annual Leadership Council Meeting was held in Bangkok in February. Besides the review of group performance and strategic imperatives, a key highlight was the ceremonial kick-off of the IDS 10th Anniversary celebration. The LCM also participated in a primary school painting project.

3 MARCH

IDS 10th Birthday

20 March 2009 — All IDS offices across Asia, US & UK celebrated the 10th birthday of IDS with birthday parties for all staff. Soon after, all employees received the first of two celebratory gift packs as an appreciation to their contributions of the past 10 years.





7 JULY

CRT Workshop

The annual Country Resource Team (CRT) Workshop was held in Kuala Lumpur for Finance, HR & IT management to discuss business issues and share best practice. In addition to the plenary sessions, socials and training, the workshop also included functional break-out discussions.

8 AUGUST

Disaster Relief

Various parts of Asia were devastated by typhoons Morakot as well as Ketsana during the summer. The IDS Group organized company-wide fundraising activities, donated over US$65,000 for affected victims, and launched disaster relief programs to serve hot food, clothing and relief packs to affected victims at temporary shelters.

9 SEPTEMBER

CSR Drawing Competition

To promote the awareness on Corporate Social Responsibility and the many CSR activities championed by the Group, IDS organized a drawing competition for the children of employees. The 12 best drawings out of 180 entries received were selected to be featured in the IDS 2010 Calendar.

4 APRIL

Environmental Sustainability

IDS continues to make good progress in promoting environmental sustainability across its operations. IDS Hong Kong participated in the Wastewi$e program organized by the Environmental Campaign Committee in 2009 and was awarded the Class of Excellence for the second consecutive year.

5 MAY

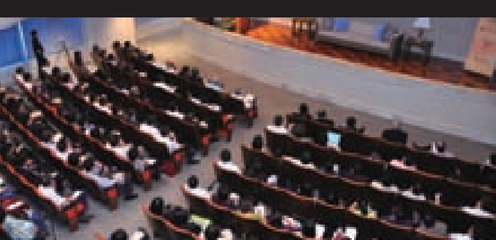
IDS Family Days

Some 20 Family Days were organized throughout the Group to celebrate our 10th Anniversary. Over 20,000 employees and family members enjoyed a day of good food, great fun with various games and party contests. Family Day at IDS is the perennial favorite amongst our employees.

6 JUNE

Flawless Execution

To cater for its business expansion, IDS moved the Carrefour operations in Thailand to a new 230,000-square-foot facility, 50% larger than the original DC. This exercise was seamlessly executed and exceeded all the pre-defined performance indicators.



10 OCTOBER

Industry Education

IDS organized two Value-Chain Seminars during the year, one in February in the Philippines and another in October in the US, for over 300 industry practitioners, customers and students. Dr. Victor Fung, Professor Hau Lee and Mr. Ben Chang delivered keynote presentations.

11 NOVEMBER

Awards & Recognitions

IDS won the "Logistics Award for Enterprise" and "People Development Award" at the Logistics Awards Hong Kong 2009, organized by the Hong Kong Trade Development Council. These were the latest amongst the many accolades the Group received during the year.

12 DECEMBER

Senior Managers Meeting

About 120 IDS senior managers attended the SMM held in Hong Kong in December. Other than deliberating on business matters and strategic topics, the SMM included education tracks, training, off-site hiking and fun-filled socials including the 10th Anniversary encore event.


1906 – Li & Fung was founded in Guangzhou as a traditional trading company dealing in Chinese export products.
1937 – Li & Fung (1937) Limited was established in Hong Kong by Mr. Fung Hon Chu.

LEVERAGING OUR ASIAN STRENGTH & GLOBAL PRESENCE

VICTOR FUNG KWOK KING

2009 HIGHLIGHTS

- Strong growth in profit attributable to shareholders amidst a challenging global economic environment – up 21.6% against 2008 to US$29.83 million
- Significantly stronger growth registered in Asia in the second half; on a full-year basis, operating profit in Asia for 2009 reached US$53.69 million, 25.5% above last year
- US performance remained weak whilst UK turned around in the second half. Cost control and productivity improvement continue to be top priorities
- China continued to be the fastest growing and largest market with operating profit growth of 27.6%
- Employees, their families and Group business partners celebrated IDS' 10th Anniversary in 2009
- Proposed final dividend of 30 HK cents per share; total dividend for the year of 44 HK cents per share increased by 22.2% compared to 36 HK cents per share in 2008

2010 STRATEGIES

- Continue to leverage the Group's strength in Asia, particularly its strong position in China, to drive growth globally
- Continue to focus on turning around US and further improving UK operations
- Key drivers of growth will include new acquisitions completed in 2009 such as the expansion into wholesaling of apparel and accessories as well as the freight forwarding business
- Major facility improvement projects underway in various countries will result in significant improvement in service quality and productivity

Dear Shareholders,

It is my pleasure to present to you the year-end results of Integrated Distribution Services Group Limited (the "Company") and its subsidiaries (collectively the "Group" or "IDS") for the fiscal year ended 31 December 2009. After a sharp decline in the first quarter of 2009, the global economy began to show some signs of stabilization in the second half. However, this certainly should not be interpreted as an all-around recovery. As consumer spending in the world's biggest markets – the US, EU and Japan – remains cautious whilst unemployment lingers at high levels, it is too early to expect that we are in a period of sustained recovery.

In spite of continued challenges in the business environment, the Group's performance, particularly in Asia, showed substantial improvement in the second half of 2009. After a temporary setback, IDS regained its growth momentum and emerged stronger from the financial turmoil.

PERFORMANCE

The Group's profit attributable to shareholders for 2009 was US$29.83 million, an increase of 21.6% compared to US$24.52 million in 2008. This growth was attributable to the Group's solid performance in Asia, which registered an operating profit of US$53.69 million, 25.5% above 2008. However, it was partially offset by the operating losses recorded in the US and UK operations, where business volumes from customers continued to face severe downward pressure. Basic earnings per share for 2009 were 9.35 US cents, compared to 7.76 US cents in 2008. The Board of Directors has proposed a final dividend of 30 HK cents per share. Together with an interim dividend of 14 HK cents per share, the total dividend for 2009 would amount to 44 HK cents per share, 22.2% higher than the full-year dividend of 36 HK cents per share declared in 2008.

During the year, revenue in Asia showed a 10.1% increase against 2008 to US$1.7 billion. Disregarding exchange rate fluctuations of Asian currencies against the US dollar, revenue growth would be even stronger, at over 16%. However, revenue in the US & UK declined by 27.2% (-15.9% if excluding the impact of exchange rate) as a result of lower customer activities and a sharp decline in freight volumes to the UK. Total Group revenue for 2009 exceeded US$1.8 billion, 7.0% higher than 2008 (+13.8% if excluding exchange rate impact).

The Group's core operating profit for 2009 was US$25.25 million, 20.4% above the US$20.97 million recorded in 2008. The fact that core operating profit grew faster than revenue reflects positive operating leverage and better margins. After taking into account the US$16.35 million gain from the divestment of the Group's 20% interest in Slumberland Asia Pacific (SAP) in June and other one-off items, operating profit in 2009 increased by 31.4% against the previous year to US$45.50 million.

China continued to deliver a strong performance and was the fastest-growing market amongst the "Big 4" markets of Hong Kong, China, Thailand and Malaysia in 2009. Operating profit for the year grew by 27.6% to US$12.52 million. Revenue from China reached US$445.21 million in 2009 and accounted for 24.7% of total Group revenue, up from 20.5% in 2008. On a like-for-like basis, China has doubled its operating profit in merely two years. The Group's healthcare distribution service made a strong debut in China in 2009 and established a strong network in key cities. During the year, a total of over 25 new contracts in China were signed, the highest across all IDS operations, and they are expected to fuel more growth in the future.

Considerable effort has been made to turn around the US and UK operations. Despite the accelerated uptake of business from Li & Fung and a continued focus on facility consolidation and controlling labor costs in the US, the reduction in cost base was unable to make up for the volume decline during 2009. On the other hand, cost-cutting initiatives and the strategy of building a stronger relationship with Marks & Spencer in the UK began to bear fruit. Although business volume in 2009 was significantly lower than the previous year, the UK operation has broken even since mid-2009.

During the year, IDS completed several small-scale acquisitions in Asia that either complement its existing business or provide an entry into a new geography or service segment. These included a freight forwarding company with a strong Asia-US network, a medical equipment distributor in Sabah, a logistics company in Indonesia, and the Asian operation of Roots – a Canadian lifestyle fashion brand, which will enable the Group to begin wholesaling apparel and accessories in Asia. These opportunities are expected to become key growth drivers for the Group. Subsequent to the period under review, IDS completed the disposal of the final 10% shareholding in SAP in January 2010 and no longer holds any interest in the company.

MARKET OVERVIEW

The financial crisis in 2008 triggered a sharp decline in world trade in early 2009. The global economy plummeted as a result, with most developed economies and Asian countries recording negative GDP growth over the first two quarters whilst China's growth rate also slowed substantially. Import demand dropped significantly in the US, Europe and Japan as a result of tightened consumer spending and rising unemployment rates, leading to double-digit declines in export volumes in many Asian economies.

Timely government-launched economic stimulus packages have helped boost investment and internal consumption – in turn enabling Asian economies, most notably China, to perform relatively stronger than the more advanced economies. Initial signs of recovery began to appear in the third quarter of 2009 as the decline of imports in advanced economies bottomed out. Both the US and Europe have recorded quarter-on-quarter GDP growth since Q3 2009, while the rebound in Asia has been even more prominent. China returned to double-digit GDP growth in the fourth quarter.

Members of the IDS Board of Directors visited our Manufacturing operations in Indonesia during the Board meeting in November.

Dr. Victor Fung with West Coast management team during a visit to our logistics operations in Chino, California.

The key question for 2010 is whether the rebound in the second half of 2009 can continue and develop into a sustained, all-around recovery. Although economic indicators show that the global economy is on the right path – the GDP of advanced economies is predicted to grow by 1 – 2% and Asia by 3 – 5% in 2010 – the current foundation is still fragile. Dubai's debt crisis in late 2009 and, more recently, the financial problems in Greece and Spain indicate potential speed bumps.

As the effects of the stimulus package dissipate over time, whether or not the rebound continues will hinge on the performance of the major developed economies. Although it has not deteriorated further in recent months, the unemployment rate in the US remains high, which could continue to dampen household consumption and delay recovery. Another major challenge is the timing and strategy of stimulus exits. The current rebound would be jeopardized if the tightening of fiscal and monetary policies were triggered too prematurely. On the contrary, a relaxed financial environment could lead to inflation and substantial government deficits, which is equally threatening to economic recovery.

The Group expects the business environment for 2010 to remain challenging, though we do not anticipate the level of volatility we experienced in the first quarter of 2009. Consumer sentiment in the US and Europe, albeit improving, is still weak. Nevertheless, the Chinese government continues to emphasize boosting internal consumption and pledges to maintain stable and relatively fast economic growth, which will present tremendous opportunities for the Group.

2010 PROSPECTS & FUTURE GROWTH OPPORTUNITIES

Year 2010 will be the final year of the Group's current 2008 – 2010 Strategic Plan cycle and the Group will focus on delivering a strong finish in 2010 which will also prepare the Group for the next phase of aggressive growth.

The Group continues to pursue the strategy of building a strong base in Asia while extending our network

IDS is investing in newer and larger DC's like this 560,000-square-foot facility in Kuala Lumpur, Malaysia.

into key global markets to offer end-to-end logistics solutions and capture the opportunities from increasing international trade. In fact, the Group's Asia business has been registering strong and consistent performance over the years. Between 2005 and 2009, and excluding the discontinued Slumberland business, IDS' Asia operations recorded a compound annual growth rate of 25.7% per annum. Also, the Group's operating leverage and quality of earnings have improved as the scale of its operations grows. We will utilize our strengths across the region – our extensive infrastructure network, comprehensive menu of services and deep local knowledge – to develop more end-to-end programs that can help Western brands bring their products into Asia as well as manage their supply chains between Asian sourcing locations and their home markets.

Our China advantage will continue to be our core competitive edge. During the past few years we have enjoyed stellar performance in China, which has grown to become our largest and most profitable market. We have an extensive distribution network that covers over 150 cities, and our logistics operation has achieved a leadership position in the footwear and apparel sectors. Operating profit from China has increased more than 18 times between 2004 and 2009, representing a compound annual growth rate of over 80% per annum. The recently commenced healthcare distribution operations and the new apparel and accessories wholesaling business will certainly be new growth drivers of business. However, the Group also acknowledges the need to significantly enhance our resource base to support growth. In 2010, the Group will implement a new China organization that merges the Hong Kong operations into China, thereby combining the management strength of our two strongest markets.

Turning around our US operation and bringing our UK business back to profitability remain key priorities for IDS in 2010. The Group will address the US with a two-pronged strategy of reducing cost and increasing revenue. Cost-control measures including salary reduction, rate discounts for temporary labor, and tightened control on transportation and communication expenses (which were implemented in 2009) will bring our 2010 cost base down substantially. The collaboration between Li & Fung and IDS in the US is progressing smoothly, with more volume in the pipeline for 2010. Efforts for business development with other third-party customers have also been stepped up to address the decline in throughput volume. Meanwhile, the new, strengthened management team in the UK has successfully brought the operations back on track in the

The year-long celebration of IDS 10th Anniversary culminated in the encore gala dinner at the IDS Senior Managers Meeting in Hong Kong.

second half of 2009. The key task for 2010 is to expand our customer portfolio through aggressive business development.

As an initiative to promote productivity and service standards, the Group embarked on a number of projects to upgrade its existing facilities as well as fit out new ones. The enhanced Logistics Operations Support team has been instrumental in designing and bringing in new systems and facilities to improve efficiency and process flow. Besides the two new healthcare facilities that were opened in Singapore and Thailand in 2009, other projects to be completed in 2010 included a healthcare facility in Malaysia, a 650,000-square-foot facility on the West Coast of the US, and other new large-scale facilities that will help consolidate the Group's current operations in Malaysia, the Philippines and Taiwan for better efficiency.

The Group will continue to emphasize people development. The New IDS Manager program under the Leadership, Management & Talent (LMT) Development program will be launched in 2010 for the entire management team across IDS. The New IDS Manager program will provide the management team with common knowledge on the IDS business model, service offerings, financial management approach and key management skills.

The Group recognizes the importance of corporate social responsibility and has identified Environmental Sustainability, Community Outreach and Employee Health & Safety as IDS' three pillars of CSR. A group-wide structure, sponsored by a member of our senior management and supported by in-country teams, has been formed for each of the three areas. The Group intends to continue to enhance and upgrade its commitment to CSR by launching both long- and short-term initiatives for each of these areas in 2010.

IDS celebrated its 10th Anniversary throughout 2009. There was a wonderful array of celebratory activities involving all IDS employees, their family members and our business partners. The year-long celebration drew to a close at the encore gala dinner during the IDS Senior Managers Meeting that was held in Hong Kong in December, where some 200 guests including senior management of IDS and other Li & Fung entities participated.

On behalf of the Directors, I would like to express my appreciation to my colleagues at IDS for their outstanding efforts and complete dedication to delivering a strong rebound amidst a challenging environment.

Victor FUNG Kwok King
Chairman

Hong Kong, 15 March 2010


VISION
VALUES
CUSTOMER DELIGHTS
OPERATIONS FIRSTS
VALUE-CHAIN LOGISTICS
INTEGRATED-DISTRIBUTION SERVICES
BEST OF IDS
CORPORATE SOCIAL RESPONSIBILITY

BACK TO PROFITABLE GROWTH

BEN CHANG YEW TECK

2009 HIGHLIGHTS

- In spite of severe economic challenges with revenue growth of only 7%, the Group recorded a strong rebound in 2009 on the back of robust Asian performance
- Five modest but strategically significant acquisitions completed smoothly to strengthen the Group's service offerings and market presence
- Commenced projects to enhance Revenue Management and Contract Management, as well as studies on productivity enhancements in Logistics
- Continue to roll out Leadership, Management & Talent (LMT) Development programs, including an e-learning platform for supervisory and middle-management staff; trial session of the first module for New IDS Manager Program was successfully launched
- Implemented corporate and country structures to promote the three pillars for Corporate Social Responsibility – Environmental Sustainability, Community Outreach and Employee Health & Safety

2010 PROSPECTS

- Focus on championing growth in 2010 to close the 2008 – 2010 Strategic Plan strong, and set a solid foundation for the next 2011 – 2013 Strategic Plan
- Implement new China organization to strengthen our resources for the next phase of growth
- Aggressive scale-up of International business through integration of Freight Forwarding Services to enhance end-to-end solution
- Group-wide launch of Commercial Department to institutionalize contract management, drive improvement in profitability and strengthen customer account management
- Continued emphasis on promoting CSR through enhancing employee awareness on health & safety, engaging our people in community outreach programs, and integrating environmental sustainability with our daily operations

Participants gathered for a group photo at the IDS Senior Managers Meeting held in Hong Kong in December 2009.

Operating in an environment where the global economy struggled to recover from recession, IDS faced one of its most difficult years in 2009. Expecting that there would not be a quick and steep market rebound following the downturn, the Group focused on emerging from the recession stronger and was ultimately able to overcome myriad challenges and return to growth. However, 2009 is also going to be remembered as a significant year at IDS, not the least because the entire Group celebrated 10 glorious years of business success and fond memories.

As a result of the global economic crisis, customers in the US, UK and including some in Asia showed year-on-year declines in business volume. However, the Group was able to bridge this gap through new business wins to deliver a 7.0% growth in revenue, up from US$1.68 billion in 2008 to US$1.80 billion in 2009. Gross profit for 2009 was US$469.94 million, 2.4% lower than the US$481.27 million recorded in 2008. This was mainly due to volume declines in the US & UK as well as weaker volumes for the Logistics business in ASEAN. In spite of revenues increasing only 7%, core operating profit rebounded strongly by 20.4%, from US$20.97 million in 2008 to US$25.25 million in 2009 as a result of effective cost control and improved efficiency.

After taking into account the gains from the disposal of Slumberland shares, the sale of properties in Malaysia and other one-off items, operating profit for 2009 grew 31.4% year-on-year to US$45.50 million. Although taxes for 2009 were substantially higher than the previous year, which was benefited by deferred tax credits, profit attributable to shareholders for 2009 registered solid 21.6% growth over 2008 to US$29.83 million. Basic earnings per share for 2009 were 9.35 US cents, compared to 7.76 US cents in 2008.

The profit growth recorded in 2009 was mainly driven by the outstanding performance of the Asia business, where operating profit grew 25.5% to US$53.69 million against 2008. All the key markets including China, Hong Kong, Thailand and Malaysia continued to perform strongly, whilst the successful turnaround of Indonesia and tremendous growth in Taiwan also made positive contributions. However, the growth was partly offset by operating losses in the US & UK, which amounted to US$12.99 million in 2009 against a loss of US$7.57 million in 2008. Despite this, the Group saw a healthy recovery in the UK, and there were strong signs that the operation is on track towards profitability. Although the result in the US was disappointing, there were significant upsides in our collaboration with Li & Fung and in our cost-saving initiatives. This will benefit financial performance in 2010.

During the year, the Group made a number of modest but strategically important acquisitions to strengthen its service offerings and enhance its presence across Asia. In May we acquired an additional 20% interest in our associated company in Sabah, a major distributor of Fast Moving Consumer Goods (FMCG) and became the majority shareholder. As a result, we have acquired controlling status in all our operations in East Malaysia and Brunei, which will help facilitate the implementation of a holistic strategy to maximize the potential of this region. Subsequently, in October, we acquired a leading distributor of medical equipment in Sabah to gain entry into the healthcare sector in that market and create a platform for rolling out healthcare business across our operations in Sarawak and Brunei.

The Group made two strategic acquisitions that enabled us to move into new products and service segments. The first was the Asian operations of Roots – a Canadian lifestyle apparel brand, including the licensing right to source, market, distribute and sell Roots products across the region, for a consideration of US$4.02 million. This was a significant step toward entering into the wholesaling of apparel and accessories in Asia and extending our regional distribution activity into a new product segment beyond FMCG and healthcare. The other acquisition was a US & Asia-based freight forwarding company for a consideration of US$5.36 million. The company has an extensive network covering nine markets and a strong portfolio of customers in the retailing and apparel sectors. The acquisition will substantially strengthen the service offerings under the International business stream and our proposition of end-to-end global logistics solutions. We will now be able to offer freight forwarding services directly to our apparel-centric clientele in the US as well as satisfy the intra-regional needs of our customers in Asia, where we are running regional export programs.

After two years of hard work, the Group gained entry into the Indonesian logistics business through the acquisition of a local third-party logistics company for a consideration of US$3.67 million in October. The Group now operates a logistics network in Indonesia that complements the growth of its existing distribution and manufacturing businesses, which are servicing a portfolio of multinational customers. This will enable us to offer a comprehensive value-chain proposition in Indonesia, a nation of 250 million people and enormous potential.

During the year, the Group also kicked off several transformational projects to build the foundation for future growth. The first involved the institutionalization of a Commercial Department, which drives revenue management and contract management processes. The initial tasks of defining the roles of the department and mapping out the process from tender to transaction have been completed, and a full-scale launch will take place in 2010. The enhancement of the Logistics Operations Support (LOS) team means their involvement in major project implementation, distribution center design and process optimization has been substantially increased. The Group also launched a tool for keeping track of productivity levels across all logistics operations and carried out an initial study on the development of a toolkit based on various industrial engineering techniques for productivity improvement.

The Group's Leadership, Management and Talent (LMT) Development program continues to be the centerpiece of its investment in people development. In 2009, the Group recruited the third batch of 71 Management Trainees (MT) across all countries for the 18-month program. Since its inception in 2007 the MT program has been very successful, and the first two batches of recruits have now been deployed across the Group, taking up supervisory and managerial roles. During the year we also launched two e-learning programs for supervisory and middle management. Development work for the New IDS Manager program also saw substantial progress, with the pilot run of the first course, Quantum Leap in Organic Growth, launched in November.

Professor Hau Lee of Stanford University delivered the keynote presentation at the Value-Chain Seminar in the US.

IDS continued to promote Corporate Social Responsibility (CSR) across the organization. After defining Environmental Sustainability, Community Outreach and Employee Health & Safety as the three pillars of our CSR drive, a Corporate Sponsor and a Corporate Champion were identified for each of the pillars for policy-setting and to develop Group-wide campaigns. These teams were supported by in-country organizations comprising senior members from country management as well as the Human Resources Department for awareness enhancement and program execution.

As part of its commitment to promote industry education, IDS hosted two Value-Chain Seminars in Manila and New Jersey in 2009. We invited Dr. Victor Fung and Professor Hau Lee of Stanford University to join Mr. Ben Chang as keynote presenters, who shared their latest thoughts with over 300 participants comprising customers, industry practitioners, university faculty and students. The Group also supported

The Group Managing Director addresses the management in his annual GMD townhall meeting in Thailand.

programs initiated by Li & Fung Foundation and launched group-wide fundraising programs and local disaster relief initiatives for the victims of Typhoon Morakot and Typhoon Ketsana that hit Taiwan and the Philippines, respectively.

FINANCIAL OVERVIEW

The Group's operating profit, including a US$16.35 million gain from the divestment of 20% interest in Slumberland Asia Pacific and US$4.37 million gain on disposal of properties in Malaysia, increased by 31.4% to US$45.5 million compared to US$34.6 million in 2008. Net finance costs decreased by 34.1% to US$4.27 million, benefiting from overall lower borrowing costs. Taxation charges for the year amounted to US$10.5 million, an effective tax rate of 25.5%, compared to US$4.9 million (effective rate of 16.3%) in 2008. The increase was mainly due to the recognition of deferred tax credits in 2008. As a result, the Group's net profit in 2009 increased by 21.6% to US$29.83 million compared to US$24.52 million in 2008. Earnings per share increased from 7.76 US cents in 2008 to 9.35 US cents in 2009.

LIQUIDITY AND FINANCIAL RESOURCES

The cash flow generated from operations during the year was US$19.69 million reflecting the increase of working capital US$28.17 million mainly in China caused by lower trade payables arising from change in payment terms. Net borrowings as at 31 December 2009 were US$72.38 million against US$47.07 million as at 31 December 2008. The Group's gearing ratio as at 31 December 2009 was 29.8% versus 24.9% at 31 December 2008. The gearing ratio was calculated as net borrowings divided by total capital. Net borrowings of US$72.38 million was calculated as total borrowings (including short-term bank loans and other borrowings of US$61.86 million, long term bank loans and obligations under finance leases of US$111.45 million) less time deposits and bank balances and cash of US$100.93 million. Total capital was calculated as total equity of US$170.82 million and net borrowings. The Group has available bank loans and overdraft facilities of approximately US$364 million of which US$169.6 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

IDS employees and their families enjoyed a great day at the IDS 10th Anniversary Family Day in Thailand (left) and Singapore (right).

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:

	2009 **US$ 000**	2008 US$ 000
For purchase of goods in favour of suppliers	**23,669**	21,771
For rental payment in favour of the landlords	**10,582**	8,797
As security in favour of local tax and customs authorities in accordance with local regulations	**7,616**	629
Performance bonds and others	**1,570**	780
	43,437	31,977

(b) The Company and two of its subsidiaries, IDS USA Inc., and IDS Group Limited, have been included as defendants in certain civil claims in the USA. 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 31 December 2009, the Group employed approximately 8,600 permanent employees. They were located throughout various operations within the Group. Total staff costs for the year ended 31 December 2009 amounted to approximately US$197.88 million compared to US$205.65 million for 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.

INFORMATION TECHNOLOGY & BUSINESS APPLICATIONS

In-house Cloud Computing has been fully realized with our E1 Enterprise Resources Planning (ERP) system. Thailand, being the last of the IDS countries to be migrated, joined the other countries in 2009 on the centralized servers in Hong Kong. Typically each country E1 environment has up to 11 servers – application servers, web servers, database servers, EDI, reporting, printing, data warehouse, testing and backup – this has been reduced significantly and realized substantial capital savings, reduced running costs, resources and supported our Green Office drive. During 2010 we will conclude the last migration of the country data warehouse servers which will coincide with the rationalization and standardization of reporting.

In line with our strategy of using standardized versions of core applications across the Group, we continued to roll out our standard ERP and Warehouse Management System (WMS) to new operations. Implementation of the WMS in UK was completed in 2009, after which the next target is our new operations in East Malaysia, which will be completed by mid-2010. WMS interfaces were further enhanced with the implementation of the centralized Gentran Integration Suite (GIS) platform in Hong Kong. This will facilitate the rapid growth in interfaces with our customers and supply chain partners as it is rolled out in 2010. Another major project for 2010 related to our core application is the replacement of MFG-Pro, which is currently used by the Manufacturing operations, with our E1 ERP system. This will ensure maximum leverage of our investments and streamlined maintenance and support.

Internet Protocol Telephony (IPT) saw a smooth roll-out during the year and has contributed to the elimination of telephone toll charges for long-distance calls. Together with the installation of high-quality video conferencing facilities in our major offices, we noticed substantial improvement in communication between colleagues in different locations. The use of IPT and video conferencing also contributed to a 28% reduction in overseas traveling and 8% decrease in communication costs compared to 2008. During 2009 we continued to invest in our global infrastructure to support new countries, applications and transactional volumes. The growth was contained by the successful introduction of bandwidth optimization technology.

An eventful IDS 10th Anniversary Gala Dinner – (Left, from left) Dr. William Fung, Dr. Victor Fung and Mr. Ben Chang receive the auspicious scrolls after the lion dance. (Right) Group MD, Mr. Ben Chang extends a warm welcome to all participants.

Since its implementation, the Field Data Automation (FDA) module of our Road Warrior application has been very well received in Hong Kong. This has resulted in the strengthening of our merchandising service, and it has enabled our field staff to collect market intelligence via their handheld devices. The FDA module will be revamped in 2010 to further improve its performance, and it will continue to be rolled out in different markets. Our field applications, FDA with the Sales Force Automation (SFA) module (for sales order processing) under Road Warrior and the TradEX system (our wholesaler application), will be consolidated into one unified platform to create one full suite of distribution applications.

Subsequent to the launch of the Purchase Order Management System (POMS) under ViTAL, our supply chain suite for IDS International, further enhancements were made in 2009. The next phase of the project will see the integration of this module with a new platform leveraging the CMS (Carrier Management System), which was successfully launched in China in 2009. This will ensure better integration with our other applications and more seamless operations in the future. In 2010, CMS will be further rolled out in Thailand, Taiwan, Malaysia and Singapore.

PROSPECTS FOR 2010

IDS performed commendably in 2009 amid a period of turbulence and uncertainty. Moving into the new decade, we expect the external environment to remain challenging, although it should slowly improve. The Group is cautiously optimistic in its outlook and is determined to capitalize on the rebound in 2009 to champion strong growth as it completes the 2008 – 2010 Strategic Plan cycle.

IDS enjoyed a period of consistent, solid growth from the time of its public listing in 2004 through 2007, with a compound annual growth rate of 38% per annum in net profit. Then the Group suffered a setback in 2008 with the onset of the global financial crisis. Based on the strong recovery IDS saw in 2009, the rallying cry for the Group in 2010 is "Back to Profitable Growth!" to remind us of the strong foundation we plan on building to support the stellar growth we expect in the Group's next 2011 – 2013 Strategic Plan.

Asia, and in particular China, will continue to be the key growth driver for IDS. In addition to relentlessly driving organic growth and winning new contracts, we must also ensure that we have the right structure and resources in place, and new business opportunities that can be nurtured to become future engines of growth.

A small and unprofitable operation five years ago, China has undergone a period of explosive growth to become the largest and most profitable market for IDS today. Throughout the years, IDS has spearheaded various strategies, including the expansion of its distribution network, achieving a leadership position in footwear and apparel logistics, and more recently, launching healthcare distribution to drive various phases of growth in China.

In 2010, a new organization will be introduced in China to facilitate the next phase of growth in our 2011 – 2013 Strategic Plan. The Hong Kong operations will be merged into the China organization, which will then be managed as one country with Joseph Phi, President, as the Country lead and champion of Logistics. He will be supported by Executive Vice President Gerard Raymond, who champions the Distribution business. There will be six regional offices under China – Hong Kong, China South, China East, China North, China West and Central China – each having the necessary supporting functions under the Country Resource Team. We expect to see a significant strengthening of the resource base in China, coupled with growing breadth and depth for our China distribution and logistics network over the next few years.

Our entry into the wholesaling of apparel and accessories in Asia, leveraging our expertise in apparel logistics and our extensive distribution network in the region, is going to be the next opportunity for growth. Subsequent to the acquisition of Roots in Asia, we are now strengthening its business fundamentals, with an initial focus on the apparel sector in Greater China. For our next 2011 – 2013 Strategic Plan cycle, we expect to grow this business aggressively by including more brands and products, and extending into ASEAN and other countries.

By fully integrating the freight forwarding business acquired in 2009 with our dominant warehousing and transportation solutions, both at Asian origins and US and UK destinations, the International business stream can now provide its customers with full control of the logistics solution, which enables full visibility and accountability from factory floor to store shelf. The team is currently offering end-to-end solutions to major apparel and household product retailers in the US and Japan and will implement a new project with a UK-based apparel retailer in 2010. In order to aggressively develop new businesses, the International stream will further strengthen its supply chain solutions team and its current office network across Asia and the US. The freight forwarding agency network will also be broadened to cover Europe, Japan and Korea.

In the first half of 2010 we will see the group-wide launch of the Commercial Department, and the resulting institutionalization of our commercial process will significantly enhance our capabilities in contract and revenue management. By implementing standardized pricing protocols and contract terms, we will be able to improve the quality of our earnings. Together with our ongoing emphasis on operations excellence and productivity, which tackles the cost side of our business, this will pave the way for margin improvement in the longer term.

On the people development front, we will fully roll out the New IDS Manager program in 2010 to complement the existing initiatives under the LMT Development program. The first course – Quantum Leap in Organic Growth – will be launched in the first half, followed by three more courses: Implementing the IDS Vision, IDS Case Study and Managing Profitability the IDS Way. These are currently in the content development phase.

Colleagues from China proudly holding their IDS Loyalty Award during the Annual Appreciation & Award event.

CSR has become an increasingly important element for IDS. The organizational structure we are implementing to emphasize this initiative will ensure that corporate programs and policies can be effectively cascaded and executed at the country level. The intention to measure and manage our carbon footprint has resulted in the development of an in-house tool that is currently under final verification. The Group is also taking environmental impact into consideration during the fitting out of new distribution centers and offices, including the usage of more energy-efficient lighting and air-conditioning systems. Initiatives at both the Group and local levels will continue to be launched to engage our employees and enhance their awareness of our CSR initiatives.

Ben CHANG Yew Teck
Group Managing Director

Hong Kong, 15 March 2010

The new IDS 650,000 square feet Chino facility exclusively for Li & Fung, USA.

2009 HIGHLIGHTS

- Greater China and ASEAN continue to deliver strong performance; year-on-year operating profit growth was 34.0% and 17.8% respectively
- US & UK performance remained weak due to substantial decline in throughput volumes; 2010 turnaround expected due to significant cost reduction measures and strengthened relationships with Li & Fung, USA and Marks & Spencer, UK
- Logistics infrastructure network continued to expand in tandem with business growth. New healthcare facilities completed in Thailand and Singapore; total footprint now exceeds 13 million square feet
- Strategically significant acquisitions were completed smoothly, enabling the Group to establish logistics presence in Indonesia, extend healthcare business into East Malaysia, and expand into the wholesaling of apparel and accessories in Asia as well as offer freight forwarding services globally
- Several significant new contracts were signed with major multinationals including Colgate-Palmolive, F&N, Friesland-Campina, Muji and Disposable Soft Goods (DSG). Successfully renewed major contracts with Nike in China, L'Oréal and P&G in Taiwan, Philip Morris in the Philippines and Brunei, and Carrefour in Thailand

The brand-new healthcare facilities in Singapore (left) and Thailand (right) will substantially upgrade the Group's healthcare distribution service in the region.

The overall economic environment in 2009 was challenging. Many customers of IDS, particularly those in the US & UK, showed substantial year-on-year volume declines. Consumer sentiment in Asia improved during the second half, but the traditional peak season in the US & UK proved to be far weaker than expected. The Group's core operating profit for the year was US$25.25 million, or 20.4% above the US$20.97 million reported in 2008. This growth was driven entirely by the strong performance in Asia, though it was partly offset by increased losses in the US.

On a stream basis, both Distribution and Manufacturing enjoyed solid growth in operating profit. Strong performance in China drove growth for the Distribution business, as did the acquisition of the new Roots business and the impact of the newly won Shell business in Taiwan. Hong Kong and Thailand also posted healthy results. Operating profit for Distribution increased by 47.2%, from US$18.58 million in 2008 to US$27.35 million in 2009. Manufacturing reported 28.7% growth in operating profit, increasing from US$5.97 million in 2008 to US$7.68 million in 2009, largely on the back of the strong performance in Malaysia and Thailand. This was supplemented by the successful turnaround of the Indonesia operation.

The Logistics business in Asia had a stellar year winning new businesses, which compensated for the decline in like-for-like customer volumes. The stream posted a modest growth of 2.1% in operating profit in Asia, from US$18.27 million in 2008 to US$18.66 million in 2009. After taking into account the operating losses in US & UK, overall Logistics operating profit declined from US$10.70 million in 2008 to US$5.67 million in 2009. During the year, the Group's Logistics footprint expanded by over 15% to cover more than 13 million square feet, which will help cater for its new business requirements.

All business streams in Asia continued to show strong operating leverage through solid improvements in their operating margins. The margin for Logistics in Asia reached a record high of 8.23% in 2009 compared to 7.95% in 2008. Distribution margin substantially improved from 1.64% in 2008 to 2.10% in 2009, while Manufacturing increased from 3.03% in 2008 to 4.12% in 2009.

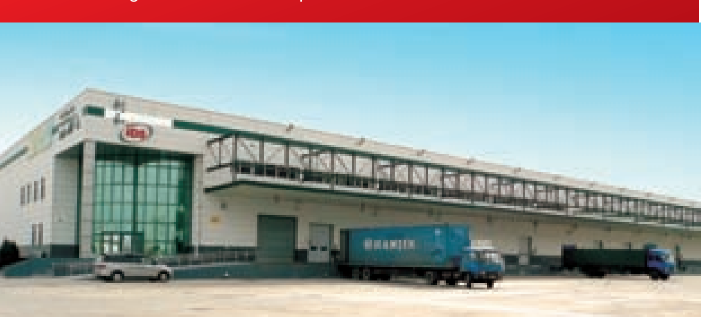
IDS also enjoyed a remarkable year on the business development front in 2009. Several significant new contracts were signed with new and existing customers, including major multinationals such as Colgate-Palmolive and Friesland-Campina in Hong Kong, F&N in Malaysia, Disposable Soft Goods (DSG) in Malaysia and Thailand, and a regional hubbing operation for Muji in China. The Group also secured renewals of major contracts with key customers such as the logistics operation for Nike in China, L'Oréal and P&G in Taiwan, and Carrefour in Thailand, as well as the distribution service for Philip Morris in the Philippines and Brunei.

IDS continued to garner accolades from customers as well as the industry in 2009. IDS Hong Kong participated in the Logistics Awards Hong Kong 2009 organized by the Hong Kong Trade Development Council (HKTDC) and was named winner of the "Logistics Award for Enterprise" and "People Development Award", both amongst keen competition. This was strong testimony to IDS' high standard of service and further promoted the Group's prestigious position in Hong Kong. In China, our Logistics operation was named an AAA Logistics Company in June by the China Federation of Logistics & Purchasing, while the Distribution team won Hershey's "Best Partner Award". The Thailand team also enjoyed a superb achievement: Its Manufacturing operation won the "Outstanding Labor Relations and Welfare Award" from the Labor and Welfare Department of Thailand, whilst the Logistics and Distribution teams were commended by various customers, including Watson and SSL Healthcare. The Philippine Logistics team demonstrated excellent teamwork and efficiency during the recovery of operation after severe flooding caused by typhoon Ketsana and was acknowledged by our key customer, Unilever.

GREATER CHINA

The Greater China region reported solid revenue and operating profit growth of 26.8% and 34.0%, respectively against 2008. China continued to be the key driver, delivering 27.6% year-on-year growth in operating profit. Hong Kong also registered steady operating profit growth of 15.5%. With the inclusion of the Shell distribution contract and the acquisition of the Roots business, profit from our Taiwan operations more than tripled in 2009 compared to 2008.

The new Distribution Centre in Beijing is one of the six new logistics facilities completed in China in 2009.



IDS signed a three-year contract with SSL in Hong Kong that includes expanded product coverage.

IDS' China distribution business continued to register a significant year-on-year revenue growth of over 30%. This was primarily driven by the outstanding growth of FMCG products and the ongoing expansion of the Group's China distribution network, which is continuing in 2010 with significant investments in people, technology and full-fledged regional offices. The China healthcare distribution service launched last year has also made good progress. Major new principals served by IDS included Rottapharm / Madaus Pharmaceutical, Mircus Endovascular Inc. and Jamieson Laboratories. IDS has now established an entry foundation in the Ethical Pharmaceutical, OTC Healthcare and Medical Device sectors.

The Logistics team in China signed up 20 new customers in 2009 – a record at IDS – including Rémy Cointreau, Nivea, Mango, B Braun, Zeiss and Maxxium. The logistics footprint expanded by 20% to accommodate the new businesses and the total floor area of our distribution centers in China now exceeds 2 million square feet.

IDS made its first foray into the Asian wholesaling of apparel and accessories in September by acquiring the operations of the Canadian lifestyle apparel brand Roots in Asia. Subsequently, in November 2009 the Group made a successful launch of the "Sleep & Play" children's sleepwear line through Toys "R" Us stores in Hong Kong, China and Singapore. In 2010, the Group will focus on expanding the distribution network of

Staff posed for a group photo during the groundbreaking ceremony for a dedicated manufacturing facility for F&N's dairy products in Malaysia.

Roots in China and Hong Kong, while the children's wear business will see expansion in product lines and distribution channels beyond Toys "R" Us stores in the Greater China region.

ASEAN

Despite a slight 2.4% decline in revenue due to weaker currencies against the US dollar, operating profit in the ASEAN region registered growth of 17.8% in 2009 compared to 2008, reflecting strong operating leverage. Thailand registered an impressive 22% growth in operating profit against a flat revenue performance, whilst the Indonesia operation completed a successful turnaround through strengthened management and improved operational efficiency.

Following the successful experience of Hong Kong, new healthcare facilities were completed in Singapore and Thailand in late 2009. Both facilities have multiple temperature-controlled storage areas and packing facilities designed according to GDP (Good Distribution Practice) standard. The facilities are also fully RF (Radio Frequency) enabled and are equipped with flow racks and conveyor systems to enhance productivity. Another similar facility will be opened in Malaysia in 2010. The new facilities are expected to position IDS as the leading distributor of healthcare products in the region.

The Thailand Manufacturing team was awarded "Outstanding Labor Relations and Welfare Award" from the Labor and Welfare Department of Thailand.

The Listerine plant in Thailand continues to grow from strength to strength. During the year the plant commenced production of orders from Japan and Australia. The dedicated facility for Fisherman's Friend in Malaysia is currently supplying Singapore and Vietnam, with confirmation to include Malaysia, Australia and Hong Kong in 2010 and subsequently other Asia Pacific countries. Groundbreaking for a facility in Malaysia dedicated to producing dairy products for F&N took place in September 2009. The plant is expected to be completed in mid-2010, and commercial production will commence in the second half. This is an exciting project for IDS as it will extend our manufacturing capability to cover chilled products.

IDS launched the wholesaling of children's "Sleep & Play" wear in Hong Kong, China and Singapore.

IDS acquired additional shares in an associated company in Sabah in May and became the controlling shareholder, which completed the strategy of acquiring full control of the consumer distribution operations in East Malaysia (Sabah and Sarawak) and Brunei. Subsequently in October, we completed the acquisition of a leading distributor of medical equipment in Sabah to extend our distribution capability.

Another breakthrough for IDS during the year was the acquisition of a logistics company in Indonesia to complement the existing distribution and manufacturing businesses. IDS now has a sound logistics network and is able to offer a comprehensive menu of services in this market. Discussions are now taking place with several of our regional customers to extend our partnership into Indonesia, which we believe has strong growth potential.

US & UK

Suffering from continued softness in market sentiment, and in spite of more volume throughput from Li & Fung USA and Marks & Spencer (M&S) UK, revenue for both the US & UK markets declined significantly by 27.2% against the previous year. Despite savings realized from cost-control initiatives that the Group implemented in 2008, the two countries together recorded an operating loss of US$12.99 million in 2009, compared to a loss of US$7.57 million in 2008. Business development efforts, cost-cutting measures and rationalization programs instituted over the past year are expected to yield a turnaround in these countries in 2010.

During the year, revenue from most US customers showed double-digit declines. Despite savings realized from cost-control initiatives that commenced in 2008, the US recorded an operating loss of US$12.84 million in 2009, compared to a loss of US$5.63 million last year. The rationalization program of logistics facilities in the US continued in 2009 with the closure of two facilities. Negotiations with landlords, temporary labor agencies and equipment providers took place for the purpose of obtaining rate reductions. More aggressive cost-control measures, including headcount and salary reductions, and initiatives to reduce travel and communications expenses, were introduced to ensure that the cost base for the US operation in 2010 is in line with business volume projections.

Business collaboration with LF USA expanded to more brands in 2009, with year-on-year volume more than doubling. As of the end of 2009, IDS has taken up about 45% of the total LF USA volume, with more initiatives already in the pipeline pending implementation. In order to cater for increasing business volume with LF USA and to enhance operational efficiency, IDS commenced the design and fit-out of a new 650,000-square-foot facility on the West Coast in 2009 to consolidate various LF USA operations. Targeted to be completed by mid-2010, the facility will be equipped with an automated sortation system and high-velocity carton pick module to ensure an efficient product flow.

Further consolidation of facilities has been planned for 2010 to reduce rental expense. Business development efforts will also be stepped up to pursue opportunities with other Li & Fung divisions as well as third-party customers. Together with the full-year effect of the cost-cutting initiatives that were introduced in 2009 as well as the new Li & Fung business, the fundamentals of the US business are expected to be much improved.

The UK operation successfully turned around in the second half of 2009 through strengthened partnership with Marks & Spencer (M&S) and effective cost control. Operating losses were significantly reduced from US$1.94 million in 2008 to US$0.15 million in 2009. IDS is now one of the four approved UK service providers for M&S and a member of the M&S High Performance Team. On the business development front, we are pursuing several opportunities with UK retailers to develop hubbing solutions in Asia. This is to leverage the Group's comprehensive logistics network and its ability to offer end-to-end solutions to support the growing trend of sourcing from Asia. The Group is also working closely with Li & Fung in Europe to develop a joint supply chain strategy. As the market for online shopping has grown substantially in the UK during recent years, we are also exploring the feasibility of upgrading our Sheffield facility to become a state-of-the-art e-fulfillment center.

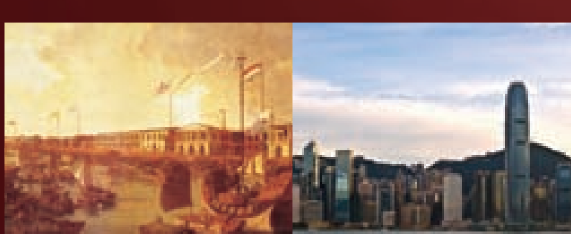
IDS UK is upgrading its Sheffield DC with new material handling equipment to enhance order picking productivity including e-fulfillment capabilities.

Best-in-class Manufacturing

The IDS best-in-class manufacturing base is built on over 50 years of Asian in-market expertise churning out thousands of world renowned multinational brand products.

China Network

The IDS China distribution network reaches over 150 cities and 10,000 modern trade outlets.



Asian Heritage

We operate as a seasoned multinational whilst leveraging the rich Asian heritage of a company with over 100 years of on-the-ground operating experience.

Comprehensive Asian Distribution

IDS has established itself as a leader in Value-Chain Logistics with a deep and extensive Asian distribution and logistics network. This has positioned IDS well for global expansion.

A Leading Logistics Company

IDS is a leading logistics service provider for the FMCG, Healthcare, and footwear and apparel sectors. We operate over 100 distribution centers in Asia, US & UK.

IDS and Li & Fung

IDS is a member of the Li & Fung Group of companies. Li & Fung was founded in 1906 and was one of the first Chinese companies to engage in foreign trade.

ASIAN STRENGTH CHINA ADVANTAGE

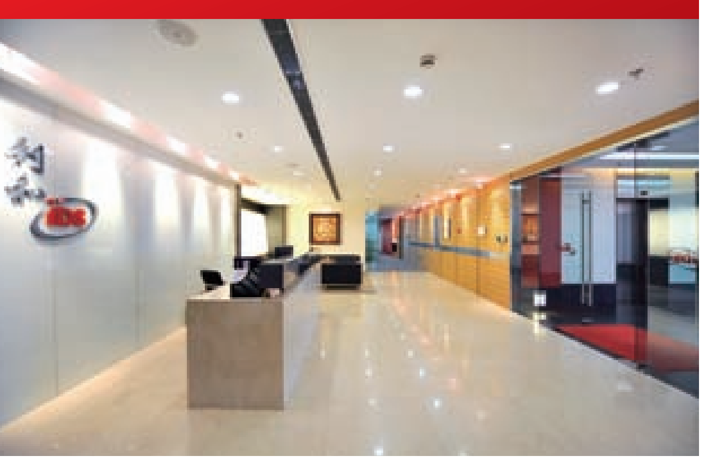
IDS is an Asian multinational with an origin that can be traced back over 100 years to an era of British dominance in Asian import distribution. IDS understands the hearts and minds of Asian consumers and has unparalleled knowledge of Asia's diverse trade practices and markets. We have a long and successful on-the-ground experience of doing business in China and offers an open gateway into China through which multinationals can take their brands into the most populous nation in the world.

ASIAN STRENGTH

The IDS management is a group of seasoned professionals who understand the Asian marketplace.

IDS is an Asian multinational operating in 16 economies employing over 8,000 people, 15 nationalities. Our origins can be traced back over 100 years to an era of British dominance in Asian import distribution. Already steeped in the richness of such a long-standing history, IDS is even more privileged to benefit from the strong heritage of the Li & Fung Group.

The IDS headquarters in Shanghai is complemented by an 18-strong branch office network in China.



Founded in 1906, Li & Fung was one of the first Chinese owned companies to engage in foreign trade. The Group has steadily grown to become an internationally admired and respected multinational organization. The company's considerable financial strength, its renowned supply chain management competency and its intimate knowledge of the Asian economies are at the very core of the IDS heritage today.

The diverse, fragmented and often complex fabric of the Asian marketplace with its variety of standards, infrastructural limitations and its heavy reliance on well-established relationships can be both daunting and costly for multinational brands to penetrate. Our unparalleled knowledge of Asia's diverse trade practices, markets and consumers represents an invaluable asset for our customers.

As a seasoned Asian multinational, we understand and adhere to the same global standards of corporate governance, performance, and transparency. Not only do we speak the same language, we also share the same values. This results in an irresistible, incomparable service proposition for all our customers.

CHINA ADVANTAGE

The ultimate purpose of the IDS Group is to enable our customers to do business without boundaries across Asia. We have intimate experience of the Greater China region. Here, we bring our multinational customers' products into places that can appear too difficult to penetrate, but too attractive to ignore.

Success in China requires extensive and deep-rooted local knowledge, commitment, tenacity and a long-term view. IDS has had a long and successful on-the-ground experience of doing business in China, which is the biggest and fastest growing market today for IDS. Through Li & Fung, IDS is inextricably linked to China for over a century. This strong Chinese heritage is extremely beneficial and valuable to brand owners and retailers looking for a hassle-free and effective partnership in China.

Kunshan DC – the latest addition to our portfolio of logistics facilities in China was established primarily for Beiersdorf.

Using self-owned and outsourced fleets, our delivery network covers 600 cities large and small in China.

Our Logistics operation manages an extensive network of distribution centers and is a leading service provider for the footwear and apparel sector. Our Distribution business owns nation-wide licenses for both consumer and healthcare products, and operates a network of 18 branch offices across China with direct selling and key account management capabilities, covering over 150 cities and 10,000 modern trade outlets.

China is a market of limitless opportunity. The IDS network offers an open gateway into China through which multinationals can take their brands into the hearts and minds of consumers of the most populous nation in the world.

CUSTOMER PARTNERSHIPS

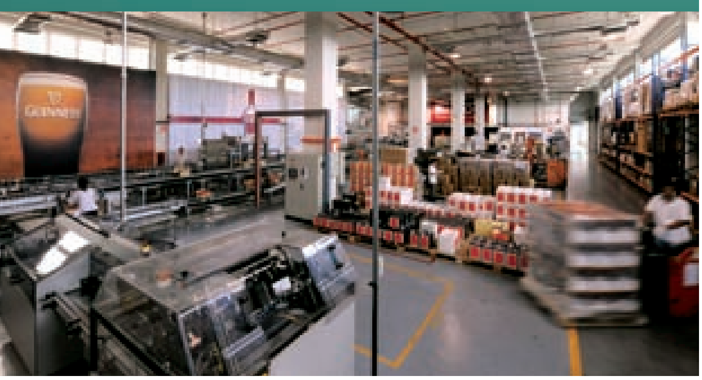
At IDS, we customize solutions based on customers' needs. The scope, scale and depth of the IDS Menu of Services is unparalleled. It allows us to take a tailored approach to deliver optimal services to our customers.

Adorn Fashions, Aegis, Air Asia, Aircraft Medical, Albert Browne,
Aloka, Amcor Flexibles, American Utex International, AMO,
Arjo Wiggins, Ars, Cosmetics Corporation, Asian Channel,
Bayer, Beauticians Secret,
Bio Clinic, Biolase, Birkart,
Squibb, British American Tobacco,
Caryn, CB Fleet, CCM Fertilizer,
Christina NS Inc, Cole Haan,
Convatec,
Crown Beverage, Cycle &
Davis Gelatine, Degussa Texturant
Divella, Djarum, Dr. Falk,
Eastern, Eastman Elie Tahari,
Laboratories, Euronda, Exxon Jinshen,
Foxconn, Franco G III Apparel
Global Design Concepts Goldshield,
Hawksley & Son, Miller, Hershey,
Ironwood, IT Jamo International,
Johnstone Safety, Josephine Chaus,
Kent & Curwen, Kimberly Clark, Kiwi,
LEGO, Levis, Lotto, LU, Lucky,
Marketing, MedGyn, Medimax, Mega Life Sciences,
Mindray, Mölnlycke Monsoon,
Mundipharma, Nanomed, National
Group, Nike,
Orica, Osram, Otto Foothy,
Perrier, Pfizer, Pharmacare,
PriceSmart, Primal, Primed, Proel,
Vitamin, Rafaella Apparel Group, Ranbaxy,
Remy Cointreau, Republic, Restoria, Rex Medical,
Rousso Apparel, Rowa, Royal Velvet, RX, S&N,
Sanyo, Sara Lee, Sato, SC Johnson, Scania, Schick,
Shire, Shoes for Crews, Siegfried, Sigma, Signature Apparel
Smiths Medical, Snapple, So Sweet, Softcare Consumer,
Star Hope International, Starbuck, Stella Luna, Storck,
Terram, Terumo, The Gayre Group, The Isfel Co,
Toys 'R Us, TRB Chemedica, Trebbianno, Trends Clothing,
Viter, Vittel, VokAsia, W&H Dentalwerk, Walter Ritter,
Wyeth, YKK, Young Stuff Apparel, Yuasa, Yum Restaurant, Zeiss,

CUSTOMER PARTNERSHIPS

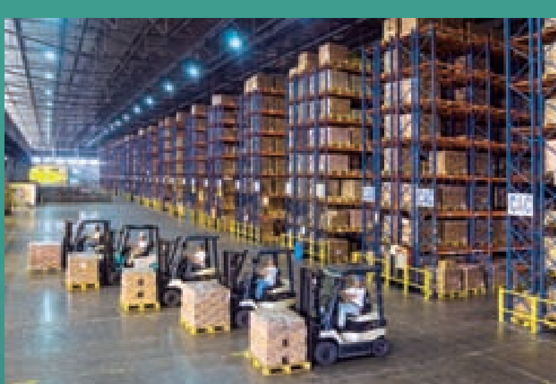
Our customer is the centerpiece of our strategy and the foundation of our success. In today's marketplace characterized by constant change, the only force we can count upon to provide continuity and stability is our partnership with the customers. Our experience tells us that collaboration is the best way to satisfy customer needs. It is for this precise reason that we always work with all our customers on a partnership basis. We believe this partnership approach is also the reason why they continue to work with us. Creating a meaningful customer partnership helps IDS maintain the focus to make customer-centric decisions and harness the power and commitment needed to thrive during volatile times.

We provide value-added repacking & labeling and hubbing services for Diageo in our bonded ASRS facility in Singapore.



Our best partnerships are forged with customers who share complementary strengths with us. Our strengths cancel out our partners' weaknesses, and vice versa. On many occasions, we are considered an extension of our customer, and are involved in their strategic discussion. Apart from business matters, we also engage our customers in our Corporate Social Responsibility initiatives, jointly making meaningful contributions to the environment and the community. Together, we accomplish what could not be done separately.

50 YEARS WITH UNILEVER IN ASIA



Our relationship with Unilever commenced some 50 years ago, providing contract manufacturing services in Thailand. Our partnership extended to a new dimension in 2001 when we built a dedicated distribution center for Unilever in the Philippines and commenced the provision of logistics services. We have maintained a strong partnership with Unilever throughout the years, and the Philippine team has won Unilever's "Vendor of the Year" three times.

REGIONAL RELATIONSHIP WITH NIKE

The IDS-Nike partnership started in Hong Kong over a decade ago. In 2002, we took the challenge to be the logistics partner of this world-leading brand in China. Over the years we have forged a strong partnership with Nike, supporting their tremendous growth in China and further expanded our partnership to Thailand and Taiwan. As the significance of the China market continues to grow for Nike, we will take up a new challenge in 2010: managing a state-of-the-art, multi-billion-dollar facility invested by Nike in China.

The key to our successful business is a healthy customer base. We go the extra mile to meet our customer needs. Too many businesses neglect this loyal customer base in pursuit of new customers. However, since the cost to attract new customers is significantly more than to maintain your relationship with existing ones, the efforts toward building customer loyalty are our top priorities, and will certainly pay dividend.

IDS has a portfolio of over 400 local, international and multinational customers. We provide each of them a customized solution designed to fit their own unique requirements. Many of these relationships have stood the test of time, and the nature of our partnership continues to grow from strength to strength. Our strategic intent in forging strong customer partnerships and providing value-adding solutions has been the cornerstone of our growth.

Our dedicated facility in Thailand exclusively manufactures Listerine mouthwash for J&J and supplies the Asia-Pacific market.

EXCLUSIVE DC FOR M&S, UK

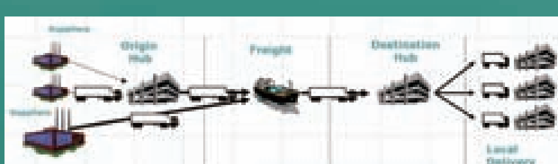
Marks & Spencer became a major customer of IDS when we entered the UK logistics market in 2007 through an acquisition. Despite the challenges in volume shortfall after the financial turmoil in 2008, our partnership is growing stronger. We continuously improve our service and run a more efficient operation in our one-million-square-foot facility in Leicester dedicated to M&S, enabling the company to enjoy savings in total logistics costs. We are now one of the four approved UK service providers for M&S and a member of the M&S High Performance Team.

CHINA EXPANSION WITH ABBOTT

IDS and Abbott have had an established partnership in both China and Thailand for over a decade. From a handful of key cities, IDS now supports the distribution of Abbott's infant nutrition products to over 150 cities in China, covering the modern trade, the general trade as well as baby shops. IDS continuously invests in expanding the network to penetrate new territories and has worked with Abbott to achieve a spectacular compound annual growth rate of over 50% per annum between 2004 and 2008.

Value-Chain Logistics

Each of IDS' Menu of Services is defined with a clear and tangible value proposition. Customers can pick and choose one or more of the services based on their requirement. Our service menu covers the entire value-chain from production to consumption encompassing the four menu clusters of Logistics, Distribution, Manufacturing and International. Value-Chain Logistics is our people-driven, asset-light and technologically-enabled business model. We use Logistics as the fundamental enabler to unlock values in our customers' supply chains.



End-to-End Solutions

Our Program Solutions & Administration (PSA) service under the International division focuses on providing optimal end-to-end integrated solutions for our customers. Our supply chain solution professionals use analytical and modeling tools to recommend optimal and cost-effective solutions, cutting waste, improving response and extract the most value from our customers' supply chain.

Creative Marketing

Our Taiwan distribution operations for Shell lubricants achieved significant sales growth in 2009. We launched a series of creative marketing programs for Shell in Taiwan to strengthen the brand and promote repeat purchases. We made the most effective use of every marketing dollar and achieved all sales targets amidst a difficult economic environment.

Lean Manufacturing

All the IDS Manufacturing plants have adopted Lean Manufacturing to eliminate waste and improve productivity. Through streamlining processes and improving layout designs, efficiency improved significantly and enables customers to enjoy reduced inventory and lower costs.

Trigantic

Trigantic is the IDS online information dashboard – a single point of access for real time customer information. Trigantic converts transactional data into actionable information for our customers. IDS customizes reports and intelligent data and give it the feel and look that our customers want.

Merchandising

For several years now, IDS has established in-store merchandising as a distinct service. We offer customers like Vitasoy in Hong Kong timely analysis of market data and intelligence to enhance management decision making and marketing.

INNOVATIVE SERVICES & SOLUTIONS

It takes a lot to win. At IDS, we have built our success by delivering winning services and innovative solutions. We believe in forming long-term strategic partnerships and we understand that the ultimate result of a business is a satisfied customer.

INNOVATIVE SERVICES & SOLUTIONS

1 WHOLESALING OF APPAREL & ACCESSORIES

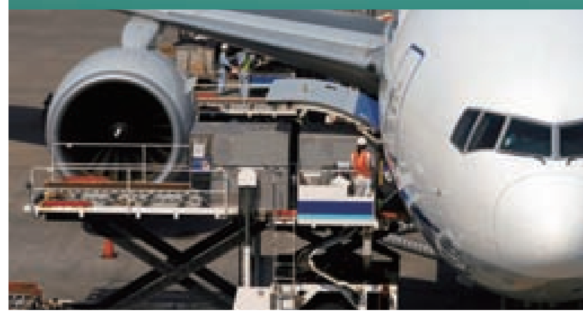
In 2009, the IDS Group embarked on expanding the scope of its business into wholesaling by forming the Branded & Licensed Products (BLP) Unit. The Group made its first foray into the Asian wholesaling of apparel and accessories in September by acquiring the Asian operations of Roots, a Canadian lifestyle apparel brand. Subsequently, in November 2009 the Group made a successful launch of the "Sleep & Play" children's licensed sleepwear line through Toys "R" Us stores in Hong Kong, China and Singapore.

The underlying business model of the "Sleep & Play" launch was particularly noteworthy as it connected collective capability and scale of the Li & Fung Group throughout the supply chain.

The compelling product line was developed and sourced by Li & Fung Trading, distributed and marketed by IDS, and offered to consumers at Toys "R" Us stores – consequently generating 65% of total value of the consumer offering within the Li & Fung family of businesses.

In 2010, the Group will focus on expanding the distribution network of Roots in China and Hong Kong, while the children's wear business will see expansion in product lines and distribution channels beyond Toys "R" Us stores in the Greater China region.

2 EMERGENCE OF IDS INTERNATIONAL

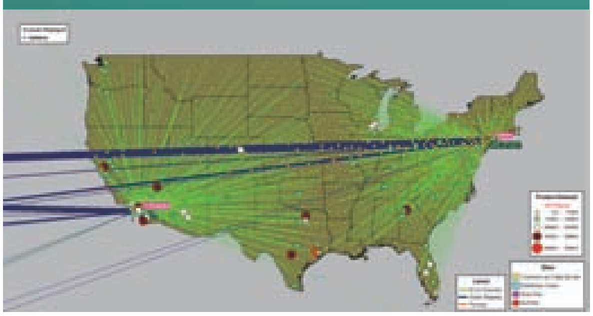


IDS International made significant progress in advancing its end-to-end logistics solutions. The Group combined the strength of its Supply Chain Solution Center and its Program Solutions & Administration (PSA) group – with its expert knowledge in international trade, global transportation and logistics to propose and implement transformational global supply chain and logistics solutions resulting in reduced lead times, lower inventories, lower total logistics cost and higher service levels.

IDS International has deep expertise in two important areas: Establishing the ideal supply chain and logistics structure in Asia for the most cost-effective import and distribution of products to the increasingly active Asian consumer. International also partners with brand owners and retailers in optimizing the supply chain and logistics network of moving product from Asian factory floors to retail stores, oftentimes eliminating redundant logistics costs and reducing inventory in the supply chain.

IDS International's acquisition of a US and Asia-based freight forwarder greatly enhanced its abilities of directly controlling and managing all logistics from source to final destination. In 2010, International will continue to extend both its menu of services and geographic presence to provide more comprehensive, innovative winning solutions to customers.

3 SUPPLY CHAIN SOLUTIONS & ANALYTICS



The SCS Center was established to enhance IDS customers' business and strategic plans by providing supply-chain analytical services that optimize their supply chain, and distribution and logistics network. The SCS Center combines the deep operational experience of our Supply Chain Solutions team and insightful and rigorous application of mathematical optimization tools and analytical techniques based on proven, fact-based solution methodologies.

The SCS Center provides services in terms of supply chain network design and optimization, sales territory planning, transportation network planning, and supply chain mapping. The SCS center has had significant experience in advising customers in a vast range of business sectors including Fast Moving Consumer Goods, Apparel, Footwear, Liquor and Spirits, and Pharmaceutical.

Over the past year, the SCS team has conducted many studies consisting of multiple Asian sourcing locations delivering to final points of sale in the US and Europe for brand owners and retailers. The team has also conducted several studies optimizing distribution and logistics networks covering Asia for leading multinationals. The SCS teams are located in three main offices: Shanghai which serves Greater China, Manila covers the ASEAN and South Asian markets, and Secaucus, New Jersey services the US and UK markets.

4 AN IN-HOUSE CLOUD COMPUTING ENVIRONMENT

The IDS IT strategy has been to standardize, centralize and consolidate. This has facilitated the move to host centrally all our applications. A major benefit from this is the speed at which new countries and acquired companies can be integrated. Unlike the old days where server purchase, installation, configuration and commissioning required huge capital investments and significant lead time, the service can literally be turned on and off as needed and provided at any location where there is an Internet connection. As we continue to extend infrastructure as a service, in-country running costs fall and resources can focus on revenue generating activities.

We are moving from fixed costs of servers to variable costs of bandwidth. Bandwidth optimization devices has expanded the capacity, maintained performance and contained growth and facilitated leveraging the bandwidth for better communication. Internet Protocol Telephony and video conference services have been layered over the existing data lines. In addition to cost savings from reduced call toll charges and traveling, the quality of communication has also improved.

Overall, we have far fewer servers as a result of centralization. Consolidation through server virtualization and the use of bandwidth optimization technology have resulted in a leaner IT infrastructure that provides scalability for business growth.

Core Management Program

Under the comprehensive IDS Leadership, Management & Talent (LMT) Development Program, we designed in-house core management programs for supervisory and management staff.

GMD Townhall

The GMD Townhall takes place in the first quarter every year and provides an opportunity for the Group MD to interact with all middle managers and above across the Group. In 2009, 17 GMD Townhalls were conducted by the GMD.

Management Trainee Program

Every year, IDS brings in some 80 young and promising talents from top-notch universities around the world to its intensive 18-month Management Trainee (MT) Program to nurture future managers and leaders.

High Performance, High Values

Our Values are intrinsic to our pursuit of Performance. Our people deliver High Performance with High Values by continuously stretching to achieve better results, stronger operations, higher efficiencies and lower costs in an ethical, transparent and sustainable manner.

Family Day

The annual Family Day is the highlight employee event in every IDS location. All employees and their families come together to enjoy a day of camaraderie and friendship, participating in fun-filled activities.

Chairman & GMD Awards

The Chairman and GMD Awards are the most prestigious awards at IDS. These are presented to employees who have made outstanding contributions to the success of the Group.

Annual Appreciation & Award (AAA)

The AAA event is an annual highlight at IDS to recognize and reward outstanding employees. In 2009 we presented 459 Loyalty Awards, including four colleagues from Thailand who have been with the company for 40 years.

PEOPLE DEVELOPMENT

IDS is in a "People Business". We build the foundation of our success on the skills, knowledge and competencies of our people. We seek out and recruit people with growth potential and an entrepreneurial mindset. Combining the best of business acumen and cultural sensitivity, our people leverage their longstanding, practical in-market experience for the benefit of our customers and their business needs.

LEADERSHIP, MANAGEMENT & TALENT (LMT) DEVELOPMENT

In 2009 IDS continued to roll out new initiatives under the LMT Program. Under the Core Management Program Block, the Growth Leadership Seminar (GLS) designed for senior management was conducted in Hong Kong at the end of 2009 for 27 staff who joined the Group or were promoted recently. The Operations Excellence for Results (OER) seminar, developed for middle management, was held in multiple locations for over 100 participants. The Basic Management Program (BMP) for supervisory management was also held across the Group for over 350 participants.

Two new e-learning programs, the Performance Development program aimed at managers and the Supervisory Skills program for supervisors, were launched under the Individual Development Program block, which covers customized development programs tailored for individual needs.

In 2009 each country continued to develop an annual training plan consisting of programs and courses that were specific and unique to each country's needs under the Elective Program block of the LMT Development program.

During the year a number of new initiatives were introduced under the Accelerated Professional Program block. The pilot run of the online Quantum Leap in Organic Growth, a core subject under the "New IDS Manager" program, was launched in November 2009. The feedback from the pilot run will form an invaluable guide to ensuring that the full roll-out of this core subject towards the end of first quarter of 2010 will proceed smoothly.

One of the Basic Management Programs organized in 2009 in Malaysia.

A total of 71 Management Trainees joined IDS in 2009 as the MT Class of 2011. They will be put through a comprehensive 18-month in-house MT program covering both hands-on experiences as well as classroom training sessions. The first batch of MT's recruited in 2007 graduated in January 2009, while the second batch also attended a graduation workshop in Kuala Lumpur that culminated in a gala graduation ceremony on 11 January 2010.

In the past five years, IDS has built all our People Development initiatives under the four Leadership, Management and Talent Development program blocks.

Four Leadership, Management and Talent (LMT) Development Program Blocks

1 Core Management Program Block	2 Individual Development Program Block	3 Elective Program Block	4 Accelerated Professional Program Block
Growth Leadership Program	Individual Training Needs	In-Country Education & Skills Training Modules in General Business, Industry-Specific, Technical, Functional and Operational areas	New IDS Manager Program
Operations Excellence for Results	e-Learning Courses		Management Trainee Program
Basic Management Program	New IDS Manager Plus		Management Internship Program

CORPORATE SOCIAL RESPONSIBILITY

Environmental Sustainability

IDS upgraded its existing waste water treatment facility in Thailand with standards well in excess of both local and international requirements.

The Group is developing guidelines to consider the environmental impact for all new distribution center fitting and renovations, such as using energy-efficient lighting and air conditioning, as well as material handling equipment. At the country level, the Group launched a wide range of activities during the year. Our Malaysia Manufacturing operation carried out a water audit to identify opportunities for reduction in waste water, while Thailand upgraded its waste water facility. IDS Hong Kong was awarded the Class of Excellence for the second consecutive year in the Wastewi$e program organized by the Environmental Campaign Committee in 2009.

Community Outreach

IDS management visited a primary school during the LCM and participated in the "School Painting Project" initiated by IDS.

Throughout 2009, our Community Outreach efforts were focused on Community Development, Education, Disaster Relief and Corporate Philanthropy. IDS management and staff participated in relief appeals stemming from the havoc wreaked by the typhoons Ketsana and Morakot that swept through Asia in 2009. A sample of other programs undertaken by IDS staff throughout the year included a reading development program for underprivileged children in the Philippines; completion of a learning center and library at a Thai Government School in the Lam Lukka District of Bangkok; blind student learning and development programs; orphan feeding programs, and many more.

Employee Health & Safety

Regular practical sessions like this first-aid course and other safety training are organized for colleagues throughout IDS.

In October 2009 IDS rolled out its Health & Safety Management System (HSMS), which included the setting of standards in critical safety elements and the consistent application of common measures across all sites. The Group is now able to closely monitor, compare and assess safety outcomes across the region and to quickly embrace best practices. In the fourth quarter of 2009 IDS implemented its first external safety audits in Thailand and Malaysia, which are aimed at enhancing the safety performance of the workplace by having an objective assessment of the site's current safety standards and highlighting areas for improvement.

CORPORATE INFORMATION

NON-EXECUTIVE DIRECTORS

Dr. Victor FUNG Kwok King *(Chairman)*
John Estmond STRICKLAND#
Dr. FU Yu Ning#
Prof. LEE Hau Leung#
Andrew TUNG Lieh Cheung#
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
(President)

GROUP CHIEF COMPLIANCE OFFICER

James SIU Kai Lau

CHIEF FINANCIAL OFFICER

Srinivasan PARTHASARATHY

COMPANY SECRETARY

YUEN Ying Kwai

LEGAL ADVISORS

JSM
16th – 19th Floors, Prince's Building
10 Chater Road, Central
Hong Kong

PRINCIPAL BANKERS

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

AUDITOR

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

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

PRINCIPAL PLACE OF BUSINESS

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

INFORMATION FOR INVESTORS

LISTING INFORMATION

Listing: Hong Kong Stock Exchange
Stock code: 2387

KEY DATES

15 March 2010
Announcement of 2009 Final Results

5 May 2010
Last day to register for 2009 Final Dividend

6 May 2010 to 13 May 2010 (both dates inclusive)
Closure of Register of Members

13 May 2010
Annual General Meeting

13 May 2010
Proposed Payment of 2009 Final Dividend

SHARE REGISTRAR & TRANSFER OFFICES

Principal:
Butterfield Fulcrum Group (Bermuda) Limited
Rosebank Centre
11 Bermudiana Road
Pembroke HM 08
Bermuda

Hong Kong Branch:
Tricor Abacus 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 31 December 2009:
321,130,500 shares

Market Capitalization as at 31 December 2009:
HK$3,622,352,040

Earnings per share (equivalent to) for 2009

Interim	:	45.04 HK cents
Full year	:	72.48 HK cents

Dividend per share for 2009

Interim	:	14 HK cents
Final	:	30 HK cents

ENQUIRIES CONTACT

Mr. Stewart Kwok
Director – Corporate Communications
Telephone: (852) 2686 3317
Fax: (852) 2635 2597
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

DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Benedict
CHANG Yew Teck

Joseph
Chua PHI

Benedict CHANG Yew Teck

aged 56, is the Group Managing Director of the Company. He has been an Executive Director of the Company since October 2003. Mr. Chang holds directorships in various subsidiaries of the Company.

Prior to joining IDS, Mr. Chang spent 13 years in various senior executive positions with the HAVI Group LP, a US-based partnership. He was Group Managing Director of HAVI's Asia-Pacific operations which provided logistics, manufacturing, purchasing and supply chain management services to McDonald's in the Asia-Pacific. He was also Senior Vice-President and Partner of HAVI and sat on the Executive Board of the HAVI Group LP.

Mr. Chang is a graduate of the University of Surrey, United Kingdom, with a Bachelor of Science degree in Marine Engineering. As a Keppel scholar, Mr. Chang then spent his early career as Ship Repair Manager with Keppel Corporation Limited in Singapore. He was subsequently appointed Project Director of the Allied Food Group and then Director of Manufacturing at Allied Cocoa Industries, a subsidiary of the Cocoa Division of W.R. Grace.

Mr. Chang is currently Chairman of the Advisory Committee of the Li & Fung Institute of Supply Chain Management and Logistics of the Chinese University of Hong Kong and is a member of the Advisory Board of the School of Information Systems, Singapore Management University. Mr. Chang is also a member of the advisory committee of the Logistics Development Council in Hong Kong advising the Government on matters relating to the logistic industry. In 1997, Mr. Chang founded Domino's Pizza in Malaysia and was also a past board member of Delifrance Asia Pte Limited.

Joseph Chua PHI

aged 47, is the President of IDS Group. He joined IDS Logistics (Hong Kong) Limited in 1999 and has been an Executive Director of the Company since August 2004. Mr. Phi holds directorships in various subsidiaries of the Company. He graduated magna cum laude from the University of the Philippines with a Bachelor of Science degree in Industrial Engineering, and attained an MBA degree with top honours from the same university. Between 1984 and 1995, Mr. Phi worked with Colgate-Palmolive Company in a number of Asian locations covering the areas of purchasing, production planning, manufacturing, logistics and supply chain management. Between 1995 and 1999, he worked with HAVI Food Services as General Manager and later Managing Director of its Taiwan subsidiary. He is a member of Phi Kappa Phi and Phi Gamma Mu international honour societies. Mr. Phi is the convener of the Li & Fung Group China Advisory Committee, which aims to coordinate the Group-wide China effort to produce the maximum impact and exposure for the Li & Fung Group. He is the Chairman of GS1 Hong Kong, an industry led organization promoting global standards and enabling technologies aimed at improving the core competences and competitiveness of the Hong Kong business community, and a Director of ECR Hong Kong, which aims to champion Supply Chain Management development in the consumer goods industry through the promotion of Efficient Consumer Response concept and adoption of related best practices. He is also a member of the Advisory Committee, Center for Marketing and Supply Chain Management at Hong Kong University of Science and Technology (HKUST). Mr Phi. is an Industrial Engineer.

NON-EXECUTIVE DIRECTORS

Dr. William
FUNG Kwok Lun

Dr. Victor
FUNG Kwok King

Jeremy
Paul Egerton
HOBBINS

LAU
Butt Farn

Dr. Victor FUNG Kwok King

aged 64, brother of Dr. William FUNG Kwok Lun, has been a Non-executive Director of the Company since October 2003. Dr. Fung is Group Chairman of the Li & Fung group of companies including publicly listed Li & Fung Limited, Convenience Retail Asia Limited, Trinity Limited (which was listed on The Stock Exchange of Hong Kong Limited on 3 November 2009) and the Company. He is also a director of King Lun Holdings Limited, Li & Fung (1937) Limited and Li & Fung (Distribution) Limited, substantial shareholders of the Company. Dr. Fung holds Bachelor and Master Degrees in Electrical Engineering from the Massachusetts Institute of Technology, and a Doctorate in Business Economics from Harvard University. Dr. Fung is an independent non-executive director of BOC Hong Kong (Holdings) Limited in Hong Kong, Baosteel Group Corporation in the People's Republic of China and CapitaLand Limited in Singapore. He retired as an independent non-executive director of Orient Overseas (International) Limited and a non-executive director of Hup Soon Global Corporation Limited, both in April 2009. In public service, Dr. Fung is Chairman of the International Chamber of Commerce. He is a member of the Chinese People's Political Consultative Conference and has become a Vice Chairman of China Centre for International Economic Exchanges since March 2009. He is a member of the Commission on Strategic Development of the Hong Kong Government. Dr. Fung is also Chairman of the Greater Pearl River Delta Business Council and the Hong Kong-Japan Business Co-operation Committee. From 1991 to 2000, Dr. Fung was Chairman of the Hong Kong Trade Development Council, and from 1996 to 2003, he was the Hong Kong representative on the APEC Business Advisory Council. He was also Chairman of the Hong Kong Airport Authority from 1999 to 2008, and Chairman of The Council of The University of Hong Kong from 2001 to November 2009. In 2003, the Hong Kong Government awarded Dr. Fung the Gold Bauhinia Star for distinguished service to the community.

Dr. William FUNG Kwok Lun, SBS, OBE, JP

aged 61, brother of Dr. Victor FUNG Kwok King, has been a Non-executive Director of the Company since August 2004. Dr. Fung is Group Managing Director of Li & Fung Limited and a non-executive director of Convenience Retail Asia Limited and Trinity Limited (which was listed on The Stock Exchange of Hong Kong Limited on 3 November 2009). He is also a director of King Lun Holdings Limited, Li & Fung (1937) Limited and Li & Fung (Distribution) Limited (substantial shareholders of the Company). He has held key positions in major trade associations. He was past Chairman of the Hong Kong General Chamber of Commerce, the Hong Kong Exporters' Association and the Hong Kong Committee for the Pacific Economic Cooperation Committee. He has been awarded the Silver Bauhinia Star by the Hong Kong Special Administrative Region Government in 2008. He graduated from Princeton University with a Bachelor of Science degree in Engineering and holds a Master degree in Business Administration from the Harvard Graduate School of Business. He was conferred the degrees of Doctor of Business Administration, *honoris causa*, by the Hong Kong University of Science & Technology and by the Hong Kong Polytechnic University. Currently, Dr. Fung is a non-executive director of HSBC Holdings plc. He is an independent non-executive director of VTech Holdings Limited and Shui On Land Limited. He is also an independent non-executive director of Sun Hung Kai Properties Limited since February 2010 and an independent director of Singapore Airlines Limited since December 2009. He was an independent non-executive director of CLP Holdings Limited.

NON-EXECUTIVE DIRECTORS

Jeremy Paul Egerton HOBBINS

aged 62, has been a Non-executive Director of the Company since October 2003. Mr. Hobbins is a director of various companies within the Li & Fung group of companies including Li & Fung (Distribution) Limited and Li & Fung (1937) Limited, both are substantial shareholders of the Company. He is also a non-executive director of Convenience Retail Asia Limited and a non-executive Deputy Chairman of Trinity Limited (which was listed on The Stock Exchange of Hong Kong Limited on 3 November 2009). Prior to joining the Li & Fung group of companies, he was the Chief Executive of Inchcape Marketing Services – Asia Pacific and was also the Chief Executive Officer of Inchcape Marketing Services Limited which was listed in Singapore, from 1997 to 1998. In addition, he served as a member of the Group Management Board of Inchcape plc and a director of Inchcape NRG, a business machines joint-venture with Ricoh. Previously, he was the Chief Executive Officer of Inchcape Buying Services from 1993 to 1996. Before joining the Inchcape group in 1993, he was the President and Chief Executive Officer of the Campbell Soup Company, UK and Ireland, and previously was President of the Dairy Division of Ault Foods, Canada. He has also held senior positions at Procter & Gamble, Hutchison Whampoa and Cadbury Schweppes where he started his career in brand management.

LAU Butt Farn

aged 62, has been a Non-executive Director of the Company since October 2003. Mr. Lau is a director of Li & Fung (Distribution) Limited and Li & Fung (1937) Limited, both are substantial shareholders of the Company. He graduated from the University of London and Open University of Hong Kong with Bachelor of Science degrees in Physics and Mathematics respectively and is a fellow of the Institute of Chartered Accountants in England and Wales. He joined the Li & Fung Group in 1981 as financial controller. Between 1985 and 1998, he was the Operations Director for Li & Fung (Retailing) Limited (the retailing arm of the Li & Fung group of companies) with operations in Circle K Convenience Stores (HK) Limited and Toys "R" Us – Lifung Limited. He was then the Chief Financial Officer of Li & Fung (Distribution) Limited until 2004. Mr. Lau is also responsible for the merger and acquisition and other corporate finance activities of Li & Fung Group.

INDEPENDENT NON-EXECUTIVE DIRECTORS

INDEPENDENT NON-EXECUTIVE DIRECTORS

John Estmond STRICKLAND, GBS JP

aged 70, has been an Independent Non-executive Director of the Company since October 2004. He spent most of his working career with HSBC. From 1996 to 1998 he was chairman of HongkongBank, which has responsibility for HSBC's operations in Asia Pacific. Presently he is chairman of Hong Kong Cyberport Management Co Ltd, Hong Kong Internet Registration Corporation Limited and Hong Kong Domain Name Registration Company Limited, a director of Hong Kong Exchanges and Clearing Limited, Esquel Holdings Inc and The Asia Society Hong Kong Centre Limited. He is a member of the Council of The University of Hong Kong, President of the Outward Bound Trust, and a member of the boards of a number of non-government organizations. He has honorary doctorates awarded by City University of Hong Kong and the Hong Kong Polytechnic University.

Dr. FU Yu Ning

aged 53, has been an Independent Non-executive Director of the Company since November 2004. Dr. Fu graduated from Dalian Institute of Technology in the PRC with a Bachelor Degree in Port and Waterway Engineering. He also obtained a Doctorate Degree in Mechanical Engineering from Brunel University, United Kingdom and worked as a Post-Doctorate research fellow. Dr. Fu is the Chairman of China Merchants Holdings (International) Company Limited, Non-Executive Director of China Merchants Bank Co., Ltd. and Independent Non-Executive Director of Sino Land Company Limited, all Hong Kong listed companies. And he is also the Non-Executive Independent Director of CapitaLand Limited, listed in Singapore.

Dr. Fu is also the Chairman of China International Marine Containers (Group) Limited and China Merchants Energy Shipping Co, Ltd., all listed in China. Dr. Fu is now Director and President of China Merchants Group Ltd., and also holds directorship in some public associations such as General Committee Member of the Hong Kong General Chamber of Commerce, Director of Hong Kong Port Development Council and Member of the Advisory Committee of the Securities and Futures Commission, Hong Kong SAR.

Professor LEE Hau Leung

aged 57, has been an Independent Non-executive Director of the Company since November 2004. He is the Thoma Professor of Operations, Information and Technology at the Graduate School of Business at Stanford University. His areas of specialization are in supply chain management, global logistics system design, inventory planning, and manufacturing strategy. He is the founding and current Director of the Stanford Global Supply Chain Management Forum, an industry-academic consortium to advance the theory and practice of global supply chain management. Prof. Lee was elected to the National Academy of Engineering in 2010, a Fellow of Manufacturing and Service Operations Management in 2001; a Fellow of INFORMS in 2005; and a Fellow of the Production and Operations Management Society in 2005. Prof. Lee has consulted extensively for companies in the public and private sector. He was a co-founder of Evant, DemandTec, SignalDemand and TrueDemand, all supply chain software companies. Prof. Lee obtained his Bachelor of Social Science degree in Economics and Statistics from the University of Hong Kong in 1974, his Master of Science degree in Operational Research from the London School of Economics in 1975, and his Master of Science and a Doctorate Degree in Operations Research from the University of Pennsylvania in 1981 and 1983 respectively. Prof. Lee is an independent external director of Pericom Semiconductor Corporation, a public company on NASDAQ in the US, and Esquel Holdings Inc, a privately held company in Hong Kong. He also serves on the advisory board of three venture capital and investment companies: Altos Ventures in the US, Focus Ventures in US and Asia, and Harbor Pacific Capital in US and Asia.

Andrew TUNG Lieh Cheung

aged 45, has been an Independent Non-executive Director of the Company since May 2008. He has been a director and a member of Executive Committee of Orient Overseas Container Line Limited ("OOCL") since March 2006 and has been appointed as the Chief Operating Officer of OOCL since January 2009. He is also a director of Cargosmart (Hong Kong) Limited. Prior to 2006, Mr. Tung was the Chief Operating Officer of Hong Kong Dragon Airlines Limited. He also worked for OOCL in various management capacities between 1993 and 1999. He is also Chairman of the International Chamber of Commerce Committee on Maritime Transport. Mr. Tung holds a Bachelor degree from Princeton University and a Master of Business Administration from Stanford University in the USA.

GROUP CHIEF COMPLIANCE OFFICER

James SIU Kai Lau

aged 65, joined the Group in 2005 as Group Chief Compliance Officer. He first joined the Li & Fung Limited Group in 1993 as Chief Financial Officer until 1996 when he became its Chief Compliance Officer. He is an executive director of Li & Fung (1937) Limited, a substantial shareholder of the Li & Fung Group of companies including publicly listed Li & Fung Limited, Convenience Retail Asia Limited and Trinity Limited of which he is also their respective Group Chief Compliance Officer. He has been a director of Li & Fung (Distribution) Limited, a substantial shareholder of the Company, since November 2009. Prior to joining Li & Fung Group, Mr. Siu was the partner-in-charge (1981 – 1989) of the Hong Kong audit practice of Coopers & Lybrand (currently PricewaterhouseCoopers) specializing in advising corporate clients on mergers, acquisitions, finance and on public listings. His community work includes currently serving as member of the Supervisory Board of the Hong Kong Housing Society and former Chairman of its Audit Committee (2001 – 2006) and a member of the Professional Accountants in Business Committee of the Hong Kong Institute of Certified Public Accountants (the "HKICPA") (2002 – 2006). Mr. Siu is a member of the Securities and Futures Commission Dual Filing Advisory Group and was the Deputy Chairman of the Corporate Governance Committee of the HKICPA (2007). He is a Fellow of both the Institute of Chartered Accountants in Australia and the HKICPA. He is also a Fellow member of the Hong Kong Institute of Directors. Mr. Siu holds a Bachelor of Economics degree from University of Tasmania, Australia.

Gerard Jan RAYMOND

aged 53, is the Executive Vice President, Distribution and Regional Managing Director of IDS Group covering all operations within South East Asia encompassing the following geographies – Thailand, Singapore, Malaysia, Brunei, Philippines, Indonesia, India and Indo-China. Furthermore, he has oversight of all sales and distribution of consumer and healthcare global brands throughout the IDS geographic footprint. In addition, he is a member of the Group's China Strategy Council responsible for the strategy and development for the Mainland of China. Mr. Raymond has over 20 years' experience in consumer marketing business and been involved in a broad spectrum of senior management roles including sales and marketing and general management. He has had extensive fast moving consumer goods industry experience in growing sales and building brand presence for a wide range of product categories including food and beverage, footwear, bath and shower and insecticides products. Prior to joining the Group, Mr. Raymond held the position of Managing Director of Danone Group, Malaysia and Singapore, and was responsible for the overall business performance covering the Hong Kong and South East Asian markets. Before Danone Group, Mr. Raymond had a successful track record in his earlier career as President of Sara Lee (M) Sdn Bhd for its Malaysia, Thailand and Singapore's operations including implementing business strategies. He joined the Group in May 2003. Mr. Raymond was educated in Australia with a Bachelor's degree in Business and is a Fellow of the Australian Marketing Institute.

ONG Chong Beng, FCA

aged 56, is the Executive Vice President, Manufacturing of IDS Group and Country Managing Director for Malaysia and Brunei. Mr. Ong is a fellow member of the Institute of Chartered Accountants in England and Wales and a member of the Malaysian Institute of Accountants. Mr. Ong joined the Group in March 1995 and held various senior positions including Finance Director of Inchcape Timuran Bhd, which was listed on the Kuala Lumpur Stock Exchange, and Chief Operating Officer of Inchcape Holdings Sdn Bhd, the holding company for Inchcape's operations in Malaysia, and Stream Finance Director for LFD Manufacturing Sdn. Bhd. Prior to joining Inchcape, Mr. Ong was the General Manager of Finance & IT in UMW Toyota (M) Sdn Bhd from 1985 to 1994. Between 1978 and 1985, Mr. Ong held various senior positions including General Manager of Wendco Pacific (Malaysia & Singapore), the franchise holder for Wendy's Hamburger and Partner of Ong & Co, an auditing firm.

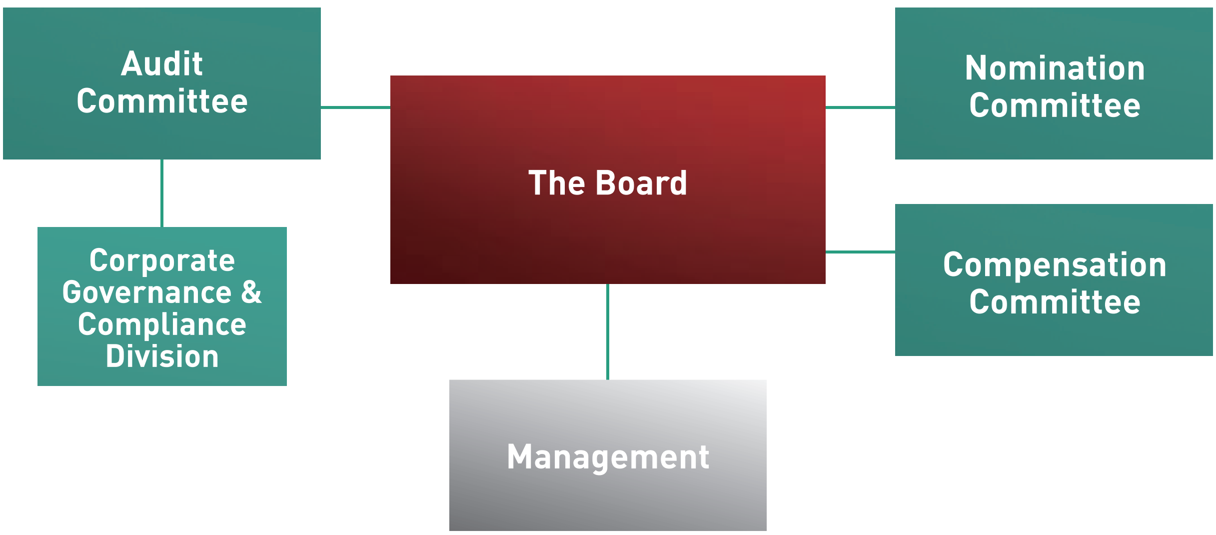
SENIOR MANAGEMENT

Srinivasan PARTHASARATHY

aged 52, is the Chief Financial Officer of the Group. He joined the IDS Group in March 2007 and was appointed as the Chief Financial Officer in June 2007. Mr. Parthasarathy graduated from the University of Bombay with a Bachelor of Commerce degree and qualified as a Chartered Accountant in India, securing fourth position in the All India Merit Rankings. He is a Fellow Member of the Institute of Chartered Accountants of India and the Chartered Institute of Management Accountants, UK. Mr. Parthasarathy joined the Li & Fung Distribution Group in 1999 and was the Stream Finance Director of the Logistics business until March 2003. Before joining the IDS Group, he was the Commercial Director of the Li & Fung Retailing Group. Between 1984 and 1999, Mr. Parthasarathy worked with Inchcape plc and held various financial positions with them in the Middle East, UK and Singapore. In Singapore, he was an Executive Director of Inchcape Marketing Services Ltd, which was listed on the Singapore Stock Exchange. Prior to joining Inchcape, Mr. Parthasarathy worked with Ernst and Whinney in the Middle East.

CORPORATE GOVERNANCE REPORT

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. Set out below are those principles of corporate governance as adopted by the Company.



THE BOARD

As at 31 December 2009, the Board is composed of the Group Non-executive Chairman, the Group Executive Managing Director, Executive Director, and another seven Non-executive Directors (of whom four are independent), whose biographical details and relevant relationships among them are set out in the Directors and Senior Management section on pages 48 to 58.

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 Group Chairman is responsible for overseeing the proper functioning of the Board with good corporate governance practices and procedures, whilst the Group Managing Director, supported by the Executive Director and senior management, is responsible for managing the Group's business, including the implementation of major strategies and initiatives adopted by the Board.

The Non-executive Directors, with diversified industry expertise do not involve in the day-to-day management of the Group, serve the important function of advising the management in area of their specialty relevant to the Group's business activities and on strategy developments, ensuring that the Board maintains high standards of financial and other mandatory reporting, and providing adequate checks and balances for safeguarding the interests of shareholders and the Company as a whole. The Board has received from each Independent Non-executive Director an annual written confirmation of their independence that satisfied their independence in accordance with the Rule 3.13 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules").

The Board meets regularly throughout the year to discuss the Group's overall corporate strategic direction and objectives, operational and financial performance (including annual budget, annual and interim results), recommendations on Directors' appointment or reappointment, approval of major capital transactions and other significant matters of the Group as well as major investment opportunities.

Board meetings are scheduled one year in advance to facilitate maximum attendance of Directors. Directors are kept informed on a periodically basis of major changes that may affect the Group's businesses, including relevant rules and regulations.

The Board has separate and independent access to the Company Secretary at all times to obtain relevant information for carrying out their duties as Directors of the Company. Procedures are in place for Directors and Board Committees to seek independent professional advice in performing their Directors' duties at the Company's expense. No request was made by any Director for such independent professional advice throughout 2009.

The Board makes decisions on major operational and financial matters as well as investments. The general management and day-to-day decisions and matters (including preparation of interim financial information and annual financial statements for board approval before public reporting, execution of business strategies and initiatives adopted by the Board, monitoring of operating budgets, implementation of adequate systems of internal controls and risk management procedures, and compliance with relevant statutory requirements and rules and regulations) are delegated to the management team.

The Board held four regular meetings and one special meeting in 2009 and the average attendance rate was 94.23%. Our Group Chief Compliance Officer, as appointed by the Board, also attends Board and Committee meetings to advise on corporate governance matters covering risk management and relevant statutory compliance issues relating to mergers and acquisitions, secretarial, accounting and financial reporting.

Under the Company's bye-laws, one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation, provided that every Director shall be subject to retirement by rotation at least once every three years.

To further reinforce independence and accountability, any future reappointment of an Independent Non-executive Director who has served the Company's Board for more than nine years will be subject to separate resolution to be approved by shareholders.

Each Director ensures that he can give sufficient time and attention to the affairs of the Company. The Directors are requested to disclose to the Company on a periodic basis the number and nature of offices held in public companies or organisations and other significant commitments, with the identity of the public companies or organisations.

The Company has arranged for appropriate liability insurance since 2004 to indemnify its Directors and its Officers for their liabilities arising out of corporate activities. The insurance coverage is reviewed on an annual basis.

The attendance of Board meetings, Committee meetings and general meeting in 2009 are detailed in the following table:

Attendance of Board meetings, Committee meetings and general meeting for Year 2009

Directors	No. of meetings attended/held Board	Audit Committee	Compensation Committee	Nomination Committee	AGM
Non-Executive Directors					
Dr. Victor FUNG Kwok King [1]	5/5		2/2		1/1
Dr. William FUNG Kwok Lun	5/5				0/1
Mr. Jeremy Paul Egerton HOBBINS	5/5			1/1	1/1
Mr. LAU Butt Farn	5/5	4/4			1/1
Mr. Rajesh Vardichand RANAVAT [2]	2/2				1/1
Independent Non-Executive Directors					
Mr. John Estmond STRICKLAND [3]	5/5	4/4			1/1
Dr. FU Yu Ning	4/5	2/4	2/2		0/1
Prof. LEE Hau Leung [4]	4/5		2/2	1/1	0/1
Mr. Andrew TUNG Lieh Cheung	5/5	4/4		1/1	1/1
Executive Directors					
Mr. Benedict CHANG Yew Teck [5]	5/5				1/1
Mr. Joseph Chua PHI	4/5				1/1
Group Chief Compliance Officer					
Mr. James SIU Kai Lau [6]	5/5	3/4	2/2	1/1	1/1
Chief Financial Officer					
Mr. Srinivasan PARTHASARATHY [7]	3/4	4/4			0/1
Date(s) of Meeting	17/03/2009 19/05/2009 11/08/2009 17/11/2009 27/11/2009	23/01/2009 13/03/2009 10/08/2009 04/11/2009	19/05/2009 17/11/2009	12/3/2009	19/05/2009
Average Attendance Rate	94.23%	87.5%	100%	100%	72.72%

1: Group Chairman and Chairman of Compensation Committee
2: Ceased as a Director upon his retirement by rotation from the Board at the AGM on 19 May 2009
3: Chairman of Audit Committee
4: Chairman of Nomination Committee
5: Group Managing Director
6: Attended Board and Committee meetings as a non-member
7: Attended Board and Audit Committee meetings as a non-member

The Board has established three committees with specific responsibilities as described below.

BOARD COMMITTEES

The Board has established the following committees (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 Listing Rules: the Audit Committee, Compensation Committee and Nomination Committee. Minutes of all Committees meetings are circulated to all Board members.

Audit Committee

The Audit Committee was established with written terms of reference which cover the review of 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 Mr. Andrew TUNG Lieh Cheung, 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 four times in 2009 (with an average attendance rate of 87.5%) to review with senior management and the Group'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, the 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 and annual financial statements for 2009 before recommending them to the Board for approval). The Committee's review also considered the adequacy of resources, qualifications and experience of the staff of the Group's accounting and financial reporting function, and their training programmes and budgets.

The Audit Committee has authority to investigate any activity within its terms of reference and has full access to, and the cooperation of, management and all employees. It has direct access to the internal and external auditors, and full discretion to invite any management to attend its meetings. In addition, the Committee is authorized by the Board to obtain legal and other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if the Committee considers it necessary.

External Auditor's independence

The Audit Committee also reviews annually the nature of the service fees and independence of the external auditor. The external audit engagement partner is subject to periodical rotation, and the nature and ratio of annual fees for audit services and non-audit services (including review of interim financial information and tax services for 2009) have been endorsed by the Audit Committee. To further enhance Auditor's independence, fees for other non-audit services other than tax advice require prior approval of the Audit Committee. Prior to the commencement of the audit of 2009 financial statements of the Company, the Audit Committee received written confirmation from the external auditor on their independence as required by the Hong Kong Institute of Certified Public Accountants.

The Audit Committee is satisfied with the review of audit fees and scope, effectiveness of the audit process, independence and objectivity of the external auditor, PricewaterhouseCoopers, and has recommended to the Board its reappointment as the Group's external auditor for the year ending 31 December 2010 at the forthcoming Annual General Meeting.

Compensation Committee

The Compensation Committee was established with written terms of reference which 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.

The Committee comprises the Group Non-executive Chairman, Dr. Victor FUNG Kwok King (Chairman of the Committee), Dr. FU Yu Ning and Prof. LEE Hau Leung (Independent Non executive Directors). The Committee met twice in 2009 (with an attendance rate of 100%) to review the salary and incentive payout for Executive Directors and senior management, director's fee for the year 2010 and recommend the list of proposed grantees of share options to the Board for approval.

Remuneration for Executive Directors

Remuneration of Executive Directors includes fees, basic salary, other allowance and bonus based on performance together with share options that are designed to align Directors' interest to maximizing the Company's long term shareholder value. No Executive Director is allowed to approve his own remuneration.

Remuneration for Non-Executive Directors

Remuneration for Non-executive Directors comprises Directors' fees. With an aim to fairly remunerate the Non-executive Directors in view of their public accountability and time and effort spent on the Board and various committees, a review on the adequacy of Non-executive Directors' remuneration was conducted in November 2009 for 2010 which benchmarked against other comparable companies in Hong Kong.

After the review, the Board resolved that the Directors' fees payable to the Directors for the year ending 31 December 2010 remain unchanged. Reimbursement is allowed for out-of-pocket expenses incurred in connection with the performance of their duties including attendance at Company meetings.

Details of Directors' remuneration of the Company are set out in the note 9 to the financial statements.

Nomination Committee

The Nomination Committee was established with written terms of reference which cover the recommendations to the Board on the appointment of Directors, evaluation of board composition and the management of board succession with reference to certain guidelines as endorsed by the Committee. These guidelines include appropriate professional knowledge and industry experience, personal ethics, integrity and personal skills, and time commitments of members. 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.

The Committee comprises two Independent Non-executive Directors, namely Prof. LEE Hau Leung (Chairman of the Committee) and Mr. Andrew TUNG Lieh Cheung and a Non-executive Director, Mr. Jeremy Paul Egerton HOBBINS. The Nomination Committee met once in 2009 (with an attendance rate of 100%) to review and recommend the re-appointment of retiring directors for shareholders' approval at the 2009 Annual General Meeting and to assess independence of directors.

CODE OF CONDUCT AND BUSINESS ETHICS

Whistle blowing policy, guidelines on business conduct and leaflet of the Group's business ethics policy are made available to the staff in the Group's intranet for quick reference.

Under the Company's Whistle blowing policy, employees can report any concern, including misconduct, impropriety or fraud in financial reporting matters and accounting practices, to either senior management or the Audit Committee through its Chairman or the Group Chief Compliance Officer at the Company's business address in Hong Kong. No incident of fraud or misconduct that has material effect on the Company's financial statements and overall operations was reported by employees in 2009.

DIRECTORS' SECURITIES TRANSACTIONS

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 those of the Model Code. Specific written confirmations have been obtained from all Directors and relevant employees to confirm compliance with the Model Code with the following exception.

The Company received notification from one of its directors, Mr. Jeremy Hobbins on 21 December 2009 that he was advised by his lawyers and counsel on 17 December 2009 that the placing of 2,500,000 shares of the Company held through his private investment company, Martinville Holdings Limited, into an Executive Investment Bond issued by a leading insurance company on 16 November 2007, constituted a disposal of his beneficial interest in such shares. Mr. Hobbins had requested financial advisers to make suitable safe custody arrangements and having acted upon their advice was unaware at the time that the arrangements constituted a disposal. Consequently he did not give the Chairman advance written notification and no written acknowledgement was received. On 21 December 2009 he notified the Stock Exchange and the Company of the said disposal in accordance with the provisions of Part XV of the Securities and Futures Ordinance. Mr. Hobbins has assured the Chairman that proper procedures have now been put in place by him to avoid any similar future incident in respect of his interests in shares in the Company.

DIRECTORS' AND SENIOR MANAGEMENT INTEREST

Details of Directors' interests in the shares of the Company are set out in the Report of the Directors section on pages 75 to 77. The shares held by each member of senior management are less than 0.5% of the issued share capital of the Company for the year ended 31 December 2009.

DIRECTORS' AND AUDITOR'S RESPONSIBILITIES FOR FINANCIAL STATEMENTS

The Directors' responsibilities for the financial statements are set out on page 83, and the responsibilities of the external auditor to the shareholders are set out on page 83.

INTERNAL CONTROL AND RISK MANAGEMENT

The Board recognizes the importance of internal controls to safeguard shareholders' interests and investments and the Group's assets, and managing business risks. 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.

The Group's Internal Audit team within the Corporate Governance and Compliance Division, under the supervision of our Group Chief Compliance Officer, independently reviews such systems of internal controls implemented by management and evaluates their adequacy, effectiveness and compliance, and reports regularly to the Audit Committee under the Three-Year Internal Audit Plan endorsed by the Audit Committee. The Audit Plan is business risk driven and covers all material controls including financial, operational and compliance controls, and risk management functions. The Group Chief Compliance Officer reports all the major findings and recommendations at the Audit Committee meetings. The implementation of all agreed recommendations is being followed up on a three-monthly basis.

Follow up on all recommendations is also performed on a periodical basis to ensure all agreed recommendations had been timely and satisfactorily implemented.

Our external auditor, PricewaterhouseCoopers, performs independent statutory audits on the Group's financial statements. As part of their audit engagement, our external auditor also report to the Audit Committee any significant weaknesses in the Group's internal control system which might come to their notice during the course of their audit. PricewaterhouseCoopers noted no significant internal control weakness in their audit for 2009.

Based on the assessments made by senior management, the Group's Internal Audit team and the external auditor in 2009 and up to the date of the approval of this report, the Audit Committee is satisfied that:

- effective internal controls and accounting systems 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.
- there is an ongoing process in place for identifying, evaluating and managing the significant risks faced by the Group.
- the resources, qualifications, experience, training programmes and budget of the staff of the Group's accounting and financial reporting function are adequate.

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 provision set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Listing Rules throughout the year ended 31 December 2009 with the exception and remedial step reported in the above section of "Directors' Securities Transactions".

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 company visits and facility tours 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 at *www.idsgroup.com*.

As a channel to further promote effective communication, the Company maintains a website at *www.idsgroup.com* to disseminate the Company's announcements and presentations and shareholder information and other relevant financial and non-financial information electronically on a timely basis.

Details of the key calendar events for shareholders' attention and share information including market capitalization as at 31 December 2009 are set out in the Information for Investors section on page 47. The percentages of issued share capital owned by the substantial shareholders are set out in the Report of the Directors section on page 78.

Annual General Meeting and Special General Meeting

The Company's Annual General Meeting ("AGM") is one of the principal channels of communication with the shareholders. Directors and Committee Chairmen or member are available to answer questions on the business.

The most recent shareholders' meeting of the Company was the AGM held on 19 May 2009 at Mandarin Oriental, Central, Hong Kong. The meeting was open to all shareholders and members of the press. The Directors who attended the meeting are detailed in the table on page 61. Separate resolutions were proposed for each issue and were voted on by poll.

At the AGM, the major items discussed and the percentage of votes cast in favor of the resolutions relating to those items are tabled below:

Resolutions passed at AGM	Percentage cast votes
• receive and adopt the Audited Consolidated Financial Statements and the Reports of the Directors and the Auditor for the year ended 31 December 2008.	100.00%
• declare a final dividend of 22 HK cents per share.	100.00%
• re-election of Dr. Victor FUNG Kwok King, Mr. John Estmond STRICKLAND and Prof. LEE Hau Leung as Directors of the Company.	Received 100.00% in respect of each individual resolution
• re-appoint PricewaterhouseCoopers as Auditor and authorize the board of Directors to fix their remuneration.	100.00%
• give a general mandate to Directors to issue new shares up to 20%.	80.62%
• give a general mandate to Directors to repurchase the Company's shares up to 10%.	100.00%
• authorize the Directors to issue the shares repurchased by the Company.	80.62%

The poll results were posted on the websites of the Company at *www.idsgroup.com* and Hong Kong Stock Exchange at *www.hkexnews.hk*.

Shareholders' Rights

Under the Company's bye-laws, a special general meeting can be convened by a written requisition of shareholders holding not less than 10% of the paid up capital of the Company and send to the Board or the Company Secretary of the Company. Such request can be deposited at the Company's business address in Hong Kong. To further enhance minority shareholders' rights, the Company has since 2005 adopted the policy of voting by poll for all resolutions put forward at Annual General Meeting and Special General Meeting.

Specific enquiries by shareholders requiring the Board's attention can be sent in writing to our Company Secretary at the Company's business address in Hong Kong. Other general enquiries can be directed to the Company through our Director – Corporate Communications, whose contact information is detailed on page 47.

Corporate Communications

In 2009, the Group held monthly meetings for senior executives to formulate company-wide policies and practices, and to report and discuss significant issues affecting the Group.

As part of the Group's entrepreneurial corporate culture and business policy, annual Leadership Council Meeting and Senior Managers' Meeting are held to review business performance and strategic issues with active participation of the Group Chairman, the Group Managing Director, Executive Director and heads of all business units across the region.

The Group also maintains IDSlink, our intranet, to publish monthly messages from the Group Managing Director and country news to update staff on the latest news about the Group.

REPORT OF THE DIRECTORS

The directors submit their report together with the audited financial statements for the year ended 31 December 2009.

PRINCIPAL ACTIVITIES AND ANALYSIS OF OPERATIONS

The principal activity of the Company is investment holding. The activities of its principal subsidiaries and associated companies are set out in note 35 to the financial statements.

Details of the analysis of the Group's performance for the year by geographical segments and business segments are set out in note 5 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year are set out in the consolidated income statement on page 86.

The directors declared an interim dividend of 14 HK cents per share, totalling HK$44,781,660, which was paid on 17 September 2009.

The directors recommended the payment of a final dividend of 30 HK cents per share, absorbing HK$96,484,650.

RESERVES

Movements in the reserves of the Group and of the Company during the year are set out in the consolidated statement of changes in equity and note 24 to the financial statements respectively.

DONATIONS

Charitable and other donations made by the Group during the year amounted to approximately HK$295,000.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group are set out in note 17 to the financial statements.

SHARE CAPITAL

Details of the movements in share capital of the Company are set out in note 23 to the financial statements.

DISTRIBUTABLE RESERVES

As at 31 December 2009, the Company did not have any reserve available for distribution to shareholders under the Companies Act 1981 of Bermuda (as amended).

EIGHT-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last eight financial years is set out on page 152.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Bye-laws and there are no restrictions against such rights under the laws of Bermuda.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SHARES

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

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"). A summary of the major terms of the Scheme is as follows:

(i) Purpose

The purpose of the Scheme is to enable the Company to grant options to selected eligible participants as incentives or rewards for their contributions to the Group and those companies in the equity share capital of which the Company, directly or indirectly, has a 20% or greater beneficial interest but excluding the Company's subsidiaries ("Associated Companies").

(ii) Qualifying participants

Any employee including Executive Director, Non-executive Director (including Independent Non-executive Director) and officer of the Group or any Associated Companies, any business partner, agent, consultant or representative of the Group or any Associated Companies, a person who is seconded to work for any member of the Group and Associated Companies, where at least 40% of his time is devoted to the business of a member of the Group and Associated Companies (collectively referred to as Eligible Person), and any trust for the benefit of an Eligible Person or his immediate family members and a company controlled by an Eligible Person or his immediate family members.

(iii) Maximum number of shares

The total number of shares which may be issued upon the exercise of all options to be granted under the Scheme and any other share option scheme(s) adopted by the Company must not exceed 10% of the total number of issued shares of the Company as at the date of approval of the Scheme. By ordinary resolution passed on 16 May 2008 relating to the refreshing of the scheme limit on grant of options under the Scheme and any other scheme(s) of the Company, the scheme limit on grant of options was refreshed. As a result, the total number of shares available for issue under the Scheme is 21,886,100 representing approximately 6.8% of the issued shares of the Company as at the date of this Report. Notwithstanding the foregoing, the maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other share option scheme(s) of the Company must not, in aggregate, exceed 30% of the total number of issued shares of the Company from time to time.

(iv) Limit for each participant

The total number of shares of the Company issued and to be issued upon exercise of options (including exercised, cancelled and outstanding) granted in any 12-month period to each participant must not exceed 1% of the shares of the Company in issue.

(v) Option period

The period within which the shares must be taken up under an option shall be determined by the Board in its absolute discretion at the time of grant, but such period must not exceed 10 years from the date of grant of the relevant option.

The Board has the authority to determine the minimum period for which an option must be held before it can be exercised. The Scheme itself does not specify any minimum holding period.

(vi) Payment on application and acceptance

An offer of the grant of an option shall remain open for acceptance for a period of 28 days from the date of offer (or such other period as the Board may specify in the offer and acceptance letter).

HK$1 is payable by the grantee to the Company on acceptance of the offer.

(vii) Subscription price

The exercise price shall not be less than the higher of (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of grant; (ii) the average closing prices of the shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of the shares.

(viii) Remaining life of the scheme

The Board may at any time within 10 years commencing on 7 December 2004 make offers for the grant of options under the Scheme.

Details of the share options ("Share Options") granted under the Scheme and remain outstanding as at 31 December 2009 are as follows:

	Number of Share Options					Exercise price		
	As at 01/01/2009	Granted (Note 1)	Exercised (Note 2)	Lapsed	As at 31/12/2009	HK$	Grant Date	Exercise Period
Benedict CHANG Yew Teck	750,000	–	750,000	–	–	4.825	14/12/04	01/01/09–31/12/10
	380,000	–	380,000	–	–	8.600	16/12/05	01/01/09–31/12/10
	380,000	–	–	–	380,000	8.600	16/12/05	01/01/10–31/12/11
	380,000	–	–	–	380,000	15.100	15/12/06	01/01/09–31/12/10
	380,000	–	–	–	380,000	15.100	15/12/06	01/01/10–31/12/11
	380,000	–	–	–	380,000	15.100	15/12/06	01/01/11–31/12/12
	330,000	–	–	–	330,000	25.550	12/12/07	01/01/10–31/12/11
	330,000	–	–	–	330,000	25.550	12/12/07	01/01/11–31/12/12
	330,000	–	–	–	330,000	25.550	12/12/07	01/01/12–31/12/13
	330,000	–	–	–	330,000	6.640	14/11/08	01/01/11–31/12/12
	330,000	–	–	–	330,000	6.640	14/11/08	01/01/12–31/12/13
	330,000	–	–	–	330,000	6.640	14/11/08	01/01/13–31/12/14
	–	330,000	–	–	330,000	12.776	27/11/09	01/01/12–31/12/13
	–	330,000	–	–	330,000	12.776	27/11/09	01/01/13–31/12/14
	–	330,000	–	–	330,000	12.776	27/11/09	01/01/14–31/12/15
Joseph Chua PHI	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
	265,000	–	–	–	265,000	15.100	15/12/06	01/01/09–31/12/10
	265,000	–	–	–	265,000	15.100	15/12/06	01/01/10–31/12/11
	265,000	–	–	–	265,000	15.100	15/12/06	01/01/11–31/12/12
	220,000	–	–	–	220,000	25.550	12/12/07	01/01/10–31/12/11
	220,000	–	–	–	220,000	25.550	12/12/07	01/01/11–31/12/12
	220,000	–	–	–	220,000	25.550	12/12/07	01/01/12–31/12/13
	220,000	–	–	–	220,000	6.640	14/11/08	01/01/11–31/12/12
	220,000	–	–	–	220,000	6.640	14/11/08	01/01/12–31/12/13
	220,000	–	–	–	220,000	6.640	14/11/08	01/01/13–31/12/14
	–	230,000	–	–	230,000	12.776	27/11/09	01/01/12–31/12/13
	–	230,000	–	–	230,000	12.776	27/11/09	01/01/13–31/12/14
	–	230,000	–	–	230,000	12.776	27/11/09	01/01/14–31/12/15

	Number of Share Options					Exercise		
	As at 01/01/2009	Granted (Note 1)	Exercised (Note 2)	Lapsed	As at 31/12/2009	price HK$	Grant Date	Exercise Period
Rajesh Vardichand RANAVAT	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
	210,000	–	–	–	210,000	15.100	15/12/06	01/01/09–31/12/10
	210,000	–	–	–	210,000	15.100	15/12/06	01/01/10–31/12/11
	210,000	–	–	–	210,000	15.100	15/12/06	01/01/11–31/12/12
	130,000	–	–	–	130,000	25.550	12/12/07	01/01/10–31/12/11
	130,000	–	–	–	130,000	25.550	12/12/07	01/01/11–31/12/12
	130,000	–	–	–	130,000	25.550	12/12/07	01/01/12–31/12/13
Continuous contracts employees	287,000	–	283,000	4,000	–	4.825	14/12/04	01/01/08–31/12/09
	2,247,000	–	1,096,000	8,000	1,143,000	4.825	14/12/04	01/01/09–31/12/10
	232,000	–	165,000	67,000	–	8.600	16/12/05	01/01/08–31/12/09
	806,000	–	144,500	67,000	594,500	8.600	16/12/05	01/01/09–31/12/10
	806,000	–	–	67,000	739,000	8.600	16/12/05	01/01/10–31/12/11
	755,000	–	–	200,000	555,000	15.100	15/12/06	01/01/09–31/12/10
	755,000	–	–	200,000	555,000	15.100	15/12/06	01/01/10–31/12/11
	755,000	–	–	200,000	555,000	15.100	15/12/06	01/01/11–31/12/12
	1,857,000	–	–	104,000	1,753,000	25.550	12/12/07	01/01/10–31/12/11
	1,857,000	–	–	104,000	1,753,000	25.550	12/12/07	01/01/11–31/12/12
	1,857,000	–	–	104,000	1,753,000	25.550	12/12/07	01/01/12–31/12/13
	1,119,000	–	–	52,000	1,067,000	6.640	14/11/08	01/01/11–31/12/12
	1,119,000	–	–	52,000	1,067,000	6.640	14/11/08	01/01/12–31/12/13
	1,119,000	–	–	52,000	1,067,000	6.640	14/11/08	01/01/13–31/12/14
	–	1,145,000	–	–	1,145,000	12.776	27/11/09	01/01/12–31/12/13
	–	1,145,000	–	–	1,145,000	12.776	27/11/09	01/01/13–31/12/14
	–	1,145,000	–	–	1,145,000	12.776	27/11/09	01/01/14–31/12/15

Notes:

(1) The closing price per share immediately before the date on which the options were granted was HK$12.70.

(2) The weighted average closing market price per share immediately before the dates on which the Share Options were exercised was HK$10.46.

(3) Rajesh Vardichand RANAVAT retired as a director of the Company on 19 May 2009. He has signed a consultancy agreement with a subsidiary of the Company.

(4) The average fair value of the options granted during the year is HK$2.81 based on the Black-Scholes Valuation model. The significant inputs into the model were share price of HK$12.2 at the grant date, exercise price shown above, standard deviation of expected share price returns of 43%, expected life of options from 4 to 6 years, expected dividend yield of 4% and average annual risk-free interest rate of 1.10%. The volatility measured at the standard deviation of expected share price returns is based on statistical analysis of daily share prices over the previous years. The Black-Scholes Valuation model is developed to estimate the fair value of European share options. The fair values calculated are inherently subjective and uncertain due to the assumptions made and the limitations of the model used. The value of an option varies with different variables of certain subjective assumptions. Any change in variables so adopted may materially affect the estimation of the fair value of an option.

DIRECTORS

The directors during the year and up to the date of this report were:

Non-executive Directors

Dr. Victor FUNG Kwok King *(Chairman)*
John Estmond STRICKLAND#
Dr. FU Yu Ning#
Prof. LEE Hau Leung#
Andrew TUNG Lieh Cheung#
Dr. William FUNG Kwok Lun
Jeremy Paul Egerton HOBBINS
LAU Butt Farn
Rajesh Vardichand RANAVAT (retired on 19 May 2009)

Executive Directors

Benedict CHANG Yew Teck *(Group Managing Director)*
Joseph Chua PHI *(President)*

Independent Non-executive Director

In accordance with Bye-law 87 of the Company's Bye-laws, Dr. William FUNG Kwok Lun, Messrs. Joseph Chua PHI and Jeremy Paul Egerton HOBBINS and Dr. FU Yu Ning will retire at the forthcoming annual general meeting. All retiring directors, being eligible, will offer themselves for re-election.

DIRECTORS' SERVICE CONTRACTS

None of the directors who are proposed for re-election at the forthcoming annual general meeting has a service contract with the Group which is not determinable within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

No contracts of significance in relation to the Group's business to which the Company or its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year except as disclosed under Connected Transactions stated below and note 33 to the financial statements.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Brief biographical details of the directors and senior management are set out on pages 48 to 58.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2009, 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 Companies ("Model Code"):

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

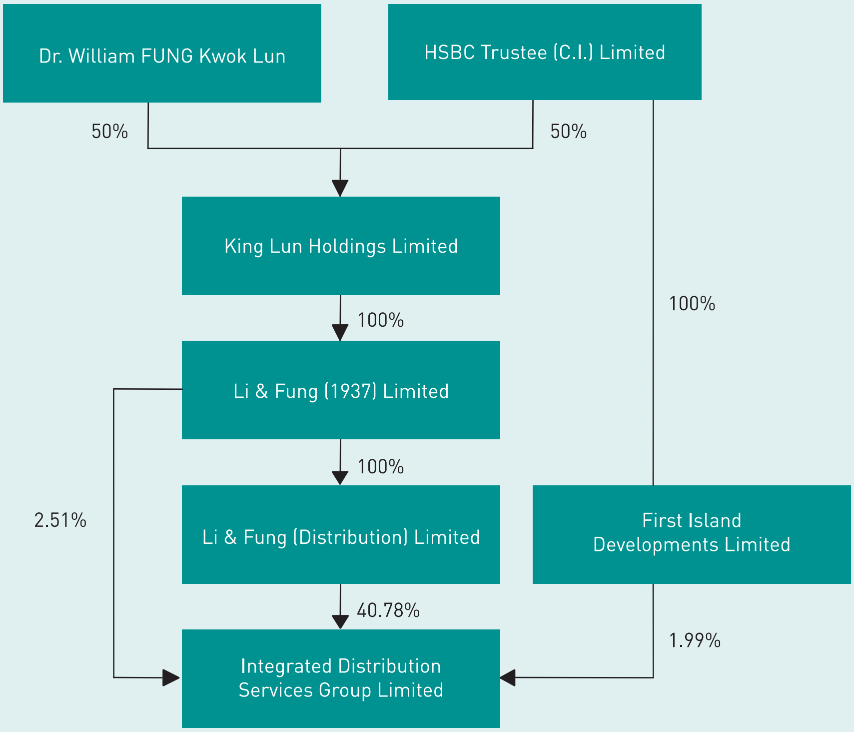
	Number of shares				Number of underlying shares under equity derivatives (Share Options)		
Name of Directors	Personal interest	Family interest	Corporate/ trust interest	Other interest		Total interest	Approximate percentage of issued share capital (%)
Dr. Victor FUNG Kwok King	2,405,509	–	145,453,661 (Note 1)	–	–	147,859,170	46.04
Dr. William FUNG Kwok Lun	–	–	139,032,371 (Note 1)	–	–	139,032,371	43.29
Benedict CHANG Yew Teck	4,422,573	–	–	2,700,000 (Note 2a)	8,690,000 (Notes 2b & 2c)	15,812,573	4.92
Joseph Chua PHI	1,899,632	–	–	–	3,600,000	5,499,632	1.71
Jeremy Paul Egerton HOBBINS	–	–	2,422,999 (Note 3)	–	–	2,422,999	0.75
LAU Butt Farn	610,549	–	–	–	–	610,549	0.19
John Estmond STRICKLAND	–	–	–	22,000 (Note 4)	–	22,000	0.00

Notes:

(1) As at 31 December 2009, King Lun Holdings Limited ("King Lun") through its wholly owned subsidiary, Li & Fung (1937) Limited ("LF 1937"), held 100% interest in Li & Fung (Distribution) Limited ("LFD"). LFD held 130,962,364 shares, representing approximately 40.78% of the issued share capital of the Company. LF 1937 held 8,070,007 shares, representing approximately 2.51% of the issued share capital of the Company.

King Lun was owned (a) as to 50% by HSBC Trustee (C.I.) Limited (which also through First Island Developments Limited indirectly held 6,421,290 shares, representing approximately 1.99% of the issued share capital of the Company), 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 were deemed to have interests in these shares through their respective interests in King Lun and indirect interests in LFD and LF 1937 as set out above.

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



(2) These interests represented:

a. Mr. Benedict CHANG Yew Teck and his wife, LEONG Kim Mei, were joint beneficial owners of these shares.

b. the beneficial interest of Mr. Benedict CHANG Yew Teck in 4,490,000 underlying shares deriving from share options granted by the Company to Mr. Benedict CHANG Yew Teck, the details of which are set out in the Share Options Scheme section stated above; and

c. the deemed interest of Mr. Benedict CHANG Yew Teck in 4,200,000 underlying shares deriving from options granted by LF 1937 to Mikenwill Investments Limited ("Mikenwill"), which is owned by Mr. Benedict CHANG Yew Teck, to require LF 1937 to sell to Mikenwill or its nominee 10,500,000 shares in five tranches, with the first tranche, second tranche and third tranche of 2,100,000 shares each being exercised on 9 January 2007, 17 September 2007 and 27 June 2008 respectively, and the fourth and fifth tranches having an exercisable period of two years during the period from 1 January 2009 to 31 December 2010 and from 1 January 2010 to 31 December 2011 respectively pursuant to a deed given by LF 1937 in favour of Mikenwill dated 5 January 2007 and a Supplemental Deed dated 23 December 2009.

(3) These shares were held by Martinville Holdings Limited, which was owned by Mr. Jeremy Paul Egerton HOBBINS.

(4) Mr. John Estmond STRICKLAND and his wife, Mrs. Anthea Evadne STRICKLAND, were joint beneficial owners of these shares.

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

By virtue of the SFO, each of Dr. Victor FUNG Kwok King and Dr. William FUNG Kwok Lun was taken as at 31 December 2009 to have short position through LF 1937 in respect of an aggregate of 4,200,000 underlying shares in the Company, representing approximately 1.30% of the total issued shares. Such interest comprised LF 1937's short position in 4,200,000 underlying shares (being regarded as unlisted physically settled equity derivatives) deriving from a deed given by LF 1937 in favour of Mikenwill dated 5 January 2007 and a Supplemental Deed dated 23 December 2009, pursuant to which options were granted by LF 1937 to Mikenwill to require LF 1937 to sell to Mikenwill or its nominee 10,500,000 shares in five tranches, with the first tranche, second tranche and third tranche of 2,100,000 shares each being exercised on 9 January 2007, 17 September 2007 and 27 June 2008 respectively, and the fourth and fifth tranches having an exercisable period of two years during the period from 1 January 2009 to 31 December 2010 and from 1 January 2010 to 31 December 2011 respectively.

Save as disclosed above, as at 31 December 2009, none of the directors and chief executive of the Company or their associates had any interest or 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.

(C) 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 above.

Save as disclosed above, at no time during the year, 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 31 December 2009, other than the interests of the directors or chief executive 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:

Name of Shareholders	Capacity	Number of Shares	Approximate percentage of issued share capital (%)
Long Positions			
Li & Fung (Distribution) Limited	Beneficial owner	130,962,364	40.78
Li & Fung (1937) Limited	Interest of controlled corporation Beneficial owner	130,962,364 8,070,007	43.29
King Lun Holdings Limited	Interest of controlled corporation	139,032,371	43.29
HSBC Trustee (C.I.) Limited	Trustee	145,453,661	45.29
Commonwealth Bank of Australia	Interest of controlled corporation	28,756,000	8.95
Aberdeen Asset Management Plc and its subsidiaries (together "the Aberdeen Group") on behalf of accounts managed by the Aberdeen Group	Investment manager	19,462,000	6.06
Brookside Capital Investors, L.P.	Interest of controlled corporation	15,473,000	4.81
Short Positions			
Li & Fung (1937) Limited	Beneficial owner	4,200,000 (Note)	1.30
King Lun Holdings Limited	Interest of controlled corporation	4,200,000 (Note)	1.30
HSBC Trustee (C.I.) Limited	Trustee	4,200,000 (Note)	1.30

Note: This short position represents LF 1937's short position in 4,200,000 underlying shares which constituted unlisted physically settled equity derivatives pursuant to arrangement as described in the Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures section stated above.

Save as disclosed above, the Company had not been notified of any interest or short position being held by any substantial shareholder in the shares or underlying shares of the Company as at 31 December 2009.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

MAJOR CUSTOMERS AND SUPPLIERS

During 2009, the Group sold less than 30% of its goods and services to its 5 largest customers.

The percentage of purchases attributable to the Group's largest supplier and the 5 largest suppliers are as follows:

– the largest supplier	27%
– the five largest suppliers combined	51%

None of the directors, their associates or any shareholder (which to the knowledge of the directors own more than 5% of the Company's share capital) held more than 0.1% of the issued share capital of the five largest customers or suppliers noted above.

CONNECTED TRANSACTIONS

(A) Continuing Connected Transactions

During the year, the Group had the following non-exempt continuing connected transactions, details of which were disclosed in the announcements of the Company dated 21 December 2006 and 8 April 2008:

(a) Distribution and sale of goods

The Group distributes consumer and healthcare products to the retail operations of the members of Li & Fung (1937) Limited ("LF 1937"), a substantial shareholder of the Company, at market rates.

(b) Provision of shipping, handling and other logistics services

Members of the Group have been providing shipping, handling services and a variety of other logistics services, including storage, cargo handling, container devanning, administration, labelling, goods return sorting and delivery to subsidiaries of LF 1937 and companies controlled by LF 1937 ("Parent Group"). The fees charged by the Group to members of the Parent Group are either at market rates or at rates similar to those offered to third party clients.

(c) Lease arrangements

The Group has been leasing certain office and warehouse premises to and from members of the Parent Group. Rental for the lease arrangements were negotiated between parties with reference to the then prevailing market rates.

Note: The Billing Agent Service for member of Li & Fung Limited was ceased in 2008.

Below is a table setting out the aggregate value for each of the non-exempt continuing connected transactions for the year ended 31 December 2009:

			2009 US$'000
(a)	Distribution and sale of goods		
	– members of Convenience Retail Asia Limited ("CRA Group")		**1,846**
	– other members of the Parent Group		**207**
(b)	Provision of shipping, handling and other logistics services		
	– members of Li & Fung Limited		**21,259**
	– other members of the Parent Group		**3,893**
(c)	Rental recharge		
	(i)	received from	
		– members of CRA Group	**389**
		– other members of the Parent Group	**908**
	(ii)	paid to members of the Parent Group	**3,472**

As disclosed in the Company's announcement dated 14 September 2007, PB Logistics Limited (now known as "IDS Logistics (UK) Limited") has been leasing premises from Peter Black Footwear & Accessories Ltd, a member of Li & Fung Limited. The rent, services charge and other related expenses for the year ended 31 December 2009 was US$1,335,000.

On 26 May 2008, a wholly-owned subsidiary of the Company has entered into certain leases with Pak Keung (Private) Limited ("PKPL") and distribution agreements with two subsidiaries of PKPL for the distribution of certain animal and other health products. As PKPL is owned by the then director of Universal Pharmaceutical Laboratories, Limited ("UPLL"), a wholly-owned subsidiary of the Company, PKPL and its subsidiaries are connected persons of the Company until 31 August 2010.

During the year, the Group has the following continuing connected transactions with PKPL and/or its subsidiaries:

	2009 US$'000
Rent	**415**
Sales value of products	**1,581**

The nature and reasons for the above continuing connected transactions have been disclosed in the Company's announcement dated 15 May 2008.

The Independent Non-executive Directors have reviewed the above continuing connected transactions and confirmed that the transactions have been entered into:

(i) in the ordinary and usual course of business of the Company;

(ii) either on normal commercial terms or, on terms no less favourable to the Company than terms available to or from independent third parties; and

(iii) in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Directors of the Company have engaged the auditors to perform certain agreed-upon-procedures on the aforesaid continuing connected transactions and on a sample basis with respect to items 2 and 3 below. The auditors have, based on the work performed, provided a letter to the Directors of the Company stating that:

1. the transactions have been approved by the Company's Directors;

2. the transactions selected were entered into in accordance with the pricing policies of the Group;

3. the transactions selected were entered into in accordance with the terms of the relevant agreements governing such transactions; and

4. the transactions did not exceed the relevant annual limits as set out in the announcements of the Company dated 21 December 2006, 14 September 2007, 8 April 2008 and 15 May 2008.

(B) Connected Transactions

On 25 August 2009, a wholly-owned subsidiary of the Company (the Purchaser) served a notice on PKPL to exercise a call option to require PKPL to sell to it the remaining 5% of the issued capital of UPLL at a total cash consideration of HK$6.6 million, being the gross consideration per share (HK$24,000) multiplied by 1.1 times, pursuant to the Share Option Agreement disclosed in the Circular of the Company dated 4 June 2008. UPLL became a wholly-owned subsidiary of the Company on 31 August 2009 and thus, maximizing the Company's share of profit in UPLL.

On 21 September 2009, the Group entered into agreements with BLS Holdings Limited and its subsidiaries relating to the acquisitions of (a) the entire issued share capital of Branded Lifestyle Taiwan Holdings Limited; (b) the business activities of Branded Lifestyle Hong Kong Limited and (c) the business activities of 利越（上海）服裝商貿有限公司 (its English translated name is BLS Shanghai Limited) for a total consideration of HK$31.2 million. As BLS Holdings Limited is a subsidiary of LF 1937, it is a connected person of the Company. The transaction enables the Group to extend its Asian distribution activities beyond FMCG and Healthcare products, to include the soft and hard goods, initially with apparel and focusing on the Greater China Market.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors of the Company as at the date of this report, there is sufficient public float of more than 25% of the Company's issued shares as required under the Listing Rules.

CHANGE IN DIRECTOR'S INFORMATION

Below is the change of director's information since the 2009 Interim Report which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules:

As a result of the financial turmoil in 2008, Mr. Joseph Chua PHI (Executive Director) had voluntarily agreed a cut of his monthly salary from US$31,281 to US$28,779 during the year 2009. Given a strong rebound in the results of the Group for the year 2009, Mr. PHI's monthly salary was fully reinstated with effect from January 2010.

DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Directors are responsible for the preparation of financial statements for each financial period which give a true and fair view of the state of affairs of the Group and of the results and cash flows for that period. In preparing these financial statements for the year ended 31 December 2009 the Directors have selected suitable accounting policies and applied them consistently; made judgments and estimates that are prudent and reasonable; and have prepared the financial statements on the going concern basis. The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group.

AUDITOR

The financial statements have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for reappointment.

On behalf of the Board

Victor FUNG Kwok King
Chairman

Hong Kong, 15 March 2010

INDEPENDENT AUDITOR'S REPORT

PRICEWATERHOUSECOOPERS

羅兵咸永道會計師事務所

PricewaterhouseCoopers
22/F, Prince's Building
Central, Hong Kong

To the shareholders of Integrated Distribution Services Group Limited
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Integrated Distribution Services Group Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 86 to 151, which comprise the consolidated and Company statement of financial position as at 31 December 2009, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants, and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 90 of the Companies Act 1981 of Bermuda, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2009 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 15 March 2010

FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2009

	Note	2009 US$'000	2008 US$'000
Revenue	5	**1,802,062**	1,683,792
Cost of sales		**(1,332,123)**	(1,202,526)
Gross profit		**469,939**	481,266
Other income	6	**600**	–
Distribution and logistics expenses		**(384,701)**	(399,821)
Administrative expenses		**(60,589)**	(60,479)
Core operating profit		**25,249**	20,966
Other gains, net	7	**20,251**	13,658
Operating profit	8	**45,500**	34,624
Finance costs, net	10	**(4,268)**	(6,472)
Share of results of associated companies	19	**75**	2,101
Profit before taxation		**41,307**	30,253
Taxation	11	**(10,529)**	(4,926)
Profit for the year		**30,778**	25,327
Profit attributable to:			
Shareholders of the Company		**29,828**	24,522
Minority interest	29(b)	**950**	805
		30,778	25,327
Earnings per share for profit attributable to the shareholders of the Company during the year	13		
Basic		**9.35 US cents**	7.76 US cents
Diluted		**9.25 US cents**	7.63 US cents
Dividends	14	**18,217**	14,705

The notes on pages 95 to 151 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2009

	2009 US$'000	2008 US$'000
Profit for the year	**30,778**	25,327
Other comprehensive income		
Exchange differences	**4,173**	(8,624)
Net asset revaluation gain	**418**	–
Realization upon liquidation of a subsidiary	**(39)**	–
Net actuarial gains/(losses) from post employment benefits	**1,834**	(3,452)
Total comprehensive income for the year	**37,164**	13,251
Attributable to:		
Shareholders of the Company	**36,011**	12,652
Minority interest	**1,153**	599

The notes on pages 95 to 151 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2009

	Note	2009 US$'000	2008 US$'000
ASSETS			
Non-current assets			
Intangible assets	15	**91,165**	80,975
Property, plant and equipment	17	**107,043**	104,944
Lease premium for land	16	**6,557**	2,819
Associated companies	19	**144**	7,077
Other non-current assets	21	**10,775**	9,899
Assets under defined benefit plans	27	**259**	53
Deferred tax assets	26	**11,338**	11,167
		227,281	216,934
Current assets			
Inventories	20	**237,581**	186,123
Trade and other receivables	21	**316,299**	252,491
Taxation recoverable		**422**	618
Time deposits	22	**12,444**	46,736
Bank balances and cash	22	**88,485**	56,196
		655,231	542,164
Total assets		**882,512**	759,098
EQUITY			
Capital and reserves attributable to the Company's shareholders			
Share capital	23	**32,113**	31,749
Reserves		**129,592**	103,325
		161,705	135,074
Minority interest	29(b)	**9,114**	7,099
Total equity		**170,819**	142,173

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 31 December 2009

	Note	2009 US$'000	2008 US$'000
LIABILITIES			
Non-current liabilities			
Bank loans	25	**109,183**	29,752
Obligations under finance leases	25	**2,271**	2,811
Liabilities under defined benefit plans	27	**5,589**	6,682
Other non-current liabilities	28	**7,747**	4,601
Deferred tax liabilities	26	**4,047**	3,464
		128,837	47,310
Current liabilities			
Trade and other payables	28	**513,234**	447,035
Bank loans and other borrowings	25	**61,859**	117,441
Taxation payable		**7,763**	5,139
		582,856	569,615
Total liabilities		**711,693**	616,925
Total equity and liabilities		**882,512**	759,098
Net current assets/(liabilities)		**72,375**	(27,451)
Total assets less current liabilities		**299,656**	189,483
Net assets value per share		**53.19 US cents**	44.78 US cents

On behalf of the Board

Victor Fung Kwok King
Director

Benedict Chang Yew Teck
Director

The notes on pages 95 to 151 are an integral part of these consolidated financial statements.

STATEMENT OF FINANCIAL POSITION

As at 31 December 2009

	Note	2009 US$'000	2008 US$'000
ASSETS			
Non-current assets			
Interest in a subsidiary	18	**68,437**	63,285
Current assets			
Other receivables		**265**	420
Bank balances and cash	22	**125**	48
		390	468
Total assets		**68,827**	63,753
EQUITY			
Capital and reserves attributable to the Company's shareholders			
Share capital	23	**32,113**	31,749
Reserves		**36,346**	31,642
Total equity	24	**68,459**	63,391
LIABILITIES			
Current liabilities			
Other payables		**368**	362
Total equity and liabilities		**68,827**	63,753
Net current assets		**22**	106
Total assets less current liabilities		**68,459**	63,391

On behalf of the Board

Victor Fung Kwok King
Director

Benedict Chang Yew Teck
Director

The notes on pages 95 to 151 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2009

	Note	**2009 US$'000**	2008 US$'000
Cash flows from operating activities			
Cash generated from operations	29(a)	**19,685**	74,047
Interest received		**1,626**	1,842
Interest paid		**(5,878)**	(7,942)
Overseas tax refunded		**381**	1,109
Overseas tax paid		**(8,856)**	(9,302)
Net cash generated from operating activities		**6,958**	59,754
Cash flows from investing activities			
Net increase in time deposits		**(114)**	–
Purchase of lease premium for land		**(3,238)**	–
Purchase of property, plant and equipment		**(26,612)**	(29,448)
Purchase of intangible assets		**(3,191)**	(6,916)
Acquisition of subsidiaries	29(c)	**(6,169)**	(22,814)
Acquisition of additional interest in a subsidiary		**(852)**	–
Proceeds from partial divestment of an associated company		**19,856**	17,141
Sale of properties, plant and equipment		**20,617**	796
Settlement of consideration payable for acquisition of subsidiaries/business		**(9,500)**	(3,500)
Dividend received from associated companies		**738**	1,340
Net cash used in investing activities		**(8,465)**	(43,401)
Net cash (used)/generated before financing activities		**(1,507)**	16,353

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the year ended 31 December 2009

	Note	2009 US$'000	2008 US$'000
Net cash (used)/generated before financing activities		**(1,507)**	16,353
Cash flows from financing activities			
Dividends paid		**(14,807)**	(17,888)
Dividends paid to minority shareholders	29(b)	**–**	(320)
New loans raised	29(b)	**60,612**	68,604
Repayment of loans	29(b)	**(50,231)**	(57,262)
Capital element of finance lease payments	29(b)	**(1,405)**	(1,227)
Net proceeds from issue of shares	29(b)	**2,837**	3,311
Net cash used in financing activities		**(2,994)**	(4,782)
(Decrease)/increase in cash and cash equivalents		**(4,501)**	11,571
Cash and cash equivalents at 1 January		**92,203**	79,308
Effect of foreign exchange rate changes		**61**	1,324
Cash and cash equivalents at 31 December		**87,763**	92,203
Analysis of balances of cash and cash equivalents:			
Bank balances and cash		**88,485**	56,196
Deposits with maturity less than three months		**12,330**	46,736
Bank overdrafts	25	**(13,052)**	(10,729)
		87,763	92,203

The notes on pages 95 to 151 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2009

	Share capital (note 23) US$'000	Share premium US$'000	Employee share-based compensation reserve US$'000	Merger reserve US$'000	Revaluation reserve US$'000	Exchange reserve US$'000	Retained earnings US$'000	Total US$'000	Minority interest US$'000	Total equity US$'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 year	–	–	–	–	–	–	24,522	24,522	805	25,327
Exchange differences	–	–	–	–	–	(8,418)	–	(8,418)	(206)	(8,624)
Net actuarial losses from post employment benefits recognized in reserve	–	–	–	–	–	–	(3,452)	(3,452)	–	(3,452)
Total comprehensive income for the year	–	–	–	–	–	(8,418)	21,070	12,652	599	13,251
Dividend	–	–	–	–	–	–	(17,888)	(17,888)	(320)	(18,208)
Employee share option benefits										
– cost of employee services	–	–	2,942	–	–	–	–	2,942	–	2,942
– proceeds from shares issued	461	2,850	–	–	–	–	–	3,311	–	3,311
– transfer to share premium	–	620	(620)	–	–	–	–	–	–	–
– transfer of reserve upon expiration of share options	–	–	(28)	–	–	–	28	–	–	–
Acquisition of a subsidiary	–	–	–	–	–	–	–	–	410	410
Acquisition of additional interest in a subsidiary	–	–	–	–	–	–	–	–	(113)	(113)
At 31 December 2008	31,749	26,890	4,953	16,617	–	6,099	48,766	135,074	7,099	142,173

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the year ended 31 December 2009

	Share capital (note 23) US$'000	Share premium US$'000	Employee share-based compensation reserve US$'000	Merger reserve US$'000	Revaluation reserve US$'000	Exchange reserve US$'000	Retained earnings US$'000	Total US$'000	Minority interest US$'000	Total equity US$'000
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 year	–	–	–	–	–	–	29,828	29,828	950	30,778
Exchange differences	–	–	–	–	–	3,970	–	3,970	203	4,173
Increase in fair value of previously held interest upon step acquisition to a subsidiary	–	–	–	–	418	–	–	418	–	418
Liquidation of a subsidiary	–	–	–	(39)	–	–	–	(39)	–	(39)
Net actuarial gains from post employment benefits recognized in reserve	–	–	–	–	–	–	1,834	1,834	–	1,834
Total comprehensive income for the year	–	–	–	(39)	418	3,970	31,662	36,011	1,153	37,164
Dividend	–	–	–	–	–	–	(14,807)	(14,807)	(868)	(15,675)
Employee share option benefits										
– cost of employee services	–	–	2,590	–	–	–	–	2,590	–	2,590
– proceeds from shares issued	364	2,473	–	–	–	–	–	2,837	–	2,837
– transfer to share premium	–	559	(559)	–	–	–	–	–	–	–
Step acquisition to a subsidiary	–	–	–	–	–	–	–	–	2,180	2,180
Acquisition of additional interest in a subsidiary	–	–	–	–	–	–	–	–	(450)	(450)
At 31 December 2009	32,113	29,922	6,984	16,578	418	10,069	65,621	161,705	9,114	170,819

The notes on pages 95 to 151 are an integral part of these consolidated financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

The Company is a limited liability company incorporated in Bermuda and its shares are listed on The Stock Exchange of Hong Kong Limited. The address of its registered office and other corporate information are set out on page 46 of the annual report.

2 PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated due to the adoption of new/revised accounting standards as set out below.

2.1 BASIS OF PREPARATION

The consolidated financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss, which are carried at fair value.

The preparation of financial statements in conformity with those HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 4.

Standards, amendments and interpretations to existing standards effective in 2009

The following standards, amendments and interpretations to existing standards, which are relevant to the Group's operations, are mandatory for year ended 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.

2.1 BASIS OF PREPARATION (CONTINUED)

Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group

The following new standards, amendments and interpretations to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2010 or later periods, but have not been early adopted by the Group. The new HKFRS expected to be applicable to the Group's operations are as follows:

HKAS 24 (Revised)	Related Party Disclosures[3]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[1]
HKFRS 2 (Amendment)	Share-based Payment[2]
HKFRS 3 (Revised)	Business Combinations[1]
HKFRS 9	Financial Instruments[4]

1 Effective for annual periods beginning on or after 1 July 2009
2 Effective for annual periods beginning on or after 1 January 2010
3 Effective for annual periods beginning on or after 1 January 2011
4 Effective for annual periods beginning on or after 1 January 2013

HKAS 24 (Revised) simplifies the disclosure requirements for government-related entities and clarifies the definition of a related party. The Group will apply HKAS 24 (Revised) from 1 January 2011.

HKAS 27 (Revised) requires the effects of all transactions with minority interest to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognized in profit or loss. The Group will apply HKAS 27 (Revised) prospectively to transactions with minority interest from 1 January 2010.

HKFRS 2 (Amendment), in addition to incorporating HK(IFRIC)-Int 8 and HK(IFRIC)-Int 11, expands on the guidance to address the classification of group arrangements. The Group will apply HKFRS 2 (Amendment) from 1 January 2010.

HKFRS 3 (Revised) continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the consolidated income statement. There is a choice on an acquisition by acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed. The Group will apply HKFRS 3 (Revised) prospectively to all business combinations from 1 January 2010.

HKFRS 9 replaces the multiple classification and measurement models in HKAS 39 with a single model that has only two classification categories: amortized cost and fair value. The classification is based on the approach of how an entity manages its financial instruments (its business model) and the contractual cash flow characteristics of the financial assets. The Group will apply HKFRS 9 from 1 January 2013.

2.1 BASIS OF PREPARATION (CONTINUED)

Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group (continued)

Apart from the above, the HKICPA has also issued improvements to HKFRSs under the HKICPA's annual improvement project published in May 2009. The amendments are primarily effective for annual periods beginning on or after 1 January 2010, with earlier application permitted. The Group does not expect adoption of the amendments to have a significant effect on the consolidated financial statements.

Standards, amendments and interpretations to existing standards that are not yet effective and not relevant to the Group's operations

The following standards, amendments and interpretations to existing standards have been published that are mandatory for the Group's annual periods beginning on or after 1 July 2009 or later periods but are not relevant for the Group's operations.

HK(IFRIC)-Int 17	Distributions of Non-cash Assets to Owners[1]
HK(IFRIC)-Int 18	Transfer of Assets from Customers[2]

1 Effective for annual periods beginning on or after 1 July 2009
2 Effective for transfers on or after 1 July 2009

2.2 CONSOLIDATION

The consolidated financial statements include the financial statements of the Company and all its subsidiaries made up to 31 December.

(a) Subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill (Note 2.6). If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the consolidated income statement.

Inter-company transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary in the consolidated financial statements to ensure consistency with the policies adopted by the Group.

In the Company's statement of financial position the investments in subsidiaries are stated at cost less provision for impairment losses. The results of subsidiaries are accounted by the Company on the basis of dividend received and receivable.

2.2 CONSOLIDATION (CONTINUED)

(b) Transactions and minority interests

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Disposals to minority interests result in gains and losses for the Group and are recorded in the consolidated income statement. Purchases from minority interests result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary.

(c) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognized at cost. The Group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition (Note 2.6).

The Group's share of its associates' post-acquisition profits or losses is recognized in the consolidated income statement, and its share of post-acquisition movements in reserves is recognized in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

2.3 SEGMENT REPORTING

IDS operating segments are organized into three geographical regions, Greater China, ASEAN and USA & UK. Operating segments are reported in a manner consistent with the internal reporting provided to the Group's most senior executive management who are responsible for allocating resources and assessing performance of the operating segments.

2.4 FOREIGN CURRENCY TRANSLATION

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in US dollars, which is the Company's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement.

Translation differences on non-monetary financial assets and liabilities, such as equity instruments held at fair value through profit or loss, are reported as part of the fair value gain or loss.

(c) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each statement of financial position presented are translated at the closing rate at the end of the reporting period;

(ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(iii) all resulting exchange differences are recognized as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities are taken to shareholders' equity. When a foreign operation is sold, such exchange differences that were recorded in equity are recognized in the consolidated income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

2.5 PROPERTY, PLANT AND EQUIPMENT

Freehold land is stated at cost. Buildings comprise mainly factories and offices. Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses.

Depreciation of property, plant and equipment is calculated using the straight-line method over their estimated useful lives, as follows:

Buildings	shorter of the lease period or 2%
Furniture, plant and machinery	6.7%–33.3%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each end of the reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

2.6 INTANGIBLE ASSETS

Software and system development costs

Acquired computer software licences are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized over the estimated useful lives of 3 to 10 years.

Costs associated with developing or maintaining computer software programmes are recognized as an expenses as incurred. Costs that are directly associated with the development of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognized as intangible assets. Costs include the employee costs incurred as a result of developing software and an appropriate portion of relevant overheads.

System development costs recognized as assets are amortized over their estimated useful lives of 3 to 10 years.

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in "intangible assets". Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The Group allocates goodwill to each business segment in each country in which it operates.

Acquired intangibles (other than goodwill)

Customer base, licenses, know-how and supplier relationships that are acquired by the Group are stated at fair value at the acquisition date less accumulated amortization and accumulated impairment losses.

Amortization is calculated using the straight-line method over their estimated useful lives, as follows:

Customer base	8 to 15 years
Licenses, know-how and supplier relationships	20 to 30 years

2.7 IMPAIRMENT OF INVESTMENT IN SUBSIDIARIES, ASSOCIATES AND NON-FINANCIAL ASSETS

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

Impairment testing of the investments in subsidiaries or associates is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary or associate in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.8 FINANCIAL ASSETS

The Group classifies its financial assets into the following categories: financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorized as held for trading unless they are designated as hedges. Assets in this category are classified as current assets except for maturities greater than 12 months after the end of the reporting period.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. Loans and receivables are included in "trade and other receivables", "time deposits" and "bank balances and cash" in the statement of financial position.

(c) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of the investment within 12 months of the end of the reporting period. During the year, the Group did not hold any investments in this category.

2.8 FINANCIAL ASSETS (CONTINUED)

Regular way purchases and sales of financial assets are recognized on trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognized at fair value and transaction costs are expensed in the consolidated income statement. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortized cost using the effective interest method. Gains and losses arising from changes in the fair value of the financial assets at fair value through profit or loss category are included in the consolidated income statement in the period in which they arise.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the issuer's specific circumstances.

The Group assesses at each end of the reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired.

2.9 INVENTORIES

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the first-in, first-out (FIFO) method. The cost of finished goods and work in progress comprises raw materials, direct labor, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.10 TRADE AND OTHER RECEIVABLES

Trade and other receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognized in the consolidated income statement.

2.11 CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within bank loans and other borrowings in current liabilities on the statement of financial position.

2.12 SHARE CAPITAL

Ordinary shares are classified as equity.

2.13 TRADE AND OTHER PAYABLES

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

2.14 BORROWINGS

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the consolidated income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

2.15 CURRENT AND DEFERRED INCOME TAX

The tax expense for the period comprises current and deferred tax. Tax is recognized in the income statement, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case the tax is also recognized in other comprehensive income or directly in equity, respectively.

The current tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

2.16 EMPLOYEE BENEFITS

(a) Pension obligations

Group companies operate various pension schemes. The schemes are generally funded through payments to insurance companies or trustee-administered funds, determined by periodic actuarial calculations. The Group has both defined benefit and defined contribution plans. A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The liability recognized in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets, together with adjustments for past service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized in full in the period in which they occur, as other comprehensive income.

Past-service costs are recognized immediately as income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortized on a straight-line basis over the vesting period.

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognized as employee benefit expense when they are due. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in the future payments is available.

2.16 EMPLOYEE BENEFITS (CONTINUED)

(b) Share-based compensation

The Group operates an equity-settled, share-based compensation plan, under which the entity receives services from employees as consideration for equity instruments (options) of the Group. The fair value of the employee services received in exchange for the grant of the options is recognized as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each end of the reporting period, the entity revises its estimates of the number of options that are expected to vest. It recognizes the impact of the revision of original estimates, if any, in the income statement, and a corresponding adjustment to equity over the remaining vesting period.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

(c) Profit-sharing and bonus plans

The Group recognizes a liability and an expense for bonuses and profit-sharing. The Group recognizes a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

2.17 PROVISIONS

Provisions for restructuring costs and legal claims are recognized when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expenses.

2.18 REVENUE RECOGNITION

Revenue comprises the fair value for the sale of goods and services, net of value-added tax, rebates and discounts and after eliminating sales within the Group. Revenue is recognized as follows:

(a) Sales of goods

Sales of goods are recognized when a Group entity has delivered products to the customer, the customer has accepted the products and collectibility of the related receivables is reasonably assured.

(b) Sales of services

Sales of services are recognized in the accounting period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

(c) Interest income

Interest income is recognized on a time-proportion basis using the effective interest method.

2.19 LEASES

(a) Operating lease

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are expensed in the consolidated income statement on a straight-line basis over the period of the lease.

(b) Finance lease

Leases of assets where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalized at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in current and non-current borrowings, as appropriate. The interest element of the finance cost is recognized in the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The asset acquired under finance leases is depreciated over the shorter of the useful life of the asset or the lease term.

2.20 DIVIDEND DISTRIBUTION

Dividend distribution to the Company's shareholders is recognized as a liability in the financial statements in the period in which the dividends are approved by the Company's shareholders.

2.21 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 fixed assets or other assets).

3 FINANCIAL RISK MANAGEMENT

3.1 FINANCIAL RISK FACTORS

The Group's activities expose it to a variety of financial risks including foreign exchange risk, credit risk, liquidity risk and interest rate risk. The Group's overall risk management programme focuses on minimizing potential adverse effects of these risks on the Group's financial performance. The Group uses derivative financial instruments to manage certain risk exposures.

(a) Foreign exchange risk

The Group operates in various economies over the world 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. This risk is managed on a global basis by utilizing a number of techniques, including working capital management and selective borrowings in local currencies.

In addition, certain purchase transactions are not conducted in the respective local currencies of the operations. The Group purchases foreign currency contracts to protect itself against the adverse effect of such exchange fluctuations on the foreign currencies. The Group's risk management policy is to manage all material purchases transacted on foreign currencies and restrict from engaging in speculative foreign exchange contracts.

Majority of the Group's monetary assets and liabilities are denominated in the respective entities' functional currencies or US dollars. Based on a sensitivity analysis performed by management, the impact to the Group would not be significant if the US dollars strengthen/weaken against the relevant currencies by less than 10%.

(b) Credit risk

The Group's credit risk arises from cash and cash equivalents and trade and other receivables. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis. The carrying amounts of these balances represent the Group's maximum exposure to credit risk in relation to financial assets.

As at 31 December 2009 and 2008, all the bank deposits are deposited in the high quality financial institutions without significant credit risk.

In respect of trade and other receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates.

3.1 FINANCIAL RISK FACTORS (CONTINUED)

(c) Liquidity risk

The liquidity risk of the Group is managed by maintaining sufficient banking facilities and cash and cash equivalents, which is generated from the operating cash flow and financing cash flow.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Within 1 year US$'000	Between 1 and 2 years US$'000	Between 2 and 5 years US$'000	Over 5 years US$'000
As at 31 December 2009				
Trade and other payables	**513,234**	**–**	**–**	**–**
Bank overdrafts	**13,052**	**–**	**–**	**–**
Bank loans	**49,466**	**44,728**	**66,146**	**–**
Obligations under finance leases	**1,585**	**1,478**	**895**	**–**
	577,337	**46,206**	**67,041**	**–**
As at 31 December 2008				
Trade and other payables	447,035	–	–	–
Bank overdrafts	10,729	–	–	–
Bank loans	106,683	29,202	2,538	–
Obligations under finance leases	1,275	1,275	1,777	–
	565,722	30,477	4,315	–

(d) Cash flow interest rate risk

The Group's interest-rate risk arises from time deposits, bank balances, cash and borrowings. Time deposits and bank balances deposited and borrowings issued at variable rates expose the Group to cash flow interest-rate risk. This risk is managed through the maintenance of a proper portfolio of deposit and debt composed of short- and long-term instruments with various currencies.

Based on a sensitivity analysis for the Group's bank borrowings performed by management, there would be no significant impact to the Group if the cost of borrowing increased/decreased by 10%.

3.2 CAPITAL RISK MANAGEMENT

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders. In order to maintain an optimal capital structure to reduce the cost of capital, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net borrowings divided by total capital. Net borrowings is calculated as total borrowings (Note 25) less bank balances, cash and time deposits (Note 22). Total capital is calculated as total equity, as shown in the consolidated statement of financial position, and net borrowings. The gearing ratio at 31 December 2009 was 29.8% (2008: 24.9%).

4 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Allowance for doubtful accounts

The Group provides an allowance for doubtful accounts that represents the management's best estimate of the accounts receivable that will not be collected. The estimation is based on, among other things, historical collection experience, a review of the current aging status of customer receivables, and a review of specific information for those customers that are deemed to be higher risk. The evaluation of the adequacy of allowance for doubtful accounts is performed on at least a half-yearly basis. If the financial condition of customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

(b) Excess and obsolete inventory

The Group requires all excess, obsolete, damaged or off-quality inventory to be adequately provided for or to be disposed of. This process requires an ongoing tracking of the aging and expiry date of inventories which are reviewed in conjunction with current marketing plans to ensure that any excess or obsolete inventories are identified on a timely basis. This process requires judgments be made about the salability of existing stock in relation to sales projections. The evaluation of the adequacy of provision for obsolete and excess inventories is performed on at least a half-yearly basis. If actual sales are less favorable than those projected by management, additional inventory allowances may need to be recorded for such additional obsolescence.

(c) Income taxes

The Group is subject to income taxes in various jurisdictions. Significant judgment is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

4 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS (CONTINUED)

(d) Fair value of assets acquired in business combinations

The Group is required to record the assets and liabilities acquired at their fair value at the time of acquisition. Significant judgement is required in determining the fair values of the intangible assets and property, plant and equipment acquired. The fair values are determined by independent valuers.

(e) Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 2.7. The recoverable amounts of cash-generating units have been determined based on higher of fair value less costs to sell and value in use. These calculations require the use of estimates (Note 15).

5 REVENUE AND SEGMENT INFORMATION

The Group is principally engaged in the provision of logistics services, the distribution of fast moving consumer goods and healthcare products, and manufacturing. Revenue recognized during the year are as follows:

	2009 US$'000	2008 US$'000
Sales of goods	**1,465,938**	1,275,715
Rendering of services	**336,124**	408,077
Revenue	**1,802,062**	1,683,792

The Group's customer base is diversified and no single customer contribute 10% or above of the group's revenue.

The Group operates in the following geographical areas:

Greater China	–	Hong Kong, China and Taiwan
ASEAN	–	the Philippines, Singapore, Malaysia, Thailand, Indonesia, Brunei and others
USA	–	the United States of America
UK	–	United Kingdom

5 REVENUE AND SEGMENT INFORMATION (CONTINUED)

2009	Greater China US$'000	ASEAN US$'000	USA US$'000	UK US$'000	Total US$'000	Unallocated (note) US$'000	Elimination US$'000	Group total US$'000
Revenue	837,563	863,030	57,447	45,879	1,803,919	–	(1,857)	1,802,062
Cost of sales	(627,608)	(698,657)	(2,815)	(4,900)	(1,333,980)	–	1,857	(1,332,123)
Gross profit	209,955	164,373	54,632	40,979	469,939	–	–	469,939
Expenses, net	(182,931)	(137,706)	(67,475)	(41,128)	(429,240)	(15,450)		(444,690)
Core operating profit	27,024	26,667	(12,843)	(149)	40,699	(15,450)		25,249
Other gains, net	–	–	–	–	–	20,251		20,251
Segment results	27,024	26,667	(12,843)	(149)	40,699	4,801		45,500
Share of results of associated companies		75			75			75
Finance costs, net								(4,268)
Profit before taxation								41,307
Taxation								(10,529)
Profit for the year								30,778
Depreciation and amortization	6,908	7,167	2,296	1,787	18,158	2,744		20,902
Impairment of inventory	392	1,620	–	–	2,012	–		2,012
Impairment of trade receivables	155	722	738	125	1,740	–		1,740
Capital expenditure	9,817	14,108	4,248	1,821	29,994	3,075		33,069
Capital expenditure arising from acquisition of subsidiaries	2,667	12,726	743	–	16,136	6,182		22,318
Non-current segment assets	40,576	71,221	50,814	32,337	194,948	32,333		227,281
Associated companies	–	144	–	–	144	–		144
Total assets	374,149	355,041	67,384	50,622	847,196	35,316		882,512
Total liabilities	311,484	236,893	36,613	36,657	621,647	90,046		711,693

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

5 REVENUE AND SEGMENT INFORMATION (CONTINUED)

2008	Greater China US$'000	ASEAN US$'000	USA US$'000	UK US$'000	Total US$'000	Unallocated (note) US$'000	Elimination US$'000	Group total US$'000
Revenue	660,562	883,846	65,308	76,666	1,686,382	–	(2,590)	1,683,792
Cost of sales	(476,640)	(714,648)	–	(13,828)	(1,205,116)	–	2,590	(1,202,526)
Gross profit	183,922	169,198	65,308	62,838	481,266	–	–	481,266
Expenses	(163,755)	(146,569)	(70,933)	(64,781)	(446,038)	(14,262)		(460,300)
Core operating profit	20,167	22,629	(5,625)	(1,943)	35,228	(14,262)		20,966
Other gains, net	–	–	–	–	–	13,658		13,658
Segment results	20,167	22,629	(5,625)	(1,943)	35,228	(604)		34,624
Share of results of associated companies		2,101			2,101			2,101
Finance costs, net								(6,472)
Profit before taxation								30,253
Taxation								(4,926)
Profit for the year								25,327
Depreciation and amortization	5,405	6,710	1,378	2,409	15,902	2,156		18,058
Impairment of inventory	240	934	–	–	1,174	–		1,174
Impairment of trade receivables	150	786	176	291	1,403	–		1,403
Capital expenditure	7,988	14,174	8,980	1,511	32,653	4,377		37,030
Capital expenditure arising from acquisition of subsidiaries	11,349	–	10,014	–	21,363	–		21,363
Non-current segment assets	35,089	79,621	48,034	29,097	191,841	25,093		216,934
Associated companies	–	7,077	–	–	7,077	–		7,077
Total assets	309,250	320,845	60,446	41,389	731,930	27,168		759,098
Total liabilities	268,371	233,398	48,328	37,811	587,908	29,017		616,925

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

5 REVENUE AND SEGMENT INFORMATION (CONTINUED)

2009	**Revenue US$'000**	**Segment results US$'000**	**Total assets US$'000**	**Capital expenditure US$'000**
Logistics	**328,518**	**5,670**	**235,173**	**21,617**
Distribution	**1,303,258**	**27,348**	**510,377**	**17,304**
Manufacturing	**186,499**	**7,681**	**76,866**	**7,203**
Unallocated (note)	**–**	**(15,450)**	**60,096**	**9,263**
	1,818,275	**25,249**	**882,512**	**55,387**
Less: Inter-segment elimination	**(16,213)**			
	1,802,062			
Other gains, net		**20,251**		
Operating profit		**45,500**		

2008	Revenue US$'000	Segment results US$'000	Total assets US$'000	Capital expenditure US$'000
Logistics	369,089	10,702	200,998	32,219
Distribution	1,132,183	18,580	427,850	12,602
Manufacturing	197,080	5,966	65,165	9,195
Unallocated (note)	–	(14,282)	65,085	4,377
	1,698,352	20,966	759,098	58,393
Less: Inter-segment elimination	(14,560)			
	1,683,792			
Other gains, net		13,658		
Operating profit		34,624		

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

6 OTHER INCOME

	2009 US$'000	2008 US$'000
Dividend income	**600**	–

7 OTHER GAINS, NET

	2009 US$'000	2008 US$'000
Gain on partial disposal of an associated company	**16,345**	14,038
Gain on acquisition of additional interest in a subsidiary	**34**	77
Gain on disposal of properties	**4,372**	–
Other expenses	**(500)**	(457)
Other gains, net	**20,251**	13,658

8 OPERATING PROFIT

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

	2009 US$'000	2008 US$'000
Employee benefit expense (note 9)	**197,880**	205,650
Depreciation of		
Owned property, plant and equipment	**16,639**	14,630
Leased property, plant and equipment	**508**	436
Loss/(gain) on disposal of plant and equipment	**252**	(118)
Operating leases		
Hire of plant and machinery	**3,719**	3,851
Buildings	**56,177**	54,421
Auditors' remuneration	**1,425**	1,207
Amortization of prepaid operating lease payment (note 16)	**147**	106
Amortization of intangible assets (note 15)	**3,608**	2,886
Provision for warranty	**453**	1,044
Provision for bad and doubtful debts (note 21(d))	**1,740**	1,403
Provision for obsolete inventories (note 20)	**2,012**	1,174
Costs of inventories sold (note 20)	**1,312,596**	1,173,905
Exchange gain, net	**(414)**	(875)

9 EMPLOYEE BENEFIT EXPENSE

	2009 US$'000	2008 US$'000
Wages and salaries	187,835	194,752
Share options granted to directors and employees	2,590	2,942
Pension costs – defined contribution plans	6,594	6,608
Pension costs – defined benefit plans (note 27(c))	455	404
Post-employment benefits	406	944
	197,880	205,650

(a) Directors' and senior management's emoluments

The remuneration of each director for the year ended 31 December 2009 is set out below:

Name of Director	Fees US$'000	Salary US$'000	Discretionary bonuses US$'000	Other benefits (note) US$'000	Employer's contribution to pension scheme US$'000	Total payable US$'000	Share-based compensation US$'000	Total payable and charged in the income statement US$'000
Victor Fung Kwok King	29	–	–	–	–	29	–	29
Benedict Chang Yew Teck	13	442	476	232	2	1,165	474	1,639
Joseph Chua Phi	13	346	351	183	2	895	317	1,212
William Fung Kwok Lun	13	–	–	–	–	13	–	13
Jeremy Paul Egerton Hobbins	18	–	–	–	–	18	–	18
Lau Butt Farn	20	–	–	–	–	20	–	20
Rajesh Vardichand Ranavat	5	–	–	–	–	5	–	5
John Estmond Strickland	25	–	–	–	–	25	–	25
Fu Yu Ning	25	–	–	–	–	25	–	25
Lee Hau Leung	27	–	–	–	–	27	–	27
Andrew Tung Lieh Cheung	25	–	–	–	–	25	–	25
	213	788	827	415	4	2,247	791	3,038

Note: Other benefits include housing allowance and other allowance.

9 EMPLOYEE BENEFIT EXPENSE (CONTINUED)

(a) Directors' and senior management's emoluments (Continued)

The remuneration of each director for the year ended 31 December 2008 is set out below:

Name of Director	Fees	Salary	Discretionary bonuses	Other benefits (note)	Employer's contribution to pension scheme	Total payable	Share-based compensation	Total payable and charged in the income statement
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Victor Fung Kwok King	28	–	–	–	–	28	–	28
Benedict Chang Yew Teck	13	490	833	249	2	1,587	548	2,135
Joseph Chua Phi	13	375	468	182	2	1,040	360	1,400
Rajesh Vardichand Ranavat	13	–	–	–	–	13	–	13
William Fung Kwok Lun	18	–	–	–	–	18	–	18
Jeremy Paul Egerton Hobbins	20	–	–	–	–	20	–	20
Lau Butt Farn	13	–	–	–	–	13	–	13
John Estmond Strickland	25	–	–	–	–	25	–	25
William Winship Flanz	25	–	–	–	–	25	–	25
Fu Yu Ning	26	–	–	–	–	26	–	26
Andrew Tung Lieh Cheung	16	–	–	–	–	16	–	16
Lee Hau Leung	8	–	–	–	–	8	–	8
	218	865	1,301	431	4	2,819	908	3,727

Note: Other benefits include housing allowance and other allowance.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include two directors (2008: two) whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining individuals whose emoluments were the highest in the Group for the year are as follows:

	2009	2008
	US$'000	US$'000
Basic salaries and other benefits	**1,058**	1,211
Share options expenses	**504**	407
Bonuses	**548**	659
Pensions	**35**	129
	2,145	2,406

9 EMPLOYEE BENEFIT EXPENSE (CONTINUED)

(b) Five highest paid individuals (Continued)

The emoluments fell within the following bands:

	Number of employees	
	2009	2008
Emolument bands		
US$585,001–US$650,000 (HK$4,500,001–HK$5,000,000)	**1**	–
US$650,001–US$715,000 (HK$5,000,001–HK$5,500,000)	**1**	1
US$715,001–US$780,000 (HK$5,500,001–HK$6,000,000)	**–**	1
US$845,001–US$910,000 (HK$6,500,001–HK$7,000,000)	**1**	–
US$975,001–US$1,040,000 (HK$7,500,001–HK$8,000,000)	**–**	1
	3	3

During the year, no emoluments have been paid to the directors of the Company or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

10 FINANCE COSTS, NET

	2009 US$'000	2008 US$'000
Interest expense on bank loans and overdrafts	**5,458**	7,624
Interest expense of finance leases	**420**	318
Imputed interest on non-current payables	**16**	372
	5,894	8,314
Interest income from bank deposits	**(1,626)**	(1,842)
	4,268	6,472

The Group operates cash pooling arrangements in several countries to optimize the net finance cost on gross cash and borrowings by different subsidiaries in the same country. A substantial portion of the interest income and expense stated above relates to such cash pooling arrangements. Accordingly, the finance cost is presented as interest expense net of interest income.

11 TAXATION

Hong Kong profits tax has been provided for at the rate of 16.5% on the estimated assessable profits in Hong Kong for the year. Taxation on overseas profits has been calculated on the estimated assessable profits for the year at the rates of taxation prevailing in the countries in which the Group operates.

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

	2009 **US$'000**	2008 US$'000
Current taxation:		
– Hong Kong profits tax	**186**	100
– Overseas taxation	**10,475**	7,688
Overprovision in prior years	**(34)**	(2,288)
	10,627	5,500
Deferred taxation:		
– Deferred tax assets	**193**	(1,293)
– Deferred tax liabilities	**(291)**	719
	(98)	(574)
Taxation	**10,529**	4,926

11 TAXATION (CONTINUED)

The differences between the Group's expected tax charge at respective domestic tax rates and the Group's tax charge for the year were as follows:

	2009 US$'000	2008 US$'000
Profit before taxation	**41,307**	30,253
Tax calculated at the domestic rates applicable to profits in the countries concerned	**7,598**	5,578
Tax effect related to:		
Expenses not deductible for taxation purposes	**1,332**	1,372
Eliminated income subject to tax	**606**	733
Income not subject to taxation	**(3,856)**	(2,892)
Increase in unrecognized tax losses	**5,855**	2,473
Decrease in unrecognized temporary differences	**(132)**	(70)
Utilization of previously unrecognized tax losses	**(549)**	(92)
Utilization of previously unrecognized capital and reinvestment allowance	**(123)**	–
Over provision in prior years	**(34)**	(2,288)
Effect of change in tax rates on opening net deferred tax assets/liabilities	**(117)**	82
Others	**(51)**	30
Taxation charge	**10,529**	4,926

The weighted average applicable tax rate was 18% (2008: 18%).

12 PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The profit attributable to shareholders of the Company is dealt with in the financial statements of the Company to the extent of US$14,448,000 (2008: US$18,183,000).

13 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 year.

	2009	2008
Profit attributable to shareholders of the Company (US$'000)	29,828	24,522
Weighted average number of ordinary shares in issue (thousands)	318,851	316,151
Basic earnings per share (US cents per share)	9.35	7.76

Diluted

Diluted earnings per share is calculated based on the weighted average number of 318,851,000 (2008: 316,151,000) shares in issue during the year plus the weighted average of shares deemed to have been issued at no consideration as set out below:

	2009			2008		
	Options	Consideration (note)	Total HK$	Options	Consideration (note)	Total HK$
Weighted average dilutive share options outstanding during the year						
Granted on 14 December 2004						
– vested portion	2,903,083	at HK$4.825	14,007,375	5,203,167	at HK$4.825	25,105,279
Granted on 16 December 2005						
– vested portion	3,269,250	at HK$8.6	28,115,550	3,518,649	at HK$8.6	30,260,382
– unvested portion	–	–	–	378,601	at HK$10.933	4,139,370
Granted on 14 November 2008						
– vested portion	1,921,166	at HK$6.64	12,756,542	6,892	at HK$6.64	45,765
– unvested portion	3,021,583	at HK$7.975	24,098,249	410,358	at HK$7.967	3,269,280
Total (a)	11,115,082		78,977,716	9,517,667		62,820,076
Equivalent number of shares at the weighted average market price during the year (b)	11,115,082	at HK$10.37	115,263,400	9,517,667	at HK$15.08	143,526,413
Discount (b) – (a)			36,285,684			80,706,337
Equivalent number of shares deemed to have issued at no consideration			3,499,102			5,351,879

Note: In addition to the exercise price of share options, included in the consideration for the unvested portion is the fair value of unvested share options.

13 EARNINGS PER SHARE (CONTINUED)

Diluted (Continued)

	2009	2008
Profit attributable to shareholders of the Company (US$'000)	**29,828**	24,522
Weighted average number of ordinary shares in issue (thousands)	**318,851**	316,151
Adjustments for share options (thousands)	**3,499**	5,352
Weighted average number of ordinary shares for diluted earnings per share (thousands)	**322,350**	321,503
Diluted earnings per share (US cents per share)	**9.25**	7.63

14 DIVIDENDS

	2009 US$'000	2008 US$'000
Interim dividend paid 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
Proposed dividend after the end of the reporting period of 30 HK cents (equivalent to 3.87 US cents) (2008: 22 HK cents (equivalent to 2.84 US cents)) per share	**12,439**	9,014
	18,217	14,705

At a meeting held on 15 March 2010, the directors proposed a final dividend of 30 HK cents (equivalent to 3.87 US cents) per share. The proposed dividends are not reflected as dividend payable in these financial statements, but will be reflected as an appropriation of retained earnings for the year ending 31 December 2010.

15 INTANGIBLE ASSETS

	Group			
	Goodwill US$'000	Customer base and other acquired intangibles US$'000	Software costs US$'000	Total US$'000
Cost				
At 1 January 2008	48,005	6,464	20,950	75,419
Acquisition of subsidiaries	15,843	3,313	–	19,156
Additions	–	–	6,916	6,916
Adjustments on contingent consideration	(1,784)	–	–	(1,784)
Exchange adjustment	(6,171)	(939)	54	(7,056)
At 31 December 2008	55,893	8,838	27,920	92,651
Accumulated amortization				
At 1 January 2008	–	512	8,388	8,900
Amortization for the year	–	646	2,240	2,886
Exchange adjustment	–	(69)	(41)	(110)
At 31 December 2008	–	1,089	10,587	11,676
Net book value				
At 31 December 2008	55,893	7,749	17,333	80,975
Cost				
At 1 January 2009	**55,893**	**8,838**	**27,920**	**92,651**
Acquisition of subsidiaries	**8,000**	**–**	**58**	**8,058**
Acquisition of additional interest in a subsidiary	**402**	**–**	**–**	**402**
Additions	**–**	**–**	**3,191**	**3,191**
Exchange adjustment	**1,861**	**283**	**112**	**2,256**
At 31 December 2009	**66,156**	**9,121**	**31,281**	**106,558**
Accumulated amortization				
At 1 January 2009	**–**	**1,089**	**10,587**	**11,676**
Acquisition of subsidiaries	**–**	**–**	**16**	**16**
Amortization for the year	**–**	**693**	**2,915**	**3,608**
Exchange adjustment	**–**	**33**	**60**	**93**
At 31 December 2009	**–**	**1,815**	**13,578**	**15,393**
Net book value				
At 31 December 2009	**66,156**	**7,306**	**17,703**	**91,165**

15 INTANGIBLE ASSETS (CONTINUED)

(a) Software costs mainly include internally generated capitalized software development costs and other costs.

(b) Amortization of US$615,000 (2008: US$558,000) is included in distribution and logistics costs; and US$2,993,000 (2008: US$2,328,000) in administrative expenses in the consolidated income statement.

Impairment tests for goodwill

A segment-level summary of the goodwill allocation is presented below:

	2009	2008
	US$'000	US$'000
Greater China	**8,310**	7,538
ASEAN	**1,634**	186
USA	**31,736**	31,736
UK	**18,294**	16,433
Others	**6,182**	–
	66,156	55,893

In accordance with HKAS 36 "Impairment of Assets", the Group completed its annual impairment tests for goodwill allocated to the Group's various cash generating units ("CGUs") by comparing their recoverable amounts to their carrying amounts as at the end of the reporting period. The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on one-year financial budgets approved by management and management forecasts covering not more than 5 years and extrapolated with an estimated general long-term continuous annual growth of not more than 5%. The discount rates used of 7%–9% are pre-tax and reflect specific risk. The budgeted gross margin and net profit margin were determined by the management for each individual CGU based on past performance and its expectations for market development. Management believes that any reasonably foreseeable change in any of the above key assumptions would not cause the carrying amount of goodwill to exceed the recoverable amount.

16 LEASE PREMIUM FOR LAND

The Group's interests in leasehold land and land use rights represent prepaid operating lease payments and their net book values are analyzed as follows:

	Group	
	2009	2008
	US$'000	US$'000
In Hong Kong, held on:		
Leases of over 50 years	**3,236**	–
Outside Hong Kong, held on:		
Leases of between 10 to 50 years	**2,922**	2,819
Leases of over 50 years	**399**	–
	6,557	2,819
Opening	**2,819**	3,077
Exchange difference	**96**	(152)
Acquisition of a subsidiary (note 32)	**1,742**	–
Additions	**3,238**	
Disposal	**(1,191)**	–
Amortization of prepaid operating lease payments	**(147)**	(106)
	6,557	2,819

17 PROPERTY, PLANT AND EQUIPMENT

	Group		
	Freehold land and buildings US$'000	Furniture, plant and machinery US$'000	Total US$'000
At 1 January 2008			
Cost	31,334	142,234	173,568
Accumulated depreciation	(2,985)	(74,494)	(77,479)
Net book value	28,349	67,740	96,089
Year ended 31 December 2008			
Opening net book value	28,349	67,740	96,089
Exchange adjustment	(2,908)	(4,814)	(7,722)
Acquisition of subsidiaries	2	2,205	2,207
Additions	313	29,801	30,114
Disposals	–	(678)	(678)
Depreciation	(553)	(14,513)	(15,066)
Closing net book value	25,203	79,741	104,944
At 31 December 2008			
Cost	27,787	160,652	188,439
Accumulated depreciation	(2,584)	(80,911)	(83,495)
Net book value	25,203	79,741	104,944

17 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Group		
	Freehold land and buildings US$'000	Furniture, plant and machinery US$'000	Total US$'000
Year ended 31 December 2009			
Opening net book value	25,203	79,741	104,944
Exchange adjustment	154	2,514	2,668
Acquisition of subsidiaries	7,176	4,956	12,132
Additions	1,039	25,601	26,640
Disposals	(21,163)	(1,031)	(22,194)
Depreciation	(649)	(16,498)	(17,147)
Closing net book value	11,760	95,283	107,043
At 31 December 2009			
Cost	15,811	194,600	210,411
Accumulated depreciation	(4,051)	(99,317)	(103,368)
Net book value	11,760	95,283	107,043

Furniture, plant and machinery includes the following amounts where the Group is a lessee under a finance lease:

	2009 US$'000	2008 US$'000
Cost – capitalized finance leases	7,020	5,342
Accumulated depreciation	(1,138)	(583)
Net book value	5,882	4,759

Depreciation expense of US$3,135,000 (2008: US$2,789,000) has been expensed in cost of sales, US$11,797,000 (2008: US$9,718,000) in distribution and logistics expenses and US$2,215,000 (2008: US$2,559,000) in administrative expenses.

18 INTEREST IN A SUBSIDIARY

	Company	
	2009	2008
	US$'000	US$'000
Unlisted shares, at cost (note (a))	**23,988**	23,988
Amount due from a subsidiary (note (b))	**44,449**	39,297
	68,437	63,285

Notes:

(a) Particulars of principal subsidiaries are set out in note 35 to the consolidated financial statements.

(b) The amount due from a subsidiary is unsecured, interest-free and has no fixed terms of repayment.

19 ASSOCIATED COMPANIES

	Group	
	2009	2008
	US$'000	US$'000
At 1 January	**7,077**	9,155
Acquisition of an associated company	**232**	–
Partial divestment of an associated company	**(3,511)**	(3,000)
Transfer to subsidiary due to increase in shareholding interest	**(1,762)**	–
Transfer to asset held for sale (note)	**(1,755)**	–
Share of results of associated companies	**75**	2,101
Dividend received	**(138)**	(1,340)
Exchange difference	**(74)**	161
At 31 December	**144**	7,077

The aggregate amounts of revenues, results, assets and liabilities of the Group's associated companies are as follows:

	2009	2008
	US$'000	US$'000
Revenue	**12,296**	94,633
Profit after tax	**163**	5,726
Assets	**500**	54,045
Liabilities	**214**	31,871
Net assets	**286**	22,174

Note: This represents 10% interest in Slumberland Asia Pacific Limited, an associated company of the Group, which will be disposed in January 2010.

20 INVENTORIES

	Group	
	2009	2008
	US$'000	US$'000
Finished goods and merchandise	**231,413**	176,631
Raw materials	**11,190**	12,598
Work in progress	**340**	465
	242,943	189,694
Less: Provision for obsolescence	**(5,362)**	(3,571)
	237,581	186,123

The cost of inventories recognized as expense and included in cost of sales amounted to US$1,312,596,000 (2008: US$1,173,905,000).

The Group recognized an inventory write-down of US$2,012,000 (2008: US$1,174,000). The amount has been included in cost of sales in the consolidated income statement.

21 TRADE AND OTHER RECEIVABLES

	Group	
	2009	2008
	US$'000	US$'000
Trade receivables	**240,404**	204,976
Less: provision for impairment of receivables	**(4,896)**	(4,016)
Trade receivables, net (note (a))	**235,508**	200,960
Other receivables, prepayments, and deposits	**70,845**	55,965
Due from related companies (note (b) and note 33)	**11,884**	5,465
Proceeds receivable on disposal of properties	**7,082**	–
Asset held for sale	**1,755**	–
	327,074	262,390
Less: non-current portion: prepayments and deposits	**(10,775)**	(9,899)
	316,299	252,491

The fair values of trade and other receivables approximate their carrying values.

The maximum exposure to credit risk at the end of the reporting period is the fair value of each class of receivable mentioned above and under limited circumstances, the Group holds collateral as security when granting credit to certain trade customers.

21 TRADE AND OTHER RECEIVABLES (CONTINUED)

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 31 December, the aging analysis of the Group's trade receivables based on due date was as follows:

	Group	
	2009 US$'000	2008 US$'000
Current	**175,415**	145,585
Less than 90 days	**55,058**	49,749
91–180 days	**3,623**	4,177
181–360 days	**1,142**	1,240
Over 360 days	**270**	209
	235,508	200,960

(b) The amounts due from related companies are trade in nature. The trade balances 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.

(c) Trade receivables that are not impaired

The credit quality of trade and other receivables that were neither past due nor impaired has been assessed by reference to historical information about the counterparty default rates.

(d) Movements on the provision for impairment of trade receivables are as follows:

	Group	
	2009 US$'000	2008 US$'000
At 1 January	**4,016**	3,790
Impairment loss recognized	**1,740**	1,403
Uncollectible amounts written off	**(1,950)**	(1,144)
Acquisition of subsidiaries	**985**	280
Exchange difference	**105**	(313)
At 31 December	**4,896**	4,016

The individually impaired receivables related to customers that were in financial difficulties and management assessed that only a portion of the receivables is expected to be recovered. The impairment loss recognized for the trade receivables has been included in distribution and logistics expenses in the consolidated income statement.

22 BANK BALANCES, CASH AND TIME DEPOSITS

	Group		Company	
	2009 US$'000	2008 US$'000	**2009 US$'000**	2008 US$'000
Bank balances and cash	**88,485**	56,196	**125**	48
Short-term bank deposits	**12,444**	46,736	**–**	–
	100,929	102,932	**125**	48

The effective interest rate on short-term bank deposits was 0.7% (2008: 1.4%); these deposits have an average maturity of 35 days (2008: 11 days).

23 SHARE CAPITAL AND OPTIONS

	Number of shares (in thousand)	US$'000
Authorized:		
At 1 January 2009 and 31 December 2009, ordinary shares of US$0.1 each	**1,000,000**	**100,000**
Issued and fully paid:		
At 1 January 2009, ordinary shares of US$0.1 each	**317,487**	**31,749**
Exercise of share options	**3,644**	**364**
At 31 December 2009, ordinary shares of US$0.1 each	**321,131**	**32,113**

Shares options are granted by the Company pursuant to the Share Option Scheme. Options are conditional on the employee completing certain years of service (the vesting period). The Group has no legal or constructive obligation to repurchase or settle the options in cash.

Movements in the number of share options outstanding and the exercise prices are as follows:

	2009		2008	
	Average exercise price HK$ per share	**Share options**	Average exercise price HK$ per share	Share options
At 1 January	**13.999**	**25,091,000**	13.929	25,057,000
Granted	**12.776**	**5,115,000**	6.640	5,007,000
Exercised	**4.825**	**(2,474,000)**	4.825	(3,652,000)
Exercised	**8.600**	**(1,169,500)**	8.600	(954,000)
Lapsed	**4.825**	**(12,000)**	4.825	(202,000)
Lapsed	**8.600**	**(201,000)**	–	–
Lapsed	**15.100**	**(600,000)**	–	–
Lapsed	**25.550**	**(312,000)**	25.550	(165,000)
Lapsed	**6.640**	**(156,000)**	–	–
At 31 December	**14.823**	**25,281,500**	13.999	25,091,000

The weighted average share price at the time of exercise was HK$10.37 (2008: HK$15.08) per share.

Out of the 25,281,500 outstanding options (2008: 25,091,000 options), 3,732,500 options were exercisable at 31 December 2009 (2008: 864,000 options). Subsequently, 485,000 shares have been allotted and issued under the Share Option Scheme up to 15 March 2010.

23 SHARE CAPITAL AND OPTIONS (CONTINUED)

Share options outstanding at the end of the year have the following expiry dates and exercise prices:

Expiry date	Exercise price HK$ per share	Share options 2009	2008
31 December 2009	4.825	–	287,000
31 December 2010	4.825	**1,518,000**	3,717,000
31 December 2009	8.600	–	577,000
31 December 2010	8.600	**804,500**	1,531,000
31 December 2011	8.600	**1,464,000**	1,531,000
31 December 2010	15.100	**1,410,000**	1,610,000
31 December 2011	15.100	**1,410,000**	1,610,000
31 December 2012	15.100	**1,410,000**	1,610,000
31 December 2011	25.550	**2,433,000**	2,537,000
31 December 2012	25.550	**2,433,000**	2,537,000
31 December 2013	25.550	**2,433,000**	2,537,000
31 December 2012	6.640	**1,617,000**	1,669,000
31 December 2013	6.640	**1,617,000**	1,669,000
31 December 2014	6.640	**1,617,000**	1,669,000
31 December 2013	12.776	**1,705,000**	–
31 December 2014	12.776	**1,705,000**	–
31 December 2015	12.776	**1,705,000**	–
		25,281,500	25,091,000

The fair value of options granted was determined using the Black-Scholes valuation model based on the following assumptions:

Date of grant	27 November 2009	14 November 2008	12 December 2007	15 December 2006	16 December 2005	14 December 2004
Share price at date of grant	**HK$12.2**	HK$6.64	HK$25.55	HK$15.10	HK$8.60	HK$4.825
Exercise price	**HK$12.776**	HK$6.64	HK$25.55	HK$15.10	HK$8.60	HK$4.825
Share volatility	**43%**	44%	36%	34%	34%	30%
Average annual risk-free interest rate	**1.10%**	1.34%	2.51%	3.72%	4.11%	2.22%
Expected life of options	**4 to 6 years**	4 to 6 years	4 to 6 years	4 to 6 years	4 to 6 years	4 to 6 years
Expected dividend yield	**4%**	7%	3%	3%	3%	3%

24 EQUITY

	Company				
	Share capital US$'000	Share premium US$'000	Employee share based compensation reserve US$'000	Accumulated losses US$'000	Total US$'000
At 1 January 2008	31,288	23,420	2,659	(524)	56,843
Profit for the year	–	–	–	18,183	18,183
2007 final dividend paid	–	–	–	(12,197)	(12,197)
2008 interim dividend paid	–	–	–	(5,691)	(5,691)
Employee share option benefits					
– cost of employee services	–	–	2,942	–	2,942
– proceeds from shares issued	461	2,850	–	–	3,311
– transfer to share premium	–	620	(620)	–	–
– transfer of reserve upon expiry of share options	–	–	(28)	28	–
At 31 December 2008	31,749	26,890	4,953	(201)	63,391
Profit for the year	**–**	**–**	**–**	**14,448**	**14,448**
2008 final dividend paid	**–**	**–**	**–**	**(9,029)**	**(9,029)**
2009 interim dividend paid	**–**	**–**	**–**	**(5,778)**	**(5,778)**
Employee share option benefits					
– cost of employee services	**–**	**–**	**2,590**	**–**	**2,590**
– proceeds from shares issued	**364**	**2,473**	**–**	**–**	**2,837**
– transfer to share premium	**–**	**559**	**(559)**	**–**	**–**
At 31 December 2009	**32,113**	**29,922**	**6,984**	**(560)**	**68,459**

25 BANK LOANS AND OTHER BORROWINGS

	Group	
	2009	2008
	US$'000	US$'000
Non-current		
Secured bank loan	**1,360**	–
Unsecured bank loans	**107,823**	29,752
Obligations under finance leases	**2,271**	2,811
	111,454	32,563
Current		
Secured bank overdrafts	**126**	–
Unsecured bank overdrafts	**12,926**	10,729
Secured bank loan	**2,532**	1,500
Unsecured bank loans	**44,873**	104,156
Obligations under finance leases	**1,402**	1,056
	61,859	117,441
Total borrowings	**173,313**	150,004

Obligations under finance leases are effectively secured as the rights to the leased assets revert to the lessors in the event of default.

The maturity of borrowings is as follows:

	Group			
	Bank loans and overdrafts		Obligations under finance leases	
	2009	2008	**2009**	2008
	US$'000	US$'000	**US$'000**	US$'000
Within 1 year	**60,457**	116,385	**1,402**	1,056
Between 1 and 2 years	**43,696**	27,441	**1,389**	1,125
Between 2 and 5 years	**65,487**	2,311	**882**	1,686
Wholly repayable within 5 years	**169,640**	146,137	**3,673**	3,867

The effective interest rates for the bank loans and other borrowings were ranging from 0.9% to 12.2%.

The carrying amounts of borrowings approximate their fair values.

25 BANK LOANS AND OTHER BORROWINGS (CONTINUED)

Obligations under finance lease were payable as follows:

	Group	
	2009 **US$'000**	2008 US$'000
Within one year	**1,585**	1,275
In the second year	**1,478**	1,275
In the third to fifth year	**895**	1,777
	3,958	4,327
Future finance charges on finance leases	**(285)**	(460)
Present value of obligation under finance leases	**3,673**	3,867

26 DEFERRED TAXATION

Deferred taxation is calculated in full on temporary differences under the liability method. The movement in deferred tax assets and liabilities (prior to offsetting of balances within the same taxation jurisdiction) during the year is as follows:

Deferred tax assets:

	Group			
	Tax losses US$'000	**Decelerated tax depreciation US$'000**	**Provisions and others US$'000**	**Total US$'000**
At 1 January 2008	(7,652)	(81)	(10,707)	(18,440)
Exchange differences	633	36	409	1,078
Credited to consolidated income statement	(322)	(382)	(589)	(1,293)
Charged to other comprehensive income	–	–	101	101
At 31 December 2008	(7,341)	(427)	(10,786)	(18,554)
Exchange differences	**(116)**	**(20)**	**(165)**	**(301)**
Charged/(credited) to consolidated income statement	**1,648**	**186**	**(1,641)**	**193**
Acquisition of subsidiaries	**–**	**–**	**(214)**	**(214)**
Charged to other comprehensive income (note (a))	**–**	**–**	**(67)**	**(67)**
At 31 December 2009	**(5,809)**	**(261)**	**(12,873)**	**(18,943)**
Less: offset amount (note (b))				**7,605**
				(11,338)

26 DEFERRED TAXATION (CONTINUED)

Deferred tax liabilities:

	Group		
	Accelerated tax depreciation US$'000	Others US$'000	Total US$'000
At 1 January 2008	4,903	5,229	10,132
Exchange differences	(370)	(164)	(534)
Charged/(credited) to consolidated income statement	2,919	(2,200)	719
Acquisition of subsidiaries	534	–	534
At 31 December 2008	7,986	2,865	10,851
Exchange differences	**124**	**5**	**129**
Charged/(credited) to consolidated income statement	**(430)**	**139**	**(291)**
Acquisition of subsidiaries	**938**	**25**	**963**
At 31 December 2009	**8,618**	**3,034**	**11,652**
Less: offset amount (note (b))			**(7,605)**
			4,047

Notes:

(a) The deferred taxation charged/(credited) to other comprehensive income relates to recognition of actuarial gains and losses arising in post-employment defined benefit plans through reserve and is netted with the actuarial gains and losses in the consolidated statement of comprehensive income.

(b) Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The following amounts, determined after appropriate offsetting, are shown in the statement of financial position:

	Group	
	2009 US$'000	2008 US$'000
Deferred tax assets	**(11,338)**	(11,167)
Deferred tax liabilities	**4,047**	3,464

Deferred income tax assets are recognized for tax losses carried forward to the extent that realization of the related tax benefit through future taxable profits is probable. As at 31 December 2009, US$33,605,000 (2008: US$16,864,000) of the Group's unrecognized tax losses is carried forward against future taxable income; of which US$1,668,000 (2008: US$2,472,000) will expire by 2014 (2008: 2013).

26 DEFERRED TAXATION (CONTINUED)

The amounts shown in the consolidated statement of financial position include the following:

	Group	
	2009 **US$'000**	2008 US$'000
Deferred tax assets to be recovered:		
– after more than 12 months	**(3,442)**	(2,544)
– within 12 months	**(7,896)**	(8,623)
Deferred tax liabilities to be settled:		
– after more than 12 months	**171**	184
– within 12 months	**3,876**	3,280

27 DEFINED BENEFIT PLANS

	Group	
	2009 **US$'000**	2008 US$'000
Assets on:		
– defined benefit pension plans (note (a))	**259**	53
Obligations on:		
– defined benefit pension plans (note (b))	**(2,411)**	(2,962)
– other post employment benefit liabilities (note (f))	**(3,178)**	(3,720)
Liabilities under defined benefit plans	**(5,589)**	(6,682)
Actuarial gains/(losses) recognized in the year	**1,767**	(3,351)
Cumulative actuarial losses recognized	**(2,907)**	(4,674)

The Group's major defined benefit retirement schemes are plans in Hong Kong, the Philippines and Taiwan. Most of the pension plans are final salary defined benefit plans. The assets of the funded plans are held independently of the Group's assets in separate trustee-administered funds or being invested through insurance companies.

The post employment benefit liabilities represented the obligation of the Group to make lump sum payment on cessation of employment in certain circumstances to certain employees. The amounts payable is dependent on the employee's final salary and years of services.

The Group's defined benefit plans are valued annually by qualified actuaries, Watson Wyatt, using the projected unit credit method.

27 DEFINED BENEFIT PLANS (CONTINUED)

Notes:

(a) Assets under defined benefit pension plans

	Group	
	2009 US$'000	2008 US$'000
Fair value of plan assets (note (d))	**1,301**	1,076
Present value of funded obligations (note (d))	**(1,042)**	(1,023)
Assets under defined benefit pension plans	**259**	53

As at 31 December 2009, the level of funding represented 124.9% (2008: 105.2%) of the present value of obligations.

(b) Liabilities under defined benefit pension plans

	Group	
	2009 US$'000	2008 US$'000
Present value of funded obligations (note (d))	**(8,260)**	(8,051)
Fair value of plan assets (note (d))	**5,849**	5,089
Liabilities under defined benefit pension plans	**(2,411)**	(2,962)

As at 31 December 2009, the level of funding represented 70.8% (2008: 63.2%) of the present value of obligations.

(c) The amounts recognized in the consolidated income statement were as follows:

	Group	
	2009 US$'000	2008 US$'000
Assets under defined benefit pension plans:		
Current service cost	**37**	225
Interest cost	**18**	138
Expected return on plan assets	**(70)**	(347)
(Income)/expense on assets under defined benefit pension plans	**(15)**	16
Liabilities under defined benefit pension plans:		
Current service cost	**515**	312
Interest cost	**222**	169
Expected return on plan assets	**(267)**	(93)
Expense on liabilities under defined benefit pension plans	**470**	388
Pension costs – defined benefit plans (note 9)	**455**	404

27 DEFINED BENEFIT PLANS (CONTINUED)

Notes: (continued)

(d) Movement included in the consolidated statement of financial position

The movement in the present value of funded obligation recognized in the statement of financial position is as follows:

	Group	
	2009 US$'000	2008 US$'000
Assets under defined benefit pension plans		
At 1 January	**1,023**	4,436
Current service cost	**37**	225
Interest cost	**18**	138
Employee's contribution	**5**	12
Benefits paid	**–**	(73)
Actuarial (gain)/loss	**(40)**	446
Transferred to liabilities under defined benefit pension plans	**–**	(4,197)
Exchange difference	**(1)**	36
At 31 December (note (a))	**1,042**	1,023
Liabilities under defined benefit pension plans		
At 1 January	**8,051**	3,952
Current service cost	**515**	312
Interest cost	**222**	169
Employee's contribution	**7**	–
Benefits paid	**(498)**	(158)
Actuarial gain	**(121)**	(245)
Transferred from assets under defined benefit pension plans	**–**	4,197
Exchange difference	**84**	(176)
At 31 December (note (b))	**8,260**	8,051

27 DEFINED BENEFIT PLANS (CONTINUED)

Notes: (continued)

(d) Movement included in the consolidated statement of financial position (continued)

The movement in the fair value of plan assets of the year is as follows:

	Group	
	2009 US$'000	2008 US$'000
Assets under defined benefit pension plans		
At 1 January	**1,076**	5,381
Employers' contribution	**5**	149
Employees' contribution	**5**	12
Expected return on plan assets	**70**	347
Benefits paid	**–**	(73)
Actuarial gain/(loss)	**146**	(1,891)
Transferred to liabilities under defined benefit pension plans	**–**	(2,880)
Exchange difference	**(1)**	31
At 31 December (note (a))	**1,301**	1,076
Liabilities under defined benefits pension plans		
At 1 January	**5,089**	2,253
Employers' contribution	**431**	205
Employees' contribution	**7**	–
Expected return on plan assets	**267**	93
Benefits paid	**(417)**	(90)
Actuarial gain/(loss)	**428**	(188)
Transferred from assets under defined benefit pension plans	**–**	2,880
Exchange difference	**44**	(64)
At 31 December (note (b))	**5,849**	5,089

(e) The principal actuarial assumptions used were as follows:

	Group	
	2009 %	2008 %
Discount rate	**1.7–11**	1.7–15.5
Expected rate of future salary increases	**2.7–10**	2.7–9
Expected rate of return on plan assets	**1.5–6.5**	2.5–6.5

(f) Other post employment benefit liabilities mainly represent long service payment and equivalents. Actuarial valuation is performed on the Group's other post employment benefit liabilities. The actuarial gain recognized in 2009 is US$ 1,032,000 (2008: US$1,071,000 loss). At 31 December 2009, there were no unrecognized transitional liabilities (2008: Nil).

28 TRADE AND OTHER PAYABLES

	Group	
	2009	2008
	US$'000	US$'000
Trade payable (note (a))	**378,456**	345,615
Other payables and accruals	**140,323**	104,060
Obligations on pension – defined contribution plans	**1,293**	1,126
Due to related companies (note (b) & note 33)	**909**	835
	520,981	451,636
Less: non-current portion: other payables and accruals	**(7,747)**	(4,601)
	513,234	447,035

Notes:

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

	Group	
	2009	2008
	US$'000	US$'000
Less than 90 days	**311,480**	205,751
91–180 days	**63,209**	136,516
181–360 days	**2,621**	2,375
Over 360 days	**1,146**	973
	378,456	345,615

(b) The amounts due to related companies are trade in nature. The trade balances 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.

29 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Cash generated from operations:

	2009 US$'000	2008 US$'000
Operating profit	**45,500**	34,624
Amortization of intangible assets	**3,608**	2,886
Depreciation charge	**17,147**	15,066
Amortization of prepaid operating lease payments	**147**	106
Gain on partial divestment of an associated company	**(16,345)**	(14,038)
Gain on acquisition of additional interest in a subsidiary	**(34)**	(77)
Gain on liquidation of a subsidiary	**(39)**	–
Gain on disposal of properties	**(4,372)**	–
Dividend income	**(600)**	–
Loss/(gain) on disposal of plant and equipment	**252**	(118)
Share option expenses	**2,590**	2,942
Operating profit before working capital changes	**47,854**	41,391
Increase in inventories	**(39,474)**	(17,192)
(Increase)/decrease in trade and other receivables	**(37,230)**	12,938
Increase in trade and other payables	**48,535**	36,910
Net cash generated from operations	**19,685**	74,047

29 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(b) Analysis of changes in financing during the year

	Share capital US$'000	Share premium US$'000	Bank loans US$'000	Minority interest US$'000	Obligations under finance leases US$'000
At 1 January 2008	31,288	23,420	131,715	6,523	5,870
Net proceeds from issue of shares	461	2,850	–	–	–
Cash inflow from bank loans	–	–	68,604	–	–
Cash outflow from bank loans and finance lease	–	–	(57,262)	–	(1,227)
Dividends paid to minority shareholders	–	–	–	(320)	–
Non-cash movements:					
Transfer from employee share-based compensation reserve	–	620	–	–	–
Acquisition of a subsidiary	–	–	858	410	16
Inception of finance lease	–	–	–	–	666
Acquisition of additional interest in a subsidiary	–	–	–	(113)	–
Minority interest's share of profits	–	–	–	805	–
Exchange differences	–	–	(8,507)	(206)	(1,458)
At 31 December 2008	31,749	26,890	135,408	7,099	3,867
Net proceeds from issue of shares	**364**	**2,473**	**–**	**–**	**–**
Cash inflow from bank loans	**–**	**–**	**60,612**	**–**	**–**
Cash outflow from bank loans and finance lease	**–**	**–**	**(50,231)**	**–**	**(1,405)**
Non-cash movements:					
Transfer from employee share-based compensation reserve	**–**	**559**	**–**	**–**	**–**
Acquisition of subsidiaries	**–**	**–**	**8,796**	**2,180**	**793**
Inception of finance lease	**–**	**–**	**–**	**–**	**28**
Acquisition of additional interest in a subsidiary	**–**	**–**	**–**	**(450)**	**–**
Minority interest's share of profits	**–**	**–**	**–**	**950**	**–**
Dividends	**–**	**–**	**–**	**(868)**	**–**
Exchange differences	**–**	**–**	**2,003**	**203**	**390**
At 31 December 2009	**32,113**	**29,922**	**156,588**	**9,114**	**3,673**

29 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(c) Acquisition of subsidiaries

	2009 US$'000	2008 US$'000
Net assets acquired:		
Other intangible assets	–	3,313
Software	42	–
Properties, plant and equipment	12,132	2,207
Lease premium for land	1,742	–
Associated company	232	–
Deferred tax assets	214	–
Inventories	9,728	2,582
Trade and other receivables	16,692	8,869
Bank balances and cash	5,847	2,304
Obligations under finance leases	(793)	(16)
Liabilities under defined benefit plans	(664)	(39)
Deferred tax liabilities	(963)	(534)
Trade and other payables	(21,089)	(5,226)
Bank loans and other borrowings	(8,796)	(858)
Bank overdraft	(1,828)	–
Taxation payable	(538)	(205)
Minority interests	(2,180)	(410)
	9,778	11,987
Goodwill on acquisition	8,000	15,843
Gain on acquisition	(34)	–
Revaluation surplus relating to previously held interests	(418)	–
	17,326	27,830
Satisfied by		
Cash consideration	14,007	26,427
Expenses incurred on acquisition	1,557	1,403
Transferred from interests in associate	1,762	–
	17,326	27,830

29 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(c) Acquisition of subsidiaries (continued)

Analysis of the net outflow of cash and cash equivalent in respect of the acquisition:

	2009 **US$'000**	2008 US$'000
Purchase consideration	**14,007**	26,427
Expenses incurred on acquisition	**1,557**	1,403
Cash and cash equivalents in subsidiary acquired	**(4,019)**	(2,304)
Purchase consideration payable	**(5,050)**	(2,500)
Expenses payable in respect of acquisition	**(326)**	(212)
Net outflow of cash and cash equivalents on acquisition	**6,169**	22,814

(d) Included in the cash and cash equivalents of the Group as at 31 December 2009 were amount totaling US$39,086,000 (2008: US$59,947,000) which were denominated in Renminbi, the remittance of which is subject to foreign exchange control.

30 CONTINGENT LIABILITIES

(a) Bank guarantees

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

	Group	
	2009 **US$'000**	2008 US$'000
For purchase of goods in favor of suppliers	**23,669**	21,771
For rental payment in favor of the landlords	**10,582**	8,797
As security in favor of local tax and customs authorities in accordance with local regulations	**7,616**	629
Performance bonds and others	**1,570**	780
	43,437	31,977

The Company has corporate guarantee in respect of banking facilities granted to subsidiaries amounting to US$460 million at 31 December 2009 (2008: US$370 million).

(b) The Company and two of its subsidiaries, IDS USA Inc. and IDS Group Limited, have been included as defendants in certain civil claims in the USA. 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.

31 COMMITMENTS

(a) Capital commitments in respect of:

	Group	
	2009	2008
	US$'000	US$'000
Property, plant and equipment		
Contracted but not provided for	**1,971**	118
Authorized but not contracted for	**9,492**	369
Intangible assets		
Contracted but not provided for	**444**	435
Authorized but not contracted for	**248**	540
	12,155	1,462

(b) Commitments under operating leases

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

	Group			
	Buildings		Others	
	2009	2008	**2009**	2008
	US$'000	US$'000	**US$'000**	US$'000
No later than one year	**55,934**	49,922	**2,166**	1,351
Later than one year and no later than five years	**176,695**	122,367	**1,647**	1,190
Later than five years	**69,609**	71,393	**49**	–
	302,238	243,682	**3,862**	2,541

The Company did not have any material commitments at 31 December 2009 (2008: Nil).

32 BUSINESS COMBINATIONS

During the year, the Group increased its interest in Sebor (Sabah) Sendirian Berhad (now known as IDS Sebor Sabah Holdings Sdn. Bhd.) ("Sabah") from 40% to 60%, thus, Sabah ceased to be an associated company and became a subsidiary of the Group.

The Group acquired the entire equity interest of Simkar Limited, Simkar 2 Limited and PT Westside Agritama (collectively "Westside"). Westside has its operation in Indonesia and is principally engaged in the storage and warehousing services and distribution business.

The Group has also acquired the entire equity interest of AGI Logistics, Inc. ("AGI"). AGI has its operation in the USA and Asia and is principally engaged in the freight forwarding business.

The acquired businesses contributed revenues of approximately US$28,600,000 and profit for the year of approximately US$1,378,000 for the periods from their respective dates of acquisition to 31 December 2009. If these acquisitions had occurred on 1 January 2009, the estimated unaudited consolidated revenue for the Group would have been approximately US$1,875,466,000 and unaudited profit for the year would have been approximately US$25,049,000.

Details of net assets acquired and goodwill are as follows:

	2009 US$'000
Purchase consideration:	
– Cash consideration	**14,007**
– Direct costs relating to the acquisition	**1,557**
– Transferred from interests in an associate	**1,762**
Total purchase consideration	**17,326**
Fair value of net assets acquired	**(9,778)**
Revaluation surplus relating to previously held interests	**418**
	7,966
Represented by:	
Goodwill (Note 15)	**8,000**
Gain on acquisition	**(34)**
	7,966

The goodwill is attributable to the synergies expected to arise from the acquired subsidiaries as well as the potential of future expansion in new geographical market.

32 BUSINESS COMBINATIONS (CONTINUED)

The assets and liabilities arising from the acquisitions are as follows:

	2009	
	Carrying amounts US$'000	Fair value US$'000
Software	42	42
Property, plant and equipment (Note 17)	9,691	12,132
Lease premium for land	607	1,742
Associated companies	232	232
Deferred tax assets	214	214
Inventories	9,728	9,728
Trade and other receivables	16,692	16,692
Bank balances and cash	5,847	5,847
Obligations under finance lease	(793)	(793)
Liabilities under defined benefit plans	(664)	(664)
Deferred tax liabilities	(26)	(963)
Trade and other payables	(21,089)	(21,089)
Bank loan and other borrowings	(8,796)	(8,796)
Bank overdraft	(1,828)	(1,828)
Taxation payable	(538)	(538)
Minority interests	(1,762)	(2,180)
Net assets	7,557	9,778

33 SIGNIFICANT RELATED PARTY TRANSACTIONS

	Group	
	2009 **US$'000**	2008 US$'000
Continuing transactions:		
– Income from provision of shipping, handling and other logistics services	**25,152**	17,387
– Income from distribution and sale of goods	**2,053**	1,126
– Purchase of bedding related products	**2,595**	2,866
– Rental received from	**1,297**	1,263
– Rental paid to	**4,807**	4,786
Non-recurring transactions:		
– Acquisition of a subsidiary	**4,019**	–

Related party transactions mainly comprised the provision of shipping, handling and other logistics services to Li & Fung Limited, subsidiaries of Li & Fung (1937) Limited ("LF 1937") and companies controlled by LF 1937.

The recurring related party transactions were conducted in the normal course of business and on an arm's length basis. The acquisition of a subsidiary was negotiated on an arm's length basis.

Save as disclosed above and the key management compensation as set out in note 9, the Group had no other material related party transactions during the year.

Year-end balances with related parties

	Note	**2009** **US$'000**	2008 US$'000
Due from	(a)		
– related parties		**11,804**	5,386
– associated companies		**80**	79
Due to	(b)		
– related parties		**909**	818
– an associated company		**–**	17

Notes:

(a) Year-end balances arose from sales/services/recharge of administrative expense. The balances are unsecured, interest-free and with terms no more favorable than those granted to third parties.

(b) Year-end balances arose from purchase/recharge of administrative expense. The balances are unsecured, interest-free and with terms no more favorable than those granted to third parties.

34 APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements have been approved for issue by the Board of Directors on 15 March 2010.

35 PRINCIPAL SUBSIDIARIES AND ASSOCIATED COMPANY

As at 31 December 2009, the Company held interests in the following principal subsidiaries and associated company:

Name	Place of incorporation/ operation	Principal activities	Particulars of issued/ paid up share capital/ registered capital	Interest held
Principal subsidiaries				
Indirectly held:				
IDS Logistics (Hong Kong) Limited	Hong Kong	Provision of logistics services	10,000 ordinary shares of HK$1 each	100%
IDS (Hong Kong) Limited	Hong Kong	Distribution of consumer and pharmaceutical products	14,600,000 ordinary shares of HK$10 each	100%
Universal Pharmaceutical Laboratories, Limited	Hong Kong	Manufacturing and distribution of pharmaceutical products	5,000 ordinary shares of HK$100 each	100%
Shanghai IDS Shen Hong Logistics Co., Ltd. 上海英和申宏商業服務有限公司* (note a)	China	Provision of logistics services	US$5,000,000	100%
Nanjing IDS Marketing Company Limited 南京利豐英和商貿有限公司* (note b)	China	Import/export and distribution of general merchandise	US$5,000,000	100%
IDS Logistics (Taiwan) Limited	Hong Kong/ Taiwan	Provision of logistics and packaging services	2 ordinary shares of HK$100 each	100%
Branded Lifestyle Taiwan Holdings Limited	Hong Kong/ Taiwan	Retail of apparel and accessories	1 ordinary share of HK$1	100%
IDS Logistics Services Pte. Ltd.	Singapore	Provision of logistics services	28,296,962 ordinary shares of S$1 each	100%

35 PRINCIPAL SUBSIDIARIES AND ASSOCIATED COMPANY (CONTINUED)

Name	Place of incorporation/ operation	Principal activities	Particulars of issued/ paid up share capital/ registered capital	Interest held
Principal subsidiaries				
IDS Marketing (Singapore) Pte. Ltd.	Singapore	Distribution of healthcare products	300,000 ordinary shares of S$1 each	100%
			60,000 preference shares of S$1 each	
IDS Logistics Services (M) Sdn. Bhd.	Malaysia	Provision of logistics services	2,000,000 ordinary shares of RM1 each	100%
IDS Services (Malaysia) Sdn. Bhd.	Malaysia	Distribution of consumer, pharmaceutical, and medical equipment products	14,231,002 shares of RM1 each	100%
IDS Sebor (Sarawak) Sdn. Bhd.	Malaysia	Distribution of consumer products	5,000,000 ordinary shares of RM1 each	67.09%
IDS Sebor Sabah Sdn. Bhd.	Malaysia	Distribution of consumer products	9,850,000 ordinary shares of RM1 each	60%
IDS Manufacturing Sdn. Bhd.	Malaysia	Manufacturing of pharmaceutical, foods and toiletries products	23,000,000 ordinary shares of RM1 each	100%
IDS Logistics (Thailand) Limited	Thailand	Provision of logistics services	1,215,000 ordinary shares of Baht250 each	100%
IDS Marketing (Thailand) Limited	Thailand	Distribution of consumer and pharmaceutical products	160,000 ordinary shares of Baht100 each	100%
			55,000 preference shares of Baht100 each	

35 PRINCIPAL SUBSIDIARIES AND ASSOCIATED COMPANY (CONTINUED)

Name	Place of incorporation/ operation	Principal activities	Particulars of issued/ paid up share capital/ registered capital	Interest held
Principal subsidiaries				
IDS Manufacturing Limited	Thailand	Manufacturing of household, pharmaceutical and personal care products	4,695,000 ordinary shares of Baht100 each	100%
IDS (Philippines), Inc.	Philippines	Distribution of consumer products and provision of logistics services	210,000 shares of Pesos100 each	100%
IDS USA Inc.	USA	Provision of logistics services	100 common stock of US$0.01 each	100%
IDS USA West Inc.	USA	Provision of logistics services	2,000 common stock	100%
IDS Logistics (UK) Limited	UK	Provision of logistics services	50,000 ordinary shares of £1 each	100%

The above list gives the principal subsidiaries of the Group which are in the opinion of the directors, principally affect the results and net assets of the Group. To give full details of subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

* The legal name of the company is in Chinese

Notes:

(a) Shanghai IDS Shen Hong Logistics Co., Ltd. is a sino-foreign co-operative joint venture.

(b) Nanjing IDS Marketing Company Limited is a foreign-owned enterprise.

Name	Place of incorporation/ operation	Principal activities	Particulars of issued/ paid up share capital	Interest held
Principal associated company				
F&S Express (S) Pte. Ltd.	Singapore	Provision of freight forwarding services	20,000 ordinary shares of S$1 each	50%

EIGHT-YEAR FINANCIAL SUMMARY

The following table summarizes the consolidated results, assets and liabilities of the Group for eight years ended 31 December:

	2009 US$'000	2008 US$'000	2007 US$'000	2006 US$'000	2005 US$'000	2004 US$'000	2003 US$'000	2002 US$'000
Results								
Revenue	**1,802,062**	1,683,792	1,295,657	993,611	821,530	584,876	591,814	466,050
Core operating profit	**25,249**	20,966	25,075	20,111	15,952	12,688	7,769	4,893
Other gains, net	**20,251**	13,658	14,051	6,947	3,011	633	5,328	678
Operating profit	**45,500**	34,624	39,126	27,058	18,963	13,321	13,097	5,571
Finance costs, net	**(4,268)**	(6,472)	(4,709)	(1,442)	(856)	(687)	(1,335)	(2,054)
Share of results of associated companies and jointly controlled entity	**75**	2,101	1,401	–	–	25	290	660
Profit before taxation	**41,307**	30,253	35,818	25,616	18,107	12,659	12,052	4,177
Taxation	**(10,529)**	(4,926)	(6,616)	(1,725)	(3,828)	(1,096)	(2,908)	(753)
Minority interest	**(950)**	(805)	(1,050)	(703)	(946)	(923)	(776)	(449)
Profit attributable to shareholders	**29,828**	24,522	28,152	23,188	13,333	10,640	8,368	2,975
Earnings per share (US cents)	**9.35**	7.76	9.04	7.50	4.31	4.35	–	–
Dividend per share (US cents)	**5.68**	4.63	5.39	4.48	2.57	–	–	–
Special dividend per share (US cents) (note)	**–**	–	–	–	–	7.11	–	–
Total assets	**882,512**	759,098	708,523	540,134	373,302	313,837	321,743	397,447
Total liabilities	**(711,693)**	(616,925)	(567,943)	(423,901)	(280,980)	(232,741)	(253,845)	(330,843)
Total assets less liabilities	**170,819**	142,173	140,580	116,233	92,322	81,096	67,898	66,604

The Company was incorporated on 25 September 2003 in Bermuda and became the holding company of the Group with effect from 20 November 2004 upon completion of the Reorganization as set out in the Company's prospectus dated 24 November 2004.

Note: The amounts represented dividend paid by the subsidiaries to their then shareholders before the Reorganization. The rates of dividend and the number of shares ranking for dividends are not presented as such information is not meaningful.

Member of the Li & Fung Group