利和

iDS

Interim Report 2009

Integrated Distribution Services Group Limited

(Incorporated in Bermuda with limited liability)

Stock Code: 2387

利和 IDS

HIGH PERFORMANCE HIGH VALUES

Member of the Li & Fung Group

Contents

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
17th Floor, Prince's Building
10 Chater Road
Hong Kong

Registered Office

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Principal Bankers

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

Principal Place of Business

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

Auditor

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

Highlights

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

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

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

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

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

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

Chairman's Statement

Dear Shareholders,

I am pleased to report the interim results of Integrated Distribution Services Group Limited (the "Company") and its subsidiaries (collectively the "Group" or "IDS") for the six months ended 30 June 2009.

The Group encountered one of its most challenging period in its history during the first half of 2009. The global economic downturn triggered by the financial tsunami led to a drastic deterioration in the business environment during the last quarter of 2008 and the first quarter of 2009. Global trade and investment plummeted, which led to sharp decline in export volumes and GDPs of many export-driven economies in Asia. Hong Kong, Singapore, Malaysia, Thailand and Taiwan all recorded negative GDP growth of between –6% and –10% in the first quarter of this year. Rising unemployment rates also led to more cautious consumer spending, which impacted the Group's business.

The positive impact of government stimulus packages began to surface in the second quarter as recent economic indicators have shown a moderated decline. Some Asian stock markets even recorded sharp rebounds. However, it is certainly too early to say that economic recovery has begun. Unemployment continues to rise in the US, and the outlook for the world's biggest economies, including the US, Japan and Europe, is still uncertain. Whether the early somewhat positive signs we see in Asia are sustainable will very much depend on when the developed countries can emerge from the economic recession. Another factor that cannot be ignored is the H1N1 pandemic, which appeared in a relatively mild form during the outbreak this year. Another outbreak in a more virulent form could be devastating to the world economy.

During the first six months of 2009, the Group's revenue was US$846.66 million, or a modest 3.7% above the US$816.43 million recorded in the first half of 2008. Despite an accelerated uptake of new accounts and the benefits resulting from the two acquisitions made in the middle of last year, revenue growth was curbed by lower year-on-year activity from existing customers. The Group's core operating profit for the first half of 2009 was US$8.92 million, or 12.5% below the US$10.20 million registered during the same period last year. This was primarily due to the operating loss recorded in the US and UK business, which has more than wiped away the strong growth in Asia that was delivered during the period.

During the period, the Group divested 20% interest in Slumberland Asia Pacific (SAP) and recorded a US$16.35 million one-off gain. The remaining 10% interest in SAP held by the Group will be disposed of in the first half of 2010. After taking into account the gain, the Group's operating profit for the period was US$24.80 million, or 2.0% above the same period last year.

Profit attributable to shareholders for the first six months of 2009 was US$18.46 million, 4.8% below the US$19.39 million recorded in the first half of 2008. Earnings per share for the period was 5.81 US cents (equivalent to 45.04 HK cents), compared to 6.16 US cents (approximately 48.01 HK cents) in 2008. The Board of Directors has declared an interim dividend of 14 HK cents per share, the same payout per share as the first half of 2008.

Despite a difficult business environment and weak retail sentiment, Asia reported a commendable 19.3% increase in operating profit, up from US$20.28 million in the first half of 2008 to US$24.20 million this year. All markets in the Greater China region — China, Hong Kong and Taiwan — delivered strong double-digit growth. Amongst the markets in the ASEAN region, Thailand maintained strong growth momentum, while performance in the Philippines continued to improve backed by a strong Distribution business. Significant progress has also been made to improve the business in Indonesia, which reported a loss in 2008. We have now established a sustainable healthcare business and a more efficient manufacturing operation in that market.

After being granted approval from state authorities, the Group commenced distribution of pharmaceuticals, medical devices and OTC healthcare products in China in 2009. This has gone very smoothly as several new brand owners have signed up with IDS and numerous other parties have expressed interest. We believe there is vast potential in the healthcare sector in China, and by leveraging our strong principal supplier base across the Group, we are confident that this business will grow strongly in 2010 and thereafter.

The US and UK business faced an extremely unfavorable business environment during the first half of 2009. The weak retail sentiment and drastic cutback in consumer expenditures resulted in a significant decrease in revenue for those businesses. Many customers have shown year-on-year volume declines in excess of 30%. As a result, the region recorded an operating loss of US$8.26 million for the period compared to a US$3.34 million loss in the first half of 2008, even though the Group realized the savings from facility consolidation and cost reduction programs that were implemented in 2008.

On a more positive note, the US operations have taken up more business from Li & Fung USA during the period under review. Li & Fung is now the single largest customer of IDS in the US, accounting for about 20% of revenue there in the first half of 2009. More business is expected from Li & Fung in the second half, and the Group has undertaken an important project to consolidate all Li & Fung business into a new 650,000-square-foot distribution center on the West Coast towards the end of the year to enhance operational efficiency and ensure room for business expansion.

The business environment is expected to remain challenging for the rest of the year. Substantially improving the US and UK business remains the top priority for IDS in the second half. The Group will continue to vigilantly control labor and other costs and look into opportunities to further consolidate its portfolio of distribution centers to enhance efficiency. The objective is to prepare ourselves to emerge stronger when the economy recovers.

In March we launched the celebrations of the 10th Anniversary of IDS. The highlight activity for the first half was a series of country Family Days, held across all IDS operations and involving the entire workforce and their family members. The activity was well received by our employees, and more events will be organized in the second half to celebrate the occasion with our customers.

The Group's commitment to high standards of corporate governance remains strong, reinforcing the principles of transparency, accountability and independence.

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

Victor FUNG Kwok King
Chairman

Hong Kong, 11 August 2009

GMD's Report

The first half of 2009 has been very challenging for IDS. The Group registered profit attributable to shareholders of US$18.46 million in the first half of 2009, a 4.8% decrease against the same period last year. Asia performed strongly with a 19.3% increase in operating profit and registered improvement in operating profit margins for all business streams. However, sluggish performance in the US and UK negatively impacted the Group's net profit performance. On a positive note, 2009 represents a milestone year for IDS as we celebrate our 10th Anniversary and continue to make great strides on various fronts.

During the first half of 2009, the Group accelerated its pace in winning new businesses. 47 new contracts were concluded, including logistics service for Colgate Palmolive in Hong Kong; distribution of additional product lines for SSL Healthcare in Hong Kong; manufacturing dairy products for F&N in Malaysia; the Muji hubbing operation in China; distribution service for Jamieson in China; and logistics service for DSG (Disposable Soft Goods) in Malaysia and Thailand. We also secured contracts with Cole Haan and Lotto in Hong Kong, as well as Stella Luna in China to further strengthen our leadership position in footwear and apparel logistics.

Another significant achievement for IDS' businesses in Asia in the first half of 2009 was the improvement in operating margins across all our business streams — Logistics, Distribution and Manufacturing — due to stronger operating leverage. Compared to the first half of 2008, operating margin for Logistics improved from 7.1% to 7.8%, Distribution grew from 1.9% to 2.0% and Manufacturing surged from 2.4% to 4.3%. Overall, Asia's operating profit margin before corporate expenses was 3.0%, a sharp increase from 2.7% a year ago.

Meanwhile, our commitment to Corporate Social Responsibility (CSR) has made substantial progress. During the first half of 2009 we institutionalized a group-wide organization for each of the three pillars of CSR — Environmental Sustainability, Community Outreach and Employee Health & Safety. Each of these areas will be championed by a member of the senior management team and supported by country teams, and they will be positioned as business imperatives across the Group for competitive advantage.

Financial Overview

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

Asia delivered an operating profit of US$24.20 million in the first half of this year, up 19.3% compared to US$20.28 million during the same period last year. This was mainly driven by new business wins and effective cost control. However, growth in Asia was more than offset by the challenging operating environment of the US and UK, where operating losses increased from US$3.34 million for the first half of 2008 to US$8.26 million this year. As a consequence, the Group's core operating profit for the first half of 2009 was US$8.92 million, or 12.5% below the US$10.20 million registered during the same period last year.

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

Operations Overview & Segmental Analysis

Greater China

The Greater China region delivered very solid performance in the first half of 2009 with revenue growing 29.0% to US$397.29 million and operating profit increasing 27.5% to US$11.59 million. This was driven mainly by the commencement of new contracts in late 2008 and early 2009, such as Rémy Cointreau and Converse in China, Sanofi-Aventis and Philips Lighting in Hong Kong, and Shell Lubricants in Taiwan as well as the acquisition of a healthcare distribution company in Hong Kong in mid-2008.

All markets in the region registered double-digit growth in both revenue and operating profit despite challenges from soft consumer demand. The Distribution business in China registered outstanding performance whilst Logistics was impacted by volume decline from existing customers. As a consequence, operating profit in China increased by 19.1%. After securing the pharmaceuticals and medical device trading licenses in late 2008, the Group has commenced healthcare distribution business in China and established significant presence in major cities such as Shanghai, Guangzhou and Beijing. We aim to further expand our presence in other cities and provinces and expect to see rapid growth in this business from 2010 onwards.

Hong Kong showed 30.9% growth in operating profit with similar growth rates from both Distribution and Logistics, while Taiwan saw a significant surge in operating profit of 61.1% due to the smooth commencement of the Shell Lubricants contract as well as improved operational efficiency.

ASEAN

The ASEAN region also registered a respectable 12.7% growth in operating profit to US$12.61 million during the period, in spite of a 7.3% decline in revenue. The decline in revenue was mainly caused by the weakening of ASEAN currencies. Excluding the foreign exchange effect, revenue growth was 5.9%.

Thailand maintained its momentum, which can attributed to increased Listerine production volume after adding Australia, New Zealand and Japan to its list of export markets as well as strong performances from key customers such as Gilead and Procter & Gamble. Meanwhile, significant progress has been made turning around the business in Indonesia.

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

The Group commenced building high-standard healthcare distribution centers in Singapore and Thailand in the first half of 2009. Following the success of the Hong Kong facility, it is expected that once the new facilities become fully functional by the fourth quarter of this year, it will substantially strengthen the Group's regional healthcare distribution proposition.

US & UK

Due to the economic downturn, the resulting weak retail spending in the US and UK led to a significant decrease in revenue over the first half of 2009. Despite the acquisition of a logistics company in the US in May 2008 and expanded business partnership with Li & Fung (L&F), first-half revenue for the US & UK registered a decline of 38.1% in 2009 compared to last year. Despite the savings that resulted from the facility consolidation and cost-reduction programs that were implemented in 2008, the region still recorded an operating loss of US$8.26 million for the period compared to a US$3.34 million loss in the first half of 2008.

The Group completed Phase 1 of the facility consolidation program in the US by reducing seven distribution centers. The Group also commenced a program converting contract labor to permanent employees and observed with improvement in productivity. Other cost-control measures have resulted in a 30% reduction in packaging costs per unit and improved process control through the implementation of a warehouse management system, which has significantly reduced charge-backs by retailers.

In the UK, an agreement has been reached with Marks & Spencer, the largest customer of IDS' UK operations, to guarantee the throughput volume of the distribution center in Leicester. This will ensure that the Leicester facility runs a profitable operation in the second half and brings the UK business to a better position. IDS is also investigating the viability of expanding its logistics clientele in the UK, which is apparel-centric, into the consumer sector by leveraging the Group's expertise and customer base in Asia.

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

Liquidity and Financial Resources

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

Foreign Exchange Risk Management

The Group operates in various economies over the world and is exposed to foreign exchange risk. Fluctuations in exchange rates in these economies can affect the earnings and net assets of the Group.

In addition, certain purchase transactions are not conducted in the respective local currencies of the operations. The foreign currencies involved in these transactions include mainly US Dollars, Euro, Japanese Yen and Pound Sterling. The Group purchases foreign currency contracts to protect against the adverse effect of such exchange fluctuations on the foreign currency. The Group policy is to hedge all material purchases transacted in foreign currencies and restrict from engaging in speculative foreign exchange transactions.

Contingent Liabilities

(a) Bank guarantees

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

	Unaudited 30 June 2009 US$'000	Audited 31 December 2008 US$'000
For purchase of goods in favor of suppliers	**19,907**	21,771
For rental payment in favor of the landlords	**9,304**	8,797
Performance bonds and others	**1,662**	780
As security in favor of local tax and customs authorities in accordance with local regulations	**627**	629
	31,500	31,977

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

Human Resources

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

The Group offers its staff competitive remuneration schemes, including Share Option Scheme. In addition, discretionary bonuses are granted to eligible staff based on individual and Group performance. The Group is committed to nurturing a learning culture in the organization.

Future Prospects

Although recent indicators have shown that the downward trend of the US economy is becoming less acute, it is difficult to predict if there will be imminent rebound. Amidst the challenging economic environment, we expect that like-to-like same customer volumes will be significantly down against last year. Retention and expansion with existing customers as well as winning new customers will be imperative to drive business growth. We will continue to step up our business development efforts to maintain the pace of new business uptake and focus on account management to maintain a high retention rate.

The US and UK are strategically important markets for IDS and we remain focused to quickly turn around these operations. The Group has planned further facility consolidation program in the US to reduce occupancy expenses and reset the cost base according to the current business volume. Together with stringent cost controls and labor productivity improvement measures, as well as the additional business from L&F in the US and the enhanced relationship with Marks & Spencer in the UK, we expect the performance of these markets to improve significantly in the second half.

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

On the CSR front, we will see an active roll-out of initiatives from both the country and the Group levels across the three pillars of Environmental Sustainability, Community Outreach and Employee Health & Safety. One key project is to measure the Group's carbon footprint in order to determine a reduction target for carbon emissions.

We expect our Asian operations will maintain strong growth for the rest of 2009, and we will be seeing improvements in the US and UK business. Together with the revenue-generating and cost-cutting initiatives we have undertaken as well as potential acquisition opportunities, we are cautiously optimistic about our second half 2009 performance and expect it to be much stronger than last year.

Ben CHANG Yew Teck
Group Managing Director

Hong Kong, 11 August 2009

Corporate Governance

Corporate Governance Practices

The Board of Directors and Management are committed to principles of good corporate governance consistent with prudent enhancement and management of shareholder value. These principles emphasize transparency, accountability and an appropriate oversight by Independent Non-executive Directors.

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

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

Corporate governance practices adopted by the Company during the six-month period to 30 June 2009 are in line with those practices set out in the Company's 2008 Annual Report.

Audit Committee

The Audit Committee 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 three times to date in 2009 (with an average attendance rate of 83.33%) 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, external auditor's independence, the accounting principles and practices adopted by the Group, Listing Rules and statutory compliance, internal controls, risk management and financial reporting matters (including the interim financial information for the six-month period to 30 June 2009 before recommending them to the Board for approval).

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 once to date in 2009 (with an attendance rate of 100%) to review the salary and incentive payout for Executive Directors and senior management.

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.

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 to date in 2009 (with an attendance rate of 100%) to review the re-appointment of retiring directors at 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 Company's intranet for quick reference.

Internal Control and Risk Management

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

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

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. The Group Chief Compliance Officer reports all the major findings at the Audit Committee meetings.

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

Based on the assessments made by senior management and the Group's Internal Audit team during the six-month period to 30 June 2009, the Audit Committee is satisfied that:

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

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

Compliance with the Model Code of the Listing Rules

The Group has adopted procedures governing Directors' securities transactions in compliance with the Model Code as set out in Appendix 10 of the Listing Rules. Relevant employees who are likely to be in possession of unpublished price-sensitive information of the Group are also subject to compliance with written guidelines on no less exacting terms than the Model Code. Specific written confirmations have been obtained from all Directors and relevant employees to confirm compliance with the Model Code. No incident of non-compliance was noted by the Company during the six-month period to 30 June 2009.

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

The Board has reviewed the Company's corporate governance practices and is satisfied that the Company has complied with the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Listing Rules during the six-month period to 30 June 2009.

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*.

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

As at 30 June 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

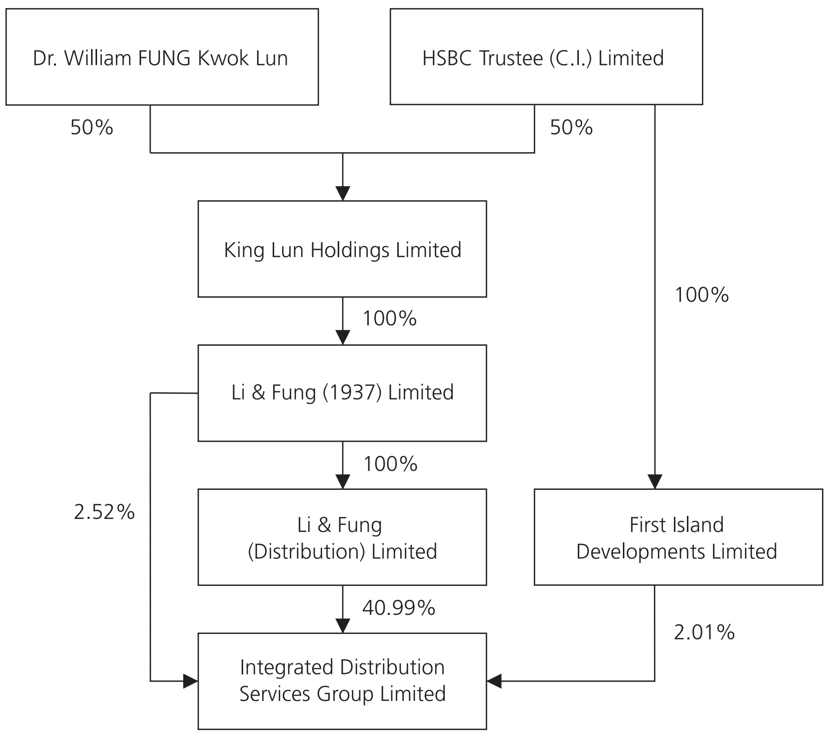
Name of Directors	Number of shares: Personal interest	Number of shares: Family interest	Number of shares: Corporate/ trust interest	Number of shares: Other interest	Number of underlying shares under equity derivatives (Share Options)	Total interest	Approximate percentage of issued share capital (%)
Dr. Victor FUNG Kwok King	2,405,509	—	145,453,661 (Note 1)	—	—	147,859,170	46.28
Dr. William FUNG Kwok Lun	—	—	139,032,371 (Note 1)	—	—	139,032,371	43.52
Benedict CHANG Yew Teck	4,422,573	—	—	2,700,000 (Note 2a)	7,700,000 (Notes 2b & 2c)	14,822,573	4.64
Joseph Chua PHI	1,689,632	—	—	—	3,120,000	4,809,632	1.50
Jeremy Paul Egerton HOBBINS	—	—	4,922,999 (Note 3)	—	—	4,922,999	1.54
LAU Butt Farn	610,549	—	—	—	—	610,549	0.19
John Estmond STRICKLAND	—	—	—	22,000 (Note 4)	—	22,000	0.00

Notes:

(1) 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 40.99% of the issued share capital of the Company. LF 1937 held 8,070,007 shares, representing approximately 2.52% 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 2.01% 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 3,500,000 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 Option Scheme section stated below; 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 was 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 having exercised on 9 January 2007, 17 September 2007 and 27 June 2008 respectively, and each of the remaining tranches having an exercisable period of one year during the period from 1 January 2009 to 31 December 2010 pursuant to an agreement made between LF 1937 and Mikenwill dated 5 January 2007.

(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 30 June 2009 to have short position through LF 1937 in respect of an aggregate of 4,200,000 underlying shares in the Company, representing approximately 1.31% 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 an agreement made between LF 1937 and Mikenwill dated 5 January 2007, 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 having exercised on 9 January 2007, 17 September 2007 and 27 June 2008 respectively, and each of the remaining tranches having an exercisable period of one year during the period from 1 January 2009 to 31 December 2010.

Save as disclosed above, as at 30 June 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 below.

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

Share Option Scheme

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

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

	Number of Share Options						
	As at 01/01/2009	Exercised	Lapsed	As at 30/06/2009	Exercise price 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
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

	Number of Share Options						
	As at 01/01/2009	Exercised	Lapsed	As at 30/06/2009	Exercise price HK$	Grant Date	Exercise period
Rajesh Vardichand RANAVAT (Note 2)	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 contract employees	287,000	10,000	4,000	273,000	4.825	14/12/04	01/01/08-31/12/09
	2,247,000	454,000	4,000	1,789,000	4.825	14/12/04	01/01/09-31/12/10
	232,000	—	67,000	165,000	8.600	16/12/05	01/01/08-31/12/09
	806,000	—	67,000	739,000	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	—	77,000	1,780,000	25.550	12/12/07	01/01/10-31/12/11
	1,857,000	—	77,000	1,780,000	25.550	12/12/07	01/01/11-31/12/12
	1,857,000	—	77,000	1,780,000	25.550	12/12/07	01/01/12-31/12/13
	1,119,000	—	26,000	1,093,000	6.640	14/11/08	01/01/11-31/12/12
	1,119,000	—	26,000	1,093,000	6.640	14/11/08	01/01/12-31/12/13
	1,119,000	—	26,000	1,093,000	6.640	14/11/08	01/01/13-31/12/14

Notes:

(1) The weighted average closing market price per share immediately before the dates on which the Share Options were exercised was HK$9.88.

(2) 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.

Interests and Short Positions of Substantial Shareholders

As at 30 June 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 which fall to be disclosed to the Company 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	40.99
Li & Fung (1937) Limited	Interest of controlled corporation	130,962,364	43.52
	Beneficial owner	8,070,007	
King Lun Holdings Limited	Interest of controlled corporation	139,032,371	43.52
HSBC Trustee (C.I.) Limited	Trustee	145,453,661	45.53
Brookside Capital Investors, L.P.	Interest of controlled corporation	15,473,000	4.84
Commonwealth Bank of Australia	Interest of controlled corporation	28,574,000	8.94
Short Positions			
Li & Fung (1937) Limited	Beneficial owner	4,200,000 (Note)	1.31
King Lun Holdings Limited	Interest of controlled corporation	4,200,000 (Note)	1.31
HSBC Trustee (C.I.) Limited	Trustee	4,200,000 (Note)	1.31

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 30 June 2009.

Changes in Directors' Information

Below are the changes of directors' information since the 2008 Annual Report which are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules:

As a result of the financial turmoil in 2008, Mr. Benedict CHANG Yew Teck (Group Managing Director) had voluntarily agreed a cut of (i) his monthly salary from US$40,816 to US$36,734 during the year 2009 and (ii) his discretionary bonus payment in 2009 for the year 2008 performance from US$693,307 (based on the approved formula by the Board of the Company) to US$475,124. Likewise, Mr. Joseph Chua PHI (Executive Director) had voluntarily agreed a cut of (i) his monthly salary from US$31,281 to US$28,779 during the year 2009 and (ii) his discretionary bonus payment in 2009 for the year 2008 performance from US$512,620 (based on the approved formula by the Board of the Company) to US$349,722.

Dr. Victor FUNG Kwok King, Chairman of the Company, retired as a non-executive director of Hup Soon Global Corporation Limited in Singapore and an independent non-executive director of Orient Overseas (International) Limited in Hong Kong on 29 April 2009 and 30 April 2009 respectively. He was appointed as vice chairman of China Centre for International Economic Exchanges in March 2009.

Mr. Jeremy Paul Egerton HOBBINS, a Non-executive Director of the Company, was appointed as a director of Li & Fung (1937) Limited, a substantial shareholder of the Company, on 1 June 2009. On the same date, he was re-designated from Group Managing Director to non-executive Deputy Chairman of Trinity Limited.

Mr. John Estmond STRICKLAND, an Independent Non-executive Director of the Company, resigned as a director of Yoma Strategic Holdings Ltd in Singapore on 4 May 2009.

Purchase, sale or redemption of the Company's listed shares

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

Interim Dividend

The Board of Directors has declared an interim dividend of 14 HK cents (equivalent to 1.81 US cents) (2008: 14 HK cents (equivalent to 1.79 US cents)) in cash per share for the six months ended 30 June 2009, which will be payable to shareholders whose names appear on the Register of Members of the Company on 17 September 2009.

Closure of Register of Members

The Register of Members will be closed from 10 September 2009 to 17 September 2009, both dates inclusive, during which period no transfer of shares will be registered. In order to qualify for the interim dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Tricor Abacus Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on 9 September 2009. Dividend warrants will be despatched to shareholders on or about 17 September 2009.

Condensed Consolidated Income Statement

	Note	Unaudited Six months ended 30 June 2009 US$'000	2008 US$'000
Revenue	4	**846,659**	816,427
Cost of sales		**(627,273)**	(587,213)
Gross profit		**219,386**	229,214
Other income	5	**600**	–
Distribution and logistics expenses		**(181,967)**	(190,102)
Administrative expenses		**(29,095)**	(28,914)
Core operating profit	6	**8,924**	10,198
Other gains, net	7	**15,879**	14,115
Operating profit	8	**24,803**	24,313
Finance costs, net	9	**(1,973)**	(3,394)
Share of results of associated companies		**26**	1,116
Profit before taxation		**22,856**	22,035
Taxation	10	**(3,849)**	(2,171)
Profit for the period		**19,007**	19,864
Profit attributable to:			
Shareholders of the Company		**18,460**	19,389
Minority interest		**547**	475
		19,007	19,864
Interim dividend	11	**5,778**	5,691
Earnings per share for profit attributable to the shareholders of the Company during the period	12		
Basic		**5.81 US cents**	6.16 US cents
Diluted		**5.76 US cents**	6.01 US cents

The notes on page 30 to 53 form integral part of this condensed consolidated financial information.

Condensed Consolidated Statement of Comprehensive Income

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

The notes on page 30 to 53 form integral part of this condensed consolidated financial information.

Condensed Consolidated Statement of Financial Position

	Note	Unaudited 30 June 2009 US$'000	Audited 31 December 2008 US$'000
ASSETS			
Non-current assets			
Intangible assets	13	**83,257**	80,975
Property, plant and equipment	13	**111,568**	104,944
Lease premium for land		**4,312**	2,819
Associated companies		**–**	7,077
Other non-current assets	14	**10,430**	9,899
Assets under defined benefit plans		**61**	53
Deferred tax assets	18	**10,594**	11,167
		220,222	216,934
Current assets			
Inventories		**180,742**	186,123
Trade and other receivables	14	**259,628**	252,491
Asset held for sale	15	**1,755**	–
Taxation recoverable		**800**	618
Time deposits		**34,994**	46,736
Bank balances and cash		**57,942**	56,196
		535,861	542,164
Total assets		**756,083**	759,098
EQUITY			
Capital and reserves attributable to the Company's shareholders			
Share capital	16	**31,943**	31,749
Reserves		**117,109**	103,325
		149,052	135,074
Minority interest		**9,813**	7,099
Total equity		**158,865**	142,173

Condensed Consolidated Statement of Financial Position (continued)

	Note	Unaudited 30 June 2009 US$'000	Audited 31 December 2008 US$'000
LIABILITIES			
Non-current liabilities			
Unsecured bank loans	17	**35,752**	29,752
Obligations under finance leases	17	**2,617**	2,811
Liabilities under defined benefit plans		**6,869**	6,682
Other non-current liabilities	19	**4,159**	4,601
Deferred tax liabilities	18	**2,811**	3,464
		52,208	47,310
Current liabilities			
Trade and other payables	19	**399,670**	447,035
Bank loans and other borrowings	17	**140,374**	117,441
Taxation payable		**4,966**	5,139
		545,010	569,615
Total liabilities		**597,218**	616,925
Total equity and liabilities		**756,083**	759,098
Net current liabilities		**(9,149)**	(27,451)
Total assets less current liabilities		**211,073**	189,483
Net assets value per share		**49.73 US cents**	44.78 US cents

The notes on page 30 to 53 form integral part of this condensed consolidated financial information.

Condensed Consolidated Statement of Changes in Equity

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

The notes on page 30 to 53 form integral part of this condensed consolidated financial information.

Condensed Consolidated Statement of Cash Flows

	Note	Unaudited Six months ended 30 June 2009 US$'000	 2008 US$'000
Cash flows from operating activities			
Cash (used in)/generated from operations	20(a)	**(11,906)**	31,547
Interest received		**918**	753
Interest paid		**(2,891)**	(3,775)
Net overseas tax paid		**(4,645)**	(5,664)
Net cash (used in)/generated from operating activities		**(18,524)**	22,861
Cash flows from investing activities			
Net increase in time deposits		**–**	(13,116)
Purchase of property, plant and equipment		**(10,335)**	(15,376)
Purchase of intangible assets		**(1,223)**	(3,623)
Sale of plant and equipment		**40**	515
Acquisition of subsidiaries	20(b)	**(2,158)**	(20,293)
Proceeds from partial divestment of an associated company		**19,826**	–
Settlement of consideration payable for acquisition of business		**(9,500)**	(3,500)
Dividend received from an associated company		**–**	1,300
Net cash used in investing activities		**(3,350)**	(54,093)
Net cash used before financing activities		**(21,874)**	(31,232)
Cash flows from financing activities			
Dividends paid		**(9,029)**	(12,197)
Capital element of finance lease payments		**(680)**	(121)
Net proceeds from issue of shares		**1,391**	3,072
New loans raised		**27,974**	31,832
Repayment of loans		**(8,398)**	(9,173)
Net cash generated from financing activities		**11,258**	13,413
Decrease in cash and cash equivalents		**(10,616)**	(17,819)
Cash and cash equivalents at beginning of period		**92,203**	79,308
Effect of foreign exchange rate changes		**(1,535)**	583
Cash and cash equivalents at the end of period		**80,052**	62,072
Analysis of balances of cash and cash equivalents:			
Bank balances and cash		**57,942**	61,492
Deposits with maturity less than three months		**34,994**	12,076
Bank overdrafts		**(12,884)**	(11,496)
		80,052	62,072

The notes on page 30 to 53 form integral part of this condensed consolidated financial information.

Notes to Condensed Consolidated Financial Information

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 2 of the interim report.

2 Basis of preparation

This unaudited condensed consolidated financial information has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34: Interim Financial Reporting, issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

This unaudited condensed consolidated financial information should be read in conjunction with the 2008 annual financial statements.

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

3 Accounting policies

The accounting policies and methods of computation used in the preparation of this condensed consolidated financial information is consistent with those used in the annual financial statements for the year ended 31 December 2008, except that the following new standards and amendments to standards, which are relevant to the Group, have been adopted for financial year ending 31 December 2009.

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

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

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

3 Accounting policies (continued)

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

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

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

4 Revenue and segment information

(a) The Group is principally engaged in the provision of logistics services, the distribution of Fast Moving Consumer Goods and healthcare products, and manufacturing. Revenues recognized during the period are as follows:

	Unaudited Six months ended 30 June	
	2009 US$'000	2008 US$'000
Sales of goods	**692,037**	608,222
Rendering of services	**154,622**	208,205
Revenue	**846,659**	816,427

(b) The Group is organized on a worldwide basis and managed the business based on the following geographical areas:

Greater China	–	Hong Kong, Mainland China and Taiwan
ASEAN	–	the Philippines, Singapore, Malaysia, Thailand, Indonesia and Brunei
US and UK	–	the United States of America ("the US") and United Kingdom ("UK")

4 Revenue and segment information (continued)

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

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

4 Revenue and segment information (continued)

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

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

4 Revenue and segment information (continued)

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

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

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

4 Revenue and segment information (continued)

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

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

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

5 Other income

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

6 Core operating profit

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

7 Other gains, net

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

8 Operating profit

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

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

9 Finance costs, net

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

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.

10 Taxation

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

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

	Unaudited Six months ended 30 June	
	2009 US$'000	2008 US$'000
Current taxation:		
– Hong Kong profits tax	**50**	(10)
– Overseas taxation	**4,037**	3,857
	4,087	3,847
Deferred taxation:		
– Deferred tax assets	**2,581**	(1,104)
– Deferred tax liabilities	**(2,819)**	(572)
	(238)	(1,676)
Taxation	**3,849**	2,171

11 Interim dividend

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

At a meeting held on 11 August 2009, the directors declared an interim dividend of 14 HK cents (equivalent to 1.81 US cents) per share. The declared dividend is not reflected as a dividend payable in this condensed consolidated financial information, but will be reflected as an appropriation of reserve for the year ending 31 December 2009.

12 Earnings per share

Basic

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

	Unaudited Six months ended 30 June	
	2009	2008
Profit attributable to shareholders of the Company (US$'000)	**18,460**	19,389
Weighted average number of ordinary shares in issue (thousands)	**317,703**	314,973
Basic earnings per share (US cents per share)	**5.81**	6.16

12 Earnings per share (continued)

Diluted

Diluted earnings per share is based on the weighted average number of 317,703,000 (2008: 314,973,000) shares in issue during the period plus weighted average number of shares deemed to have been issued at no consideration as set out below:

	Unaudited					
	Six months ended 30 June					
	2009			2008		
	Options	**Consideration (note)**	**Total HK$**	Options	Consideration (note)	Total HK$
Weighted average dilutive share options outstanding during the period						
Granted on 14 December 2004						
– vested portion	**3,784,333**	**at HK$4.825**	**18,259,408**	5,701,985	at HK$4.825	27,512,078
– unvested portion	**–**	**–**	**–**	473,682	at HK$5.895	2,792,355
Granted on 16 December 2005						
– vested portion	**3,450,218**	**at HK$8.6**	**29,671,876**	3,366,637	at HK$8.6	28,953,078
– unvested portion	**–**	**–**	**–**	788,863	at HK$10.875	8,578,554
Granted on 15 December 2006						
– vested portion	**–**	**–**	**–**	2,672,000	at HK$15.1	40,347,200
– unvested portion	**–**	**–**	**–**	2,158,000	at HK$18.762	40,487,680
Granted on 14 November 2008						
– vested portion	**1,087,105**	**at HK$6.64**	**7,218,379**	–	–	–
– unvested portion	**3,913,395**	**at HK$7.97**	**31,191,596**	–	–	–
Total (a)	**12,235,051**		**86,341,259**	15,161,167		148,670,945
Equivalent number of shares at the weighted average market price during the period (b)	**12,235,051**	**at HK$9.41**	**115,131,835**	15,161,167	at HK$20.49	310,652,305
Discount (b) – (a)			**28,790,576**			161,981,360
Equivalent number of shares deemed to have been issued at no consideration			**3,059,572**			7,905,386

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.

12 Earnings per share (continued)

Diluted (continued)

	Unaudited Six months ended 30 June	
	2009	2008
Profit attributable to shareholders of the Company (US$'000)	**18,460**	19,389
Weighted average number of ordinary shares in issue (thousands)	**317,703**	314,973
Adjustments for share options (thousands)	**3,060**	7,905
Weighted average number of ordinary shares for diluted earnings per share (thousands)	**320,763**	322,878
Diluted earnings per share (US cents per share)	**5.76**	6.01

13 Intangible assets and property, plant and equipment

	Goodwill US$'000	Customer base and other acquired intangibles US$'000	Software costs US$'000	Total intangible assets US$'000	Property, plant and equipment US$'000
Net book value at 1 January 2009	55,893	7,749	17,333	80,975	104,944
Additions	–	–	1,223	1,223	10,361
Acquisition of subsidiaries (note 20(b))	–	–	–	–	2,609
Disposals	–	–	–	–	(78)
Amortization/depreciation charge	–	(346)	(1,372)	(1,718)	(7,754)
Exchange difference	2,493	312	(28)	2,777	1,486
Net book value at 30 June 2009	58,386	7,715	17,156	83,257	111,568

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

14 Trade and other receivables

	Unaudited 30 June 2009 US$'000	Audited 31 December 2008 US$'000
Trade receivables	**207,245**	204,976
Less: provision for impairment of receivables	**(3,164)**	(4,016)
Trade receivables, net (note (a))	**204,081**	200,960
Other receivables, prepayments, and deposits	**60,605**	55,965
Due from related companies (note (b) & note 24)	**5,372**	5,465
	270,058	262,390
Less: non-current portion: prepayments and deposits	**(10,430)**	(9,899)
	259,628	252,491

Notes:

(a) The Group normally grants credit terms to its customers ranging from 30 to 90 days. In certain circumstances, longer credit terms are given based on negotiated contract terms. At period/year end, the aging analysis of the Group's trade receivables based on due date was as follows:

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

The Group has recognized a loss of US$59,000 (2008: US$420,000) for the impairment of its trade receivables during the six months ended 30 June 2009. The loss has been included in distribution and logistics expenses in the condensed consolidated income statement.

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

15 Asset held for sale

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

16 Share capital and options

	Number of shares (in thousand)	US$'000
Authorized:		
At 1 January 2009 and 30 June 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	**1,939**	**194**
At 30 June 2009, ordinary shares of US$0.1 each	**319,426**	**31,943**

Share options

Details of the Share Option Scheme are set out in the 2008 annual report. Movements in the number of share options outstanding and the exercise prices are as follows:

	30 June 2009		31 December 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	**–**	**–**	6.640	5,007,000
Exercised	**4.825**	**(1,559,000)**	4.825	(3,652,000)
Exercised	**8.600**	**(380,000)**	8.600	(954,000)
Lapsed	**4.825**	**(8,000)**	4.825	(202,000)
Lapsed	**8.600**	**(201,000)**	25.550	(165,000)
Lapsed	**15.100**	**(600,000)**	–	–
Lapsed	**25.550**	**(231,000)**	–	–
Lapsed	**6.640**	**(78,000)**	–	–
At 30 June/ 31 December	**14.669**	**22,034,000**	13.999	25,091,000

Out of 22,034,000 outstanding options (2008: 25,091,000 options), 5,441,000 options were exercisable at 30 June 2009 (2008: 864,000 options). Subsequently, 405,000 shares have been allotted and issued under the Share Option Scheme up to 11 August 2009.

16 Share capital and options (continued)

Share options (continued)

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

		Share options	
Expiry date	**Exercise price HK$ per share**	**30 June 2009**	31 December 2008
31 December 2009	4.825	**273,000**	287,000
31 December 2010	4.825	**2,164,000**	3,717,000
31 December 2009	8.600	**510,000**	577,000
31 December 2010	8.600	**1,084,000**	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	**2,460,000**	2,537,000
31 December 2012	25.550	**2,460,000**	2,537,000
31 December 2013	25.550	**2,460,000**	2,537,000
31 December 2012	6.640	**1,643,000**	1,669,000
31 December 2013	6.640	**1,643,000**	1,669,000
31 December 2014	6.640	**1,643,000**	1,669,000
		22,034,000	25,091,000

17 Bank loans and other borrowings

As at period/year end, bank loans, bank overdrafts and other borrowings were repayable as follows:

	Unaudited 30 June 2009 US$'000	Audited 31 December 2008 US$'000
On demand and within one year		
Secured bank overdrafts	**651**	–
Unsecured bank overdrafts	**12,233**	10,729
Secured bank loan	**3,960**	1,500
Unsecured bank loans	**122,291**	104,156
Obligations under finance leases	**1,239**	1,056
	140,374	117,441
In the second to fifth year		
Unsecured bank loan	**35,752**	29,752
In the second to fifth year, by instalments		
Obligations under finance leases	**2,617**	2,811
	178,743	150,004

18 Deferred taxation

Deferred taxation is calculated in full on temporary differences under the liability method.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax income taxes relate to the same taxation authority.

19 Trade and other payables

	Unaudited 30 June 2009 US$'000	Audited 31 December 2008 US$'000
Trade payables (note (a))	**298,111**	345,615
Other payables and accruals	**103,982**	104,060
Obligations on defined contribution plans	**1,253**	1,126
Due to related companies (note (b) & note 24)	**483**	835
	403,829	451,636
Less: non-current portion: other payables and accruals	**(4,159)**	(4,601)
	399,670	447,035

Notes:

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

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

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

20 Notes to the condensed consolidated statement of cash flows

(a) Cash generated from operations:

	Unaudited Six months ended 30 June	
	2009	2008
	US$'000	US$'000
Operating profit	**24,803**	24,313
Amortization of intangible assets	**1,718**	1,794
Depreciation charge	**7,754**	8,134
Amortization of prepaid operating lease payments	**67**	60
Loss/(gain) on disposal of property, plant and equipment	**38**	(64)
Gain on partial divestment of an associated company	**(16,345)**	(14,038)
Gain on acquisition	**(34)**	(77)
Share option expenses	**1,294**	1,444
Operating profit before working capital changes	**19,295**	21,566
Decrease/(increase) in inventories	**12,499**	(106)
(Increase)/decrease in trade and other receivables	**(802)**	7,969
(Decrease)/increase in trade and other payables	**(42,898)**	2,118
Net cash (used in)/generated from operations	**(11,906)**	31,547

20 Notes to the condensed consolidated statement of cash flows (continued)

(b) Acquisition of subsidiaries

	Unaudited Six months ended 30 June	
	2009	2008
	US$'000	US$'000
Net assets acquired:		
Acquired intangible assets	**–**	1,800
Property, plant and equipment	**2,609**	2,380
Lease premium for land	**1,549**	–
Inventories	**7,260**	2,274
Trade and other receivables	**6,860**	7,289
Bank balances and cash	**658**	2,021
Deferred tax liabilities	**(318)**	(20)
Trade and other payables	**(5,227)**	(3,037)
Taxation payable	**(203)**	(217)
Bank overdraft	**(1,828)**	–
Bank loans and other borrowings	**(5,775)**	(858)
Obligation under finance leases	**(135)**	(16)
Minority interests	**(2,180)**	(406)
Preliminary value of net assets acquired	**3,270**	11,210
(Gain)/goodwill on acquisition	**(34)**	14,549
Revaluation surplus relating to previously held interests	**(418)**	–
	2,818	25,759
Satisfied by:		
Cash consideration	**957**	24,459
Expenses incurred on acquisition	**99**	1,300
Transferred from interests in an associate	**1,762**	–
	2,818	25,759
Analysis of the net outflow of cash and cash equivalent in respect of the acquisition:		
Purchase consideration	**957**	24,459
Expenses incurred on acquisition	**99**	1,300
Purchase consideration payable	**–**	(2,500)
Expenses payable in respect of acquisition	**(68)**	(945)
Negative/(positive) cash and cash equivalents in subsidiaries acquired	**1,170**	(2,021)
	2,158	20,293

21 Contingent liabilities

(a) Bank guarantees

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

	Unaudited 30 June 2009 US$'000	Audited 31 December 2008 US$'000
For purchase of goods in favor of suppliers	**19,907**	21,771
For rental payment in favor of the landlords	**9,304**	8,797
Performance bonds and others	**1,662**	780
As security in favor of local tax and customs authorities in accordance with local regulations	**627**	629
	31,500	31,977

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

22 Commitments

(a) Capital commitments in respect of:

	Unaudited 30 June 2009 US$'000	Audited 31 December 2008 US$'000
Property, plant and equipment		
Contracted but not provided for	**384**	118
Authorized but not contracted for	**4,683**	369
Intangible assets		
Contracted but not provided for	**500**	435
Authorized but not contracted for	**629**	540
	6,196	1,462

22 Commitments (continued)

(b) Commitments under operating leases

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

	Buildings		Others	
	Unaudited 30 June 2009 US$'000	Audited 31 December 2008 US$'000	**Unaudited 30 June 2009 US$'000**	Audited 31 December 2008 US$'000
No later than one year	**49,923**	49,922	**1,578**	1,351
Later than one year and no later than five years	**127,957**	122,367	**1,577**	1,190
Later than five years	**65,159**	71,393	**116**	–
	243,039	243,682	**3,271**	2,541

23 Business combinations

During the period, the Group increased its interest in Sebor (Sabah) Sendirian Berhad ("Sabah") from 40% to 60%, thus, Sabah ceased to be an associated company and became a subsidiary of the Group. The contribution to the Group's revenue and net profit from the subsidiary acquired since the date of acquisition is not material. If the acquisition had occurred on 1 January 2009, the estimated unaudited consolidated revenue for the Group would have been approximately US$858,604,000 and unaudited profit for the period would have been approximately US$19,173,000.

Details of provisional net assets acquired and goodwill are as follows:

	US$'000
Purchase consideration:	
– Cash consideration	**957**
– Direct costs relating to the acquisition	**99**
– Transferred from interests in an associate	**1,762**
Total purchase consideration	**2,818**
Fair value of net assets acquired	**(3,270)**
Revaluation surplus relating to previously held interests	**418**
Gain on acquisition	**(34)**

23 Business combinations (continued)

	Unaudited	
	Carrying amounts US$'000	Preliminary fair value US$'000
Net assets acquired:		
Property, plant and equipment	2,383	2,609
Lease premium for land	414	1,549
Inventories	7,260	7,260
Trade and other receivables	6,860	6,860
Bank balances and cash	658	658
Deferred tax liabilities	(1)	(318)
Trade and other payables	(5,227)	(5,227)
Bank overdraft	(1,828)	(1,828)
Taxation payable	(203)	(203)
Bank loans and other borrowings	(5,775)	(5,775)
Obligation under finance leases	(135)	(135)
Minority interests	(1,762)	(2,180)
Net assets	2,644	3,270

As at the date of this interim report, the Group has not finalized the fair value assessment of the net identifiable assets acquired and the relevant fair value of net identifiable assets stated above are on provisional basis.

24 Significant related party transactions

	Unaudited Six months ended 30 June	
	2009	2008
	US$'000	US$'000
Income from provision of shipping, handling and other logistics services	**9,472**	8,811
Income from distribution and sales of goods	**815**	590
Rental received from	**637**	630
Rental paid to	**2,290**	2,511
Purchase of bedding related products	**1,179**	1,654

Related party transactions mainly comprised of the provision of shipping, handling and other logistics services, distribution and sales of goods, rental and others 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 arm's length basis.

Save as disclosed above and the directors' compensation, the Group had no material related party transactions during the period.

Directors' compensation

	Unaudited Six months ended 30 June	
	2009	2008
	US$'000	US$'000
Salaries and other short-term employee benefits	**1,545**	2,227
Share-based payments	**386**	573
Post-employment benefits	**2**	2
	1,933	2,802

24 Significant related party transactions (continued)

Related party balances

	Note	**Unaudited 30 June 2009 US$'000**	Audited 31 December 2008 US$'000
Due from	(a)		
– related parties		**4,766**	5,386
– associated companies		**606**	79
Due to	(b)		
– related parties		**8**	818
– associated companies		**475**	17

Notes:

(a) Period-end balances mainly arose from sales/services/recharge of administrative and rental expense.

(b) Period-end balances arose from purchase/recharge of administrative expense.

(c) The balances were unsecured, interest free and with terms no more favorable than those granted to third parties.

25 Approval of condensed consolidated financial information

The condensed consolidated financial information was approved for issue by the Board of Directors on 11 August 2009.

Information for Investors

Listing Information

Listing: Hong Kong Stock Exchange
Stock code: 2387

Key Dates

11 August 2009
Announcement of 2009 Interim Results

9 September 2009
Last day to register for 2009 Interim Dividend

10 September 2009 to 17 September 2009
(both dates inclusive)
Closure of Register of Members

On or about 17 September 2009
Proposed Payment of 2009 Interim 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 30 June 2009:
319,426,000 shares

Market Capitalization as at 30 June 2009:
HK$3,322,030,400

Earnings per share (equivalent to) for 2009
Interim: 45.04 HK cents

Dividend per share for 2009
Interim: 14 HK cents

Enquiries Contact

Mr. Stewart Kwok
Director – Corporate Communications
Telephone : (852) 2686 3317
Fax : (852) 2686 3320
Email : *stewart.kwok@idsgroup.com*

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

Website

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