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INTEGRATED DISTRIBUTION SERVICES GROUP LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 2387)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2008

HIGHLIGHTS

	Year ended 31 December		
	2008 **US$ million**	2007 US$ million	Change %
Revenue	**1,683.79**	1,295.66	30.0%
Gross profit	**481.27**	375.79	28.1%
Core operating profit before Slumberland	**20.97**	23.07	-9.1%
Core operating profit	**20.97**	25.08	-16.4%
Operating profit	**34.62**	39.13	-11.5%
Profit attributable to shareholders	**24.52**	28.15	-12.9%
Earnings per share	**7.76 US cents**	9.04 US cents	-14.2%
Dividend per share - Final	**22 HK cents**	30 HK cents	-26.7%
- Full Year	**36 HK cents**	42 HK cents	-14.3%

- IDS Group's performance in 2008 was adversely affected by the on-going global economic crisis and financial meltdown. The Group's US & UK businesses registered significant losses, resulting in a net profit of US$24.52 million, a decline of 12.9% vs. 2007.

- In spite of the very challenging market conditions, the Group's Asian business remained robust, registering a strong core operating profit growth of 21.7% (before Slumberland) vs. 2007.

- China enjoyed another year of outstanding performance with spectacular profit growth of 65.7% and became the most profitable market of the Group.

- Maintained strong cash flow through effective control of receivables and inventory; balance sheet remained sound and healthy.

- Company focused to emerge stronger from the crisis. Single, determined focus to continue to pursue 2010 Breakthrough Goal of doubling 2007 profit.

- Group-wide celebration of IDS' 10th Anniversary, themed "A Decade of Creation, A Future of Abundance".

The board of directors (the "Board") of Integrated Distribution Services Group Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2008 together with the comparative figures for the corresponding year as follows:

CONSOLIDATED INCOME STATEMENT

		Year ended 31 December	
	Note	**2008**	2007
		US$'000	US$'000
Revenue	2	**1,683,792**	1,295,657
Cost of sales		**(1,202,526)**	(919,870)
Gross profit		**481,266**	375,787
Distribution and logistics expenses		**(399,821)**	(300,811)
Administrative expenses		**(60,479)**	(49,901)
Core operating profit		**20,966**	25,075
Other gains, net	3	**13,658**	14,051
Operating profit	4	**34,624**	39,126
Finance costs, net	5	**(6,472)**	(4,709)
Share of results of associated companies		**2,101**	1,401
Profit before taxation		**30,253**	35,818
Taxation	6	**(4,926)**	(6,616)
Profit for the year		**25,327**	29,202
Profit attributable to:			
Shareholders of the Company		**24,522**	28,152
Minority interest		**805**	1,050
		25,327	29,202
Dividends	8	**14,705**	16,936
Earnings per share for profit attributable to the shareholders of the Company during the year			
Basic	7	**7.76 US cents**	9.04 US cents
Diluted		**7.63 US cents**	8.70 US cents

CONSOLIDATED BALANCE SHEET

	Note	As at 31 December 2008 US$'000	2007 US$'000
ASSETS			
Non-current assets			
Intangible assets		**80,975**	66,519
Property, plant and equipment		**104,944**	96,089
Lease premium for land		**2,819**	3,077
Associated companies		**7,077**	9,155
Other non-current assets		**9,899**	9,371
Assets under defined benefit plans		**53**	945
Deferred tax assets		**11,167**	11,146
		216,934	196,302
Current assets			
Inventories		**186,123**	163,869
Trade and other receivables	9	**252,491**	258,201
Taxation recoverable		**618**	679
Time deposits		**46,736**	33,816
Bank balances and cash		**56,196**	55,656
		542,164	512,221
Total assets		**759,098**	708,523
EQUITY			
Capital and reserves attributable to the Company's shareholders			
Share capital		**31,749**	31,288
Reserves	11	**103,325**	102,769
		135,074	134,057
Minority interest		**7,099**	6,523
Total equity		**142,173**	140,580

CONSOLIDATED BALANCE SHEET (continued)

	Note	As at 31 December 2008 US$'000	2007 US$'000
LIABILITIES			
Non-current liabilities			
Unsecured bank loans		**29,752**	81,716
Obligations under finance leases		**2,811**	4,546
Liabilities under defined benefits plans		**6,682**	4,191
Other non-current liabilities		**4,601**	13,535
Deferred tax liabilities		**3,464**	2,838
		47,310	106,826
Current liabilities			
Trade and other payables	10	**447,035**	391,942
Bank loans and other borrowings		**117,441**	61,487
Taxation payable		**5,139**	7,688
		569,615	461,117
Total liabilities		**616,925**	567,943
Total equity and liabilities		**759,098**	708,523
Net current (liabilities) / assets		**(27,451)**	51,104
Total assets less current liabilities		**189,483**	247,406
Net assets value per share		**44.78 US cents**	44.93 US cents

1 Basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") and Hong Kong Financial Reporting Standards ("HKFRS") and interpretations 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 HKAS and HKFRS 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.

Standards, amendments and interpretations to existing standards effective in 2008

The following standards, amendments and interpretations to existing standards, which are relevant to the Group's operations, are mandatory for year ended 31 December 2008. The adoption of these HKFRS has no impact on the Group's financial statements.

HKAS 39 (Amendment)	Financial instruments: Recognition and measurement
HK(IFRIC) – Int 11	HKFRS 2 – Group and Treasury Share Transactions
HK(IFRIC) – Int 14	HKAS 19 – The Limit on a Defined Benefit Assets, Minimum Funding Requirement and their Interaction

The following interpretation to existing standards is mandatory for year ended 31 December 2008 but is not relevant the Group's operations:

HK(IFRIC) – Int 12	Service Concession arrangements

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 2009 or later periods, but the Group has not early adopted. The new HKFRS expected to be applicable to the Group's operations are as follows:

HKAS 1 (Revised)	Presentation of Financial Statements[1]
HKAS 23 (Revised)	Borrowing Costs[1]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[2]
HKFRS 2 (Amendment)	Share-based Payment[1]
HKFRS 3 (Revised)	Business Combinations[2]
HKFRS 8	Operating Segments[1]

[1] Effective for annual periods beginning on or after 1 January 2009
[2] Effective for annual periods beginning on or after 1 July 2009

Apart from the above, the HKICPA has also issued improvements to HKFRSs primarily with a view to remove inconsistencies and clarify wording. The amendments are primarily effective for annual periods beginning on or after 1 January 2009, 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, 2008 or later periods but are not relevant for the Group's operations.

HKAS 32 and HKAS 1 (Amendments)	Financial Instruments: Presentation and Presentation of Financial Statements[3]
HKFRS 1 (Revised)	First-time Adoption of Hong Kong Financial Reporting Standards[4]
HK(IFRIC) – Int 13	Customer Loyalty Programmes[1]
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate[3]
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation[2]
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners[4]
HK(IFRIC) – Int 18	Transfer of Assets from Customers[5]

[1] Effective for annual periods beginning on or after 1 July 2008
[2] Effective for annual periods beginning on or after 1 October 2008
[3] Effective for annual periods beginning on or after 1 January 2009
[4] Effective for annual periods beginning on or after 1 July 2009
[5] Effective for transfer on or after 1 July 2009

2 Segment information

Primary reporting format - geographical segments

2008	Greater China US$'000	ASEAN US$'000	US and UK US$'000	Unallocated (note) US$'000	Inter-segment elimination US$'000	Group total US$'000
Sales of goods	544,018	731,697	-	-	-	1,275,715
Rendering of services	116,544	152,149	141,974	-	(2,590)	408,077
Revenue	660,562	883,846	141,974	-	(2,590)	1,683,792
Cost of sales	(476,640)	(714,648)	(13,828)	-	2,590	(1,202,526)
Gross profit	183,922	169,198	128,146	-	-	481,266
Expenses	(163,755)	(146,569)	(135,714)	(14,262)		(460,300)
Core operating profit	20,167	22,629	(7,568)	(14,262)		20,966
Other gains, net	-	-	-	13,658		13,658
Segment results	20,167	22,629	(7,568)	(604)		34,624
Share of results of associated companies		2,101				2,101
Finance costs, net						(6,472)
Profit before taxation						30,253
Taxation						(4,926)
Profit for the year						25,327
Segment assets	309,250	313,768	101,835	27,168		752,021
Associated companies	-	7,077	-	-		7,077
Total assets	309,250	320,845	101,835	27,168		759,098
Total liabilities	268,371	233,398	86,139	29,017		616,925
Capital expenditure	7,988	14,174	10,491	4,377		37,030
Capital expenditure arising from acquisition of subsidiaries	11,349	-	10,014	-		21,363
Depreciation and amortization	5,405	6,710	3,787	2,156		18,058
Impairment of inventory	240	934	-	-		1,174
Impairment of trade receivables	150	786	467	-		1,403

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

2 Segment information (continued)

Primary reporting format - geographical segments (continued)

2007	Greater China US$'000	ASEAN US$'000	US and UK US$'000	Unallocated (note) US$'000	Inter-segment elimination US$'000	Group total US$'000
Sales of goods	395,558	603,900	-	-	(1,166)	998,292
Rendering of services	91,803	116,356	89,314	-	(108)	297,365
Revenue	487,361	720,256	89,314	-	(1,274)	1,295,657
Cost of sales	(337,521)	(576,189)	(7,434)	-	1,274	(919,870)
Gross profit	149,840	144,067	81,880	-	-	375,787
Expenses	(133,184)	(123,547)	(81,049)	(12,932)		(350,712)
Core operating profit	16,656	20,520	831	(12,932)		25,075
Other gains, net	892	216	-	12,943		14,051
Segment results	17,548	20,736	831	11		39,126
Share of results of associated companies		1,401				1,401
Finance costs, net						(4,709)
Profit before taxation						35,818
Taxation						(6,616)
Profit for the year						29,202
Segment assets	232,873	309,677	105,529	51,289		699,368
Associated companies	-	9,155	-	-		9,155
Total assets	232,873	318,832	105,529	51,289		708,523
Total liabilities	204,714	229,208	105,421	28,600		567,943
Capital expenditure	9,418	10,814	5,312	4,516		30,060
Capital expenditure arising from acquisition of subsidiaries	-	4,330	39,994	-		44,324
Depreciation and amortization	4,157	6,664	1,732	2,134		14,687
Impairment / (reversal on impairment) of inventory	(526)	653	-	-		127
Impairment / (reversal of impairment) of trade receivables	(46)	1,010	461	-		1,425

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

2 Segment information (continued)

Secondary reporting format - business segments

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**		

2007	Revenue US$'000	Segment results US$'000	Total assets US$'000	Capital expenditure US$'000
Logistics	271,488	15,379	209,267	54,135
Distribution	885,410	16,865	347,426	9,059
Manufacturing	152,061	5,763	62,864	6,674
Unallocated (note)	-	(12,932)	88,966	4,516
	1,308,959	25,075	708,523	74,384
Less: Inter-segment elimination	(13,302)			
	1,295,657			
Other gains, net		14,051		
Operating profit		39,126		

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

3 Other gains, net

	2008 US$'000	2007 US$'000
Gain on partial disposal of an associated company / disposal of a subsidiary	**14,038**	11,286
Realized exchange gain upon settlement of long term intra-group loan	**-**	1,634
Gain on acquisition of additional interest in a subsidiary/ acquisition of subsidiaries and an associated company	**77**	1,131
Other expenses	**(457)**	-
Other gains, net	**13,658**	14,051

4 Operating profit

Operating profit is stated after charging the following:

	2008 US$'000	2007 US$'000
Depreciation of		
Owned property, plant and equipment	**14,630**	11,969
Leased property, plant and equipment	**436**	172
Amortization of prepaid operating lease payment	**106**	80
Amortization of intangible assets	**2,886**	2,466
Costs of inventories sold	**1,173,905**	902,257

5 Finance costs, net

	2008 US$'000	2007 US$'000
Interest expense on bank loans and overdrafts	**7,624**	5,738
Interest expense of finance leases	**318**	206
Imputed interest on non-current payables	**372**	690
	8,314	6,634
Interest income from bank deposits	**(1,842)**	(1,925)
	6,472	4,709

6 Taxation

Hong Kong profits tax has been provided for at the rate of 16.5% (2007: 17.5%) 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:

	2008 US$'000	2007 US$'000
Current taxation:		
- Hong Kong profits tax	**100**	59
- Overseas taxation	**7,688**	6,224
Overprovision in prior years	**(2,288)**	(874)
	5,500	5,409
Deferred taxation:		
- Deferred tax assets	**(1,293)**	4,025
- Deferred tax liabilities	**719**	(2,818)
	(574)	1,207
Taxation	**4,926**	6,616

7 Earnings per share

The calculation of the Group's basic and diluted earnings per share is based on the consolidated profit attributable to shareholders of US$24,522,000 (2007: US$28,152,000). The basic earnings per share is based on the weighted average number of 316,151,000 (2007: 311,359,000) shares in issue during the year.

The diluted earnings per share is based on the average number of 316,151,000 (2007: 311,359,000) shares in issue during the year plus the weighted average number of 5,352,000 (2007: 12,214,000) shares deemed to have been issued at no consideration if all outstanding options had been exercised.

8 Dividends

	2008	2007
	US$'000	US$'000
Interim dividend paid of 14 HK cents (equivalent to 1.79 US cents) (2007: 12 HK cents (equivalent to 1.54 US cents)) per share	**5,691**	4,820
Proposed dividend after balance sheet date of 22 HK cents (equivalent to 2.84 US cents) (2007: 30 HK cents (equivalent to 3.85 US cents)) per share	**9,014**	12,116
	14,705	16,936

At a meeting held on 17 March 2009, the Directors proposed a final dividend of 22 HK cents (equivalent to 2.84 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 2009.

9 Trade receivables

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

	2008	2007
	US$'000	US$'000
Less than 90 days	**182,186**	190,603
91-180 days	**14,844**	12,211
181-360 days	**3,394**	2,004
Over 360 days	**536**	1,458
	200,960	206,276

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.

10 Trade payables

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

	2008	2007
	US$'000	US$'000
Less than 90 days	**205,751**	232,228
91-180 days	**136,516**	56,218
181-360 days	**2,375**	4,017
Over 360 days	**973**	1,237
	345,615	293,700

11 Reserves

	Share premium US$'000	Employee share-based compensation reserve US$'000	Merger reserve US$'000	Retained earnings US$'000	Exchange reserve US$'000	Total US$'000
At 1 January 2007	21,019	1,517	16,450	31,716	7,546	78,248
Exchange differences	-	-	-	-	7,764	7,764
Net actuarial gains from post employment benefit recognized in reserve	-	-	-	1,023	-	1,023
Profit for the year	-	-	-	28,152	-	28,152
2006 final dividend paid	-	-	-	(11,141)	-	(11,141)
2007 interim dividend paid	-	-	-	(4,820)	-	(4,820)
Employee share option benefits						
- cost of employee services	-	1,534	-	-	-	1,534
- proceeds from shares issued	2,009	-	-	-	-	2,009
- transfer to share premium	392	(392)	-	-	-	-
Disposal of a subsidiary	-	-	167	626	(793)	-
At 31 December 2007	23,420	2,659	16,617	45,556	14,517	102,769
Exchange differences	**-**	**-**	**-**	**-**	**(8,418)**	**(8,418)**
Net actuarial losses from post employment benefit recognized in reserve	**-**	**-**	**-**	**(3,452)**	**-**	**(3,452)**
Profit for the year	**-**	**-**	**-**	**24,522**	**-**	**24,522**
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	**2,850**	**-**	**-**	**-**	**-**	**2,850**
- transfer to share premium	**620**	**(620)**	**-**	**-**	**-**	**-**
- transfer of reserve upon expiration of share options	**-**	**(28)**	**-**	**28**	**-**	**-**
At 31 December 2008	**26,890**	**4,953**	**16,617**	**48,766**	**6,099**	**103,325**

BUSINESS REVIEW

Overview

The Group's revenue increased 30% to US$1,684 million. All three geographic segments registered double-digit revenue growth, 36% in Greater China, 23% in ASEAN and 59% in the US & UK. Gross profit increased by 28% to US$481 million. The Group's gross profit margin was maintained at approximately 29% of revenue. As a result of losses incurred in the US and UK, core operating profit declined by 16.4% from US$25.1 million in 2007 to US$21.0 million. On a like for like basis by excluding the Slumberland business, core operating profit decreased 9.1%.

Operating profit, including a US$14 million gain on the disposal of a 20% share in Slumberland Asia Pacific, decreased by 11.5%.

Net finance costs increased by US$1.8 million to US$6.5 million, mainly due to the financing of new acquisitions. The share of results of associated companies increased by US$0.7 million to US$2.1 million, mainly due to the full year impact of treating Slumberland as an associated company.

Taxation for the year amounted to US$4.9 million, an effective rate of 16.3% compared to US$6.6 million (effective rate of 18.5%) in 2007.

SEGMENTAL ANALYSIS

Greater China

Revenue increased 36% to US$661 million. About two-third of that increase came from the organic growth in China business, benefiting from China's strong economic growth and our established distribution network. The remaining growth was driven by existing business and new contracts won in Hong Kong and Taiwan. Hong Kong Distribution business was further strengthened by the acquisition of Universal Pharmaceutical Laboratories, Limited.

ASEAN

ASEAN revenue grew by 23%, reflecting strong performances from Thailand, Malaysia and the full year benefit of the East Malaysia Distribution business acquired in 2007. As a result, ASEAN core operating profit grew 10.3%.

US & UK

US & UK 2008 revenue grew 59% to US$142 million, benefiting from Warehouse Technology, Inc. acquisition and the full year impact of UK operations. However, both the US and UK markets were adversely impacted by the current economic crisis and incurred an operating loss of US$7.6 million.

Business segment analysis

Logistics revenue grew 36% to US$369 million of which about 50% of the growth was derived from organic growth in Asia and the remaining 50% was attributable to the US and UK acquisitions. Segment results declined by 30.4% to US$10.7 million despite the 26% growth from Asia. Distribution revenue and segment results grew 28% and 10.2% respectively, driven by the continual strong organic growth and the full year benefit of the Distribution business acquired in East Malaysia. Manufacturing revenue increased by 30% reflecting strong performance from Thailand. However, segment results increased by only 3.5% due to decline in volumes in Indonesia.

OPERATIONS REVIEW

IDS enjoyed remarkable success in business development in 2008. A number of major regional contracts were concluded in 2008, including Shell lubricants and Remy Cointreau. Both started as one-country opportunities, but later decided to partner with IDS with expanded scope of service and geographies. Other major contracts secured included logistics service for Converse and Dickies (the world's largest work wear manufacturer) in China, distribution service for Philips Lighting and Sanofi Aventis in Hong Kong, ASEAN logistic hub operation for L'Oreal in Singapore, manufacturing of P&G's home care products in Thailand, and manufacturing of Fisherman's Friend lozenges in Malaysia for regional supply.

The Group also won numerous awards and acknowledgements across the region from customers and the industry. The Philippine operation won Unilever's Vendor of the Year Award and the Best of "U" award in 2008. The China Logistics team was named the Distinguished Integrated Logistics Service Provider at the China International Logistics Technology & Services Exhibition and International Logistics and SCM Cooperation and Development Conference. For the second consecutive year, the Thailand team won the Best Retail and FMCG Logistics Provider Award organized by Frost & Sullivan. Various customers in Taiwan and Singapore also acknowledged the Group's outstanding performance.

With the permit from the Shanghai State Food & Drug Administration granted in December, IDS is now ready to commence the distribution of traditional Chinese medicine, biologicals, pharmaceuticals and antibiotics in China. The immediate focus for 2009 will be to further develop the distribution network in other major cities and provinces beyond Shanghai. Together with the opening of the Group's first Garments-On-Hangers (GOH) facility in Shanghai, healthcare and GOH will be the two sectors where IDS will drive aggressive growth in China.

The TGA (Therapeutic Goods Administration) auditing process for the Listerine plant in Thailand has been successfully completed, and the plant is now qualified to export Listerine mouthwash to Australia and New Zealand. This is expected to bring in extra volume from 2009 onwards.

Following the success of the state-of-the-art healthcare facility opened in Hong Kong, the Group is currently planning to establish a new healthcare facility in Singapore by the end of 2009. The upgrading will be in accordance with the highest industry standards and is expected to bring the Singapore operations to the next level of operational excellence.

The facility consolidation program in the US and UK has resulted in the reduction of distribution centre floor space by over one million square feet without sacrificing service level. The organization in the UK was also restructured to improve process efficiency and reduce the number of staff. These measures will generate approximately US$4 million savings per annum. We will closely monitor the situation of these markets and take further action should market sentiment continue to deteriorate.

FUTURE PROSPECTS

Despite a very challenging start to the Group's 2008-2010 Strategic Plan, the Group will hold steady on its course to achieve the goals and targets stated in the 2008-2010 Strategic Plan. Under volatile market conditions, the Group will continue to control costs vigilantly and scrutinize all investment plans. At the same time, we believe there are always opportunities amid adversity, and the key for us during this economic recession is to capitalize on those opportunities and get ourselves better prepared to emerge strong when the economy recovers.

Revenue management and productivity improvement will be two key emphases for 2009. By stepping up our resources under the Logistics Operations Support team, the Group will implement productivity enhancement programs through effective labour management, distribution centre design and process optimization. The other focus of revenue management covers the process from tendering for new business to the implementation of a new contract. The Group's renewed emphasis on productivity improvement and enhanced contract management is crucial to tackle the current market downturn. It will also help ensure that our contracts are set properly to protect our margins and that our operations are efficient enough to facilitate competitive pricing.

The Group will continue to roll out the Leadership, Management and Talent (LMT) Development program across the organization in 2009, including the launch of the e-Learning platform for all levels of management. Course development for the New IDS Manager program commenced in late 2008, with a launch targeted for the second half of 2009. This is another major initiative that aims to inculcate a thorough understanding of the Value-Chain Logistics business model and enhance knowledge across the entire Menu of Services for the Group.

Building on the successful launch of the Green Office campaign in 2008, the Group will strengthen its focus on sustainability in 2009. We will develop an overall strategy and highlight our commitment to promote sustainability, as well as conduct an audit on our carbon footprint and set improvement targets. We will also proactively engage our business partners in developing more carbon-efficient supply chain solutions.

2009 is the 10th Anniversary of IDS, and the theme for the year is "A Decade of Creation, A Future of Abundance". It summarizes appropriately the creative achievements of the last decade whilst emphasizing the importance of looking towards a future of abundant scale, scope and depth.

ACQUISITIONS AND DISPOSAL

The Group completed the acquisition of 95% of the issued capital of a pharmaceutical company in Hong Kong for a consideration of approximately US$14.6 million. Through this deal, IDS also acquired a GMP-certified manufacturing facility for the production of generic drugs. This acquisition augmented our healthcare operations and expanded our service offerings. After an efficient integration, we are now exploring various options with customers to capitalize on our manufacturing capability.

The Group also acquired all the shares of a US West Coast-based logistics company in May for a consideration of US$9.8 million. Investments in the US over the past couple of years to establish strong back-end support functions have proven crucial to the scalable growth of the business. The Group was thus able to integrate efficiently the acquired company, which specializes in the footwear, handbag and accessories sectors and runs a strong portfolio of facilities in the Los Angeles metropolitan area. Leveraging this network of facilities, we were able to consolidate our distribution centers in the region to enjoy substantial rental savings.

During the year, the Group also reached an agreement with Hilding Anders for the disposal of the Group's remaining 40% shareholding in Slumberland Asia Pacific (SAP), to be carried out in three tranches. The first tranche of 10% has been transacted in 2008 (in addition to the 10% transacted in 2008 according to the previous disposal arrangement) and a further 20% will be disposed of in 2009. The final tranche of 10% of the Group's SAP shares will be transacted in year 2010, after which IDS will cease to hold any interest in SAP.

LIQUIDITY AND FINANCIAL RESOURCES

The Group achieved net cash flow from operating activities during the year of US$57.9 million due mainly to tight control of working capital. As a result, the net borrowings of the Group decreased to US$47.1 million against US$58.3 million in 2007. The Group's gearing ratio at 31 December 2008 improved by 4.4% to 24.9% compared to 29.3% at 2007 year end. The gearing ratio was calculated as net borrowings divided by total capital. Net borrowings of US$47.1 million is calculated as total borrowings (including short-term bank loans and other borrowings of US$117.4 million, long term unsecured bank loans and obligations under finance leases of US$32.6 million) less time deposits and bank balances and cash of US$102.9 million. Total capital is calculated as total equity of US$142.2 million and net borrowings. The Group has available bank loans and overdraft facilities of approximately US$271 million of which US$146.1 million have been utilized.

SUBSEQUENT EVENTS

Pursuant to the Sales and Purchase Agreement of Universal Pharmaceutical Laboratories, Limited, the Group has the right to acquire two properties in Hong Kong. On 25 February 2009, the Group exercised its rights to acquire the properties for an aggregate consideration of approximately US$4 million.

FOREIGN EXCHANGE RISK MANAGEMENT

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

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

CONTINGENT LIABILITIES

(a) Bank guarantees

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

	2008	2007
	US$'000	US$'000
For purchase of goods in favour of suppliers	**21,771**	9,469
For rental payment in favour of the landlords	**8,797**	8,210
Performance bonds and others	**780**	593
As security in favour of local tax and customs authorities in accordance with local regulations	**629**	494
	31,977	18,766

(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 U.S. 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 31 December 2008, the Group employed approximately 7,700 permanent employees. They were located throughout various operations within the Group. Total staff costs for the year ended 31 December 2008 amounted to US$205.7 million (2007: US$161.6 million).

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

FINAL DIVIDEND

The Board recommends the payment of a final dividend of 22 HK cents (2007: 30 HK cents) per share for the year ended 31 December 2008 to shareholders of the Company. Together with the interim dividend of 14 HK cents (2007: 12 HK cents) per share, there is an aggregate distribution of 36 HK cents per share for the full year, representing a decrease of 14.3% over the total dividend for the year 2007.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from 12 May 2009 to 19 May 2009, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend, all properly completed transfer forms 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 11 May 2009. Dividend warrants will be despatched immediately after the holding of the Annual General Meeting on 19 May 2009 subject to shareholders' approval of payment of the final dividend.

ANNUAL GENERAL MEETING

The Annual General Meeting of the Company will be held at Peacock - Bamboo Room, 1st Floor, Mandarin Oriental, 5 Connaught Road, Central, Hong Kong on Tuesday, 19 May 2009 at 12:00 noon. Notice of the Annual General Meeting will be sent to the shareholders of the Company in due course.

PUBLICATION OF THE RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This results announcement is published on the website of Hong Kong Exchanges and Clearing Limited at *www.hkexnews.hk* and on the website of the Company at *www.idsgroup.com*. The 2008 annual report and the notice of annual general meeting will be despatched to the shareholders of the Company and available on the same websites on or about 15 April 2009.

CORPORATE GOVERNANCE

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

The Board has established the Audit Committee, the Compensation Committee and the Nomination Committee (all chaired by Non-executive Directors) with 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 ("Listing Rules").

Full details on the subject of corporate governance are set out in the Company's 2008 Annual Report.

AUDIT COMMITTEE

The Audit Committee met four times in 2008 (with an average attendance rate of 81.3%) to review with senior management and the Group's internal and external auditors, the significant internal and external audit findings, the audit plans for the internal and external auditors, the external auditor's independence, the accounting principles and practices adopted by the Group, Listing Rules and statutory compliance, and to discuss auditing, internal controls, risk management and financial reporting matters (including the interim financial information and annual financial statements for 2008 before recommending them to the Board for approval).

The Audit Committee has reviewed the annual results for the year ended 31 December 2008.

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.

Based on the assessments made by senior management, the Group's Internal Audit team and the external auditor in 2008 and up to the approval date of the Company's 2008 Annual Report and financial statements, the Audit Committee is satisfied that the internal controls and accounting systems of the Group are in place and function effectively and are designed to provide reasonable assurance that material assets are protected, business risks attributable to the Group are identified and monitored, material transactions are executed in accordance with management's authorization and the financial statements are reliable for publication; and that there is an ongoing process in place for identifying, evaluating and managing the significant risks faced by the Group.

COMPLIANCE WITH THE MODEL CODE OF THE LISTING RULES

The Group has adopted procedures governing Directors' securities transactions in compliance with the Model Code as set out in Appendix 10 of the Listing Rules. Relevant employees who are likely to be in possession of unpublished price-sensitive information of the Group are also subject to compliance with written guidelines on no less exacting terms than those of 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 in 2008.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES OF THE LISTING RULES

The Board has reviewed the Company's corporate governance practices and is satisfied that the Company has complied with the code provision set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Listing Rules throughout the year ended 31 December 2008.

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.

By Order of the Board
Victor FUNG Kwok King
Chairman

Hong Kong, 17 March 2009

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