INTEGRATED DISTRIBUTION SERVICES GROUP LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 2387)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2009

HIGHLIGHTS

	Year ended 31 December		
	2009 **US$ million**	2008 US$ million	Change %
Revenue	**1,802.06**	1,683.79	7.0%
Gross profit	**469.94**	481.27	-2.4%
Core operating profit	**25.25**	20.97	20.4%
Operating profit	**45.50**	34.62	31.4%
Profit attributable to shareholders	**29.83**	24.52	21.6%
Earnings per share	**9.35 US cents**	7.76 US cents	20.5%
Dividend per share - Final	**30 HK cents**	22 HK cents	36.4%
- Full Year	**44 HK cents**	36 HK cents	22.2%

- In spite of severe economic challenges with revenue growth of only 7%, IDS recorded a strong rebound in 2009 on the back of robust Asian performance, delivering a Net Profit of US$29.83 million, 21.6% above 2008.
- Operating profit in Asia increased 25.5% to US$53.69 million in 2009 compared to 2008. Improvement in operating margins registered across all business streams.
- China continued to be our fastest growing and largest market with Operating Profit growth of 27.6%.
- USA & UK performance remained weak due to substantial decline in throughput volumes; 2010 turnaround expected due to significant cost reduction measures and strengthened relationships with Li & Fung, USA and Marks & Spencer, UK.
- Five modest but strategically significant acquisitions completed smoothly to strengthen the Group’s service offerings and market presence.
- Focus on championing growth in 2010 to close the 2008–2010 Strategic Plan strong, and set a solid foundation for the next 2011–2013 Strategic Plan.

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

CONSOLIDATED INCOME STATEMENT

		Year ended 31 December	
	Note	**2009**	2008
		US$'000	US$'000
Revenue	2	**1,802,062**	1,683,792
Cost of sales		**(1,332,123)**	(1,202,526)
Gross profit		**469,939**	481,266
Other income	3	**600**	-
Distribution and logistics expenses		**(384,701)**	(399,821)
Administrative expenses		**(60,589)**	(60,479)
Core operating profit		**25,249**	20,966
Other gains, net	4	**20,251**	13,658
Operating profit	5	**45,500**	34,624
Finance costs, net	6	**(4,268)**	(6,472)
Share of results of associated companies		**75**	2,101
Profit before taxation		**41,307**	30,253
Taxation	7	**(10,529)**	(4,926)
Profit for the year		**30,778**	25,327
Profit attributable to:			
Shareholders of the Company		**29,828**	24,522
Minority interest		**950**	805
		30,778	25,327
Earnings per share for profit attributable to the shareholders of the Company during the year	8		
Basic		**9.35 US cents**	7.76 US cents
Diluted		**9.25 US cents**	7.63 US cents
Dividends	9	**18,217**	14,705

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 December	
	2009	2008
	US$'000	US$'000
Profit for the year	**30,778**	25,327
Other comprehensive income		
Exchange differences	**4,173**	(8,624)
Net asset revaluation gain	**418**	-
Realisation upon liquidation of a subsidiary	**(39)**	-
Net actuarial gains/(losses) from post employment benefits	**1,834**	(3,452)
Total comprehensive income for the year	**37,164**	13,251
Attributable to:		
Shareholders of the Company	**36,011**	12,652
Minority interest	**1,153**	599

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

	Note	As at 31 December 2009 US$'000	2008 US$'000
LIABILITIES			
Non-current liabilities			
Bank loans		**109,183**	29,752
Obligations under finance leases		**2,271**	2,811
Liabilities under defined benefits plans		**5,589**	6,682
Other non-current liabilities		**7,747**	4,601
Deferred tax liabilities		**4,047**	3,464
		128,837	47,310
Current liabilities			
Trade and other payables	11	**513,234**	447,035
Bank loans and other borrowings		**61,859**	117,441
Taxation payable		**7,763**	5,139
		582,856	569,615
Total liabilities		**711,693**	616,925
Total equity and liabilities		**882,512**	759,098
Net current assets/(liabilities)		**72,375**	(27,451)
Total assets less current liabilities		**299,656**	189,483
Net assets value per share		**53.19 US cents**	44.78 US cents

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital US$'000	Share premium US$'000	Employee share-based compensation reserve US$'000	Merger reserve US$'000	Revaluation reserve US$'000	Exchange reserve US$'000	Retained earnings US$'000	Total US$'000	Minority interest US$'000	Total equity US$'000
At 1 January 2008	31,288	23,420	2,659	16,617	-	14,517	45,556	134,057	6,523	140,580
Profit for the year	-	-	-	-	-	-	24,522	24,522	805	25,327
Exchange differences	-	-	-	-	-	(8,418)	-	(8,418)	(206)	(8,624)
Net actuarial losses from post employment benefits recognized in reserve	-	-	-	-	-	-	(3,452)	(3,452)	-	(3,452)
Total comprehensive income for the year	-	-	-	-	-	(8,418)	21,070	12,652	599	13,251
Dividend	-	-	-	-	-	-	(17,888)	(17,888)	(320)	(18,208)
Employee share option benefits										
- cost of employee services	-	-	2,942	-	-	-	-	2,942	-	2,942
- proceeds from shares issued	461	2,850	-	-	-	-	-	3,311	-	3,311
- transfer to share premium	-	620	(620)	-	-	-	-	-	-	-
- transfer of reserve upon expiration of share options	-	-	(28)	-	-	-	28	-	-	-
Acquisition of a subsidiary	-	-	-	-	-	-	-	-	410	410
Acquisition of additional interest in a subsidiary	-	-	-	-	-	-	-	-	(113)	(113)
At 31 December 2008	31,749	26,890	4,953	16,617	-	6,099	48,766	135,074	7,099	142,173

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

	Share capital US$'000	Share premium US$'000	Employee share-based compensation reserve US$'000	Merger reserve US$'000	Revaluation reserve US$'000	Exchange reserve US$'000	Retained earnings US$'000	Total US$'000	Minority interest US$'000	Total equity US$'000
At 1 January 2009	**31,749**	**26,890**	**4,953**	**16,617**	**-**	**6,099**	**48,766**	**135,074**	**7,099**	**142,173**
Profit for the year	**-**	**-**	**-**	**-**	**-**	**-**	**29,828**	**29,828**	**950**	**30,778**
Exchange differences	**-**	**-**	**-**	**-**	**-**	**3,970**	**-**	**3,970**	**203**	**4,173**
Increase in fair value of previously held interest upon step acquisition to a subsidiary	**-**	**-**	**-**	**-**	**418**	**-**	**-**	**418**	**-**	**418**
Liquidation of a subsidiary	**-**	**-**	**-**	**(39)**	**-**	**-**	**-**	**(39)**	**-**	**(39)**
Net actuarial gains from post employment benefits recognized in reserve	**-**	**-**	**-**	**-**	**-**	**-**	**1,834**	**1,834**	**-**	**1,834**
Total comprehensive income for the year	**-**	**-**	**-**	**(39)**	**418**	**3,970**	**31,662**	**36,011**	**1,153**	**37,164**
Dividend	**-**	**-**	**-**	**-**	**-**	**-**	**(14,807)**	**(14,807)**	**(868)**	**(15,675)**
Employee share option benefits										
- cost of employee services	**-**	**-**	**2,590**	**-**	**-**	**-**	**-**	**2,590**	**-**	**2,590**
- proceeds from shares issued	**364**	**2,473**	**-**	**-**	**-**	**-**	**-**	**2,837**	**-**	**2,837**
- transfer to share premium	**-**	**559**	**(559)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Step acquisition to a subsidiary	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**2,180**	**2,180**
Acquisition of additional interest in a subsidiary	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(450)**	**(450)**
At 31 December 2009	**32,113**	**29,922**	**6,984**	**16,578**	**418**	**10,069**	**65,621**	**161,705**	**9,114**	**170,819**

Notes:

1 Basis of preparation

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

The preparation of financial statements in conformity with those HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

Standards, amendments and interpretations to existing standards effective in 2009

The following standards, amendments and interpretations to existing standards, which are relevant to the Group's operations, are mandatory for year ended 31 December 2009.

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

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

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

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

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

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

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

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

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

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

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

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

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

2 Revenue and segment information

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

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

2 Revenue and segment information (continued)

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

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

2 Revenue and segment information (continued)

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

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

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

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

3 Other income

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

4 Other gains, net

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

5 Operating profit

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

	2009 US$'000	2008 US$'000
Depreciation of		
Owned property, plant and equipment	**16,639**	14,630
Leased property, plant and equipment	**508**	436
Amortization of prepaid operating lease payment	**147**	106
Amortization of intangible assets	**3,608**	2,886
Costs of inventories sold	**1,312,596**	1,173,905

6 Finance costs, net

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

7 Taxation

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

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

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

8 Earnings per share

The calculation of the Group's basic and diluted earnings per share is based on the consolidated profit attributable to shareholders of US$29,828,000 (2008: US$24,522,000). The basic earnings per share is based on the weighted average number of 318,851,000 (2008: 316,151,000) shares in issue during the year.

The diluted earnings per share is based on the average number of 318,851,000 (2008: 316,151,000) shares in issue during the year plus the weighted average number of 3,499,000 (2008: 5,352,000) shares deemed to have been issued at no consideration if all outstanding options had been exercised.

9 Dividends

	2009 **US$'000**	2008 US$'000
Interim dividend paid of 14 HK cents (equivalent to 1.81 US cents) (2008: 14 HK cents (equivalent to 1.79 US cents)) per share	**5,778**	5,691
Proposed dividend after balance sheet date of 30 HK cents (equivalent to 3.87 US cents) (2008: 22 HK cents (equivalent to 2.84 US cents)) per share	**12,439**	9,014
	18,217	14,705

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

10 Trade receivables

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

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

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

11 Trade payables

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

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

BUSINESS REVIEW

Overview

In spite of continued challenges in the business environment, the Group's performance, particularly in Asia, showed substantial improvement in 2009. After a temporary setback, IDS regained its growth momentum and emerged stronger from the financial turmoil. Total Group revenue for 2009 exceeded US$1.8 billion, 7.0% higher than 2008. Gross profit for 2009 was US$469.94 million, 2.4% lower than the US$481.27 million recorded in 2008, mainly due to volume declines in the US & UK, as well as weaker volumes for the Logistics business in ASEAN. This has resulted in a decline in gross profit margin from 28.6% in 2008 to 26.1% in 2009.

As a result of solid performance in Asia, which registered an operating profit of US$53.69 million, or 25.5% above 2008, the Group's core operating profit for 2009 was US$25.25 million, 20.4% above the US$20.97 million recorded in 2008. This was achieved in spite of increased operating losses in the US & UK from US$7.57 million in 2008 to US$12.99 million in 2009. Operating margins across all business streams in Asia saw significant improvement against 2008. Logistics margin improved from 7.95% to 8.23%; Distribution margin increased from 1.64% to 2.10%; while Manufacturing margin also grew from 3.03% to 4.12%. The various business building and cost saving initiatives have significantly improved the operating leverage for the Group.

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

OPERATIONS REVIEW AND SEGMENTAL ANALYSIS

The Greater China region reported solid revenue and operating profit growth of 26.8% and 34.0%, respectively against 2008. Revenue increased from US$660.56 million in 2008 to US$837.56 million in 2009, while operating profit grew from US$20.17 million to US$27.02 during the year. China continued to be the key driver, delivering 27.6% year-on-year growth in operating profit. Hong Kong also registered steady operating profit growth of 15.5%. With the inclusion of the Shell distribution contract and the acquisition of the Roots business, profit from our Taiwan operations more than tripled in 2009 compared to 2008.

Our China distribution business continued to register a significant year-on-year revenue growth of over 30%. This was primarily driven by the outstanding growth of FMCG products and the continued expansion of our China distribution network. Significant investments in people, technology and fully-fledged regional offices will be made in 2010 to further strengthen this network. The China healthcare distribution service launched last year also made good progress and established a strong foundation in the Ethical Pharmaceuticals, OTC Healthcare and Medical Devices sectors. The Logistics team in China enjoyed remarkable success in business development and added some 20 new customers in 2009. The logistics footprint in China expanded by 20% during the year and total floor area of our distribution centers now exceeds 2 million square feet.

Due to weaker currencies against the US dollar in 2009, ASEAN registered a slight 2.4% decline in revenue, from US$883.85 million in 2008 to US$863.03 million in 2009. On the basis of applying the same exchange rate, revenue would have increased by 8.5% year-on-year. Operating profit registered healthy growth of 17.8% at US$26.67 million in 2009, compared to US$22.63 million in 2008, reflecting strong operating leverage. Thailand registered an impressive 22% growth in operating profit against a flat revenue performance, whilst the Indonesia operation completed a successful turnaround through strengthened management and improved operational efficiency.

New healthcare facilities in Singapore and Thailand were opened in late 2009. Both facilities have multiple temperature-controlled storage areas and packing facilities designed according to GDP (Good Distribution Practice) standard. The new facilities are expected to position IDS as the leading distributor of healthcare products in the respective markets. The dedicated facility for Fisherman's Friend in Malaysia, currently supplying Singapore and Vietnam, will also include Malaysia, Australia and Hong Kong in 2010 and subsequently other Asia Pacific countries later. Groundbreaking for a facility in Malaysia dedicated to producing dairy products for F&N took place in September 2009, with commercial production expected to commence in the second half of 2010.

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

FUTURE PROSPECTS

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

The Group continues to pursue the strategy of building a strong base in Asia while extending our network into key global markets to offer end-to-end logistics solutions and capture the opportunities from increasing international trade. In fact, the Group's Asia business has been registering strong and consistent performance over the years. Between 2004 and 2009, and excluding the discontinued Slumberland business, IDS' Asia operations recorded a compound annual growth rate of 26.5% per annum. Also, the Group's operating leverage and quality of earnings have improved as the scale of its operations grows. We will utilize our strengths across the region—our extensive infrastructure network, comprehensive menu of services and deep local knowledge—to develop more end-to-end programs that can help Western brands bring their products into Asia as well as manage their supply chains between Asian sourcing locations and their home markets.

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

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

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

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

ACQUISITIONS AND DISPOSAL

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

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

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

Divestment of the Group’s 20% interest in Slumberland Asia Pacific (SAP) was completed in June and recorded a US$16.35 million gain. Subsequent to the period under review, IDS completed the disposal of the final 10% shareholding in SAP in January 2010 and no longer holds any interest in the company. In accordance with the asset light strategy, the Group completed a sale and lease back arrangement for two distribution centers in Malaysia in December and recorded a US$4.37 million gain.

LIQUIDITY AND FINANCIAL RESOURCES

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

FOREIGN EXCHANGE RISK MANAGEMENT

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

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

CONTINGENT LIABILITIES

(a) Bank guarantees

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

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

(b) The Company and two of its subsidiaries, IDS USA Inc., and IDS Group Limited, have been included as defendants in certain civil claims in the USA. The management of the Group has reviewed the facts and circumstances and is of the view that the likelihood of the Company and its subsidiaries suffering material loss is low.

HUMAN RESOURCES

As at 31 December 2009, the Group employed approximately 8,600 permanent employees. They were located throughout various operations within the Group. Total staff costs for the year ended 31 December 2009 amounted to approximately US$197.88 million compared to US$205.65 million for 2008.

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

FINAL DIVIDEND

The Board recommends the payment of a final dividend of 30 HK cents (2008: 22 HK cents) per share for the year ended 31 December 2009 to shareholders of the Company. Together with the interim dividend of 14 HK cents (2008: 14 HK cents) per share, there is an aggregate distribution of 44 HK cents per share for the full year, representing an increase of 22.2% over the total dividend for the year 2008.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from 6 May 2010 to 13 May 2010, both dates 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 5 May 2010. Dividend warrants will be despatched immediately after the holding of the Annual General Meeting on 13 May 2010 subject to shareholders' approval of payment of the final dividend.

ANNUAL GENERAL MEETING

The Annual General Meeting of the Company will be held at East & West Room, 23rd Floor, Mandarin Oriental, 5 Connaught Road, Central, Hong Kong on Thursday, 13 May 2010 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 websites of Hong Kong Exchanges and Clearing Limited at *www.hkexnews.hk* and the Company at *www.idsgroup.com*. The 2009 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 13 April 2010.

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

The 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 2009 Annual Report.

AUDIT COMMITTEE

The Audit Committee met four times in 2009 (with an average attendance rate of 87.5%) to review with senior management and the Group's internal and external auditors, the significant internal and external audit findings and financial matters as required under the Committee's terms of reference. The Committee's review covers the audit plans and findings of the internal and external auditors, the external auditor's independence, the accounting principles and practices adopted by the Group, Listing Rules and statutory compliance, internal controls, risk management and financial reporting matters (including the interim financial information and annual financial statements for 2009 before recommending them to the Board for approval). The Committee's review also considered the adequacy of resources, qualifications and experience of the staff of the Group's accounting and financial reporting function, and their training programmes and budget.

The Audit Committee has reviewed the annual results for the year ended 31 December 2009.

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 2009 and up to the date of the approval of the Company's 2009 Annual Report, the Audit Committee is satisfied that:

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

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

- the resources, qualifications, experience, training programmes and budget of the staff of the Group's accounting and financial reporting function are adequate.

COMPLIANCE WITH THE 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 with the following exception:

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

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

The Board has reviewed the Company's corporate governance practices and is satisfied that the Company has complied with the code provision set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Listing Rules throughout the year ended 31 December 2009 with the exception and remedial step reported in the above section of "Compliance with the Model Code of the Listing Rules".

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, 15 March 2010

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