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INTEGRATED DISTRIBUTION SERVICES GROUP LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 2387)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2010

HIGHLIGHTS

	Six months ended 30 June		
	2010 US$ million	2009 US$ million	Change %
Revenue	**941.54**	846.66	11.2%
Gross profit	**251.75**	219.39	14.8%
Core operating profit	**9.34**	8.92	4.6%
Operating profit	**19.81**	24.80	-20.1%
Profit attributable to shareholders	**12.43**	18.46	-32.7%
Earnings per share	**3.86 US cents**	5.81 US cents	-33.6%
Earnings per share (equivalent to)	**30.00 HK cents**	45.04 HK cents	
Interim dividend per share	**9 HK cents**	14 HK cents	-35.7%

- Asia reported outstanding growth of 22.1% in operating profit, up from US$24.20 million in the first half of 2009 to US$29.54 million for the first six months of this year.

- Core operating profit was US$9.34 million for the period, representing modest growth of 4.6% against 1H 2009 due to operating losses registered in the US and UK.

- Encouraging performance was recorded in the UK with operating losses narrowed to US$0.76 million in 1H 2010. Business is on track for a turnaround this year.

- Operating performance amidst a weak US market environment remains challenging and difficult. Operating losses in the US for the period increased to US$10.34 million. However, new business and additional savings in occupancy should improve 2H performance.

- As a result of significantly lower one-off gains against last year (a US$5.4 million decrease) and increased financial and taxation charges, profit attributable to shareholders for 1H 2010 was US$12.43 million, against US$18.46 million for the same period in 2009.

The board of directors (the “Board”) of Integrated Distribution Services Group Limited (the “Company”) is pleased to announce the unaudited interim results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 June 2010 together with the comparative figures for the corresponding period as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

	Note	**Unaudited Six months ended 30 June**	
		2010	2009
		US$'000	US$'000
Revenue	2	**941,538**	846,659
Cost of sales		**(689,786)**	(627,273)
Gross profit		**251,752**	219,386
Other income	3	**-**	600
Distribution and logistics expenses		**(212,066)**	(181,967)
Administrative expenses		**(30,349)**	(29,095)
Core operating profit		**9,337**	8,924
Other gains, net	4	**10,473**	15,879
Operating profit	5	**19,810**	24,803
Finance costs, net	6	**(2,517)**	(1,973)
Share of results of associated companies		**49**	26
Profit before taxation		**17,342**	22,856
Taxation	7	**(4,313)**	(3,849)
Profit for the period		**13,029**	19,007
Profit attributable to:			
Shareholders of the Company		**12,430**	18,460
Non-controlling interests		**599**	547
		13,029	19,007
Earnings per share for profit attributable to the shareholders of the Company during the period	8		
Basic		**3.86 US cents**	5.81 US cents
Diluted		**3.82 US cents**	5.76 US cents
Interim dividend	9	**3,758**	5,778

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited Six months ended 30 June	
	2010	2009
	US$'000	US$'000
Profit for the period	**13,029**	19,007
Other comprehensive income		
Exchange differences	**721**	1,431
Net asset revaluation gain	**-**	418
Total comprehensive income for the period	**13,750**	20,856
Total comprehensive income for the period attributable to:		
Shareholders of the Company	**12,748**	20,322
Non-controlling interests	**1,002**	534
	13,750	20,856

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	**Unaudited 30 June 2010 US$'000**	Audited 31 December 2009 US$'000
ASSETS			
Non-current assets			
Intangible assets		**89,733**	91,165
Property, plant and equipment		**116,673**	107,043
Lease premium for land		**3,426**	6,557
Associated companies		**192**	144
Other non-current assets		**11,318**	10,775
Assets under defined benefit plans		**275**	259
Deferred tax assets		**13,043**	11,338
		234,660	227,281
Current assets			
Inventories		**246,313**	237,581
Trade and other receivables	10	**310,052**	316,299
Taxation recoverable		**487**	422
Time deposits		**16,064**	12,444
Bank balances and cash		**88,947**	88,485
		661,863	655,231
Total assets		**896,523**	882,512
EQUITY			
Capital and reserves attributable to the Company's shareholders			
Share capital		**32,272**	32,113
Reserves		**132,146**	129,592
		164,418	161,705
Non-controlling interests		**10,116**	9,114
Total equity		**174,534**	170,819

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

	Note	**Unaudited 30 June 2010 US$'000**	Audited 31 December 2009 US$'000
LIABILITIES			
Non-current liabilities			
Bank loans		**115,515**	109,183
Obligations under finance leases		**1,446**	2,271
Liabilities under defined benefit plans		**5,496**	5,589
Other non-current liabilities		**5,776**	7,747
Deferred tax liabilities		**4,080**	4,047
		132,313	128,837
Current liabilities			
Trade and other payables	11	**485,704**	513,234
Bank loans and other borrowings		**97,276**	61,859
Taxation payable		**6,696**	7,763
		589,676	582,856
Total liabilities		**721,989**	711,693
Total equity and liabilities		**896,523**	882,512
Net current assets		**72,187**	72,375
Total assets less current liabilities		**306,847**	299,656
Net assets value per share		**54.08 US cents**	53.19 US cents

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Unaudited									
	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	Non-controlling interests 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 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
At 1 January 2010	**32,113**	**29,922**	**6,984**	**16,578**	**418**	**10,069**	**65,621**	**161,705**	**9,114**	**170,819**
Profit for the period	**-**	**-**	**-**	**-**	**-**	**-**	**12,430**	**12,430**	**599**	**13,029**
Exchange differences	**-**	**-**	**-**	**-**	**-**	**318**	**-**	**318**	**403**	**721**
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**-**	**318**	**12,430**	**12,748**	**1,002**	**13,750**
2009 final dividend paid	**-**	**-**	**-**	**-**	**-**	**-**	**(12,448)**	**(12,448)**	**-**	**(12,448)**
Employee share option benefits										
- cost of employee services	**-**	**-**	**1,026**	**-**	**-**	**-**	**-**	**1,026**	**-**	**1,026**
- proceeds from shares issued	**159**	**1,228**	**-**	**-**	**-**	**-**	**-**	**1,387**	**-**	**1,387**
- transfer to share premium	**-**	**296**	**(296)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
At 30 June 2010	**32,272**	**31,446**	**7,714**	**16,578**	**418**	**10,387**	**65,603**	**164,418**	**10,116**	**174,534**

Notes:

1 Basis of preparation and accounting policies

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

This unaudited condensed consolidated financial information should be read in conjunction with the 2009 annual financial statements.

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

The accounting policies and methods of computation used in the preparation of this condensed consolidated financial information is consistent with those used in the annual financial statements for the year ended 31 December 2009, 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 2010.

HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKFRS 2 (Amendment)	Share-based Payment
HKFRS 3 (Revised)	Business Combinations
HKFRSs (Amendments)	Improvements to HKFRS 2008 and 2009

The adoption of HKAS 27 (Revised), HKFRS 2 (Amendment), HKFRS 3 (Revised) and HKFRSs (Amendments) has no significant impact on the Group's financial statements.

The following amendments to standards, which are relevant to the Group, have been issued but are not effective for 2010 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 24 (Revised)	Related Party Disclosures
HKFRS 9	Financial Instruments
HKFRSs (Amendments)	Improvements to HKFRS 2010

2 Segment information

Six months ended 30 June 2010	Greater China US$'000	ASEAN US$'000	USA US$'000	UK US$'000	Total US$'000	Unallocated (note) US$'000	Elimination US$'000	Group total US$'000
	Unaudited							
Revenue	**441,470**	**451,489**	**28,240**	**24,425**	**945,624**	**-**	**(4,086)**	**941,538**
Cost of sales	**(326,513)**	**(357,223)**	**(5,845)**	**(4,291)**	**(693,872)**	**-**	**4,086**	**(689,786)**
Gross profit	**114,957**	**94,266**	**22,395**	**20,134**	**251,752**	**-**	**-**	**251,752**
Expenses	**(99,555)**	**(80,128)**	**(32,739)**	**(20,889)**	**(233,311)**	**(9,104)**		**(242,415)**
Core operating profit	**15,402**	**14,138**	**(10,344)**	**(755)**	**18,441**	**(9,104)**		**9,337**
Other gains	**451**	**-**	**-**	**-**	**451**	**10,022**		**10,473**
Segment results	**15,853**	**14,138**	**(10,344)**	**(755)**	**18,892**	**918**		**19,810**
Share of results of associated companies		**49**			**49**			**49**
Finance costs, net								**(2,517)**
Profit before taxation								**17,342**
Taxation								**(4,313)**
Profit for the period								**13,029**
Depreciation and amortization	**3,614**	**4,622**	**1,340**	**889**	**10,465**	**1,173**		**11,638**
Capital expenditure	**1,593**	**8,661**	**6,617**	**1,107**	**17,978**	**4,378**		**22,356**

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)

Six months ended 30 June 2009	Unaudited Greater China US$'000	ASEAN US$'000	USA US$'000	UK US$'000	Total US$'000	Unallocated (note) US$'000	Elimination US$'000	Group total US$'000
Revenue	397,290	402,583	28,015	19,122	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	28,015	17,382	219,386	-	-	219,386
Expenses, net	(85,153)	(64,637)	(34,485)	(19,168)	(203,443)	(7,019)		(210,462)
Core operating profit	11,588	12,611	(6,470)	(1,786)	15,943	(7,019)		8,924
Other gains, net	-	-	-	-	-	15,879		15,879
Segment results	11,588	12,611	(6,470)	(1,786)	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	1,065	861	8,349	1,190		9,539
Capital expenditure	5,533	3,280	1,108	633	10,554	1,030		11,584
Capital expenditure arising from acquisition of subsidiaries	-	2,609	-	-	2,609	-		2,609

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

2. Segment information (continued)

At 30 June 2010	Unaudited Greater China US$'000	ASEAN US$'000	USA US$'000	UK US$'000	Total US$'000	Unallocated (note) US$'000	Group total US$'000
Non-current segment assets	**34,826**	**76,593**	**56,017**	**30,393**	**197,829**	**36,831**	**234,660**
Associated companies	**-**	**192**	**-**	**-**	**192**	**-**	**192**
Total assets	**380,395**	**350,452**	**73,952**	**51,849**	**856,648**	**39,875**	**896,523**
Total liabilities	**314,687**	**223,416**	**37,332**	**30,609**	**606,044**	**115,945**	**721,989**

At 31 December 2009	Audited Greater China US$'000	ASEAN US$'000	USA US$'000	UK US$'000	Total US$'000	Unallocated (note) US$'000	Group total US$'000
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, common information technology and other assets which cannot be meaningfully allocated to the geographical segments.

2. Segment information (continued)

	Unaudited					
	Revenue		Segment results		Capital expenditure	
	Six months ended 30 June		Six months ended 30 June		Six months ended 30 June	
	2010	2009	**2010**	2009	**2010**	2009
	US$'000	US$'000	**US$'000**	US$'000	**US$'000**	US$'000
Logistics	**175,930**	149,655	**(3,790)**	(279)	**11,017**	3,606
Distribution	**660,945**	616,717	**15,559**	12,440	**2,185**	7,401
Manufacturing	**114,269**	87,662	**6,672**	3,782	**4,775**	2,151
Unallocated (note)	**-**	-	**(9,104)**	(7,019)	**4,379**	1,035
	951,144	854,034	**9,337**	8,924	**22,356**	14,193
Less:						
Inter-segment elimination	**(9,606)**	(7,375)				
	941,538	846,659				
Other gains, net			**10,473**	15,879		
Operating profit			**19,810**	24,803		

	Segment Assets	
	Unaudited	Audited
	30 June 2010	31 December 2009
	US$'000	US$'000
Logistics	**241,680**	235,173
Distribution	**513,101**	510,377
Manufacturing	**85,210**	76,866
Unallocated (note)	**56,532**	60,096
	896,523	882,512

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

3 Other income

There was no other income for the period. In 2009, other income represented dividend income received.

4 Other gains, net

	Unaudited	
	Six months ended 30 June	
	2010	2009
	US$'000	US$'000
Gain on disposal/ partial divestment of an associated company	**8,500**	16,345
Exchange gain on liquidation of a subsidiary	**1,522**	-
Gain on disposal of property	**451**	-
Gain on acquisition of additional interest in a subsidiary	**-**	34
Other expenses	**-**	(500)
Other gains, net	**10,473**	15,879

5 Operating profit

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

	Unaudited	
	Six months ended 30 June	
	2010	2009
	US$'000	US$'000
Depreciation of		
Owned property, plant and equipment	**9,363**	7,542
Leased property, plant and equipment	**260**	212
Amortization of intangible assets	**1,942**	1,718
Amortization of prepaid operating lease payment	**73**	67
(Reversal of provision)/ provision for impairment losses on trade receivables	**(390)**	59
Provision for obsolete inventories	**95**	986
(Gain)/ loss on disposal of plant and equipment	**(68)**	38
Costs of inventories sold	**665,733**	620,563
Exchange gain	**(327)**	(106)

6 Finance costs, net

	Unaudited	
	Six months ended 30 June	
	2010	2009
	US$'000	US$'000
Interest expense on bank loans and overdrafts	**3,107**	2,770
Interest expense on finance leases	**115**	121
Imputed interest on non-current payables	**45**	-
	3,267	2,891
Interest income from bank deposits	**(750)**	(918)
Finance costs, net	**2,517**	1,973

7 Taxation

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

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

	Unaudited	
	Six months ended 30 June	
	2010	2009
	US$'000	US$'000
Current taxation:		
- Hong Kong profits tax	**16**	50
- Overseas taxation	**6,274**	4,037
	6,290	4,087
Deferred taxation:		
- Deferred tax assets	**(1,520)**	2,581
- Deferred tax liabilities	**(457)**	(2,819)
	(1,977)	(238)
Taxation	**4,313**	3,849

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$12,430,000 (2009: US$18,460,000). The basic earnings per share is based on weighted average number of 321,643,000 (2009: 317,703,000) shares in issue during the period.

Diluted earnings per share is based on the weighted average number of 321,643,000 (2009: 317,703,000) shares in issue during the period plus weighted average number of 3,593,000 (2009: 3,060,000) shares deemed to have been issued at no consideration if all outstanding options had been exercised.

9 Interim dividend

	Unaudited	
	Six months ended 30 June	
	2010	2009
	US$'000	US$'000
Interim dividend - declared after the end of the reporting period of 9 HK cents (equivalent to 1.16 US cents) (2009: 14 HK cents (equivalent to 1.81 US cents)) per share	**3,758**	5,778

At a meeting held on 12 August 2010, the directors declared an interim dividend of 9 HK cents (equivalent to 1.16 US cents) per share. The declared dividend is not reflected as a dividend payable in this condensed financial information, but will be reflected as an appropriation of reserve for the year ending 31 December 2010.

10 Trade receivables

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

	Unaudited 30 June 2010 US$'000	Audited 31 December 2009 US$'000
Current	**163,852**	175,415
Less than 90 days	**59,399**	55,058
91-180 days	**7,031**	3,623
181-360 days	**1,459**	1,142
Over 360 days	**324**	270
	232,065	235,508

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

11 Trade payables

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

	Unaudited 30 June 2010 US$'000	Audited 31 December 2009 US$'000
Less than 90 days	**316,781**	311,480
91-180 days	**44,502**	63,209
181-360 days	**2,617**	2,621
Over 360 days	**754**	1,146
	364,654	378,456

BUSINESS REVIEW

Overview

The operating environment remained challenging in the first half of 2010. However, we are glad to see that the global economy continues to recover, although not as robustly as many have hoped, from the financial turmoil that began in late 2007. Amidst uncertainties and occasional signs of further recession in developed economies, the Group continued to see strong growth in its Asian operations. However, the original expectation of stronger throughput volumes for the US business failed to materialize.

Revenue registered double-digit growth of 11.2%, rising from US$846.66 million in the first half of 2009 to US$941.54 million during the corresponding period this year. Greater China, ASEAN and the UK all registered growth, whilst in the US revenue was flat.

Asia registered outstanding performance during the first six months of 2010, delivering 22.1% growth in operating profit to US$29.54 million against US$24.20 million for the same period last year. This was mainly driven by strong performances across the major markets of China, Hong Kong, Thailand and Malaysia. The successful turnaround of the Indonesia operation and commendable performance by the Roots operation that was acquired in late 2009 also contributed to this growth. However, growth in Asia was partly offset by increased operating losses in the US, which increased from US$6.47 million in the first half of 2009 to US$10.34 million this year. Although it recorded a loss of US$0.76 million for the period, the UK business improved remarkably on the US$1.79 million loss during the first half of last year. Core operating profit for the first half of 2010 was US$9.34 million, 4.6% above the US$8.92 million recorded over the first six months of 2009.

During the period under review, the Group divested the final 10% of its interest in Slumberland Asia Pacific, resulting in a gain of US$8.50 million. After taking this into account as well as other one-off items, the Group’s operating profit for the first half of 2010 was US$19.81 million, representing a year-on-year decrease of 20.1% from US$24.80 million. This was mainly attributed to an US$5.4 million gap in one-off gains against last year. Net finance costs for the first half of 2010 increased by US$0.54 million as a result of a higher level of borrowings. Taxation charges also increased by US$0.46 million due to higher taxable profits in Asia. As a result, profit attributable to shareholders for the first six months of 2010 was US$12.43 million, 32.7% below the US$18.46 million recorded in the first half of 2009.

OPERATIONS REVIEW AND SEGMENTAL ANALYSIS

Greater China enjoyed an excellent first half. During the period under review, revenue increased by 11.1%, from US$397.3 million to US$441.5 million, whilst operating profit saw 32.9% growth, rising from US$11.59 million to US$15.40 million. Buoyed by strong domestic consumption, IDS China recorded solid year-on-year increases in both revenue and operating profit of 29.9% and 27.2% respectively. Hong Kong reported a commendable 9.8% growth in operating profit, which was mainly attributed to new business with customers such as Colgate, Friesland Campina and Fonterra launched in the second half of 2009.

The integration of Hong Kong into the China organization was implemented in the first quarter of 2010 and is progressing smoothly. New China organization and distribution and logistics infrastructure development will drive stronger growth and synergies with Hong Kong. The Group also began setting up regional offices in China and investing in strengthening management and technology.

The ASEAN region registered a 12.1% increase in revenue from US$402.6 million in the first half of 2009 to US$451.5 million this year. Operating profit grew at the same rate during the period, from US$12.61 million last year to US$14.14 million in 2010. Strong performances were registered in Thailand and Malaysia, whilst Indonesia made a strong turnaround.

Despite the political unrest in Thailand that dampened domestic consumption, IDS' business continued to thrive on strong operating leverage and solid customer partnerships. The business development pipeline there remains robust. Operating profit for the first half of 2010 grew 29.8% against the same period last year on the back of 17.7% growth in revenue. The performance of Manufacturing business was outstanding due to productivity improvement and robust volume growth.

The construction of a 60,000-square-foot facility dedicated to the manufacturing of F&N's chilled products in Malaysia was completed in August. Installation of production lines will take place in September to prepare for the commencement of the facility's commercial run in the fourth quarter.

Backed by a rebound in the freight business and higher throughput volume due to a strengthened partnership with Marks & Spencer, IDS' UK performance improved significantly. Revenue for the first half of 2010 increased 27.7% to US$24.4 million against the same period last year. Operating loss during the period narrowed to US$0.76 million from US$1.79 million in the first half of 2009. The Group is upgrading the Sheffield facility to become a paperless, state-of-the-art e-commerce and piece-pick operation for Republic, a major UK high-street retailer serving over 120 stores. Following completion, which is targeted for the third quarter, the facility will help Republic handle rapidly growing demand from its e-commerce site. It will also be a reference site to demonstrate IDS' capability in e-fulfillment services.

Operating performance amidst a weak US market environment remains challenging and difficult. Volumes continued to be very soft in the first half despite a substantial increase in business volume from Li & Fung (LF USA) and additional revenue from the freight forwarding business that was acquired in late 2009. Overall revenue in the US for the first half of 2010 was only 0.8% above the same period last year, at US$28.2 million.

During the first quarter, an unexpected surge in throughput volume during the start-up of one of the LF USA businesses resulted in a temporary increase in labor costs. Although this was later stabilized, it still led to a significant increase in operating expenses. Coupled with lower business volume from other non-Li & Fung businesses due to bankruptcies, exits or volume shortfalls, operating losses in the US for the first half of 2010 increased to US$10.34 million.

By business segment, all streams recorded growth in revenue. Distribution revenue grew 7.2% to US$660.95 million, Logistics revenue increased 17.6% to US$175.93 million, and Manufacturing delivered the strongest growth at 30.4% to US$114.27 million. Distribution and Manufacturing core operating profit registered robust double-digit growth of 25.1% and 76.4% respectively. Logistics recorded a loss of US$3.79 million due to the operating losses from the US and UK.

FUTURE PROSPECTS

The world economy is expected to continue on its trend towards a mild recovery. Whilst a strong rebound is unlikely in the short term, as consumer spending in the developed economies remains cautious, the outlook for Asia is relatively positive. IDS has delivered sustainable growth in Asia in the midst of financial turmoil, and the productivity enhancement and cost reduction measures implemented during the past two years should result in an even stronger foundation for the Group as we enter the next Strategic Plan cycle in 2011-2013.

For the rest of 2010, we intend to maintain robust growth in Asia and significantly improve the performance of the US and UK operations. In spite of a disappointing first half, we do see the potential for a stronger second half in the US. With a strengthened focus on business development, the US team has secured a contract with Rafaella, which will contribute to second-half revenues. Savings of approximately US$1.2 million in occupancy will be realized for the next six months from the expired leases of two facilities. Discussions with Li & Fung about additional business, which were temporarily put on hold due to operational challenges, have now resumed. Meanwhile, progress for the UK has been encouraging so far, with business on track for a turnaround this year.

The Group remains active in identifying potential acquisition targets. A detailed study conducted in select markets unearthed a number of opportunities in the areas of freight forwarding and logistics that complement our current network. They will be further evaluated in the near future.

IDS continues to place strong emphasis on corporate social responsibility. A Corporate Responsibility function has been established at the corporate level, with Environmental, Health & Safety personnel in place across all countries to develop policies and drive initiatives to promote CSR. We are also in the process of applying for LEED certification for the recent renovation of the new IDS Corporate & Hong Kong offices, which has adopted devices to enhance energy and water efficiency as well as to improve the indoor environment.

LIQUIDITY AND FINANCIAL RESOURCES

Net cash used in operations during the period was US$19.34 million resulting from the increase of working capital US$41.27 million mainly in China. Net borrowings as at 30 June 2010 were US$109.23 million against US$72.38 million as at 31 December 2009. The Group's gearing ratio as at 30 June 2010 was 38.5% against 35.1% at 30 June 2009 and 29.8% at 31 December 2009. The gearing ratio was calculated as net borrowings divided by total capital. Net borrowings of US$109.23 million was calculated as total borrowings (including short-term bank loans and other borrowings of US$97.28 million, long term bank loans and obligations under finance leases of US$116.96 million) less time deposits and bank balances and cash of US$105.01 million. Total capital was calculated as total equity of US$174.53 million and net borrowings. The Group has available bank loans and overdraft facilities of approximately US$408 million of which US$211.4 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 operations:

	Unaudited 30 June 2010 US$'000	Audited 31 December 2009 US$'000
For purchase of goods in favor of suppliers	**27,705**	23,669
For rental payment in favor of the landlords	**11,772**	10,582
As security in favor of local tax and customs authorities in accordance with local regulations	**8,711**	7,616
Performance bonds and others	**2,533**	1,570
	50,721	43,437

(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 30 June 2010, the Group employed approximately 8,700 permanent employees. They were located throughout various operations within the Group. Total staff costs for the period ended 30 June 2010 amounted to approximately US$113.62 million compared to US$98.57 million for the same period 2009.

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

INTERIM DIVIDEND

The Board of Directors has declared an interim dividend of 9 HK cents (equivalent to 1.16 US cents) (2009: 14 HK cents (equivalent to 1.81 US cents)) in cash per share for the six months ended 30 June 2010, which will be payable to shareholders whose names appear on the Register of Members of the Company on 17 September 2010.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from 10 September 2010 to 17 September 2010, 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 2010. Dividend warrants will be despatched to shareholders on or about 17 September 2010.

PUBLICATION OF THE INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement is published on the website of Hong Kong Exchanges and Clearing Limited at *www.hkexnews.hk* and on the website of the Company at *www.idsgroup.com.* The Interim Report will be despatched to the shareholders of the Company and available on the same websites in due course.

CORPORATE GOVERNANCE PRACTICES

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

In order to reinforce 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 (the "Listing Rules").

Corporate governance practices adopted by the Company during the six-month period to 30 June 2010 are in line with those practices set out in the Company's 2009 Annual Report.

AUDIT COMMITTEE

The Audit Committee met three times to date in 2010 (with an average attendance rate of 91.67%) to review with senior management and the Company's internal and external auditors, the significant internal and external audit findings and financial matters as required under the Committee's terms of reference. The Committee's review covers the audit plans and findings of the internal and external auditors, external auditor's independence, the accounting principles and practices adopted by the Group, Listing Rules and statutory compliance, internal controls, risk management and financial reporting matters (including the interim financial information for the six-month period to 30 June 2010 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.

INTERNAL CONTROL AND RISK MANAGEMENT

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

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

Based on the assessments made by senior management and the Group's Internal Audit team during the six-month period to 30 June 2010, 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 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 2010.

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 2010.

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

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

By Order of the Board
Victor FUNG Kwok King
Chairman

Hong Kong, 12 August 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.