IDS08

利和 iDS

A DECADE OF CREATION

A FUTURE OF ABUNDANCE

HIGH PERFORMANCE HIGH VALUES

ANNUAL REPORT 2008

Integrated Distribution Services Group Limited

(Incorporated in Bermuda with limited liability)

Stock Code: 2387

1999-2008

A DECADE OF CREATION

On 20th March 2009, IDS reached a momentous milestone in our history — our 10th Anniversary as a business. Throughout 2009, we celebrate 10 glorious years of Growth and Success symbolized by our logo and theme: "A Decade of Creation, A Future of Abundance". The past decade has seen IDS transformed itself from a traditional Asian distributor to a global pioneer of **Value-Chain Logistics** offering a Menu of **Integrated-Distribution Services**. Using our three-year Strategic Plans as our roadmap, we have matured as a business through aggressive phased transformation in "A Decade of Creation".

A Decade of Creation
A Future of Abundance

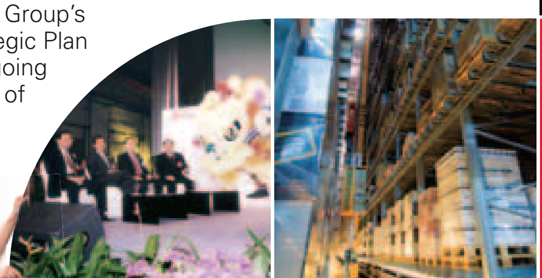
10 GLORIOUS YEARS AT IDS

1999
- Inception of the Li & Fung Distribution Group through the acquisition of a traditional import distributor in Asia
- Unveiled the Group's first Three-Year Strategic Plan to develop a full-fledged logistics business as the fundamental enabler

2000
- Commenced aggressive implementation of our WMS system
- Launched the Group's Intranet as the key communication tool across the Group
- Opened the Automatic Storage & Retrieval System (ASRS) regional logistics hub in Singapore

2001
- Launched Project Golden Dragon in Hong Kong for the implementation of a standard ERP system across the Group
- Logistics business is strengthened throughout Asia with emphatic business wins

2002
- Commenced logistics operations in the Philippines by winning the Unilever logistics contract and setting up a 360,000-square-foot dedicated distribution center
- Embarked on the Group's 2002–2004 Strategic Plan with the goal of going public by the end of the plan period



2003
- Launched IDS as the single brand name for the Group
- Commenced a logistics partnership with Nike in China and opened the first facility in Panyu

2004
- Granted approval under CEPA (Closer Economic Partnership Arrangement) to distribute consumer goods in China and commenced aggressive expansion of our distribution network
- Successfully listed on the main board of the Stock Exchange of Hong Kong Limited; the public offer of the IPO program was over 150 times oversubscribed

2005
- Announced 2005–2007 Strategic Plan target of doubling profit in 2007 vs. 2004
- Opened a dedicated manufacturing facility in Thailand for the regional supply of Listerine mouthwash
- Established a network of 17 branch offices in China with the capability of issuing invoices and transacting directly with retailers, as well as being able to bring products to over 120 cities

2006
- Completed the Group's first acquisition of a logistics company in Malaysia
- Entered the US market through the acquisition of a logistics business
- Reached agreement with Hilding Anders for progressive divestment of the Group's interest in Slumberland
- Launched the Group-wide Leadership, Management & Talent (LMT) Development program to strengthen IDS' talent pool

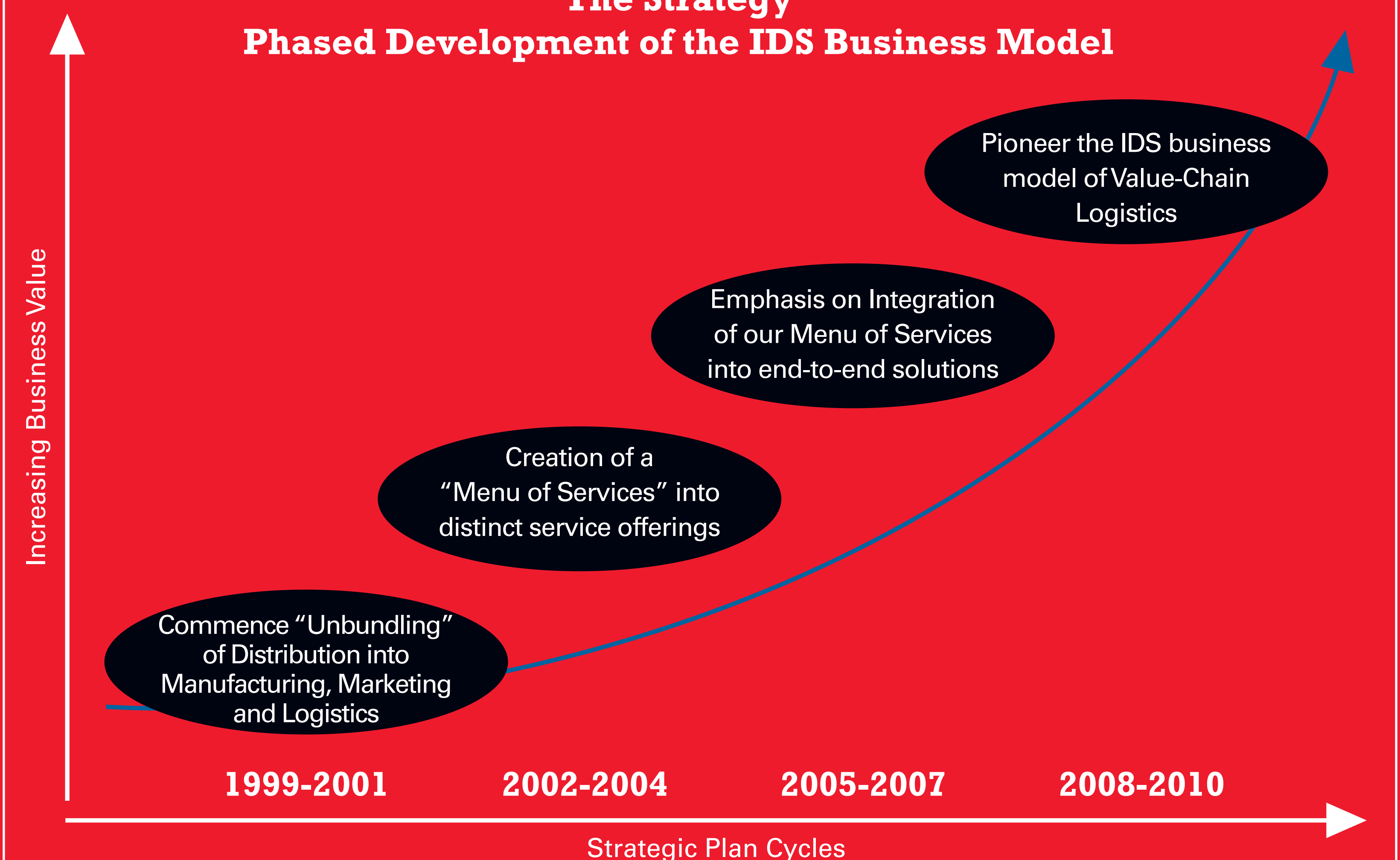
2007
- Launched the first Management Trainee program and recruited 80 trainees
- Extended operations into the UK through the acquisition of a logistics company
- Successfully completed the IDS 2005–2007 Strategic Plan and exceeded the target of doubling 2004 net profit
- Achieved Group annual turnover in excess of US$1 billion

2008
- Opened a state-of-the-art distribution center for healthcare products in Hong Kong
- Opened the first Garments-On-Hangers (GOH) facility in Shanghai
- Acquired a healthcare distribution company in Hong Kong and a logistics company based in the West Coast of the US
- Received approval from the state authority for IDS to commence distribution of healthcare products in China

iDS
A Decade of Creation
A Future of Abundance

IDS STRATEGIC PLAN CYCLES

The Strategy
Phased Development of the IDS Business Model



The Key Challenge

Asian Dominance & Global Expansion
How can IDS execute faster, better, deeper and broader?

Re-make of Asian Distribution
How can IDS champion Integrated-Distribution Services?

New Service Agency Business Model
How should IDS fundamentally redefine its business?

Change Management & A New Culture
How fast can IDS turnaround to survive?

The Breakthrough Goal

Aim to double our Net Profit in 2010 vs. 2007

Delivered more than doubling of Net Profit in 2007 vs. 2004

Achieved the listing of IDS Group in HKSE in Dec 2004

Established LOGISTICS as the fundamental enabler of the IDS business

The IDS journey of aggressive phased transformation since its inception is characterized by the Group's three-year Strategic Planning cycle. It is through the disciplined planning and rigorous execution of these stage by stage Strategic Plans that has driven the creation of our Value-Chain Logistics business model. Each three-year cycle of Strategic Plan has seen IDS undergo staged Business Transformation through:

- Aggressive evolution of our business model
- Performance-driven delivery of our services
- Focused expansion of our customer base and geography

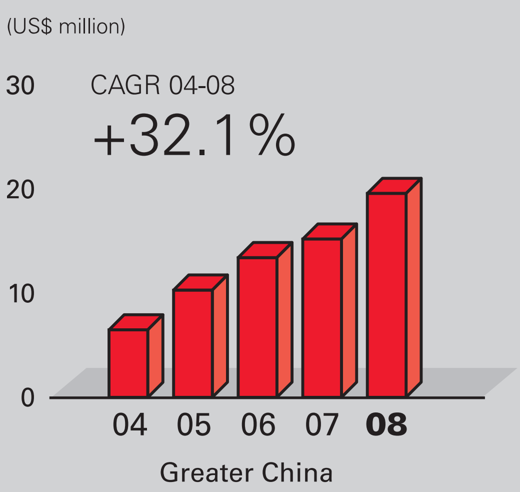
A FUTURE OF ABUNDANCE

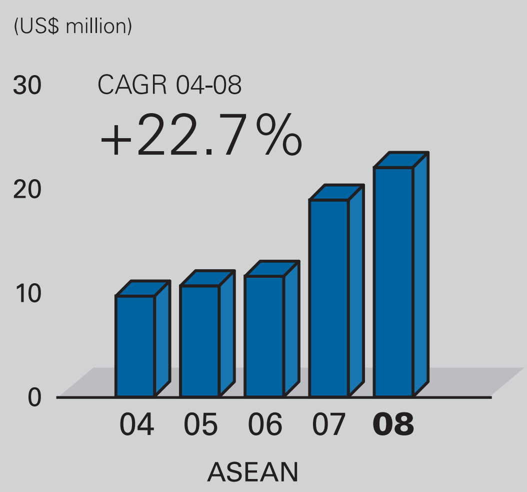
Our 10th Anniversary logo symbolizes our strong Asian heritage and dominant presence. The oval of IDS represents our ability to connect and deliver end-to-end global value-chain solutions. We've built the fundamentals of a compelling business proposition — an asset-light service business, solid regional customer partnerships, a robust common IT infrastructure and an extensive and deep logistics and distribution network. Above all, our **People** has the passion and talent to move forward with a unified purpose to ensure "A Future of Abundance".

CONTENTS

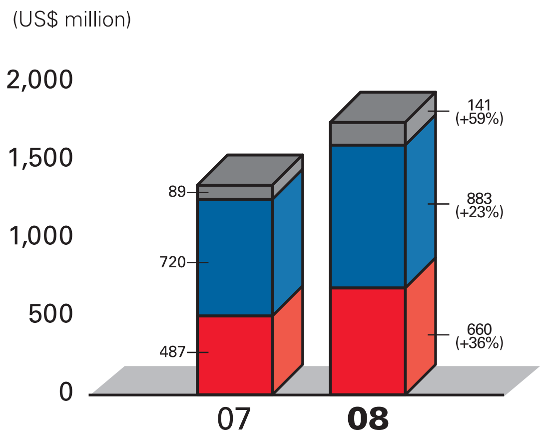
(US$ million)	2008	2007	Change (%)
Revenue	1,683.79	1,295.66	+30.0%
Gross profit	481.27	375.79	+28.1%
Core operating profit	20.97	25.08	-16.4%
Operating profit	34.62	39.13	-11.5%
Profit attributable to shareholders	24.52	28.15	-12.9%
Interim dividend (per share)	14 HK cents	12 HK cents	
Final dividend (per share)	22 HK cents	30 HK cents	
Full year dividend (per share)	36 HK cents	42 HK cents	

Strong Asian Operating Profit Growth





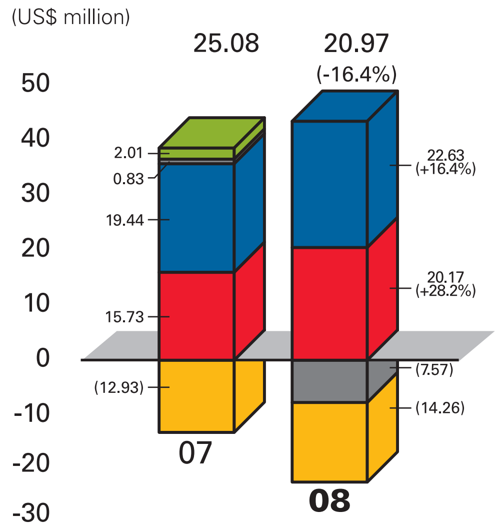
Strong Revenue Growth



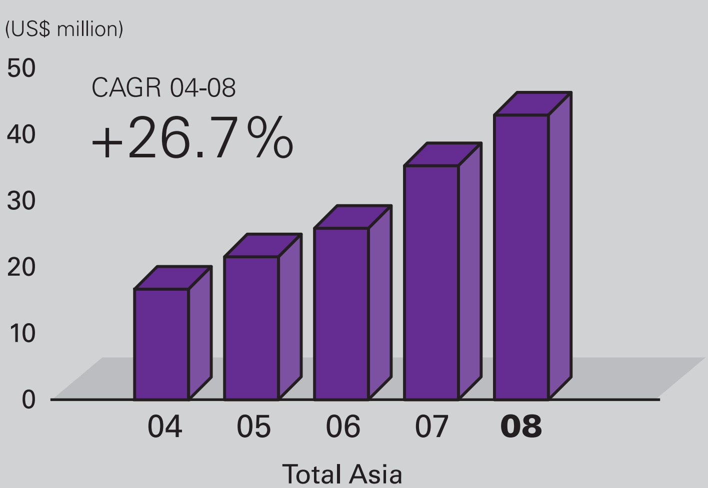
(US$ million)

Logistics	271	369	+36%
Distribution	885	1,132	+28%
Manufacturing	152	197	+30%
Interco elimination	(12)	(14)	
Total	1,296	1,684	+30%

Core Operating Profit affected by the US & UK



GREATER CHINA ASEAN US & UK SLUMBERLAND CORPORATE



In 2008, our Asian business remained robust, registering a solid operating profit of US$42.8 million, an increase of 21.7% vs. 2007.

All numbers exclude Slumberland.

JAN

Launching New Organization for the 2008–2010 Strategic Plan

To support growth in the new Strategic Plan period, the IDS organization migrated from a stream-based structure towards a unified country structure, while maintaining regional business functions with stream expertise to support country operations. Staff briefings were conducted during January and February to ensure full understanding of the new organization.

FEB

Recognizing Service & Contribution

A series of Annual, Appreciation and Award events were held across all countries to recognize the loyalty of our people. We also presented the GMD Award to winners to acknowledge their outstanding performance and contributions.

MAY

Mergers & Acquisitions

The Group made two acquisitions in May – a Hong Kong-based distributor and manufacturer of pharmaceutical and healthcare products, and a US third-party logistics company based in the Los Angeles Metropolitan area to further strengthen our current operations.

Let's Go Green!

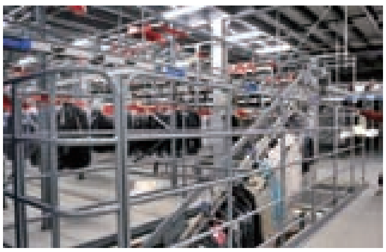
IDS launched the Green Office campaign in May. This is a Group-wide initiative in order to inculcate, educate and encourage environmentally responsible actions in the workplace. Various programs including energy savings, waste reduction and recycling, staff education and tree planting were subsequently launched.

JUN

Fundraising Campaign

IDS organized a fundraising campaign across the Group for the victims of the devastating earthquake in Sichuan and the cyclone in Myanmar. In total, we raised US$150,000 for on-going relief programs in both countries.

JUL
DC Facility Expansion



IDS opened its first Garments-On-Hangers (GOH) facility in China. Located in Shanghai, the 70,000 sq. ft. facility is one of the best in the country and it has the capacity to handle a monthly throughput of 130,000 units. The Group also opened other new DC facilities in Hong Kong, Singapore, Taiwan and Thailand, and commenced programs in the US and UK to enhance capacity and efficiency of some of the major facilities.

SEP
Awards & Recognitions

For the second consecutive year, IDS Philippines won the prestigious Unilever Vendor of the Year award. Our other operations in China, Thailand, Singapore and Taiwan also received numerous awards and recognitions from our partners and industry associations. It's a testimony to the world-class service of IDS.

NOV
Business Wins

IDS continued to make substantial progress in winning new contracts. In November the Hong Kong operations commenced the distribution of Philips Lighting products to the modern trade channels. Other contracts secured in 2008 include regional hubbing for L'Oreal and ECCO, distribution and logistics service for Shell lubricants in Taiwan and the Philippines respectively, manufacturing service for Fisherman's Friend, and many more.

DEC
Commencement of Healthcare Business in China

In December, IDS completed all the formalities and received the official approval to commence distribution of pharmaceutical products in China. This is a significant breakthrough for the Group to engage in a highly regulated industry within China and we have started working with customers on their entry strategies.

OPPORTUNITY IN ADVERSITY

Despite the global downturn, 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 from the economic crisis.

VICTOR FUNG KWOK KING

2008 Highlights

- A challenging start to the Group's 2008–2010 Strategic Plan cycle amidst global economic downturn. Profit attributable to shareholders decreased by 12.9% against 2007 to US$24.52 million.
- Credible performance in Asia with double-digit growth in operating profit, whilst the US and UK reported a loss as a result of softness in consumer spending. Immediate actions taken on cost reduction across the Group to ensure a sustainable cost base and to enhance operational efficiency.
- China became the most profitable market of IDS with spectacular revenue and operating profit growth of 56.2% and 65.7% respectively against 2007.
- Completed two acquisitions, including a logistics company in the US and a pharmaceutical company in Hong Kong, to further strengthen existing operations.
- Proposed final dividend of 22 HK cents per share, resulting in 2008 total dividend at 36 HK cents per share. Payout ratio (% of profit attributable to shareholders) maintained at 60%.

2009 Strategies

- Tight control on costs across all markets; limit investments to projects that generate immediate return and develop our talent base.
- Focus our resources on the major markets – China, Hong Kong, Thailand and Malaysia – to derive maximum benefits for the Group.
- Capitalize on new opportunities as companies increasingly look for outsourcing and other innovative solutions to reduce costs.
- Continue to drive aggressive growth in China through a strong entry in the Healthcare and Garments-On-Hangers (GOH) sectors.
- Continue to selectively pursue M&A targets to complement our operations.

Dear Shareholders,

It is my pleasure to present to you the year-end results of Integrated Distribution Services Group Limited (the "Company") and its subsidiaries (collectively the "Group" or "IDS") for the fiscal year ended 31 December 2008. As the world faces its worst economic downturn since the 1930's, 2008 has been a year of challenge for IDS. The Group's performance in the US and UK was inevitably impacted. Profit attributable to shareholders in 2008 recorded a decline of 12.9% against 2007, at US$24.52 million.

The IDS Board of Directors visited the Singapore operations during the meeting in November.

As the sub-prime issue in the US developed into a global financial meltdown, the credit market was substantially tightened. This caused a shortage of liquidity to finance trade credits, which led to severe drops in export volumes across Asia. Furthermore, as economies around the world contracted, consumer spending fell off sharply, unemployment increased and manufacturing output declined.

Performance

The Group's profit attributable to shareholders for 2008 was US$24.52 million, a reduction of 12.9% compared to US$28.15 million in 2007. The decrease was mainly attributable to the loss recorded in the US and UK operation, where businesses were severely impacted by the economic downturn. Basic earnings per share for 2008 were 7.76 US cents, compared to 9.04 US cents in 2007. The Board of Directors has proposed a final dividend of 22 HK cents per share. Together with an interim dividend of 14 HK cents per share, total dividend for 2008 would amount to 36 HK cents per share. The dividend payout ratio (% of profit attributable to shareholders) maintained at 60%.

Our Asian business remained robust in 2008. Excluding the Slumberland business, which became an associated company of the Group in June 2007, Asia recorded revenue of US$1,544.41 million in 2008, a 30.3% increase compared to the previous year. Operating profit growth was 21.7%, up from US$35.17 million in 2007 to US$42.80 million in 2008. The US & UK recorded a loss of US$7.57 million in 2008, compared to a modest profit of US$0.83 million in 2007. After taking into account corporate costs, core operating profit in 2008 was US$20.97 million, 9.1% below that of 2007. Including the Slumberland business in 2007, the gains from the disposal of Slumberland shares and other items, operating profit for 2008 was US$34.62 million compared to US$39.13 million in 2007, a decrease of 11.5%.

Growth in Asia was driven by both the logistics and distribution businesses, which recorded equally strong year-on-year operating profit growth of 25.6% and 25.0% respectively (excluding Slumberland). Manufacturing registered a modest increase in operating profit of 3.5% compared to 2007, due to a slower second half performance compared to 2007.

China continued to be the strongest performing market in 2008, registering a revenue increase of 56.2% while operating profit surged 65.7% compared to 2007. This was achieved entirely through organic growth of existing customers as well as new business wins. China has now surpassed Hong Kong to become the biggest market for IDS both in terms of revenue and operating profit. Revenue from China accounted for 20.5% of total Group revenue in 2008, increasing from 17.4% in 2007.

Losses in the US and UK in 2008 were mainly due to a drastic shortfall in volume throughput during the second half, the traditional peak season. Despite stimulus packages launched by the respective governments amounting to hundreds of billions of US dollars, consumer confidence is expected to remain at an all-time low in the short-run. The top priority is to turn around these operations by resetting their cost bases, thereby lowering the critical mass required to run a profitable and sustainable business. The Group's facility consolidation program during 2008 resulted in the reduction of over 1 million square feet of floor space in the two markets, which translates to rental savings of over US$3 million per annum. After an organizational streamlining program in the UK that was completed by the end of the year, headcount was significantly reduced by 20%.

IDS completed two acquisitions, namely a logistics company based in the West Coast of the US and a pharmaceutical company in Hong Kong, in 2008. 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 another 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.

Market Overview

The year 2008 has been extremely volatile in terms of the global economic environment. Risks from inflation and surging oil prices in the first half shifted entirely in the opposite direction to slowing growth, high unemployment and a deflationary environment. Various measures and interventions including successive interest rate cuts, stimulus packages and more relaxed monetary policies, were launched by governments across all major economies, all of whom were hoping to arrest the downturn. However, a quick turnaround is unlikely and the outlook for 2009 is expected to also be very difficult.

With the possibility of a prolonged global recession and the continued contraction of major industrial economies, growth in Asia is forecasted to be slower in 2009. After enjoying double-digit GDP growth over the last five years, China's economic growth showed deceleration in the second half of 2008. The country has since announced a single-digit growth target of 8% in 2009. ASEAN countries are also expected to show slower growth in 2009, at around 2-4%.

Celebrating successful partnership in Hong Kong with Wyeth.

There is no doubt that everybody is eager to know when the financial turmoil will ease. Unfortunately, as the crisis continues to unfold, it is difficult to make such projections. The general consensus seems to be that signs of rebound may appear towards the end of 2009 or by mid-2010. However, unless we are able to gauge the magnitude of the problem in its entirety in the US and Europe, it will be nearly impossible to predict how long the downturn will last.

Nevertheless, the Group remains cautiously optimistic about the outlook for Asia. Although further deterioration in the US and Europe would certainly impact the Asian economy, especially the export sector, we see conscious efforts from governments to boost domestic consumption. The Chinese government has made it clear that boosting domestic demand is one of its top priorities for 2009. We also believe the fundamentals of the Asian economies are more robust than they were 12 years ago during the Asian Financial Crisis and are better prepared to weather this period of turmoil.

2009 Prospects & Future Growth Opportunities

Despite the global downturn, 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 from the economic crisis.

Basic Management Program – we diligently control our costs but we will continue to invest in our talent base.

Over the past decade, the Group has established a robust and scalable foundation by building an asset-light service business model, a strong technology platform, long-term customer partnerships, an extensive and deep logistics and distribution network, and, most importantly, a team of passionate managers and talented people. It is now opportune for us to leverage what we have created to enhance the efficiency of all aspects of our operations. Besides cost-controlling initiatives, such as the facility consolidation program we have embarked on in the US and UK, we will also look at programs to streamline processes and improve productivity across the Group in 2009 and set clear key performance indicators.

A Philippine colleague receiving his 30-Year Loyalty Award during our Annual, Appreciation and Award (AAA) event.

The Group will also be diligently controlling its investments by focusing on projects that can generate positive returns, such as additional revenue and improved productivity. We will be focusing our resources on key markets including China, Hong Kong, Malaysia and Thailand, which can make the strongest impact and derive the most value towards the Group's performance. However, we will not compromise our investment in people. The Group will continue to roll out the Leadership, Management and Talent (LMT) Development program across the organization because it is crucial to have a group of people with the right skills and knowledge who can support new businesses and render quality service.

At times of economic downturn, customers are eagerly looking for solutions that can generate better savings and more value. This fits well with our Value-Chain Logistics proposition, as our comprehensive Menu of Services along the value-chain is able to offer fully customized solutions that optimize the entire supply chain. We also see more inquiries from customers who are concerned about the financial strength of their existing service providers. We will be proactively grasping such opportunities to increase our market share.

Our China business enjoyed spectacular growth over the past four years but we are in fact only scratching the surface of this enormous market. We intend to continue driving aggressive growth in China in 2009. With the approval granted for IDS to engage in the healthcare distribution industry, we will be making a strong entry into this highly regulated sector in 2009. Also, our recently opened, semi-automated GOH facility in Shanghai has instantly become a showcase of the quality of our garment logistics capability. With these two new drivers, we are confident that our China business will continue to be an engine of growth for the Group and scale new heights.

Whilst the US and UK operations are clearly suffering a direct hit from the current recession, they have certainly become a core part of our end-to-end global logistics service offerings. Management will be closely monitoring the business environments there to ensure that our cost structure is sustainable while aggressively developing new business to turn around the operations in 2009.

By focusing on establishing a strong Country Resource Team (CRT) structure including back-end support functions in Finance, Human Resources and IT over the past two years, we are seeing the benefits through the seamless and efficient integration of our new acquisitions. IDS is now in a much stronger position to make strategic acquisitions that complement our local operations, and we believe more opportunities will surface given the distressed market conditions.

Corporate Governance

The Group's commitment to maintaining the highest standards of corporate governance remains unwavering. We will continue to uphold a culture that fosters the principles of transparency, accountability and independence.

The Group is in full compliance with the Code on Corporate Governance Practices (Appendix 14 of the Listing Rules) as implemented by The Stock Exchange of Hong Kong Limited.

With approximately 7,700 employees across 11 markets, IDS has nurtured an organizational culture that respects diversity. The Group strives to uphold its values as a linchpin in our people development and Corporate Social Responsibility efforts.

IDS will celebrate its 10th Anniversary in 2009. Since its inception in 1999 through the acquisition of a traditional import distributor, the first decade of the IDS journey has been marked by a strong focus on building fundamentals and creating a compelling business proposition in Value-Chain Logistics. The goal has been nothing less than the remodeling of the logistics and distribution industry.

On behalf of the Directors, I would like to express my appreciation to the colleagues at IDS for their relentless efforts and hard work amidst an extremely difficult environment. I look forward to seeing the Group overcome these adversities and emerge even stronger as the market rebounds.

Victor FUNG Kwok King
Chairman

Hong Kong, 17 March 2009

EMERGING STRONGER FOR BREAKTHROUGH 2010

The Group will hold steady on its course to continue to pursue our goal of doubling on our 2007 profit stated in the 2008–2010 Strategic Plan.

BEN CHANG YEW TECK

2008 Highlights

- Strong growth in Asia despite global economic downturn off-set by sharp decline in the US and UK, where the economic downturn has been most severe. As a result, core operating profit decreased by 9.1% on a like-to-like basis against 2007.
- Maintained strong cash flow through effective control of receivables and inventory; balance sheet remained sound and healthy.
- Completed two acquisitions successfully with opportunities to expand service scope and consolidate facilities.
- Commenced development of the core application for International business to enhance our capabilities in managing global supply chain.
- Launched and completed the Basic Management Program (BMP) targeting the supervisory management staff; first batch of Management Trainees graduated after completing the mandatory 18-month program.

2009 Prospects

- Single, determined focus to emerge stronger from the economic crisis, and continue to pursue our 2008–2010 Strategic Plan Breakthrough Goal.
- Position the Group for strengthened profitability in 2009 through continued strong Asian growth, turnaround of the US and UK businesses, and aggressive pursuit of earning-accretive acquisition opportunities.
- Renewed emphasis on contract management and productivity improvement.
- Further implementation of our Leadership, Management and Talent (LMT) Development program including the roll out of e-Learning platform and the New IDS Manager program.
- Stronger focus on environmental sustainability to reduce carbon footprint.
- Group-wide celebration of IDS' 10th Anniversary, themed "A Decade of Creation, A Future of Abundance".

2008 has been a difficult year. As the economic downturn went from bad to worse in the second half, we saw a multitude of global business giants falling down, stock markets tumbling, consumer spending shrinking, and sentiment turning gloomy. This was certainly not the most favorable environment for IDS to commence its 2008–2010 Strategic Plan. However, we should also be thankful that we have our Three-Year Strategic Plan as our roadmap, which will guide us through one of the worst recessions the world has encountered in the past several decades.

What we have experienced in 2008 will only toughen our minds and our determination. The strength of IDS lies in its management and people who always know where we are, where we came from and, most importantly, where we are heading. Together we will tackle the challenges of 2009 in a unified, purposeful manner, guided by our Vision, our Values and the transformational goals documented in our 2008–2010 Strategic Plan. It is this solid foundation that will enable IDS to continue aggressively pursuing the 2010 Breakthrough Goal of "Doubling our Profit" which we have set for ourselves.

Despite the global downturn, Group revenue increased by 30.0% from US$1.30 billion in 2007 to US$1.68 billion in 2008.

Despite the global downturn, Group revenue increased by 30.0% from US$1.30 billion in 2007 to US$1.68 billion in 2008. Growth was mainly driven by strong performance in Asia, acquisition in the US and full year impact of UK acquisition. The Group's core operating profit for 2008 was US$20.97 million, a decline of 9.1% compared to that of 2007 excluding the one-off impact of Slumberland. The decline in core operating profit despite strong revenue growth was largely attributed to the US$7.57 million loss recorded in the US and UK

Grand opening ceremony (top) of our new headquarters in Shanghai (bottom).

operations, which were severely affected by much lower volume throughput as a result of weak retail sentiment.

Operating profit for 2008, after taking into account the gains from the disposal of Slumberland shares and other one-off items, was US$34.62 million, a decline of 11.5% against 2007. Profit attributable to shareholders for the year 2008, as a result, showed a 12.9% drop from US$28.15 million in 2007 to US$24.52 million in 2008. Basic earnings per share for 2008 were 7.76 US cents, compared to 9.04 US cents in 2007.

Through effective control on receivables and inventory, cash flow generated from operating activities improved from US$44.70 million in 2007 to US$57.91 million in 2008. This has resulted in the reduction of net borrowing from US$58.28 million in 2007 to US$47.07 million in 2008. Gearing ratio (net borrowing divided by total capital) thus decreased to 24.9% in 2008, compared to 29.3% in 2007, reflecting a sound and healthy balance sheet.

Despite a reduction in overall profit, the Group's operations in Asia (Greater China and ASEAN) continued to deliver very strong growth. Operating profit from Asia increased 21.7%, from US$35.17 million (excluding the Slumberland business) in 2007 to US$42.80 million in 2008. This was substantially due to the strong performance of key markets including China, Hong Kong, Thailand and Malaysia. We have clearly achieved critical mass in these markets where we can enjoy strong, scalable growth.

China continued to be the strongest growth driver for IDS, delivering 65.7% growth in operating profit and has become the most profitable market of the Group. Our logistics network in China expanded substantially on the back of new contracts. During the year, the footprint of our logistics facilities increased by 60% to over 1.7 million square feet.

China continued to be the strongest growth driver for IDS, delivering 65.7% growth in operating profit.

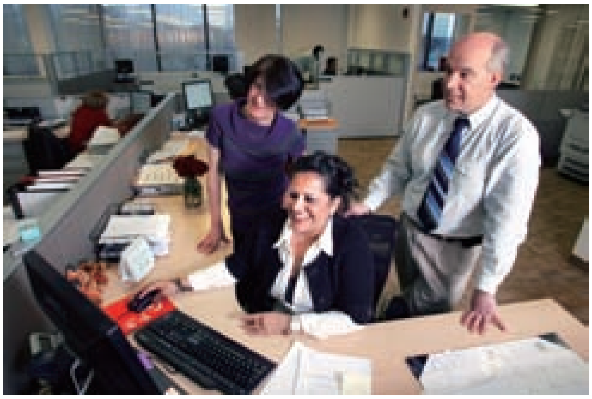
The Group completed the acquisition of 95% of the issued capital of a distribution company specializing in pharmaceuticals in Hong Kong for a consideration of approximately US$14.6 million. Through this acquisition, IDS added to its portfolio of facilities a fully GMP (Good Manufacturing Practice)-certified manufacturing line for pharmaceutical products. 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.

Deterioration of the US and UK economies in the second half of 2008 impacted on the Group's businesses negatively. The second half is traditionally the peak season, contributing a significant portion of profit for those businesses, but during the year under review it did not materialize as consumer sentiment collapsed.

Immediate action has been taken to streamline our cost base to ensure that operations can sustain a lower critical mass.

The Group 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. The acquisition also strengthened the scale of our West Coast business.

The Leadership Council Meeting was held in Shanghai in 2008 (top). The LCM is an important event for the leadership team to interact and strengthen friendships (bottom).



Staff celebrated the grand opening ceremony of our new office in New York (left), which provides a much better working environment for our colleagues (right).

Investment in people development remains a top priority at IDS. More initiatives under the Group's LMT Development program were rolled out across the region and covered a broader segment of our employees in 2008. The Group completed the Basic Management Program designed for supervisory management, covering over 1,300 employees. Another highlight was the graduation of the first batch of management trainees, who joined the Group in 2007. After the mandatory 18-month training program, they have garnered both deep domain expertise as well as comprehensive knowledge of the Group's various operations.

Our commitment to Corporate Social Responsibility (CSR) also continued to make strong impact. Besides a host of local activities across the region, IDS mobilized a Group-wide fundraising program in response to the Sichuan earthquake and Myanmar cyclone in May 2008. A donation of approximately US$150,000 was made for disaster relief programs. We also launched the Green Office campaign to enhance awareness of environmental issues amongst our colleagues and implement actions in the office to make a difference.

Financial Overview

The Group's revenue increased 30.0% to US$1,683.79 million. All three geographic segments registered double-digit revenue growth, 35.5% in Greater China, 22.7% in ASEAN and 59.0% in the US & UK. Gross profit increased by 28.1% to US$481.27 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$25.08 million in 2007 to US$20.97 million. On a like-to-like basis by excluding the Slumberland business, core operating profit decreased 9.1%.

Operating profit, including a US$14.04 million gain on the disposal of a 20% share in Slumberland Asia Pacific, decreased by 11.5%.

Net finance costs increased by US$1.76 million to US$6.47 million, mainly due to the financing of new acquisitions. The share of results of associated companies increased by US$0.70 million to US$2.10 million, mainly due to the full year impact of treating Slumberland as an associated company.

Taxation for the year amounted to US$4.93 million, an effective rate of 16.3% compared to US$6.62 million (effective rate of 18.5%) in 2007.

Segmental Analysis

Greater China

Revenue increased 35.5% to US$660.56 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 22.7%, 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 59.0% to US$141.97 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$7.57 million.

Business Segment Analysis

Logistics revenue grew 36.0% to US$369.09 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$10.70 million despite the 25.6% growth from Asia. Distribution revenue and segment results grew 27.9% 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 29.6% reflecting strong performance from Thailand. However, segment results increased by only 3.5% due to decline in volumes in Indonesia.

Liquidity and Financial Resources

The Group achieved net cash flow from operating activities during the year of US$57.91 million due mainly to tight control of working capital. As a result, the net borrowings of the Group decreased to US$47.07 million against US$58.28 million in 2007. The Group's gearing ratio at 31 December 2008 improved 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$47.07 million is calculated as total borrowings (including short-term bank loans and other borrowings of US$117.44 million, long term unsecured bank loans and obligations under finance leases of US$32.56 million) less time deposits and bank balances and cash of US$102.93 million. Total capital is calculated as total equity of US$142.17 million and net borrowings. The Group has available bank loans and overdraft facilities of approximately US$271 million of which US$146.14 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:

	2008 US$'000	2007 US$'000
For purchase of goods in favor of suppliers	21,771	9,469
For rental payment in favor of the landlords	8,797	8,210
Performance bonds and others	780	593
As security in favor 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 US for alleged breaches of contract relating to provision of services. Neither the Company nor its subsidiaries are parties to the contract. The management of the Group has reviewed the facts and circumstances and is of the view that the likelihood of the Company and its subsidiaries suffering material loss is low.

Human Resources

As at 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$205.65 million compared to US$161.56 million in 2007.

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.

Employees from the Thailand office and their family members had an enjoyable Family Day in a local theme park.

Information Technology & Business Application

Our core applications, like the E1 Enterprise Resources Planning (ERP) system and Warehouse Management System (WMS), are the pillars of our technology for business growth. During 2008, efforts were primarily focused on a technology refresher to upgrade servers, operating systems and databases. This has improved system performance and mitigated business risks. A significant departure from the initial investment was that many of the servers were not replaced in each country; rather, the services were migrated to Hong Kong, leveraging existing hardware and software and thus avoiding significant capital cost in each country for hardware, maintenance and technological support. This has been made possible with the implementation of bandwidth optimizers. Although transactional volumes have increased, it did not create a surge in bandwidth demand. As we move forward we will continue to replace fixed costs of hardware with variable costs of telecommunications bandwidth. By hosting applications centrally, IDS has even more speed to market with less complexity and cost in each country.

Our core applications, like the ERP and WMS, are the pillars of our technology for business growth.

Globally the telecommunications that connect countries to Hong Kong over a Wide Area Network (WAN) were extended with the addition of Multiprotocol Label Switching (MPLS) for the Philippines and UK. At the same time the implementation of WAN optimizers ensured that traffic was contained within the same bandwidth investment. The compressed traffic includes our centrally hosted ERP, interfaces, Intranet, Internet Protocol Telephony and some WMS servers. Our email system was also upgraded, centralized and consolidated. For many countries there was no replacement of servers as the email service was moved to Hong Kong. As with the central hosting of other applications, the total number of servers was reduced to avoid the cost of in country server replacement. In line with the Green Office, many additional servers were retired and consolidated by one-tenth through server virtualization. Leveraging MPLS, 2009 will see the roll-out of Internet Protocol Telephony and the elimination of telephone toll charges associated with inter-company calls and conference call charges.

Our WMS servers were upgraded worldwide, as were the operating systems and databases. This has improved performance and provided a scalable platform for the future. Functionality was extended to support apparel and garment implementations in Asia. 2008 also saw the Group implement a significant number of interfaces and new accounts come on board to the WMS. Transaction volumes increased by seven million order lines.

E1, our ERP application was centralized in Hong Kong and servers were consolidated. There was close to a 50% reduction in ERP servers worldwide. With consolidation in the Thailand office to be completed in 2009, all ERP functionality will be provided as a utility from Hong Kong. Our field-based applications provide extended enterprise functionality to mobile field staff. Shop Master, designed for the consignment business in Thailand for SSL, has been further enhanced. The upgraded Sales Force Automation (SFA) module of Road Warrior for remote sales order processing is now being applied in Hong Kong, China, Malaysia, Singapore, the Philippines and Thailand. TradEX, our wholesaler application, was implemented in China and resulted in better inventory management and order replenishment process.

ViTAL, our supply chain suite for IDS International, went live in November 2008 with the successful launch of Purchase Order Management System (POMS) in Hong Kong and China. This has allowed the automation of order planning and enhanced our capability to handle more complex supply chains involving multiple stock keeping units (SKUs), suppliers and destination points. Customers can now enjoy order fulfillment visibility down to the SKU level.

The first group of management trainees who joined IDS in July 2007 graduated from the 18-month program in January 2009.

As an extension of our Transportation Management System (TMS), the Carrier Management System (CMS) project will be implemented in China. This project will enable the efficient management of our outsourced transportation service providers, as well as the billing process and reporting to our customers.

Project Management training courses were conducted to ensure that a standardized project management methodology is applied across the Group. Over 150 employees attended the courses, which will strengthen project management capabilities within all areas of the business. Furthermore, 140 employees completed the Super User training, which aimed at establishing higher application competency in operations and back office. The program will continue to drive greater independence and autonomy throughout all end users in 2009.

Prospects For 2009

The Group remains focused on its 2008–2010 Strategic Plan target and the transformational goals stated in the plan. Despite the many challenges posed by the external environment, we have seen heartening progress last year in business development, network expansion, M&A initiatives and the roll-out of our innovative solutions, all of which are crucial to our future growth. In 2009, we will position the Group for strengthened profitability through the continued strong growth in Asia, turnaround of the US and UK businesses, and aggressive pursuit of earning-accretive M&A opportunities.

Amidst volatile market condition, we will continue to control our costs vigilantly and scrutinize all investment plans. At the same time, we will look at ways to enhance productivity across the Group. The Operations Support teams created last year will be the key driver of this initiative. In 2009, we will step up our resources under the Logistics Operations Support team to implement productivity enhancement programs through effective labor management, distribution center design and process optimization.

Another focus for 2009 is the institutionalization of IDS' revenue management process. The project will cover the process from tendering for new business to the implementation of a new contract, addressing issues related to contract management, service pricing mechanism and business development support. This will substantially improve the quality of our earnings and customer relationship management. 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.

New initiatives under the LMT Development Program for 2009 include the launch of e-Learning platform for all levels of management. The platform will provide a selection of 35 topics. Individuals can enroll into the courses according to their own needs and study at their own pace. Course development for the New IDS Manager program has commenced in

The kick-off celebration activity for our 10th Anniversary was held during our Bangkok LCM in February 2009.

late 2008, with a targeted launch in 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 of the Group.

Building on the successful launch of the Green Office campaign in 2008, the Group will strengthen its focus on environmental 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.

I am also delighted to announce that 2009 is the year we celebrate our 10th Anniversary. The theme of our 10th Anniversary — "A Decade of Creation, A Future of Abundance" — encapsulates firstly, the journey of IDS in the last decade, during which we created an Integrated-Distribution Services company and a compelling business proposition in Value-Chain Logistics. Secondly, we look forward towards a "Future of Abundance", capturing our intention to aggressively build scale, scope and depth in our business. There will be celebration activities throughout the year designed to recognize and appreciate employees and their families, as well as to foster stronger partnerships with our customers.

The economic environment in 2009 will continue to be difficult. However, we have a single, determined focus to emerge stronger from this crisis. The Group will hold steady on its course to continue to pursue our goal of doubling on our 2007 profit stated in the 2008–2010 Strategic Plan.

Ben CHANG Yew Teck
Group Managing Director

Hong Kong, 17 March 2009

- Asian operations, in particular the key markets of China, Hong Kong, Thailand and Malaysia, continued to register solid growth of 21.7% in operating profit. Operating profit for Greater China and ASEAN recorded increase of 28.2% and 16.4% respectively.
- China delivered a 65.7% year-on-year increase (excluding Slumberland) in operating profit, fueled by the organic growth of key customers as well as winning new contracts. The Group has received all the necessary permits to enter the healthcare distribution sector.
- The US & UK operations suffered from lower activity levels as a result of weak consumer sentiments. The Group is focusing on cost reduction and productivity enhancements to lower the critical mass requirement and turn the business around.
- The Group smoothly integrated acquisitions made in 2008, including a logistics company in the US and a distribution company of pharmaceutical products in Hong Kong.
- Major customer wins include L'Oreal's ASEAN logistics hub, Shell lubricant, Rémy Cointreau, Fisherman's Friend and Converse. The Group received an increased amount of enquiries towards the end of the year from potential customers seeking innovative solutions to reduce costs.

During the year, Asia registered solid growth in excess of 20% in both revenue and operating profit. However, this growth was offset by weak performances in the US and UK, which are facing severe economic recessions. As a result, the Group's 2008 core operating profit was US$20.97 million, a slight decline of 9.1% compared to 2007 (excluding the Slumberland business).

All our three business streams recorded double-digit revenue growth. Logistics revenue increased by 36.0% to US$369.09 million in 2008, mainly because of organic growth in Asia, the acquisition made in the US during the middle of the year, and the full-year results recorded by the UK operation acquired in 2007. As for operating profit, logistics business in Asia recorded commendable year-on-year growth of 25.6% in 2008, and operating margin continued to maintain a high level of 8.0%. However, taking the US and UK businesses into consideration, total operating profit for Logistics declined 30.4% in 2008.

Compared to 2007, Distribution showed solid growth in both revenue and operating profit. Excluding the Slumberland business, revenue increased by 31.2% to US$1,132.18 million, which was mainly attributable to organic business growth. The acquisition of a pharmaceutical company in Hong Kong and the full-year results recorded for the business in Sarawak subsequent to its acquisition in 2007 also contributed to the increase. Operating profit registered growth of 25.0% compared to 2007, and operating margin was 1.6%, slightly lower than that of 2007.

Manufacturing recorded US$197.08 million in revenue in 2008, a 29.6% increase over the previous year. The growth was entirely organic in nature. Operating profit registered a relatively modest growth of 3.5% in 2008 compared to

The opening ceremony of the Shell distribution center in the Philippines in November 2008. The Group successfully expanded its partnership with Shell soon after winning the business in Taiwan.

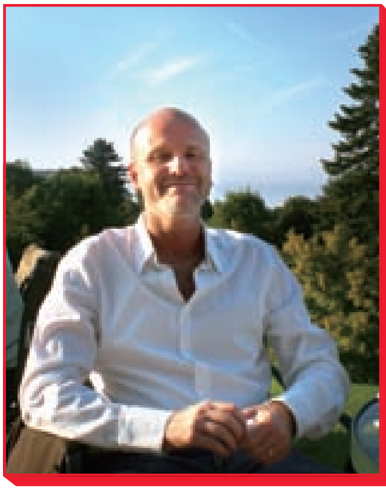
The China Logistics team won the Distinguished Integrated Logistics Service Provider award at the China International Logistics Technology & Services Exhibition and International Logistics and SCM Cooperation and Development Conference.

2007, as a result of changes in the product mix in Malaysia as well as volume shortfall in Indonesia. Operating margin was thus affected, dropping from 3.8% in 2007 to 3.0% in 2008.

The Group enjoyed remarkable success in business development in 2008. Since adopting a country-focused organizational structure, we have seen the benefits of stronger teamwork when pitching for new businesses. A number of major regional contracts were concluded in 2008, including Shell lubricants and Rémy Cointreau. Both started as one-country opportunities, but later decided to partner with IDS with expanded scope of service and geographies.

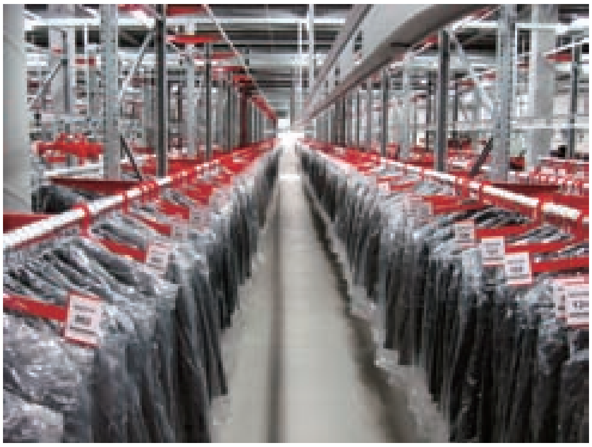
On a country basis, the China Logistics team signed deals with Converse, Dickies (the world's largest work wear manufacturer) and LiFung Trinity (a leading retailer of high-end and luxury menswear). In Hong Kong, we won the distribution contracts for Philips Lighting and Sanofi Aventis. The Taiwan operation concluded the distribution and logistics service agreement with Shell lubricants covering all automobile workshops and factories. Leveraging on this contract, we are now able to develop our distribution capability and expand our scope of service further in Taiwan. The Singapore Logistics team added two new regional hubbing clients, namely L'Oreal and Rémy Cointreau. In Thailand we commenced the manufacturing of home care products for P&G (which was transferred from P&G's in-house plant) and renewed our contract with SSL for five years. The Philippine team secured the logistics contract for Shell, as well as distribution businesses from L'Oreal, Gilead and Splash. And in Malaysia, we signed a contract with Lofthouse of Fleetwood for the manufacturing of Fisherman's Friend lozenges for regional supply.

IDS continued to win numerous awards and acknowledgements across the region from customers and the industry. The Philippine operation won Unilever's Vendor of the Year Award for the third time over the past four years as well as 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. And we also received acknowledgements from various customers in Taiwan and Singapore for our outstanding performance.



"SSL Healthcare has been working with IDS since 1999. Our partnership in a number of economies across Asia in the areas of Manufacturing, Logistics, Distribution and Marketing has positioned us to meet the wants and needs of our many customers."

Jon Gray
Managing Director, Asia Pacific
SSL International plc



The new 70,000 sq.ft. GOH facility in Shanghai is one of the best of its kind in China.

Greater China

The Greater China region reported year-on-year revenue and operating profit growth (excluding Slumberland) in 2008 of 37.8% and 28.2% respectively. This was substantially driven by stellar performance in China, which recorded 65.7% year-on-year growth in operating profit. China has now become the biggest market for the Group both in terms of revenue and operating profit, and we will continue to make strategic investments in this all-important market to drive further growth.

During the year, we opened two state-of-the-art facilities – a GMP-standard healthcare distribution center in Hong Kong and a Garments-On-Hangers (GOH) facility in Shanghai – amongst seven new logistics facilities in the region. We also opened a new China headquarters in Shanghai. These facilities substantially strengthened our infrastructure and further enhanced IDS' image as a leading logistics service provider in the garment and healthcare industries.

Subsequent to the approval granted by the Ministry of Commerce in July for IDS to engage in the wholesaling, distribution, import and export of pharmaceutical products in China, the Group also received the permit from the Shanghai State Food & Drug Administration in December. IDS is now ready to commence the distribution of traditional Chinese medicine, biologicals, pharmaceuticals and antibiotics in China. This is an area with huge potential and will provide the Group with another key competitive edge. The immediate focus for 2009 will be to further develop our distribution network in other major cities and provinces beyond Shanghai.

Our Hong Kong acquisition strengthened our pharmaceutical distribution coverage and manufacturing capabilities.

The Group also completed the acquisition of a pharmaceutical company in Hong Kong in 2008. This has since been fully integrated with the existing operation. This acquisition also provides the Group with the capability to manufacture pharmaceutical products, which in turn enables us to explore new opportunities including contract manufacturing for regional supply as well as primary packing service for local distribution.

Asian operations, in particular the key markets of China, Hong Kong, Thailand and Malaysia, continued to register solid growth of 21.7% in operating profit.

ASEAN

The ASEAN region registered strong growth in 2008. Compared to 2007, and excluding the Slumberland business, revenue in 2008 increased by 25.4% while operating profit grew by 16.4%. Growth was mainly driven by the spectacular performance of the two major markets, Thailand and Malaysia. The Philippines, while making a relatively smaller contribution, also showed significant year-on-year improvement.

Despite an unstable political environment, Thailand recorded year-on-year operating profit growth of nearly 50% in 2008. All three operations – logistics, distribution and manufacturing – recorded growth of between 40% and 55%. This was driven entirely by organic growth, effective cost control and better

The opening ceremony of the ASEAN logistics hub for L'Oreal in Singapore.

operating leverage. The TGA (Therapeutic Goods Administration) auditing process for the Listerine plant 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.

The Group is currently planning to establish a new healthcare facility in Singapore by the end of 2009. Following the success of the state-of-the-art facility opened in Hong Kong, we believe that upgrading our facility in Singapore in accordance with the highest industry standards is imperative to bringing our operations to the next level of operational excellence.

IDS Indonesia

"From the very beginning, IDS Manufacturing Indonesia has shown full commitment in developing the infrastructure and system for the tooling/dedicated plant which fulfills Henkel's requirements and allows for sustainable growth."

Agus Hendarto
Operation & SC Manager
PT Henkel Indonesien

US & UK

Both the US and UK were severely impacted by the soft retail sentiments. Consumer confidence reached an all-time low, and the peak season in the second half proved to be much weaker than the past. As a result, the US and UK operations recorded a loss of US$7.57 million in 2008, compared to US$0.83 million profit in 2007. We expect the softness in market demand to continue in 2009, and our top priority is to streamline our cost base to ensure that our operations can sustain a lower critical mass.

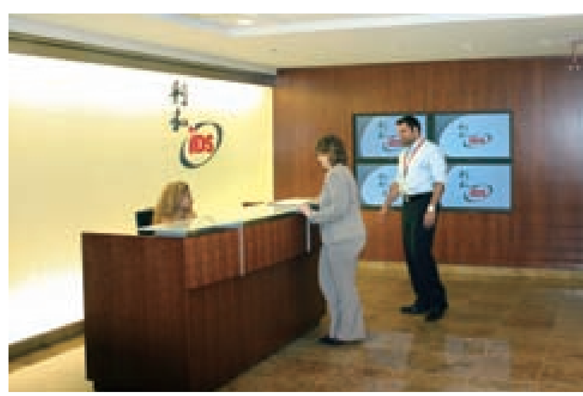
"IDS has been a valued partner for Shoes For Crews. They helped us map out our future strategy in launching our product-line in the Asian market. IDS has the right 'positive attitude' that makes this complicated venture seem very attainable."

Matt Smith
President & Chief Operating Officer
Shoes For Crew

During the year, the Group acquired a logistics company based in the West Coast of the US. The integration went smoothly, thanks to the support of a much stronger Country Resource Team (CRT). One immediate synergy from the acquisition was the potential for facility consolidation. By installing racks and consolidating our operations in bigger facilities run by the acquired company, we were able to reduce floor space by about 600,000 square feet in the US, without sacrificing service level. This equates to US$2.5 million savings per annum in rental.

Our effort in business development has resulted in a strong pipeline and acceleration of developing a stronger partnership with Li & Fung Trading (Li & Fung) in the US. During the year, more new projects have been rolled out, and Li & Fung has become our biggest customer in the US. We expect the collaboration with Li & Fung to continue and grow in 2009.

The facility consolidation program in the UK has resulted in the exit of three facilities. We have also restructured the organization to improve process efficiency and reduce headcount by over 20%. These measures will result in savings of more than £1,450,000 per annum. We will closely monitor the situation and take further action should market sentiment continue to deteriorate.



IDS USA made significant investments in DC racks (top), Warehouse Management System and a brand new 25,000-square-foot headquarters in Secaucus, New Jersey (bottom).

Leadership, Management & Talent (LMT) Development Program

The year 2008 ended with a positive bang for all of the four LMT Development program blocks.

For the Core Management programs, a total of 615 middle level managers were trained in the Operations Excellence for Results (OER) program since it was launched in 2007. Feedback to the program has remained positive and the program has now given all IDS managers a common base line on management principles and approaches. The Basic Management Program (BMP) for supervisors has also been very positively received and as at the end of 2008, over 1,300 supervisors have been trained in the BMP.

A group of Management Trainees recruited in China during their orientation program (top); Graduation group photo for the first batch of Management Trainees, Class of 2009, who completed the 18-month program (bottom).

For the Individual Development program, year 2008 saw the conceptualization and finalization of exciting new e-Learning programs for a 2009 launch. Aimed at the management and supervisory levels, the e-Learning programs will bring a whole new dimension to self-managed learning.

For the Elective program, all businesses continued to roll out training programs and courses specific to their individual needs. Despite a busy and challenging year, operationally, it was very evident that staff training was still high in priority; a testament to the Group's commitment to People Development.

In the Accelerated Professional Development programs, the Group continued in its drive in recruiting Management Trainees (MT), following in the heels of the launch of the MT program in 2007. For the 2008 recruitment (MT Class of 2010), the Group recruited 60 trainees, with USA coming into the program for the first time. After completing the 18-month program, 45 MTs from the Class of 2009 graduated in January 2009.

The Internship program for 2008 was also forging ahead, and a total of 14 interns were given positions across five countries over the year. Feedback from the MTs, interns, the universities that they come from, and IDS management have all been extremely positive and enthusiastic, sealing both the MT & Internship programs to be an integral part of IDS' long-term People Development efforts.

Looking forward into year 2009, a number of exciting initiatives are being planned, taking the IDS' commitment to its people and to the LMT Development program to yet another level:

A number of exciting initiatives are being planned, taking the LMT Development program to another level.

- Following the finalization of the e-Learning programs under the Individual Development program, the Group will be launching two sets of e-Learning programs by Q1, 2009. These are:
  - Performance Development e-Learning program, aimed at the Group's management level staff, and
  - Supervisory Skills e-Learning program, aimed at the supervisory staff.

  The benefits of e-Learning are many – it is self-managed and will give the staff the flexibility of learning at their own pace and in their own time; it is cost-effective as participants no longer need to travel to a common venue with the high associated traveling costs; and it is 'focused' with the staff having full individual attention without the distraction of other participants' simultaneous needs as one encounters in a classroom environment.

  There will be two distinct e-Learning approaches that the Group will be implementing. For the Performance Development e-Learning program, the staff will be part of a virtual classroom with full interaction with other 'classmates' and with the benefit of a 'lecturer', while in the Supervisory Skills e-Learning program, the staff will be able to self-manage their own learning speed and understanding through a comprehensive, user-friendly program, without the need for any 'lecturers'.

- The New IDS Manager program, under the Accelerated Professional Development program block will start to take form early in Q3, 2009. Aimed at all management staff, the New IDS Manager program will cover two important modules:
  - Quantum Leap in Organic Growth, and
  - Implementing The IDS Vision.

  These modules will give existing managers new insights into the rationale of the IDS business model, its Menu of Services, and into the way the Group operates and meets challenges. Also in the form of e-Learning, these modules will be heavily customized to suit IDS' needs and inputs from IDS' people and practices will form a large portion of the module contents.

- While it is imperative to systematically attract new talent into the Group – addressed by programs such as the Management Trainee program – there is also a great need to systematically nurture existing talent. In 2009, a Talent Management initiative will be conceptualized and finalized, ready for implementation in Q4, 2009 or early 2010.

Employee Stock Savings Plan (ESSP)

To align employee's long-term interest with the Group's interest and to promote individual performance towards the success of IDS, the Group implemented the ESSP in October 2008. The ESSP enables employees to participate in IDS shares ownership through a fixed monthly contribution nominated by participating employees.

Presenting the GMD Award to a winner from the Philippines to acknowledge her outstanding contributions (top). Group photo of colleagues who received the 30-Year Loyalty Award in Hong Kong (bottom).

In its initial launch, to encourage employees to own IDS shares, the Group granted a one-off 200 IDS shares free to each participating employee. In addition, the Group will contribute an incentive cash payment equivalent to 10% of the employee's calendar year contribution in July of the following year. The Group also covers the administration and brokerage fees for IDS shares purchased by employees under the ESSP. Details are set out in the Company's announcement dated 27 August 2008.

The Group saw approximately 16% of the eligible employees population participating in the ESSP.

Recognition Programs

Year 2008 witnessed IDS acknowledging and celebrating 566 employees for their loyalty and dedication through the respective Annual, Appreciation and Award (AAA) events held across all countries. The number of employees that received the Loyalty Award are:

5-year — 255 employees
10-year — 162 employees
15-year — 77 employees
20-year — 28 employees
25-year — 20 employees
30-year — 7 employees
35-year — 16 employees
40-year — 1 employee

The Group Managing Director's (GMD) Award Program entered its second year of implementation in 2008. This Award acknowledges and recognizes employees' outstanding contribution to the success of the Group. In 2008, we received an overwhelming response of 105 nominations compared to 88 in 2007. Out of the 71 shortlisted nominations, 21 were selected as winners of the Award.

Corporate Social Responsibility

2008 was an eventful year for IDS on the Corporate Social Responsibility (CSR) front. Across all businesses in Asia, the US and UK, IDS staff were engaged in numerous CSR projects and initiatives, touching the lives of hundreds, if not, thousands of people. The projects and initiatives were selected from the four dimensions of CSR:

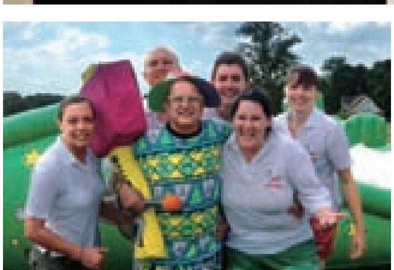
- Community
- Environment
- Workplace
- Marketplace

A total of 60 country-wide CSR activities were held involving more than 3,000 employees across the Group.

Year 2008 saw two major calamities in Asia, namely the Sichuan earthquake and Myanmar cyclone, both of which claimed many lives and destroyed many homes. It is often at times of extreme distress, suffering and sadness that we witness acts of kindness, selfless compassion and the human spirit of helping those who are in desperate need. IDS immediately sprang into action with the organization of a Group-wide fundraising campaign on 14 May 2008 and raised about USD150,000.

2 May 2008 was the day when the whole IDS Group launched its Green Office campaign. To mark the occasion, there was a presentation on the objectives of Green Office and the various ways to implement effective waste management to all employees. On that day, it was a common sight to see employees wearing something green, taking potted green plants to their work area, or crunching on green apples. Awareness of the need to take care of the environment reached every employee on that day. The message is clear …….. ..''Today's actions; Tomorrow's future.'' Following the official launch of the Green Office campaign, each country started to identify and work on Green projects aimed at:

- minimizing impact of Climate Change
- minimizing potential business risk
- reducing, reusing, recycling waste
- disposing waste in an environmentally responsible manner
- reducing energy consumption and improving energy efficiency.



IDS was awarded the Caring Company Logo 2008/2009 in Hong Kong for the second year in a row (top). UK colleagues joining a charity day to raise funds for children (bottom-left). Launch of the Green Office campaign in Singapore (bottom-right).

Offering free medical check and consultation service in Indonesia (top). Re-painting the RAPHA Children's home in Malaysia (middle). Donation to a center for autistic children in Brunei (bottom).

10 BEST OF IDS

IDS is defined by a set of unique & distinctive competitive propositions, developed during "A Decade of Creation" that has assured the Company, its Employees, Customers and Shareholders "A Future of Abundance".

01 THREE-YEAR STRATEGIC PLANS

IDS has a proven track record of successfully delivering our Strategic Plans. Our disciplined planning process and implementation methodology gives us the ability to continuously re-invent ourselves, maintain industry leadership and stay ahead of competition.

10 CORPORATE SOCIAL RESPONSIBILITY

At IDS, we take CSR very seriously as an integral part of our business. We have charted an aggressive strategy on Environmental Sustainability, championed many Community Outreach programs and instituted Group-wide Health & Safety policies and practices.

09 BEST-IN-CLASS TECHNOLOGY APPLICATIONS

Built upon a unified global IT platform, our best-in-class applications are common in all our operations worldwide. Customers work with IDS the same way everywhere and enjoy visibility, velocity and value for services we perform along the value-chain.

08 ASIAN DOMINANCE LED BY CHINA

In the past decade, IDS has established itself as a leading Value-Chain Logistics company. We have built a dominant Asian position led by China with a deep and extensive distribution network. This has prepared IDS well for global expansion.

07 LONG-TERM CUSTOMER PARTNERSHIPS

Our long-term strategic outlook in providing optimal customer solutions from our Menu of Services has been the cornerstone of our Asian growth. We remain focused on building long-term customer partnerships regionally and globally.

06 IDS PEOPLE DEVELOPMENT

The IDS Leadership, Management and Talent (LMT) Development program consists of 4 distinct training & development blocks. It is designed to develop future IDS leaders & managers and the talent pool needed for IDS' aggressive expansion plans.

02
VALUE-CHAIN LOGISTICS

This is our people-driven, asset-light and technology-enabled business model. We position Logistics as the fundamental enabler of our business, connecting our Menu of Integrated-Distribution services into an end-to-end Value-Chain.

03
INTEGRATED-DISTRIBUTION SERVICES

This is our business offering to brand owners and retailers. Our Menu comprises distinct components of value-added services. We take a customized approach in integrating one or more services to unlock value in our customers' supply-chains.

04
HIGH PERFORMANCE, HIGH VALUES

We continuously stretch to achieve better results, stronger operations, higher efficiencies and lower costs. We deliver such high performance with high values. Ethics, strong governance and our continued investments for the long-term ensures sustainable growth and success.

05
"SMALL-COMPANY SOUL IN A BIG-COMPANY BODY"

The People of IDS is imbued with the values of a small family company — service, respect, loyalty and entrepreneurship with the values of a large corporate entity — ethics, teamwork, social responsibility and success.

01 UNILEVER PHILIPPINES

"IDS Philippines is one partner that exemplified the true spirit of partnership with Unilever. It fully aligned its operations and projects with Unilever's Strategy Into Action. As a testament to its performance, IDS won Unilever Philippines' Vendor of the Year Award for three years and we are sure there are more prizes to come."

Fernando Fernandez
Chairman and CEO
Unilever Philippines

10 ADIDAS CHINA

"During the 2008 Beijing Olympics, IDS secured critical vehicle resources and storage space for adidas which enabled us in delivering all promises to our customers and enjoyed great success."

Lily Xie
Logistics Director
adidas

09 PHILIPS HEALTHCARE

"We at Philips Healthcare values our partnership with IDS, who has demonstrated strong commitment to customer relationship management, teamwork and drive cum passion for success."

Suvendra Das
General Manager
Philips Healthcare

08 L'OREAL TAIWAN

"IDS is a true business partner who provides support through 'thick and thin', through 'good and bad' and has always helped to provide a solution, improve the supply chain and drive down costs!"

Alvin Hew
President & Managing Director
L'Oreal Taiwan Co., Ltd.

02 ABBOTT CHINA

"Abbott and IDS have created an outstanding partnership in China since 1999. We continue to enjoy working with the professional team of business leaders in building constructive communications and collaborations to produce 'Win-Win' outcomes for both companies."

James Tsui
General Manager
Abbott China

03 GLAXOSMITHKLINE MALAYSIA

"IDS is a strong and stable partner supporting the GSK business in Malaysia and beyond. The partnership has achieved impressive benefits and we share common goals and values."

Akhil Chandra
Vice President & General Manager, South Asia
GlaxoSmithKline Consumer Healthcare Sdn. Bhd.

04 GILEAD ASIA

"The distribution relationship between Gilead Sciences and IDS in Asia has been critical to the expansion and success of our Company's Global Access Program to make our antiviral medicines available to patients in resource limited countries."

Clifford Samuel
Senior Director, International Access Operations
Gilead Sciences, Inc.

05 GETINGE INTERNATIONAL

"We very much treasure our partnership with IDS in Singapore and are pleased with their well-established customer relationship and professional after-sales service performance."

Dag Leff-Hallstein
President
Getinge International Far East Pte. Ltd.

06 SSL INTERNATIONAL

"IDS have been pivotal to the success of SSL Healthcare Thailand and our Scholl Footwear brand. The comprehensive array of services from IDS has provided us a great platform from which to significantly grow our business in Thailand."

Tim Evans
Regional Managing Director, South East Asia
SSL International plc

07 WATSON THAILAND

"Central Watson enjoys a close and co-operative working relationship with IDS here in Thailand. Over the past few years by working together we have managed to reduce our stocks by half whilst improving customer availability. We could not have achieved this without the great help and support from IDS."

Toby Anderson
Managing Director and Regional Marketing Director
Central Watson Co. Ltd., Thailand

01 CLIMBING THE CAREER LADDER AT IDS

Daraka T., Managing Director of our Thailand Listerine plant has an illustrious 22-year career history with IDS.

"I am delighted with my career progression at IDS. Luckily I was married before IDS took over, otherwise I would have ended up being married to IDS instead."

Daraka Thanapirom
Manufacturing, Thailand

10 DEMONSTRATING THE ESSENCE OF TEAMWORK

IDS has become the chosen Asian partner to manage Rémy Cointreau's logistics requirements across six countries. IDS won by demonstrating the best of inter-regional and cross functional teamwork.

"The win of Rémy Cointreau is easily one of the most fulfilling experiences I've had at IDS. The support and teamwork was simply outstanding."

Helen Kok
IDS International

09 CELEBRATING OUR CHINA SUCCESS

In 2008 IDS China celebrated an unprecedented 65% profit growth. The result was driven by new business wins and several exciting projects. Our success is attributed to the IDS China team who has stayed firm in delivering our vision and values.

"I am honored by my recent appointment as Country MD of IDS China. I wish to thank Management for the confidence and trust they've placed in me."

Herman So
IDS China

08 LEADING OUR USA OPERATIONS

Simon Oxley accepted the biggest opportunity of his career by transferring from MD of Logistics in Thailand to become President & Country MD of IDS USA.

"The IDS US Management Meeting is critical to the success of IDS. This meeting is the forum for developing, communicating and measuring progress against the IDS Three-Year Strategic Plan."

Simon Oxley
IDS USA

07 DELIVERING FOR OUR CUSTOMERS

At IDS, our people are driven by our service delivery and promise to our customers. Sally Ng, General Manager, Medical Division in Singapore best exemplifies this quality.

"My customers are my key successes in my 24 years with IDS. I motivate my whole team to be passionate and committed, stay close and engaged with our customers."

Sally Ng
Medical Division, Singapore

10 PEOPLE MOMENTS

Quality Moments that touch the Hearts & Minds of our Employees are the markers of Growth for our People at IDS.

02 REWARDING EXCEPTIONAL PERFORMANCE

The IDS GMD and Chairman's Awards recognize exceptional performance at IDS.

"I was delighted to receive the Group Managing Director's Award for 2008 for my part in overhauling Healthcare Logistics for IDS in Hong Kong. This project incorporated a complete Distribution Center re-design and construction, and has produced notable new business wins."

Nelson Chan
Healthcare Distribution, Hong Kong

03 DEVELOPING OUR FUTURE LEADERS

By end 2009, a total of 200 graduates from top universities would have undergone the IDS MT Program.

"As a Management Trainee, we have been given unique opportunities to grow and advance with on-the-job training and education. The MT program exceeded my expectations. My performance was recognized and rewarded."

Jane Tan
Medical Division, Malaysia

04 RECOGNIZING LONG SERVICE EMPLOYEES

The IDS Annual, Appreciation and Award (AAA) Event is the premier employee country event at IDS. Four employees from Thailand received their 40-Year Loyalty Award in the AAA 2009. Of the 112 Thai awardees, 34 served the Group for 20 years or more.

Anong P., Somsri M., Malee B. & Usa S. at AAA Thailand

05 TRAINING IN IDS CORE MANAGEMENT PROGRAMS

In the past three years, over 1,500 IDS Managers and Supervisors have undergone one of three Core Management programs.

"The Basic Management Program was essential to help me better manage people in my leadership role. I now have greater confidence to make better and more informed decisions."

Angelia Tan Hee Ling
Logistics, Singapore

06 CELEBRATING FAMILY DAY AT IDS

In 2009, we will celebrate our 10th Anniversary with the grandest of Family Day Events in all countries.

"What a great day was had by all. The 2008 Family Day Charity Carnival strengthened family bonding and our employees' sense of belonging in IDS. Best of all we promoted IDS as a caring culture and company to the wider community."

Kuo Yuan Lee
Logistics, Taiwan

10 OPERATIONS FIRSTS

01 THREE TIMES A WINNER WITH UNILEVER

Started in 2001, the purpose designed CDC boasts of a 43,000 pallet storage capacity, making it one of the largest in the Philippines. Using advanced technology like Radio Frequency Terminals, the CDC stores and picks Unilever products for delivery nationwide. The three "Unilever Vendor of the Year" awards received by IDS in 2005, 2007 and 2008 represent one of the strongest partnerships with an MNC.

10 WATSONS HONG KONG FLAWLESS DC RE-LOCATION

IDS currently provides logistics services to Watsons in three countries. In Hong Kong, we recently relocated the facility to HLC in Kwai Chung.

"I would like to thank IDS for the professional way which the recent warehouse re-location was handled in Hong Kong. It was a great example of partnership with a 3PL."

Keith Bartlett
Director Group IT & Logistics
A.S.Watsons Group

09 AN EXCITING NEW PARTNERSHIP WITH FISHERMAN'S FRIEND

In 2008, IDS Malaysia commenced partnership with Fisherman's Friend to startup a facility to manufacture the lozenges to fulfill the Asian requirement.

"The professional manner in which IDS handled the project made the transfer of technology and production easy. We were pleased to deliver the project on time and meet our customers needs."

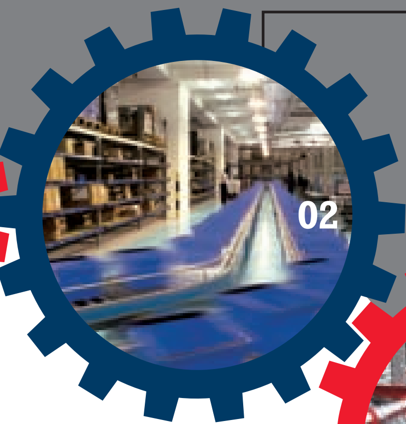
Robert Woodhouse
Technical & Planning Executive
Lofthouse of Fleetwood Ltd.

08 STATE-OF-THE-ART ASRS IN SINGAPORE

Our Automated Storage & Retrieval System (ASRS) in Singapore is a bonded, temperature controlled, 44,000 pallet facility that deploys best-of-breed technology in supporting multiple clients across diverse industries. Used both as a local DC and a regional hub, the facility provides efficient product flows for customers, achieving significant reductions in inventory and delivery lead-time.

07 TRUE NATIONAL COVERAGE, PROVEN TRACK RECORDS

Our China Distribution Network comprises 18 branches and covers 150 cities. This, together with our proactive collaboration with our clients enables us not only to deliver superior performance but also to swiftly respond to any market changes. Supported by our 1.7 million-square-foot logistics facilities in China, it gives us tremendous leverage to roll-out our healthcare operations.



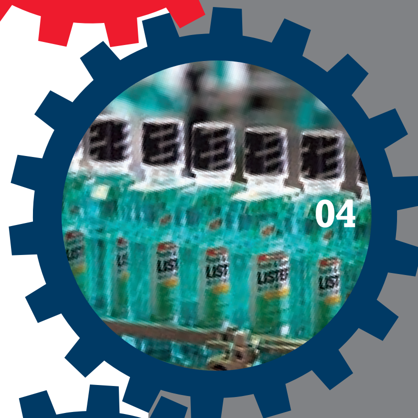
02 NEW HEALTHCARE DC IN HONG KONG

IDS Hong Kong takes pride in its newly constructed 67,000 sq ft Healthcare DC. It features the highest operating standards in the pharmaceutical industry and has won many notable commendations from both current and potential principals. IDS is investing in similar state-of-the-art healthcare facilities in Singapore, Thailand and Malaysia.

03 FIRST ASIAN GARMENTS-ON-HANGERS FACILITY

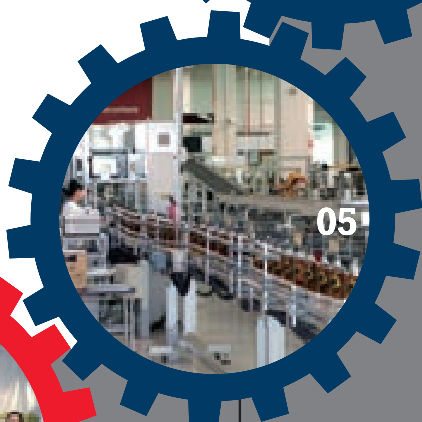
IDS is a leading garment and apparel logistics provider in the US and UK. In 2008 we invested in our first Garments-On-Hangers facility in Shanghai. Purpose built for high end fashion brands, the facility is equipped with full humidity control and powered trolley transport rails. This will strengthen our leadership position in fashion logistics in China.

At IDS, day to day Operations Excellence and Flawless Execution on the ground comes First – before Strategy and long-term Goals.



04 ASIAN MANUFACTURING FOR LISTERINE MOUTHWASH

From a green field site to full commissioning in 2005, we have progressively built a best-in-class Listerine mouthwash facility, the only outsourced and one of the few big facilities commissioned by Johnson & Johnson globally, dedicated for supplying Listerine mouthwash across Asia. The plant currently produces 50 million bottles of Listerine mouthwash per annum and supplies to 14 countries in Asia Pacific, including Japan and Australia.



05 A TRANSFORMATIONAL PARTNERSHIP WITH DIAGEO

Diageo and IDS collaborate to transform Diageo's supply chain through the implementation of a postponement & regional hub strategy at our bonded ASRS in Singapore. Final market-specific labeling & packaging is performed on products received from Europe on bespoke, high-speed, semi-automated production lines, which are then distributed to Diageo's Asia-Pacific markets.

06 ENTERING THE LUBRICANT DISTRIBUTION SECTOR

The partnership between IDS and Shell Lubricant in Taiwan is another first for IDS in the distribution of industrial products. Given its smooth start-up, this is expected to develop into a regional partnership.

10 SUPER USERS OF CORE APPLICATIONS

Increasingly people are appreciating applications as a means to an end and view them as business necessities. Knowledge of what the applications can do and how to apply them is giving operations staff the ability to be more autonomous. Super User program has empowered our people and increased their competency. 140 employees have completed Super User program.

01 GLOBAL ROLL-OUT OF A STANDARD WMS

All IDS distribution centers use the same Warehouse Management System (WMS). The same code, a single version has facilitated a small team to maintain high system performance, minimize issues and roll out to more than 300 customers, over 100 DC's across Asia, the US & UK.

09 CARRIER MANAGEMENT SYSTEM (CMS)

We continue to extend the application of technology up and down the supply chain for higher efficiency and better control. The latest addition is CMS which enables efficient management of our outsourced transportation service providers and billing processes. CMS will be fully functional in China this year with other countries to follow.

08 COMMUNICATION PROTOCOL AT IDS

Easy and effective communication is key for our global operations. We have implemented an enhanced IP telephony and video conferencing system. This allows secure, high quality communication, reduced travel and inter-office call charges, and more importantly, better connection for our people.

Our continued investments in cutting-edge Applications built on a single and common Technology Infrastructure enables IDS to leverage and improve on our Processes, Performance and Efficiencies worldwide.

07 VITAL – IDS INTERNATIONAL END-TO-END APPLICATION

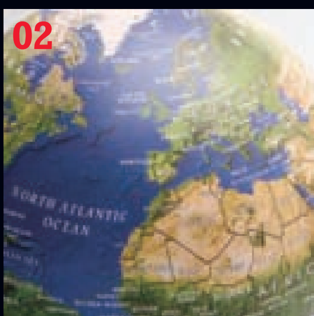
ViTAL is a suite of products designed as the core application for our International business. This is integrated with our existing core applications. Through ViTAL, IDS provides services like Program Solutions & Administration, Purchase Order Management, Landed Duty Paid and Replenishment Programs.

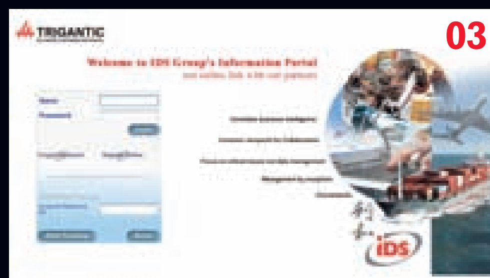
02 GLOBAL ROLL OUT OF E1 ERP SYSTEM

E1 has played a significant role within IDS as our single ERP platform for finance and distribution. Just as important as the standardization of applications has been the standardization of processes on a global basis. The disciplines and methodologies used in rolling out E1 created the basis for our global project management methodology.

03 TRIGANTIC – IDS ONLINE INFORMATION DASHBOARD

Making sense of millions of transactional details is not easy. Trigantic converts transactional data into actionable information. The standardization and meaning of data has been a significant factor in providing a single web portal for business intelligence. Transactions from every country are aggregated and presented online. Trigantic provides a single point to access customized information in an online dashboard.





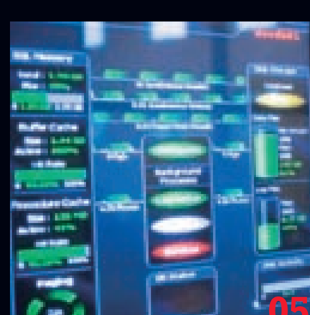
10 TECHNOLOGY FEATS

04 IDS FIELD APPLICATIONS

Road Warrior incorporating Sales Force Automation (SFA) & Field Data Acquisition (FDA) and TradEX, the IDS sub-distribution application, extends our back office systems into the field. These applications have compressed order cycle and eliminated delays in providing business intelligence. Road Warrior is now used across Asia and TradEX is being rolled out in China and the Philippines.

05 GLOBAL REFRESH OF CORE APPLICATIONS

IDS continues to leverage our core systems through functional upgrades and more recently through a technology refresh. Incremental investments in hardware, operating systems and database will allow IDS to enjoy the familiarity of tried and tested applications with greater performance and assurance of scalability. In addition to E1 and WMS, our email system has been significantly upgraded.



06 CENTRALIZATION AND CONSOLIDATION OF SERVERS

By centralizing and consolidating core application servers, we enjoy better control, lower costs, speedier upgrades and faster roll-outs to new users. This provides a more secured production platform where access to systems and data is managed centrally and secured backups can be effected in one place.

10 IDS HONG KONG RECEIVES "CARING COMPANY" RECOGNITION

IDS Hong Kong has championed many community outreach programs like stairathon fundraising, charity tug-of-war and job shadowing program. In recognition of this, IDS has been awarded the "Caring Company Logo" for our contributions to the community and good corporate citizenship.

01 VALUE-CHAIN SEMINARS

IDS is committed to promoting education in the areas of Integrated-Distribution, Logistics and Supply Chain. Since 2006, IDS has organized Value-Chain Seminars in five cities in conjunction with local universities for over 2,000 industry practitioners and students.

10

09 SICHUAN EARTHQUAKE FUNDRAISING

The Sichuan earthquake in May 2008 took the lives of over 100,000 people and made millions homeless. Colleagues across IDS initiated a fundraising campaign and collected US$150,000 for reconstruction programs. Our healthcare division also sourced antiseptic fluids for medical use in affected areas.

08 ENVIRONMENTAL IMPROVEMENT IN THE UK

Colleagues from the UK spent half a day during their Management Meeting in July 2008 to join other schools, colleges and community groups in an effort to improve the environment of a local woodland for the benefit of the community and indigenous wildlife.

07 VISITING INDIGENOUS PEOPLE IN MALAYSIA

In 2007, the Malaysian team ventured deep into the forest to bring the indigenous people in Kampong Tebang daily necessities, as well as toys and stationery for children, to supplement their daily needs. It was an invaluable experience for our colleagues to interact with people from these villages.

10 OUTREACH ACTIONS

Corporate Social Responsibility encompassing our commitment to Environmental Sustainability, Employee Health & Safety and Community Outreach Programs is integral to our business at IDS.

02 STUDENT EXCHANGE PROGRAM

In 2007, IDS, in conjunction with the Li & Fung Foundation, began sponsoring up to 20 students every year from Singapore Management University (SMU) to participate in an International Exchange Program. This initiative, which is intended to broaden the horizons of talented students, entitles SMU students to study abroad, and those from universities in China to attend SMU.

03 GROUP-WIDE GREEN OFFICE CAMPAIGN

Besides reaching out to the community, IDS always makes sure it also has good housekeeping practices within the organization. In 2008 we launched the Group-wide Green Office campaign to enhance awareness of environmental protection principles and implemented various initiatives to make a difference.

04 IDS PARTICIPATES IN DISASTER RELIEF

IDS colleagues have always responded quickly and compassionately for disaster relief programs. In 2006, following the earthquake in Yogyakarta, Indonesia, our local colleagues immediately organized a fundraising campaign and formed a volunteer team to help set up waterproof shelters for victims. In 2008, IDS also initiated a fundraising to support relief programs after the Myanmar tropical cyclone.

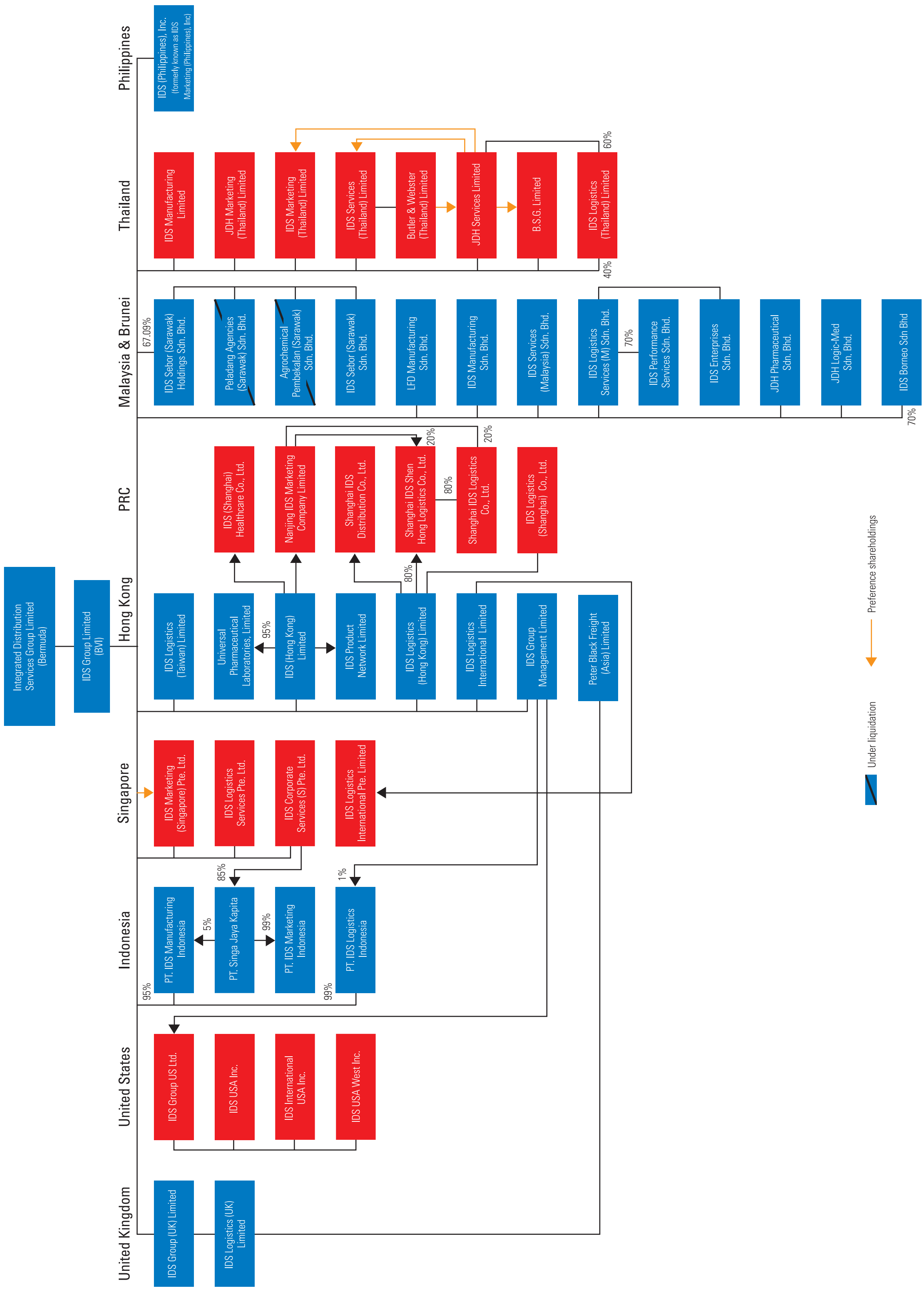
05 FEEDING PROGRAM IN THE PHILIPPINES

IDS Philippines launched a six-month supplemental feeding program in 2006 to provide nutritious meals to 30 malnourished children from an underprivileged community. The program demonstrated our long-term commitment to supporting the community and fighting poverty in a sustainable and resourceful manner.

06 LCM PARTICIPATION IN BANGKOK SCHOOL PROJECT

During the Leadership Council Meeting in 2009, all IDS senior leaders rolled up their sleeves and re-painted a primary school in a community where our manufacturing facility is located. This is part of a series of improvement projects that the LCM and our Bangkok colleagues are funding with both money and time to ensure a continuing development of education at the school.

CORPORATE STRUCTURE



As at the date of this Report, the corporate structure of the Group is as above.

Non-executive Directors

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

Independent Non-executive Director

Executive Directors

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

Group Chief Compliance Officer

James SIU Kai Lau

Chief Financial Officer

Srinivasan PARTHASARATHY

Company Secretary

YUEN Ying Kwai

Qualified Accountant

Simon CHAN Kam Chiu

Legal Advisors

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

Registered Office

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Principal Bankers

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

Principal Place of Business

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

Auditor

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

EXECUTIVE DIRECTORS

BENEDICT
CHANG YEW TECK

Benedict CHANG Yew Teck

aged 55, is the Group Managing Director of the Company. He has been a director of Li & Fung (Distribution) Limited, a substantial shareholder of the Company, since April 1999 and an Executive Director of the Company since October 2003.

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

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

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

JOSEPH
CHUA PHI

Joseph Chua PHI

aged 46, is the President of IDS Group. He joined IDS Logistics (Hong Kong) Limited in 1999 and has been an Executive Director of the Company since August 2004. He graduated magna cum laude from the University of the Philippines with a Bachelor of Science degree in Industrial Engineering, and attained an MBA degree with top honours from the same university. Between 1984 and 1995, Mr. Phi worked with Colgate-Palmolive Company in a number of Asian locations covering the areas of purchasing, production planning, manufacturing, logistics and supply chain management. Between 1995 and 1999, he worked with HAVI Food Services as General Manager and later Managing Director of its Taiwan subsidiary. He is a member of Phi Kappa Phi and Phi Gamma Mu international honour societies. Mr. Phi is the convener of the Li & Fung China Advisory Council, which aims to coordinate the Group-wide China effort to produce the maximum impact and exposure for the Li & Fung Group. He is also the Chairman of GS1 Hong Kong and a Director of ECR Hong Kong. Mr Phi is an Industrial Engineer.

NON-EXECUTIVE DIRECTORS

DR. VICTOR
FUNG KWOK KING

DR. WILLIAM
FUNG KWOK LUN

JEREMY
PAUL EGERTON
HOBBINS

Dr. Victor FUNG Kwok King

aged 63, brother of Dr. William FUNG Kwok Lun, has been a non-executive director of the Company since October 2003. Dr. Fung is Group Chairman of Li & Fung (1937) Limited (a substantial shareholder of the Company) and publicly listed Li & Fung group companies including Li & Fung Limited, Convenience Retail Asia Limited and the Company. He is also a director of King Lun Holdings Limited and Li & Fung (Distribution) Limited (substantial shareholders of the Company). Dr. Fung holds Bachelor and Master Degrees in Electrical Engineering from the Massachusetts Institute of Technology, and a Doctorate in Business Economics from Harvard University. Dr. Fung is an independent non-executive director of BOC Hong Kong (Holdings) Limited and Orient Overseas (International) Limited in Hong Kong, Baosteel Group Corporation in the People's Republic of China and CapitaLand Limited in Singapore, and a non-executive director of Hup Soon Global Corporation Limited in Singapore. In public service, Dr. Fung is Chairman of the International Chamber of Commerce. He is a member of the Chinese People's Political Consultative Conference, and a member of the Executive Committee of the Commission on Strategic Development of the Hong Kong Government. Dr. Fung is also Chairman of the Hong Kong University Council, the Greater Pearl River Delta Business Council and the Hong Kong-Japan Business Co-operation Committee. From 1991 to 2000, Dr. Fung was Chairman of the Hong Kong Trade Development Council and from 1996 to 2003, he was the Hong Kong representative on the APEC Business Advisory Council. From 1999 to 2008, he was Chairman of the Hong Kong Airport Authority. In 2003, the Hong Kong Government awarded Dr. Fung the Gold Bauhinia Star for distinguished service to the community.

LAU
BUTT FARN

RAJESH
VARDICHAND
RANAVAT

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

aged 60, brother of Dr. Victor FUNG Kwok King, has been a Non-executive Director of the Company since August 2004. Dr. Fung is Group Managing Director of Li & Fung Limited. He has held key positions in major trade associations. He is past Chairman of the Hong Kong General Chamber of Commerce, the Hong Kong Exporters' Association and the Pacific Economic Cooperation Committee. He has been awarded the Silver Bauhinia Star by the Hong Kong Special Administrative Region Government in 2008. He graduated from Princeton University with a Bachelor of Science degree in Engineering and holds an MBA degree from the Harvard Graduate School of Business. He was conferred the degrees of Doctor of Business Administration, *honoris causa*, by the Hong Kong University of Science & Technology and by the Hong Kong Polytechnic University. Dr. Fung is a non-executive director of HSBC Holdings plc and Convenience Retail Asia Limited. He is an independent non-executive director of VTech Holdings Limited and Shui On Land Limited. Dr. Fung is also a director of the substantial shareholders of the Company, namely: King Lun Holdings Limited, Li & Fung (1937) Limited and Li & Fung (Distribution) Limited.

NON-EXECUTIVE DIRECTORS

Jeremy Paul Egerton HOBBINS

aged 61, has been a director of Li & Fung (Distribution) Limited, a substantial shareholder of the Company, since April 1999, and a Non-executive Director of the Company since October 2003. He has been the executive director and Group Managing Director of Trinity Limited since December 2006 and March 2007 respectively. He was the Chief Executive of Inchcape Marketing Services – Asia Pacific and was also the Chief Executive Officer of Inchcape Marketing Services Limited which was listed in Singapore, from 1997 to 1998. In addition, he served as a member of the Group Management Board of Inchcape plc and a director of Inchcape NRG, a business machines joint-venture with Ricoh. Previously, he was the Chief Executive Officer of Inchcape Buying Services from 1993 to 1996. Before joining the Inchcape group in 1993, he was the President and Chief Executive Officer of the Campbell Soup Company, UK and Ireland, and previously was President of the Dairy Division of Ault Foods, Canada. He has also held senior positions at Procter & Gamble, Hutchison Whampoa and Cadbury Schweppes where he started his career in brand management. He is a non-executive director of Convenience Retail Asia Limited.

LAU Butt Farn

aged 61, has been a Non-executive Director of the Company since October 2003. He graduated from the University of London with a Bachelor of Science degree in Physics and is a fellow of the Institute of Chartered Accountants in England and Wales. He joined the Li & Fung Group in 1981 as financial controller. Between 1985 and 1998, he was the Operations Director for Li & Fung (Retailing) Limited (the retailing arm of the Li & Fung group of companies) with operations in Circle K Convenience Stores (HK) Limited and Toys "R" Us – Lifung Limited. He was then the Chief Financial Officer of Li & Fung (Distribution) Limited until 2004. Mr. Lau is also responsible for the merger and acquisition and other corporate finance activities of Li & Fung Group. He is also a director of the substantial shareholders of the Company, namely: Li & Fung (1937) Limited and Li & Fung (Distribution) Limited.

Rajesh Vardichand RANAVAT

aged 49, was re-designated as a Non-executive Director of the Company in January 2008. Prior to the re-designation, Mr. Ranavat was an Executive director of the Company from August 2004 to December 2007. He was also the Chief Financial Officer of the Group from May 2003 to May 2007 and assumed a role focusing on merger & acquisitions and strategy development for the Group from June to December 2007. From January 2008, Mr. Ranavat has been focusing on merger & acquisitions and private equity for the affiliates of Li & Fung (1937) Limited, a substantial shareholder of the Company. Mr. Ranavat joined Li & Fung Distribution ("LFD") group in 1999 as Group Development Director. Mr. Ranavat assumed the position of Commercial Director of Li & Fung Industries group from June 2001 until April 2003. Prior to joining LFD, Mr. Ranavat had been working with Inchcape plc in various positions since 1991 which included regional Financial Controller in the Middle East, worldwide Financial Controller for the Marketing Services Stream based in London, Chief Financial Officer of the Marketing Services business in Japan, and Director of Corporate Finance, Asia-Pacific based in Singapore. Before joining Inchcape plc, Mr. Ranavat worked with Price Waterhouse in India and Coopers & Lybrand in the Middle East. He is a Commerce graduate from the University of Poona and a Chartered Accountant from India and is an associate of the Institute of Chartered Accountants of India.

INDEPENDENT NON-EXECUTIVE DIRECTORS

John Estmond STRICKLAND, GBS JP

aged 69, has been an Independent Non-executive Director of the Company since October 2004. He spent most of his working career with HSBC. From 1996 to 1998 he was chairman of HongkongBank, which has responsibility for HSBC's operations in Asia Pacific. Presently he is chairman of Hong Kong Cyberport Management Co Ltd, Hong Kong Internet Registration Corporation Limited and Hong Kong Domain Name Registration Company Limited, a director of Hong Kong Exchanges and Clearing Limited, Esquel Holdings Inc, Yoma Strategic Holdings Ltd and The Asia Society Hong Kong Centre Limited. He is a member of the Council of The University of Hong Kong, President of the Outward Bound Trust, and a member of the boards of a number of non-government organizations. He has honorary doctorates awarded by City University of Hong Kong and the Hong Kong Polytechnic University.

Dr. FU Yu Ning

aged 52, has been an Independent Non-executive Director of the Company since November 2004. Dr. Fu graduated from Dalian Institute of Technology in the PRC with a Bachelor Degree in Port and Waterway Engineering. He also obtained a Doctorate Degree in Mechanical Engineering from Brunel University, United Kingdom and worked as a Post-Doctorate research fellow. Dr. Fu is the Chairman of China Merchants Holdings (International) Company Limited, Non-Executive Director of China Merchants Bank Co., Ltd. and Independent Non-Executive Director of Sino Land Company Limited, all Hong Kong listed companies.

He is also the Chairman of China International Marine Containers (Group) Limited and China Merchants Energy Shipping Co, Ltd., and Director of China Merchants Bank, all listed in China. Dr. Fu is now Director and President of China Merchants Group Ltd., and also holds directorship in some social associations, including a Director of Hong Kong Port Development Council and Member of International Advisory Panel of CapitaLand in Singapore.

Professor LEE Hau Leung

aged 56, has been an Independent Non-executive Director of the Company since November 2004. He is the Thoma Professor of Operations, Information and Technology at the Graduate School of Business at Stanford University. His areas of specialization are in supply chain management, global logistics system design, inventory planning, and manufacturing strategy. He is the founding and current Director of the Stanford Global Supply Chain Management Forum, an industry-academic consortium to advance the theory and practice of global supply chain management. Prof. Lee was elected a Fellow of Manufacturing and Service Operations Management in 2001; a Fellow of INFORMS in 2005; and a Fellow of the Production and Operations Management Society in 2005. Prof. Lee has consulted extensively for companies such as LG, KLA-Tencor, Hewlett-Packard Company, Savi Technology, Nortel Networks, SUN Microsystems, Apple Computer, IBM, Lucent Technologies, General Motors, Xilinx Corp., Accenture, Eli Lilly and Company, Microsoft, Nokia, and Motorola. He is a co-founder of Evant, DemandTec, SignalDemand and TrueDemand, all supply chain software companies. Prof. Lee obtained his Bachelor of Social Science degree in Economics and Statistics from the University of Hong Kong in 1974, his Master of Science degree in Operational Research from the London School of Economics in 1975, and his Master of Science and a Doctorate Degree in Operations Research from the University of Pennsylvania in 1981 and 1983 respectively. Prof. Lee is an independent external director of Pericom Semiconductor Corporation, a public company on NASDAQ in the US, and Esquel Holdings Inc, a privately held company in Hong Kong. He also serves on the advisory board of three venture capital companies: Altos Ventures in the US, Focus Ventures in US and Asia, and Logispring in Europe.

Andrew TUNG Lieh Cheung

aged 44, has been an Independent Non-executive Director of the Company since May 2008. He has been a director and a member of Executive Committee of Orient Overseas Container Line Limited ("OOCL") since March 2006 and has been appointed as the Chief Operating Officer of OOCL since January 2009. He is also a director of Cargosmart (Hong Kong) Limited. Prior to 2006, Mr. Tung was the Chief Operating Officer of Hong Kong Dragon Airlines Limited. He also worked for OOCL in various management capacities between 1993 and 1999. He is also Chairman of the International Chamber of Commerce Committee on Maritime Transport. Mr. Tung holds a Bachelor degree from Princeton University and a Master of Business Administration from Stanford University in the USA.

JOHN ESTMOND STRICKLAND

DR.FU YU NING

PROFESSOR LEE HAU LEUNG

ANDREW TUNG LIEH CHEUNG

GROUP CHIEF COMPLIANCE OFFICER

James SIU Kai Lau

aged 64, joined the Group in 2005 as Group Chief Compliance Officer. He first joined the Li & Fung Limited Group in 1993 as Chief Financial Officer until 1996 when he became its Chief Compliance Officer. He is an Executive Director of Li & Fung (1937) Limited, the controlling shareholder of the Li & Fung Group of companies including publicly listed Li & Fung Limited and Convenience Retail Asia Limited of which he is also their respective Group Chief Compliance Officers. Prior to joining Li & Fung Group, Mr. Siu was the partner-in-charge (1981-1989) of the Hong Kong audit practice of Coopers & Lybrand (currently PricewaterhouseCoopers) specializing in advising corporate clients on mergers, acquisitions, finance and on public listings. His community work included serving as member of the Supervisory Board of the Hong Kong Housing Society and Chairman of its Audit Committee (2001-2006) and a member of the Professional Accountants in Business Committee of the Hong Kong Institute of Certified Public Accountants (the "HKICPA") (2002-2006). Mr. Siu is a member of the Securities and Futures Commission Dual Filing Advisory Group and was the Deputy Chairman of the Corporate Governance Committee of the HKICPA (2007). He is a Fellow of both the Institute of Chartered Accountants in Australia and the HKICPA. He is also a Fellow member of the Hong Kong Institute of Directors. Mr. Siu holds a Bachelor of Economics degree from Australia.

SENIOR MANAGEMENT

ONG Chong Beng, FCA

aged 55, is the Executive Vice President, Manufacturing of IDS Group and Country Managing Director for Malaysia and Brunei. Mr. Ong is a fellow member of the Institute of Chartered Accountants in England and Wales and a member of the Malaysian Institute of Accountants. Mr. Ong joined the Group in March 1995 and held various senior positions including Finance Director of Inchcape Timuran Bhd, which was listed on the Kuala Lumpur Stock Exchange, and Chief Operating Officer of Inchcape Holdings Sdn Bhd, the holding company for Inchcape's operations in Malaysia, and Stream Finance Director for LFD Manufacturing Sdn. Bhd. Prior to joining Inchcape, Mr. Ong was the General Manager of Finance & IT in UMW Toyota (M) Sdn Bhd from 1985 to 1994. Between 1978 and 1985, Mr. Ong held various senior positions including General Manager of Wendco Pacific (Malaysia & Singapore), the franchise holder for Wendy's Hamburger and Partner of Ong & Co, an auditing firm.

Gerard Jan RAYMOND

aged 52, is the Executive Vice President, Distribution and Regional Managing Director of IDS Group covering all operations for Thailand, Singapore, Malaysia, Brunei, Indonesia, India and Indo-China. Furthermore, he has oversight of all sales and distribution of consumer and healthcare global brands throughout the IDS geographic footprint. In addition, he is a member of the group's China Strategy Council responsible for the strategy and development for the Mainland of China. Mr. Raymond has over 20 years' experience in consumer marketing business and been involved in a broad spectrum of senior management roles including sales and marketing and general management. He has had extensive fast moving consumer goods industry experience in growing sales and building brand presence for a wide range of product categories including food and beverage, footwear, bath and shower and insecticides products. Prior to joining the Group, Mr. Raymond held the position of Managing Director of Danone Group, Malaysia and Singapore, and was responsible for the overall business performance covering the Hong Kong and South East Asian markets. Before Danone Group, Mr. Raymond had a successful track record in his earlier career as President of Sara Lee (M) Sdn Bhd for its Malaysia, Thailand and Singapore's operations including implementing business strategies. He joined the Group in May 2003. Mr. Raymond was educated in Australia with a Bachelor's degree in Business and is a Fellow of the Australian Marketing Institute.

SENIOR MANAGEMENT

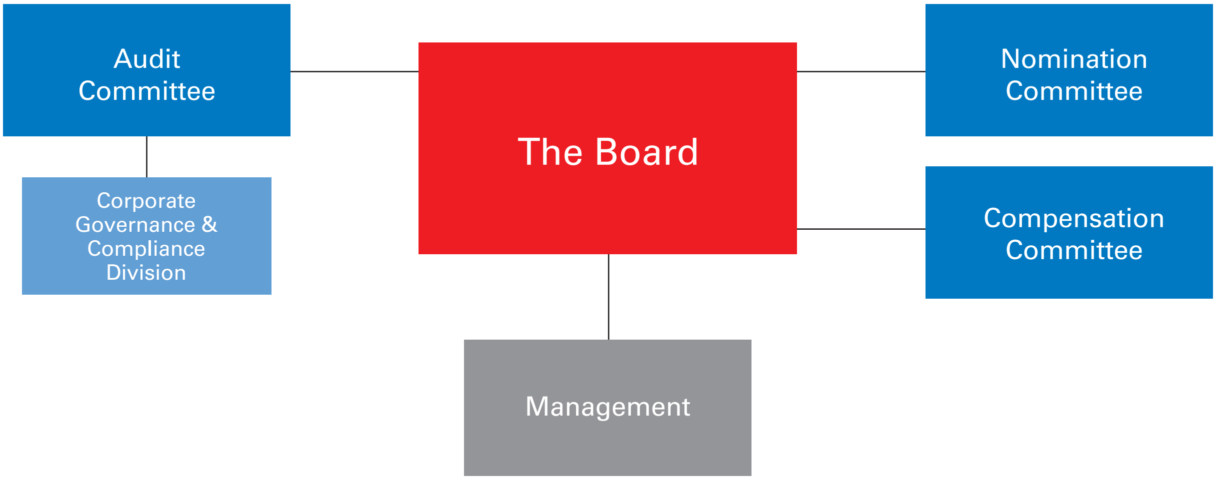
Srinivasan PARTHASARATHY

aged 51, is the Chief Financial Officer of the Group. He joined the IDS Group in March 2007 and was appointed as the Chief Financial Officer in June 2007. Mr. Parthasarathy graduated from the University of Bombay with a Bachelor of Commerce degree and qualified as a Chartered Accountant in India, securing fourth position in the All India Merit Rankings. He is a Fellow Member of the Institute of Chartered Accountants of India and the Chartered Institute of Management Accountants, UK. Mr. Parthasarathy joined the Li & Fung Distribution Group in 1999 and was the Stream Finance Director of the Logistics business until March 2003. Before joining the IDS Group, he was the Commercial Director of the Li & Fung Retailing Group. Between 1984 and 1999, Mr Parthasarathy worked with Inchcape plc and held various financial positions with them in the Middle East, UK and Singapore. In Singapore, he was an Executive Director of Inchcape Marketing Services Ltd, which was listed on the Singapore Stock Exchange. Prior to joining Inchcape, Mr. Parthasarathy worked with Ernst and Whinney in the Middle East.

Simon CHAN Kam Chiu

aged 60, is the Vice President – Corporate Finance of the Group. He has over 20 years' experience in auditing, accounting and financial management. He joined IDS (Hong Kong) Limited in 1995. He also joined the Li & Fung Distribution Group in 1999 as part of the acquisition of Inchcape Group's Marketing and Distribution businesses. Before joining the Li & Fung Distribution Group, Mr. Chan was with Inchcape Pacific for more than 10 years holding various financial positions including Finance Director for Inchcape Pacific Marketing business. Prior to joining Inchcape, Mr. Chan was the Finance Director for Johnson & Johnson Hong Kong and China for five years. Before that, Mr. Chan was with Touche Ross (currently Deloitte, Touche & Tohmatsu) where he specialized in audit, due diligence and re-organization services. Mr. Chan holds a Bachelor Degree of Business Administration from the University of San Francisco, California, U.S.A. He is a member of the Institute of Chartered Accountants of Ontario Canada, and an associate member of the Hong Kong Institute of Certified Public Accountants.

The Board of Directors and Management are committed to principles of good corporate governance consistent with prudent enhancement and management of **shareholder value.** These principles emphasize transparency, accountability and an appropriate oversight by Independent Non-executive Directors. Set out below are those principles of corporate governance as adopted by the Company.



The Board

As at 31 December 2008, the Board is composed of the Group Non-executive Chairman, the Group Executive Managing Director, Executive Director, and another eight Non-executive Directors (of whom four are independent), whose biographical details and relevant relationships among them are set out in the Directors and Senior Management section on pages 46 to 56.

In order to reinforce their respective independence, accountability and responsibility, the role of the Group Chairman is separate from that of the Group Managing Director with their respective responsibilities endorsed by the Board in writing. The Group Chairman is responsible for overseeing the proper functioning of the Board with good corporate governance practices and procedures, whilst the Group Managing Director, supported by the Executive Director and senior management, is responsible for managing the Group's business, including the implementation of major strategies and initiatives adopted by the Board.

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

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

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

The Board has separate and independent access to the Company Secretary at all times to obtain relevant information for carrying out their duties as Directors of the Company. Procedures are in place for Directors and Board Committees to seek independent professional advice in performing their Directors' duties at the Company's expense. No request was made by any Director for such independent professional advice throughout 2008.

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

The Board held four regular meetings and one special meeting in 2008 and the average attendance rate was 96.4%. Our Group Chief Compliance Officer, as appointed by the Board, also attends all Board and Committee meetings to advise on corporate governance matters covering risk management and relevant statutory compliance issues relating to mergers and acquisitions, accounting and financial reporting.

All Directors (including the Non-executive Directors) are appointed for a term of three years subject to retirement by rotation and re-election at annual general meeting. Under the Company's bye-laws, one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) are required to retire from office by rotation at each annual general meeting, provided that every Director is subject to retirement by rotation at least once every three years, and shall be eligible for re-election.

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

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

The attendance of Board meetings, Committee meetings and general meetings in 2008 are detailed in the following table:

Attendance of Board meetings, Committee meetings and general meetings for Year 2008

	No. of meetings attended/held				
Directors	Board	Audit Committee	Compensation Committee	Nomination Committee	AGM and SGM
Non-Executive Directors					
Dr. Victor FUNG Kwok King[1]	5/5	–	3/3	–	2/2
Dr. William FUNG Kwok Lun	5/5	–	–	–	2/2
Mr. Jeremy Paul Egerton HOBBINS	5/5	–	–	1/1	2/2
Mr. LAU Butt Farn	5/5	4/4	–	–	2/2
Mr. Rajesh Vardichand RANAVAT[2]	5/5	–	–	–	2/2
Mr. William Winship FLANZ[3]	3/3	–	–	1/1	1/1
Independent Non-Executive Directors					
Mr. John Estmond STRICKLAND[4]	5/5	4/4	–	–	2/2
Dr. FU Yu Ning	3/5	2/4	2/3	–	0/2
Prof. LEE Hau Leung[5]	5/5	1/1	3/3	–	0/2
Mr. Andrew TUNG Lieh Cheung[6]	2/2	2/3	–	–	1/1
Executive Directors					
Mr. Benedict CHANG Yew Teck[7]	5/5	–	–	–	2/2
Mr. Joseph Chua PHI	5/5	–	–	–	2/2
Group Chief Compliance Officer					
James SIU Kai Lau[8]	5/5	4/4	3/3	1/1	2/2
Chief Financial Officer					
Srinivasan PARTHASARATHY[9]	5/5	4/4	–	–	2/2
Dates of Meeting	17/1/2008 13/3/2008 16/5/2008 21/8/2008 14/11/2008	12/3/2008 19/6/2008 20/8/2008 20/11/2008	13/3/2008 16/5/2008 14/11/2008	13/3/2008	Both 16/5/2008
Average Attendance Rate	96.4%	81.3%	88.9%	100%	81.8%

1: Group Chairman and Chairman of Compensation Committee
2: Re-designated from Executive Director to Non-executive Director on 1 January 2008
3: Ceased as a Director and Chairman of Nomination Committee upon his retirement by rotation from the Board at the AGM on 16 May 2008
4: Chairman of Audit Committee
5: Retired as a member of Audit Committee and assumed chairmanship of Nomination Committee on 16 May 2008
6: Appointed as a Director by shareholders at AGM on 16 May 2008 and appointed as members of Audit Committee and Nomination Committee on 16 May 2008
7: Group Managing Director
8: Attended Board and Committee meetings as a non-member
9: Attended Board and Audit Committee meetings as a non-member

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

Board Committees

The Board has established the following committees (all chaired by Non-executive Directors) with written terms of reference (available to shareholders upon request), which are of no less exacting terms than those set out in the Code on Corporate Governance Practices of the Listing Rules: the Audit Committee, Compensation Committee and Nomination Committee. Minutes of all Committees meetings are circulated to all Board members.

Audit Committee

The Audit Committee was established with written terms of reference which cover the review of the Group's financial reporting, internal controls and corporate governance issues and to make relevant recommendations to the Board. The Audit Committee comprises three Independent Non-executive Directors, namely Mr. John Estmond STRICKLAND (Chairman of the Committee), Dr. FU Yu Ning and Mr. Andrew TUNG Lieh Cheung, and a Non-executive Director, Mr. LAU Butt Farn. Prof. LEE Hau Leung's membership was assumed by Mr. Tung on 16 May 2008. All committee members possess appropriate industry and financial expertise to advise on the above matters.

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 authority to investigate any activity within its terms of reference and has full access to, and the cooperation of, management. It has direct access to the internal and external auditors, and full discretion to invite any management to attend its meetings.

External Auditor's independence

The Audit Committee also reviews annually the nature of the service fees and independence of the external auditor. The external audit engagement partner is subject to periodical rotation, and the ratio of annual fees for audit services and non-audit services (including review of interim financial information and tax services for 2008) have been scrutinized by the Audit Committee. To further enhance Auditor's independence, fees for other non-audit services other than tax advice require prior approval of the Audit Committee. Prior to the commencement of the audit of 2008 financial statements of the Company, the Audit Committee received written confirmation from the external auditor on their independence as required by the Hong Kong Institute of Certified Public Accountants.

The Audit Committee is satisfied with the review of audit fees and scope, effectiveness of the audit process, independence and objectivity of the external auditor, PricewaterhouseCoopers, and has recommended to the Board its reappointment as the Group's external auditor for the year ending 31 December 2009 at the forthcoming Annual General Meeting.

Compensation Committee

The Compensation Committee was established with written terms of reference which cover the review of the Group's remuneration policy and the approving of the remuneration policy for all Executive Directors and senior management, including the granting of share options to employees under the Company's Employee Share Option Scheme.

The Committee comprises the Group Non-executive Chairman, Dr. Victor FUNG Kwok King (Chairman of the Committee), Dr. FU Yu Ning and Prof. LEE Hau Leung (Independent Non executive Directors). The Committee met three times in 2008 (with an attendance rate of 88.9%) to review the incentive scheme for Executive Directors and senior management, recommend a refreshment of the scheme mandate limit of the Share Option Scheme (which was approved by the shareholders at the Company's Annual General Meeting on 16 May 2008), review Directors' fees for the Year 2008 and recommend the list of proposed grantees of share options to the Board for approval.

Remuneration for Executive Directors

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

Remuneration for Non-Executive Directors

Remuneration for Non-executive Directors comprises Directors' fees. With an aim to fairly remunerate the Non-executive Directors in view of their public accountability and time and effort spent on the Board and various committees, a review on the adequacy of Non-executive Directors' remuneration was conducted in December 2007 for 2008 which benchmarked against other comparable companies in Hong Kong.

After the review, the Board proposed to pay additional Directors' fees to the Non-executive Directors who serve on Board Committees and such remuneration be fixed for the year ended 31 December 2008 and each subsequent financial year until the Company in general meeting otherwise determines. The proposal was approved by the shareholders at the Company's Annual General Meeting on 16 May 2008. Reimbursement is allowed for out-of-pocket expenses incurred in connection with the performance of their duties including attendance at Company meetings.

Details of Directors' remuneration of the Company are set out in the note 8 to the financial statements.

Nomination Committee

The Nomination Committee was established with written terms of reference which cover the recommendations to the Board on the appointment of Directors, evaluation of board composition and the management of board succession with reference to certain guidelines as endorsed by the Committee. These guidelines include appropriate professional knowledge and industry experience, personal ethics, integrity and personal skills, and time commitments of members. The Nomination Committee carries out the process of selecting and recommending candidates for Directorship including the consideration of referrals and engagement of external recruitment professionals when necessary.

The Committee comprises two Independent Non-executive Directors, namely Prof. LEE Hau Leung (Chairman of the Committee) and Mr. Andrew TUNG Lieh Cheung and a Non-executive Director, Mr. Jeremy Paul Egerton HOBBINS. The Nomination Committee met once in 2008 (with an attendance rate of 100%) to review and recommend the re-appointment of retiring directors for shareholders' approval at the 2008 Annual General Meeting, to assess independence of directors, recommend the appointment of a new independent non-executive director and changes in the composition of the Audit and Nomination Committees.

Code of Conduct and Business Ethics

Whistle blowing policy, guidelines on business conduct and leaflet of the Group's business ethics policy are sent to all staff.

Under the Company's Whistle blowing policy, employees can report any concern, including misconduct, impropriety or fraud in financial reporting matters and accounting practices, to either senior management or the Audit Committee through its Chairman or the Group Chief Compliance Officer at the Company's business address in Hong Kong.

Directors' Securities Transactions

The Group has adopted procedures governing Directors' securities transactions in compliance with the Model Code as set out in Appendix 10 of the Listing Rules. Relevant employees who are likely to be in possession of unpublished price-sensitive information of the Group are also subject to compliance with written guidelines on no less exacting terms than those of the Model Code. Specific written confirmations have been obtained from all Directors and relevant employees to confirm compliance with the Model Code. No incident of non-compliance was noted by the Company in 2008.

Directors' and Senior Management Interest

Details of Directors' interests in the shares of the Company are set out in the Report of the Directors section on pages 73 to 75. The shares held by each member of senior management are less than 0.5% of the issued share capital of the Company for the year ended 31 December 2008.

Directors' and Auditor's Responsibilities for Financial Statements

The Directors' responsibilities for the financial statements are set out on page 81, and the responsibilities of the external auditor to the shareholders are set out on page 81.

Internal Control and Risk Management

The Board recognizes the importance of internal controls to safeguard shareholders' interests and investments and the Group's assets, and managing business risks. The Board assumes the overall responsibility for reviewing the adequacy and integrity of the Group's system of internal controls and risk management through the Audit Committee.

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

The Group's Internal Audit team within the Corporate Governance and Compliance Division, under the supervision of our Group Chief Compliance Officer, independently reviews such systems of internal controls implemented by management and evaluates their adequacy, effectiveness and compliance, and reports regularly to the Audit Committee under the 3 year Audit Plan endorsed by the Audit Committee. The Audit Plan is business risk driven and covers all material controls including financial, operational and compliance controls, and risk management functions. The Group Chief Compliance Officer reports all the major findings and recommendations at the Audit Committee meetings.

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

Our external auditor, PricewaterhouseCoopers, performs independent statutory audits on the Group's financial statements. As part of their audit engagement, our external auditor also report to the Audit Committee any significant weaknesses in the Group's internal control system which might come to their notice during the course of their audit. PricewaterhouseCoopers noted no significant internal control weakness in their audit for 2008.

Based on the assessments made by senior management, the Group's Internal Audit team and the external auditor in 2008 and up to the date of the approval of this report, 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.

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

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.

Investor Relations and Communication

The Company continues to pursue a proactive policy of promoting investor relations and communications by conducting analysts' briefings and road shows after the interim and final results announcement, participating in investors' conferences and making corporate presentations during the conferences, arranging company visits and facility tours and maintaining regular meetings with institutional shareholders and analysts. Since 2005, webcasts of results presentations at press conference have also been made available at our corporate website at *www.idsgroup.com.*

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

Details of the key calendar events for shareholders' attention and share information including market capitalization as of 31 December 2008 are set out in the Information for Investors section on page 66. The percentages of issued share capital owned by the substantial shareholders are set out in the Report of the Directors section on page 76.

Annual General Meeting and Special General Meeting

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

The most recent shareholders' meetings of the Company were the AGM and Special General Meeting ("SGM") both held on 16 May 2008 at Mandarin Oriental, Central, Hong Kong. The meetings were open to all shareholders and members of the press. The Directors who attended the meetings are detailed in the table on page 59. Separate resolutions were proposed for each issue and were voted on by poll.

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

Resolutions passed at AGM	Percentage cast votes
• receive and adopt the Audited Consolidated Financial Statements and Reports of the Directors and the Auditor for the year ended 31 December 2007.	100.00%
• declare final dividend of 30 HK cents per share.	100.00%
• re-election of Mr. Benedict CHANG Yew Teck, Mr. Jeremy Paul Egerton HOBBINS and Mr. LAU Butt Farn as Directors of the Company.	100.00% in respect of each individual resolution
• appoint Mr. Andrew TUNG Lieh Cheung as Director.	100.00%
• approve the Directors' fees of Directors and additional remuneration to the Non-Executive Directors who serve on Board committees.	100.00%
• re-appoint PricewaterhouseCoopers as Auditor and authorize the Directors to fix their remuneration.	100.00%
• give a general mandate to Directors to issue new shares up to 20%.	79.49%
• give a general mandate to Directors to repurchase the Company's shares up to 10%.	100.00%
• authorise the Directors to issue the shares repurchased by the Company.	79.56%
• refresh the scheme mandate limit under the Share Option Scheme.	87.78%

Resolution passed at SGM	Percentage cast votes
• approve the entering into of the 2008 Logistics Agreement, the Proposed Continuing Connected Transaction and the Proposed Caps.	100.00%

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

Shareholders' Rights

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

Specific enquiries by shareholders requiring the Board's attention can be sent in writing to our Company Secretary at the Company's business address in Hong Kong. Other general enquiries can be directed to the Company through our Director – Corporate Communications, whose contact information is detailed on page 66.

Corporate Communications

In 2008, the Group held monthly meetings for senior executives to formulate company-wide policies and practices, and to report and discuss significant issues affecting the Group.

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

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

Listing Information

Listing: Hong Kong Stock Exchange
Stock code: 2387

Key Dates

17 March 2009
Announcement of 2008 Final Results

11 May 2009
Last day to register for 2008 Final Dividend

12 May 2009 to 19 May 2009 (both days inclusive)
Closure of Register of Members

19 May 2009
Annual General Meeting

On or about 19 May 2009
Proposed Payment of 2008 Final Dividend

Share Registrar & Transfer Offices

Principal:
Butterfield Fulcrum Group (Bermuda) Limited
(formerly known as Butterfield Fund Services (Bermuda) Limited)
Rosebank Centre
11 Bermudiana Road
Pembroke HM 08
Bermuda

Hong Kong Branch:
Tricor Abacus Limited
26th Floor, Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

Share Information

Board lot size: 1,000 shares

Shares outstanding as at 31 December 2008:
317,487,000 shares

Market Capitalization as at 31 December 2008:
HK$2,698,639,500

Earnings per share (equivalent to) for 2008

Interim:	48.01 HK cents
Full year:	60.39 HK cents

Dividend per share for 2008

Interim:	14 HK cents
Final:	22 HK cents

Enquiries Contact

Mr. Stewart Kwok
Director – Corporate Communications

Telephone:	(852) 2686 3317
Fax:	(852) 2686 3320
Email:	*stewart.kwok@idsgroup.com*

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

Website

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

The directors submit their report together with the audited financial statements for the year ended 31 December 2008.

Principal Activities and Analysis of Operations

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

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

Results and Appropriations

The results of the Group for the year are set out in the consolidated income statement on page 84.

The directors declared an interim dividend of 14 HK cents per share, totalling HK$44,439,920, which was paid on 23 September 2008.

The directors recommended the payment of a final dividend of 22 HK cents per share, absorbing HK$69,873,100.

Reserves

Movements in the reserves of the Group and of the Company during the year are set out in note 23 to the financial statements.

Donations

Charitable and other donations made by the Group during the year amounted to approximately HK$101,000.

Property, Plant and Equipment

Details of the movements in property, plant and equipment of the Group are set out in note 16 to the financial statements.

Share Capital

Details of the movements in share capital of the Company are set out in note 22 to the financial statements.

Distributable Reserves

As at 31 December 2008, the Company did not have any reserve available for distribution to shareholders under the Companies Act 1981 of Bermuda (as amended).

Seven-Year Financial Summary

A summary of the results and of the assets and liabilities of the Group for the last seven financial years is set out on page 154.

Pre-emptive Rights

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

Purchase, Sale or Redemption of the Company's Listed Shares

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

Share Option Scheme

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

(i) Purpose

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

(ii) Qualifying participants

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

(iii) Maximum number of shares

The total number of shares which may be issued upon the exercise of all options to be granted under the Scheme and any other share option scheme(s) adopted by the Company must not exceed 10% of the total number of issued shares of the Company as at the date of approval of the Scheme. By ordinary resolution passed on 16 May 2008 relating to the refreshing of the scheme limit on grant of options under the Scheme and any other scheme(s) of the Company, the scheme limit on grant of options was refreshed. As a result, the total number of shares available for issue under the Scheme is 26,692,100 representing approximately 8.4% of the issued shares of the Company as at the date of this Report. Notwithstanding the foregoing, the maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other share option scheme(s) of the Company must not, in aggregate, exceed 30% of the total number of issued shares of the Company from time to time.

(iv) Limit for each participant

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

(v) **Option period**

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

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

(vi) **Payment on application and acceptance**

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

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

(vii) **Subscription price**

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

(viii) **Remaining life of the scheme**

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

Details of the share options ("Share Options") granted under the Scheme and remain outstanding as at 31 December 2008 are as follows:

	Number of Share Options					Exercise		
	As at 1/1/2008	Granted (Note 1)	Exercised (Note 2)	Lapsed	As at 31/12/2008	price HK$	Grant Date	Exercise Period
Benedict CHANG Yew Teck	750,000	–	750,000	–	–	4.825	14/12/04	01/01/08–31/12/09
	750,000	–	–	–	750,000	4.825	14/12/04	01/01/09–31/12/10
	380,000	–	380,000	–	–	8.600	16/12/05	01/01/08–31/12/09
	380,000	–	–	–	380,000	8.600	16/12/05	01/01/09–31/12/10
	380,000	–	–	–	380,000	8.600	16/12/05	01/01/10–31/12/11
	380,000	–	–	–	380,000	15.100	15/12/06	01/01/09–31/12/10
	380,000	–	–	–	380,000	15.100	15/12/06	01/01/10–31/12/11
	380,000	–	–	–	380,000	15.100	15/12/06	01/01/11–31/12/12
	330,000	–	–	–	330,000	25.550	12/12/07	01/01/10–31/12/11
	330,000	–	–	–	330,000	25.550	12/12/07	01/01/11–31/12/12
	330,000	–	–	–	330,000	25.550	12/12/07	01/01/12–31/12/13
	–	330,000	–	–	330,000	6.640	14/11/08	01/01/11–31/12/12
	–	330,000	–	–	330,000	6.640	14/11/08	01/01/12–31/12/13
	–	330,000	–	–	330,000	6.640	14/11/08	01/01/13–31/12/14
Joseph Chua PHI	375,000	–	375,000	–	–	4.825	14/12/04	01/01/08–31/12/09
	375,000	–	–	–	375,000	4.825	14/12/04	01/01/09–31/12/10
	210,000	–	–	–	210,000	8.600	16/12/05	01/01/08–31/12/09
	210,000	–	–	–	210,000	8.600	16/12/05	01/01/09–31/12/10
	210,000	–	–	–	210,000	8.600	16/12/05	01/01/10–31/12/11
	265,000	–	–	–	265,000	15.100	15/12/06	01/01/09–31/12/10
	265,000	–	–	–	265,000	15.100	15/12/06	01/01/10–31/12/11
	265,000	–	–	–	265,000	15.100	15/12/06	01/01/11–31/12/12
	220,000	–	–	–	220,000	25.550	12/12/07	01/01/10–31/12/11
	220,000	–	–	–	220,000	25.550	12/12/07	01/01/11–31/12/12
	220,000	–	–	–	220,000	25.550	12/12/07	01/01/12–31/12/13
	–	220,000	–	–	220,000	6.640	14/11/08	01/01/11–31/12/12
	–	220,000	–	–	220,000	6.640	14/11/08	01/01/12–31/12/13
	–	220,000	–	–	220,000	6.640	14/11/08	01/01/13–31/12/14

	Number of Share Options					Exercise		
	As at 1/1/2008	Granted (Note 1)	Exercised (Note 2)	Lapsed	As at 31/12/2008	price HK$	Grant Date	Exercise Period
Rajesh Vardichand RANAVAT	345,000	–	345,000	–	–	4.825	14/12/04	01/01/08–31/12/09
	345,000	–	–	–	345,000	4.825	14/12/04	01/01/09–31/12/10
	135,000	–	–	–	135,000	8.600	16/12/05	01/01/08–31/12/09
	135,000	–	–	–	135,000	8.600	16/12/05	01/01/09–31/12/10
	135,000	–	–	–	135,000	8.600	16/12/05	01/01/10–31/12/11
	210,000	–	–	–	210,000	15.100	15/12/06	01/01/09–31/12/10
	210,000	–	–	–	210,000	15.100	15/12/06	01/01/10–31/12/11
	210,000	–	–	–	210,000	15.100	15/12/06	01/01/11–31/12/12
	130,000	–	–	–	130,000	25.550	12/12/07	01/01/10–31/12/11
	130,000	–	–	–	130,000	25.550	12/12/07	01/01/11–31/12/12
	130,000	–	–	–	130,000	25.550	12/12/07	01/01/12–31/12/13
Continuous contracts employees	190,000	–	143,000	47,000	–	4.825	14/12/04	01/01/07–31/12/08
	2,364,000	–	2,039,000	38,000	287,000	4.825	14/12/04	01/01/08–31/12/09
	2,364,000	–	–	117,000	2,247,000	4.825	14/12/04	01/01/09–31/12/10
	806,000	–	574,000	–	232,000	8.600	16/12/05	01/01/08–31/12/09
	806,000	–	–	–	806,000	8.600	16/12/05	01/01/09–31/12/10
	806,000	–	–	–	806,000	8.600	16/12/05	01/01/10–31/12/11
	755,000	–	–	–	755,000	15.100	15/12/06	01/01/09–31/12/10
	755,000	–	–	–	755,000	15.100	15/12/06	01/01/10–31/12/11
	755,000	–	–	–	755,000	15.100	15/12/06	01/01/11–31/12/12
	1,912,000	–	–	55,000	1,857,000	25.550	12/12/07	01/01/10–31/12/11
	1,912,000	–	–	55,000	1,857,000	25.550	12/12/07	01/01/11–31/12/12
	1,912,000	–	–	55,000	1,857,000	25.550	12/12/07	01/01/12–31/12/13
	–	1,119,000	–	–	1,119,000	6.640	14/11/08	01/01/11–31/12/12
	–	1,119,000	–	–	1,119,000	6.640	14/11/08	01/01/12–31/12/13
	–	1,119,000	–	–	1,119,000	6.640	14/11/08	01/01/13–31/12/14

Notes:

(1) The closing price per share immediately before the date on which the Share Options were granted was HK$6.29.

(2) The weighted average closing market price per share immediately before the dates on which the Share Options were exercised was HK$20.42.

(3) The average fair value of the Share Options granted during the year is HK$1.32 based on the Black-Scholes Valuation model. The significant inputs into the model were share price of HK$6.64 at the grant date, exercise price shown above, standard deviation of expected share price returns of 44%, expected life of Share Options from 4 to 6 years, expected dividend yield of 7% and average annual risk-free interest rate of 1.34%. The volatility measured at the standard deviation of expected share price returns is based on statistical analysis of daily share prices over the previous years. The Black-Scholes Valuation model is developed to estimate the fair value of European share options. The fair values calculated are inherently subjective and uncertain due to the assumptions made and the limitations of the model used. The value of an option varies with different variables of certain subjective assumptions. Any change in variables so adopted may materially affect the estimation of the fair value of an option.

Directors

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

Non-executive Directors
Dr. Victor FUNG Kwok King *(Chairman)*
John Estmond STRICKLAND#
Dr. FU Yu Ning#
Prof. LEE Hau Leung#
Andrew TUNG Lieh Cheung#
(appointed on 16 May 2008)
Dr. William FUNG Kwok Lun
Jeremy Paul Egerton HOBBINS
LAU Butt Farn
Rajesh Vardichand RANAVAT
William Winship FLANZ (retired on 16 May 2008)

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

Independent Non-executive Director

In accordance with Bye-law 87 of the Company's Bye-laws, Dr. Victor FUNG Kwok King, Messrs. Rajesh Vardichand RANAVAT and John Estmond STRICKLAND and Prof. LEE Hau Leung will retire at the forthcoming annual general meeting. Mr. Ranavat has decided not to stand for re-election due to other commitments. The other retiring directors, being eligible, will offer themselves for re-election.

Directors' Service Contracts

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

Directors' Interests in Contracts

No contracts of significance in relation to the Group's business to which the Company or its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year except as disclosed under Connected Transactions stated below and note 32 to the financial statements.

Biographical Details of Directors and Senior Management

Brief biographical details of the directors and senior management are set out on pages 46 to 56.

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

As at 31 December 2008, the directors and chief executives of the Company and their associates had the following interests in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies ("Model Code"):

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

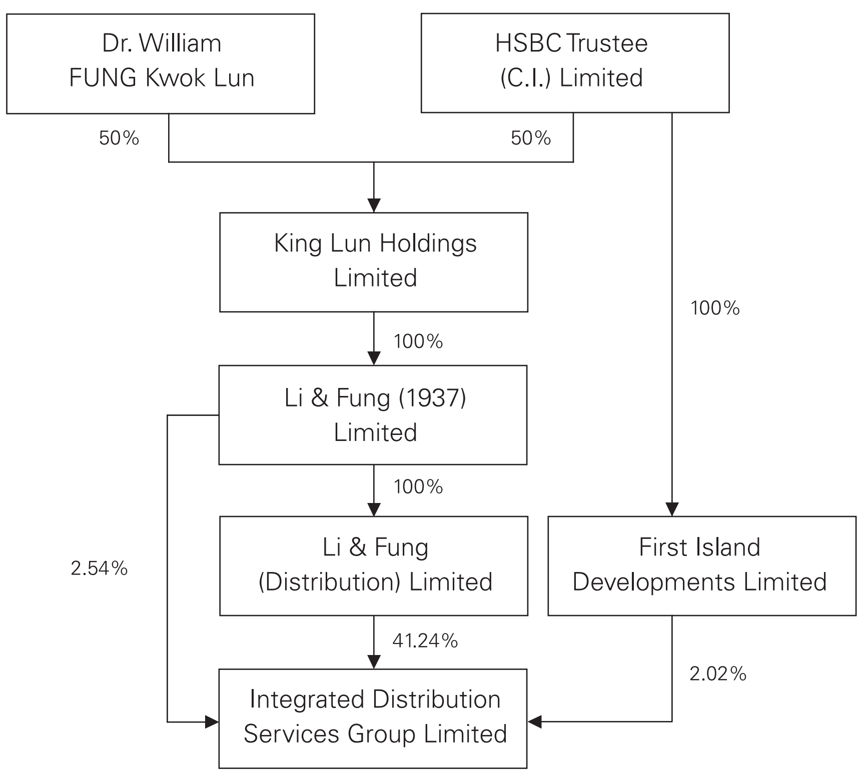
	Number of shares				Number of underlying shares under equity derivatives		Approximate percentage of issued share capital
Name of Directors	Personal interest	Family interest	Corporate/ trust interest	Other interest	(Share Options)	Total interest	(%)
Dr. Victor FUNG Kwok King	2,405,509	–	145,453,661 (Note 1)	–	–	147,859,170	46.57
Dr. William FUNG Kwok Lun	–	–	139,032,371 (Note 1)	–	–	139,032,371	43.79
Benedict CHANG Yew Teck	3,292,573	–	–	4,200,000 (Note 2a)	8,830,000 (Note 2b & 2c)	16,322,573	5.14
Joseph Chua PHI	1,689,632	–	–	–	3,120,000	4,809,632	1.51
Rajesh Vardichand RANAVAT	–	–	–	345,000 (Note 3)	1,770,000	2,115,000	0.66
Jeremy Paul Egerton HOBBINS	–	–	4,922,999 (Note 4)	–	–	4,922,999	1.55
LAU Butt Farn	610,549	–	–	–	–	610,549	0.19
John Estmond STRICKLAND	–	–	–	22,000 (Note 5)	–	22,000	0.00

Notes:

(1) King Lun Holdings Limited ("King Lun") through its wholly owned subsidiary, Li & Fung (1937) Limited ("LF 1937"), held 100% interest in Li & Fung (Distribution) Limited ("LFD"). LFD held 130,962,364 Shares, representing approximately 41.24% of the issued share capital of the Company. LF 1937 held 8,070,007 Shares, representing approximately 2.54% of the issued share capital of the Company.

King Lun was owned (a) as to 50% by HSBC Trustee (C.I.) Limited (which also through First Island Developments Limited indirectly held 6,421,290 Shares, representing approximately 2.02% of the issued share capital of Company), the trustee of a trust established for the benefit of the family members of Dr. Victor FUNG Kwok King (HSBC Trustee (C.I.) Limited replaced J.P. Morgan Trust Company (Jersey) Limited as the trustee of the trust on 27 August 2008) and (b) as to 50% by Dr. William FUNG Kwok Lun. Dr. Victor FUNG Kwok King and Dr. William FUNG Kwok Lun were deemed to have interests in these Shares through their respective interests in King Lun and indirect interests in LFD and LF 1937 as set out above.

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



(2) These interests represent:

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

b. the beneficial interest of Mr. Benedict CHANG Yew Teck in 4,630,000 underlying shares deriving from share options granted by the Company to Mr. Benedict CHANG Yew Teck, the details of which are set out in the Share Options Scheme section stated above; and

c. the deemed interest of Mr. Benedict CHANG Yew Teck in 4,200,000 underlying shares deriving from options granted by LF 1937 to Mikenwill Investments Limited ("Mikenwill"), which was owned by Mr. Benedict CHANG Yew Teck, to require LF 1937 to sell to Mikenwill or its nominee 10,500,000 Shares in five tranches, with the first tranche, second tranche and third tranche of 2,100,000 Shares each being exercised on 9 January 2007, 17 September 2007 and 27 June 2008 respectively, and each of the remaining tranches having an exercisable period of one year during the period from 1 January 2009 to 31 December 2010 pursuant to an agreement made between LF 1937 and Mikenwill dated 5 January 2007.

(3) Mr. Rajesh Vardichand RANAVAT and his wife, Mrs. Sandhya Rajesh RANAVAT, were joint beneficial owners of these Shares.

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

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

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

By virtue of the SFO, each of Dr. Victor FUNG Kwok King and Dr. William FUNG Kwok Lun was taken as at 31 December 2008 to have short position through LF 1937, in which both of them were deemed to have interests as disclosed above, in respect of an aggregate of 4,200,000 underlying shares in the Company, representing approximately 1.32% of the total issued Shares. Such interest comprised LF 1937's short position in 4,200,000 underlying shares (being regarded as unlisted physically settled equity derivatives) deriving from an agreement made between LF 1937 and Mikenwill dated 5 January 2007, pursuant to which options were granted by LF 1937 to Mikenwill to require LF 1937 to sell to Mikenwill or its nominee 10,500,000 Shares in five tranches, with the first tranche, second tranche and third tranche of 2,100,000 Shares each being exercised on 9 January 2007, 17 September 2007 and 27 June 2008 respectively, and each of the remaining tranches having an exercisable period of one year during the period from 1 January 2009 to 31 December 2010.

Save as disclosed above, as at 31 December 2008, none of the directors and chief executive of the Company or their associates had any interest or short position in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

(C) Share options

The interests of the directors and chief executives in the share options (being regarded as unlisted physically settled equity derivatives) of the Company are detailed in the Share Option Scheme section stated above.

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

Interests and Short Positions of Substantial Shareholders

As at 31 December 2008, other than the interests of the directors or chief executive of the Company as disclosed above, the following persons had interests or short positions in the Shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO:

Name of Shareholders	Capacity	Number of Shares	Approximate percentage of issued share capital (%)
Long Positions			
Li & Fung (Distribution) Limited	Beneficial Owner	130,962,364	41.24
Li & Fung (1937) Limited	Interest of controlled corporation Beneficial owner	130,962,364 8,070,007	43.79
King Lun Holdings Limited	Interest of controlled corporation	139,032,371	43.79
HSBC Trustee (C.I.) Limited	Trustee	145,453,661	45.81
Brookside Capital Investors, L.P.	Interest of controlled corporation	15,473,000	4.87
Commonwealth Bank of Australia	Interest of controlled corporation	26,252,000	8.26
Short Positions			
Li & Fung (1937) Limited	Beneficial owner	4,200,000 (Note)	1.32
King Lun Holdings Limited	Interest of controlled corporation	4,200,000 (Note)	1.32
HSBC Trustee (C.I.) Limited	Trustee	4,200,000 (Note)	1.32

Note:

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

Save as disclosed above, the Company had not been notified of any interest or short position being held by any substantial shareholder in the Shares or underlying shares of the Company as at 31 December 2008.

Management Contracts

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

Major Customers and Suppliers

During 2008, the Group sold less than 30% of its goods and services to its 5 largest customers.

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

– the largest supplier	24%
– the five largest suppliers combined	51%

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

Connected Transactions

(A) Continuing connected transactions

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

(a) Distribution and sale of goods

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

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

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

(c) Lease arrangements

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

(d) Billing Agent Service

Nanjing IDS Marketing Company Limited ("Nanjing IDS") has been engaged by Appleton Holdings Limited as an agent of the subsidiaries and associated companies of Li & Fung Limited ("LF Companies") for the export of merchandise sourced by them from the PRC market. The service fee is at a certain percentage on the amount Nanjing IDS paid on behalf of LF Companies for the merchandise.

Below is a table setting out the aggregate value for each of the non-exempt continuing connected transactions for the year ended 31 December 2008:

		2008 US$'000
(a)	Distribution and sale of goods	
	– members of Convenience Retail Asia Limited ("CRA Group")	1,118
	– other members of the Parent Group	8
(b)	Provision of shipping, handling and other logistic services	
	– members of Li & Fung Limited	13,202
	– other members of the Parent Group	4,185
(c)	Rental recharge	
	(i) received from	
	– members of CRA Group	388
	– other members of the Parent Group	875
	(ii) paid to	
	– members of Li & Fung (Distribution) Limited	2,320
	– other members of the Parent Group	1,026
(d)	Billing Agent Service	
	– member of Li & Fung Limited	69

As disclosed in the Company's announcement dated 14 September 2007, PB Logistics Limited (now known as "IDS Logistics (UK) Limited") has been leasing premises from Peter Black Footwear & Accessories Ltd, a member of Li & Fung Limited. The rent, services charge and other related expenses for the year ended 31 December 2008 was US$1,440,000.

On 26 May 2008, a wholly-owned subsidiary of the Company has entered into certain leases with Pak Keung (Private) Limited ("PKPL") and distribution agreements with two subsidiaries of PKPL for the distribution of certain animal and other health products. As PKPL is owned by a director of Universal Pharmaceutical Laboratories, Limited ("UPLL"), a 95%-owned subsidiary of the Company, PKPL and its subsidiaries are connected persons of the Company.

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

	US$'000
Rent	404
Sales value of products	654

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

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

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

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

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

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

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

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

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

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

(B) Connected transactions

On 25 February 2009, a wholly-owned subsidiary of the Company (the "Purchaser") served a notice on Pak Keung (Private) Limited ("PKPL") to exercise call options to require PKPL to sell to it Unit 03 on 7th Floor of Eastern Centre and Units 01 to 03 on 8th Floor of Eastern Centre, Hong Kong. The purchase price is determined by the open market value of the properties as at 25 February 2009 appraised by an independent surveyor and valuer jointly appointed by the Purchaser and PKPL at HK$8.8 million and HK$22 million. The properties are currently leased by PKPL to Universal Pharmaceutical Laboratories, Limited ("UPLL"), a 95%-owned subsidiary of the Company, and are where the GMP (Good Manufacturing Practice) certified manufacturing and laboratory facilities, which are crucial to UPLL's operations, are located. The Purchaser has allowed another call option granted by PKPL for Unit 02 on 2nd Floor of Eastern Centre to lapse on 25 February 2009. As PKPL is owned by a director of UPLL, PKPL is a connected person of the Company and the exercise and non-exercise of call option notices constitute connected transactions for the Company.

Sufficiency of Public Float

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

Directors' Responsibilities for the Financial Statements

The Directors are responsible for the preparation of financial statements for each financial period which give a true and fair view of the state of affairs of the Group and of the results and cash flows for that period. In preparing these financial statements for the year ended 31 December 2008 the Directors have selected suitable accounting policies and applied them consistently; made judgments and estimates that are prudent and reasonable; and have prepared the financial statements on the going concern basis. The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group.

Auditor

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

On behalf of the Board

Victor FUNG Kwok King
Chairman

Hong Kong, 17 March 2009

PRICEWATERHOUSECOOPERS

羅兵咸永道會計師事務所

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

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

We have audited the consolidated financial statements of Integrated Distribution Services Group Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 84 to 153, which comprise the consolidated and Company balance sheets as at 31 December 2008, and the consolidated income statement, the consolidated statement of recognized income and expense and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2008 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 17 March 2009

FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2008

	Note	2008 US$'000	2007 US$'000
Revenue	5	**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	6	**13,658**	14,051
Operating profit	7	**34,624**	39,126
Finance costs, net	9	**(6,472)**	(4,709)
Share of results of associated companies	18	**2,101**	1,401
Profit before taxation		**30,253**	35,818
Taxation	10	**(4,926)**	(6,616)
Profit for the year		**25,327**	29,202
Profit attributable to:			
Shareholders of the Company	23	**24,522**	28,152
Minority interest	28(b)	**805**	1,050
		25,327	29,202
Dividends	13	**14,705**	16,936
Earnings per share for profit attributable to the shareholders of the Company during the year	12		
Basic		**7.76 US cents**	9.04 US cents
Diluted		**7.63 US cents**	8.70 US cents

The notes on pages 91 to 153 are an integral part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEET

As at 31 December 2008

	Note	2008 US$'000	2007 US$'000
ASSETS			
Non-current assets			
Intangible assets	14	80,975	66,519
Property, plant and equipment	16	104,944	96,089
Lease premium for land	15	2,819	3,077
Associated companies	18	7,077	9,155
Other non-current assets	20	9,899	9,371
Assets under defined benefit plans	26	53	945
Deferred tax assets	25	11,167	11,146
		216,934	196,302
Current assets			
Inventories	19	186,123	163,869
Trade and other receivables	20	252,491	258,201
Taxation recoverable		618	679
Time deposits	21	46,736	33,816
Bank balances and cash	21	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	22	31,749	31,288
Reserves		103,325	102,769
		135,074	134,057
Minority interest	28(b)	7,099	6,523
Total equity	23	142,173	140,580

CONSOLIDATED BALANCE SHEET (CONTINUED)

As at 31 December 2008

	Note	2008 US$'000	2007 US$'000
LIABILITIES			
Non-current liabilities			
Unsecured bank loans	24	**29,752**	81,716
Obligations under finance leases	24	**2,811**	4,546
Liabilities under defined benefit plans	26	**6,682**	4,191
Other non-current liabilities	27	**4,601**	13,535
Deferred tax liabilities	25	**3,464**	2,838
		47,310	106,826
Current liabilities			
Trade and other payables	27	**447,035**	391,942
Bank loans and other borrowings	24	**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

On behalf of the Board

Victor Fung Kwok King
Director

Benedict Chang Yew Teck
Director

The notes on pages 91 to 153 are an integral part of these consolidated financial statements.

BALANCE SHEET

As at 31 December 2008

	Note	2008 US$'000	2007 US$'000
ASSETS			
Non-current assets			
Interest in a subsidiary	17	63,285	57,048
Current assets			
Other receivables		420	40
Bank balances and cash	21	48	66
		468	106
Total assets		63,753	57,154
EQUITY			
Capital and reserves attributable to the Company's shareholders			
Share capital	22	31,749	31,288
Reserves		31,642	25,555
Total equity	23	63,391	56,843
LIABILITIES			
Current liabilities			
Other payables		362	311
Total equity and liabilities		63,753	57,154
Net current assets/(liabilities)		106	(205)
Total assets less current liabilities		63,391	56,843

On behalf of the Board

Victor Fung Kwok King
Director

Benedict Chang Yew Teck
Director

The notes on pages 91 to 153 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF RECOGNIZED INCOME AND EXPENSE

For the year ended 31 December 2008

	2008 US$'000	2007 US$'000
Exchange differences	(8,624)	8,216
Net actuarial gains and losses from post employment benefits	(3,452)	1,023
Net (expense)/income recognized directly in equity	(12,076)	9,239
Profit for the year	**25,327**	29,202
Total recognized income for the year	**13,251**	38,441
Attributable to:		
Shareholders of the Company	**12,652**	36,939
Minority interest	**599**	1,502

The notes on pages 91 to 153 are an integral part of these consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2008

	Note	2008 US$'000	2007 US$'000
Cash flows from operating activities			
Cash generated from operations	28(a)	74,047	55,513
Interest paid		(7,942)	(5,944)
Overseas tax refunded		1,109	371
Overseas tax paid		(9,302)	(5,242)
Net cash generated from operating activities		57,912	44,698
Cash flows from investing activities			
Interest received		1,842	1,925
Net decrease in time deposits		–	5,105
Purchase of property, plant and equipment		(29,448)	(21,672)
Purchase of intangible assets		(6,916)	(6,983)
Acquisition of subsidiaries	28(c)	(22,814)	(43,518)
Proceeds from disposal of a subsidiary	28(d)	–	6,831
Acquisition of additional interest in a subsidiary		–	(766)
Acquisition of an associated company		–	(1,434)
Proceeds from partial disposal of an associated company		17,141	–
Sale of plant and equipment		796	501
Settlement of consideration payable for acquisition of business		(3,500)	(4,299)
Capital injection by minority shareholders of a subsidiary		–	18
Dividend received from an associated company		1,340	26
Net cash used in investing activities		(41,559)	(64,266)
Net cash generated/(used) before financing activities		16,353	(19,568)

CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

For the year ended 31 December 2008

	Note	2008 US$'000	2007 US$'000
Net cash generated/(used) before financing activities		**16,353**	(19,568)
Cash flows from financing activities			
Dividends paid		**(17,888)**	(15,961)
Dividends paid to minority shareholders	28(b)	**(320)**	(780)
New loans raised	28(b)	**68,604**	36,649
Repayment of loans	28(b)	**(57,262)**	(5,184)
Capital element of finance lease payments	28(b)	**(1,227)**	(455)
Net proceeds from issue of shares	28(b)	**3,311**	2,397
Net cash (used)/generated from financing activities		**(4,782)**	16,666
Increase/(decrease) in cash and cash equivalents		**11,571**	(2,902)
Cash and cash equivalents at 1 January		**79,308**	78,274
Effect of foreign exchange rate changes		**1,324**	3,936
Cash and cash equivalents at 31 December		**92,203**	79,308
Analysis of balances of cash and cash equivalents:			
Bank balances and cash		**56,196**	55,656
Deposits with maturity less than three months		**46,736**	33,816
Bank overdrafts	24	**(10,729)**	(10,164)
		92,203	79,308

The notes on pages 91 to 153 are an integral part of these consolidated financial statements.

1 General Information

The Company is a limited liability company incorporated in Bermuda and its shares are listed on The Stock Exchange of Hong Kong Limited. The address of its registered office and other corporate information are set out on page 45 of the annual report.

2 Principal Accounting Policies

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

2.1 Basis of Preparation

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

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

Standards, amendments and interpretations to existing standards effective in 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 HKFRSs has no significant 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 Asset, Minimum Funding Requirements 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

2.1 Basis of Preparation (Continued)

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

The following 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 HKFRSs 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

HKAS 1 (Revised) will prohibit the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity. All non-owner changes in equity will be required to be shown in a performance statement, but entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the consolidated income statement and statement of comprehensive income). Where entities restate or reclassify comparative information, they will be required to present a restated balance sheet as at the beginning comparative period in addition to the current requirement to present balance sheets at the end of the current period and comparative period. The Group will apply HKAS 1 (Revised) from 1 January 2009.

HKAS 23 (Revised) requires an entity to capitalize borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs will be removed. The Group will apply HKAS 23 (Revised) from 1 January 2009.

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

HKFRS 2 (Amendment) deals with vesting conditions and cancellations. It clarifies that vesting conditions are service conditions and performance conditions only. Other features of a share-based payment are not vesting conditions. As such these features would need to be included in the grant date fair value for transactions with employees and others providing similar services, that is, these features would not impact the number of awards expected to vest or valuation thereof subsequent to grant date. All cancellations, whether by the entity or by other parties, should receive the same accounting treatment. The Group will apply HKFRS 2 (Amendment) from 1 January 2009.

2.1 Basis of Preparation (Continued)

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

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

HKFRS 8 Operating segments replaces HKAS 14 Segment reporting and requires a "management approach", under which segment information is presented on the same basis as that used for internal reporting purposes. The Group will apply HKFRS 8 from 1 January 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	Transfers 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 transfers on or after 1 July 2009

2.2 Consolidation

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

(a) Subsidiaries

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

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

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

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

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

(b) Transactions and minority interests

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

2.2 Consolidation (Continued)

(c) Associates

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

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

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

2.3 Segment Reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

In accordance with its internal financial reporting, the Group has determined that geographical segment information be presented as the primary reporting format and business segment information as the secondary reporting format.

2.4 Foreign Currency Translation

(a) Functional and presentation currency

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

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement, except when deferred in equity as qualifying cash flow hedges or qualifying net investment hedges.

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

(c) Group companies

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

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

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

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

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

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

2.5 Property, Plant and Equipment

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

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

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

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

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

2.6 Intangible Assets

Software and system development costs

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

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

System development costs recognized as assets are amortized over their estimated useful lives of 3 to 10 years. Based on past experience and to reflect more accurately the useful lives of such system development costs, the useful lives of certain major systems have been revised from 7 to 10 years in 2008. The change in this accounting estimate has been applied prospectively from 1 January 2008 and has resulted in a reduction of amortization charge of US$488,000 for the year ended 31 December 2008.

Goodwill

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

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The Group allocates goodwill to each business segment in each country in which it operates (Note 2.7).

2.6 Intangible Assets (Continued)

Acquired intangibles (other than goodwill)

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

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

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

2.7 Impairment of Non-Financial Assets

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

2.8 Financial Assets

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

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

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

(b) Loans and receivables

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

2.8 Financial Assets (Continued)

(c) Available-for-sale financial assets

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

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

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

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired.

2.9 Inventories

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

2.10 Trade and Other Receivables

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

2.11 Cash and Cash Equivalents

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

2.12 Share Capital

Ordinary shares are classified as equity.

2.13 Borrowings

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

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

All borrowing costs are charged to the income statement in the year in which they are incurred.

2.14 Current and Deferred Income Tax

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

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

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

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

2.15 Employee Benefits

(a) Pension obligations

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

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

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized in full in the period in which they occur, as a reserve movement, in equity.

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

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

(b) Share-based compensation

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

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

2.15 Employee Benefits (Continued)

(c) Profit-sharing and bonus plans

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

2.16 Provisions

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

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

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

2.17 Revenue Recognition

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

(a) Sales of goods

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

(b) Sales of services

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

(c) Interest income

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

2.18 Leases

(a) Operating lease

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

(b) Finance lease

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

2.19 Dividend Distribution

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

2.20 Core Operating Profit

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

3 Financial Risk Management

3.1 Financial Risk Factors

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

(a) Foreign exchange risk

The Group operates in various economies over the world and is thus exposed to foreign exchange risk. Fluctuations in exchange rates in these economies can affect the earnings and net assets of the Group. This risk is managed on a global basis by utilizing a number of techniques, including working capital management and selective borrowings in local currencies.

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

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

(b) Credit risk

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

As at 31 December 2008 and 2007, all the bank deposits are deposited in the high quality financial institutions without significant credit risk.

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

3.1 Financial Risk Factors (Continued)

(c) Liquidity risk

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

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

	Within 1 year US$'000	Between 1 and 2 years US$'000	Between 2 and 5 years US$'000	Over 5 years US$'000
As at 31 December 2008				
Trade and other payables	447,035	–	–	–
Bank overdrafts	10,729	–	–	–
Bank loans	106,683	29,202	2,538	–
Obligations under finance leases	1,275	1,275	1,777	–
	565,722	30,477	4,315	–
As at 31 December 2007				
Trade and other payables	391,942	–	–	–
Bank overdrafts	10,164	–	–	–
Bank loans	54,324	48,011	38,102	–
Obligations under finance leases	1,698	1,654	3,500	–
	458,128	49,665	41,602	–

(d) Cash flow interest rate risk

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

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

3.2 Capital Risk Management

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

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net borrowings divided by total capital. Net borrowings is calculated as total borrowings (Note 24) less bank balances, cash and time deposits (Note 21). Total capital is calculated as total equity, as shown in the consolidated balance sheet, and net borrowings. The gearing ratio at 31 December 2008 was 24.9% (2007: 29.3%).

4 Critical Accounting Estimates and Assumptions

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

(a) Allowance for doubtful accounts

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

(b) Excess and obsolete inventory

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

(c) Income taxes

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

4 Critical Accounting Estimates and Assumptions (Continued)

(d) Fair value of assets acquired in business combinations

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

(e) Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 2.7. The recoverable amounts of cash-generating units have been determined based on higher of fair value less costs to sell and value in use. These calculations require the use of estimates (Note 14).

5 Revenue and Segment Information

The Group is principally engaged in the provision of logistics services, the distribution of consumer and healthcare products, and manufacturing.

	2008 US$'000	2007 US$'000
Sales of goods	1,275,715	998,292
Rendering of services	408,077	297,365
Revenue	1,683,792	1,295,657

The Group operates in the following geographical areas:

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

5 Revenue and Segment Information (Continued)

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.

5 Revenue and Segment Information (Continued)

Primary reporting format – geographical segments (Continued)

2007	Greater China	ASEAN	US and UK	Unallocated (note)	Inter-segment elimination	Group total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'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 of 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.

5 Revenue and 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.

6 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

7 Operating Profit

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

	2008 US$'000	2007 US$'000
Employee benefit expense (note 8)	205,650	161,558
Depreciation of		
Owned property, plant and equipment	14,630	11,969
Leased property, plant and equipment	436	172
Gain on disposal of plant and equipment	(118)	(27)
Operating leases		
Hire of plant and machinery	3,851	2,663
Buildings	54,421	39,265
Auditors' remuneration	1,207	1,144
Amortization of prepaid operating lease payment (note 15)	106	80
Amortization of intangible assets (note 14)	2,886	2,466
Provision for warranty	1,044	709
Provision for bad and doubtful debts (note 20(d))	1,403	1,425
Provision for obsolete inventories (note 19)	1,174	127
Costs of inventories sold (note 19)	1,173,905	902,257
Gain on forward contracts not qualifying as hedges	(186)	(45)
Other exchange gain	(689)	(365)

8 Employee Benefit Expense

	2008 US$'000	2007 US$'000
Wages and salaries	**194,752**	153,635
Share options granted to directors and employees	**2,942**	1,534
Pension costs – defined contribution plans	**6,608**	5,194
Pension costs – defined benefit plans (note 26(c))	**404**	424
Post-employment benefits	**944**	771
	205,650	161,558

(a) Directors' and senior management's emoluments

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

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

Note: Other benefits include housing allowance and other allowance.

8 Employee Benefit Expense (Continued)

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

The remuneration of each director for the year ended 31 December 2007 is set out below:

Name of Director	Fees US$'000	Salary US$'000	Discretionary bonuses US$'000	Other benefits (note) US$'000	Employer's contribution to pension scheme US$'000	Total payable US$'000	Share-based compensation US$'000	Total payable and charged in the income statement US$'000
Victor Fung Kwok King	22	–	–	–	–	22	–	22
Benedict Chang Yew Teck	10	346	617	210	2	1,185	364	1,549
Joseph Chua Phi	10	277	357	132	2	778	227	1,005
Rajesh Vardichand Ranavat	10	249	258	94	2	613	173	786
William Fung Kwok Lun	10	–	–	–	–	10	–	10
Jeremy Paul Egerton Hobbins	14	–	–	–	–	14	–	14
Lau Butt Farn	15	–	–	–	–	15	–	15
John Estmond Strickland	19	–	–	–	–	19	–	19
William Winship Flanz	19	–	–	–	–	19	–	19
Fu Yu Ning	19	–	–	–	–	19	–	19
Lee Hau Leung	19	–	–	–	–	19	–	19
	167	872	1,232	436	6	2,713	764	3,477

Note: Other benefits include housing allowance and other allowance.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include two directors (2007: three) whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining individuals whose emoluments were the highest in the Group for the year are as follows:

	2008 US$'000	2007 US$'000
Basic salaries and other benefits	1,211	654
Share options expenses	407	173
Bonuses	659	298
Pensions	129	2
	2,406	1,127

8 Employee Benefit Expense (Continued)

(b) Five highest paid individuals (Continued)

The emoluments fell within the following bands:

	Number of employees	
	2008	2007
Emolument bands		
US$390,001 – US$455,000 (HK$3,000,001 – HK$3,500,000)	–	1
US$650,001 – US$715,000 (HK$5,000,001 – HK$5,500,000)	1	–
US$715,001 – US$780,000 (HK$5,500,001 – HK$6,000,000)	1	1
US$975,001 – US$1,040,000 (HK$7,500,001 – HK$8,000,000)	1	–
	3	2

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

9 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 (note)	372	690
	8,314	6,634
Interest income from bank deposits	(1,842)	(1,925)
	6,472	4,709

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

Note: The amount represents imputed interest on non-current portion of the purchase consideration payable at the average borrowing rates of 5.78% (2007: 5.78%) under the effective interest method.

10 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

10 Taxation (Continued)

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

	2008 US$'000	2007 US$'000
Profit before taxation	30,253	35,818
Tax calculated at the domestic rates applicable to profits in the countries concerned	5,578	7,688
Tax effect related to:		
Expenses not deductible for taxation purposes	1,372	1,300
Eliminated income subject to tax	733	693
Income not subject to taxation	(2,892)	(3,442)
Increase in unrecognized tax losses	2,473	769
(Decrease)/increase in unrecognized temporary differences	(70)	129
Utilization of previously unrecognized tax losses	(92)	–
Recognition of capital and reinvestment allowance	–	76
Over provision in prior years	(2,288)	(874)
Effect of change in tax rates on opening net deferred tax assets/ liabilities	82	504
Others	30	(227)
Taxation charge	4,926	6,616

The weighted average applicable tax rate was 18% (2007: 21%). The decrease is caused by a change in the profitability of the Group's subsidiaries in the respective countries.

11 Profit Attributable to Shareholders

The profit attributable to shareholders of the Company is dealt with in the financial statements of the Company to the extent of US$18,183,000 (2007: US$14,915,000).

12 Earnings Per Share

Basic

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

	2008	2007
Profit attributable to shareholders of the Company (US$'000)	24,522	28,152
Weighted average number of ordinary shares in issue (thousands)	316,151	311,359
Basic earnings per share (US cents per share)	7.76	9.04

Diluted

Diluted earnings per share is calculated based on the weighted average number of 316,151,000 (2007: 311,359,000) shares in issue during the year plus the weighted average of shares deemed to have been issued at no consideration as set out below:

	2008 Options	2008 Consideration (note)	2008 Total HK$	2007 Options	2007 Consideration	2007 Total HK$
Weighted average dilutive share options outstanding during the year						
Granted on 14 December 2004				9,605,917	at HK$4.825	46,348,550
– vested portion	5,203,167	at HK$4.825	25,105,279			
Granted on 16 December 2005				4,625,375	at HK$8.60	39,778,225
– vested portion	3,518,649	at HK$8.6	30,260,382			
– unvested portion	378,601	at HK$10.933	4,139,370			
Granted on 15 December 2006	–	–	–	4,830,000	at HK$15.10	72,933,000
Granted on 14 November 2008				–	–	–
– vested portion	6,892	at HK$6.64	45,765			
– unvested portion	410,358	at HK$7.967	3,269,280			
Total (a)	9,517,667		62,820,076	19,061,292		159,059,775
Equivalent number of shares at the weighted average market price during the year (b)	9,517,667	at HK$15.08	143,526,413	19,061,292	at HK$23.23	442,793,813
Discount (b) – (a)			80,706,337			283,734,038
Equivalent number of shares deemed to have issued at no consideration			5,351,879			12,214,121

12 Earnings Per Share (Continued)

Diluted (Continued)

	2008	2007
Profit attributable to shareholders of the Company (US$'000)	24,522	28,152
Weighted average number of ordinary shares in issue (thousands)	316,151	311,359
Adjustments for share options (thousands)	5,352	12,214
Weighted average number of ordinary shares for diluted earnings per share (thousands)	321,503	323,573
Diluted earnings per share (US cents per share)	7.63	8.70

Note: In addition to the exercise price of share options, included in the consideration is the fair value of unvested share options, as a result of an amendment to HKAS 33- Earnings per Share. Had the Group applied this computation method for the year ended 31 December 2007, the weighted average number of shares deemed to have been issued at no consideration would have been 10,380,000 against 12,214,000 and the diluted earnings per share would have been 8.75 US cents as against 8.70 US cents.

13 Dividends

	2008 US$'000	2007 US$'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.

14 Intangible Assets

	Group				
	Goodwill US$'000	Customer base and other acquired intangibles US$'000	Software costs US$'000	Trademarks US$'000	Total US$'000
Cost					
At 1 January 2007	28,123	3,060	13,232	1,228	45,643
Exchange adjustment	(181)	57	170	–	46
Acquisition of subsidiaries	22,849	3,347	743	–	26,939
Additions	–	–	6,983	–	6,983
Disposals	–	–	(178)	–	(178)
Disposal of a subsidiary	–	–	–	(1,228)	(1,228)
Adjustments on contingent consideration	(2,786)	–	–	–	(2,786)
At 31 December 2007	48,005	6,464	20,950	–	75,419
Accumulated amortization					
At 1 January 2007	–	67	5,896	184	6,147
Exchange adjustment	–	2	100	–	102
Acquisition of subsidiaries	–	–	541	–	541
Disposals	–	–	(172)	–	(172)
Disposal of a subsidiary	–	–	–	(184)	(184)
Amortization for the year	–	443	2,023	–	2,466
At 31 December 2007	–	512	8,388	–	8,900
Net book value					
At 31 December 2007	48,005	5,952	12,562	–	66,519

14 Intangible Assets (Continued)

	Group				
	Goodwill US$'000	Customer base and other acquired intangibles US$'000	Software costs US$'000	Trademarks US$'000	Total US$'000
Cost					
At 1 January 2008	48,005	6,464	20,950	–	75,419
Exchange adjustment	(6,171)	(939)	54	–	(7,056)
Acquisition of subsidiaries	15,843	3,313	–	–	19,156
Additions	–	–	6,916	–	6,916
Adjustments on contingent consideration	(1,784)	–	–	–	(1,784)
At 31 December 2008	55,893	8,838	27,920	–	92,651
Accumulated amortization					
At 1 January 2008	–	512	8,388	–	8,900
Exchange adjustment	–	(69)	(41)	–	(110)
Amortization for the year	–	646	2,240	–	2,886
At 31 December 2008	–	1,089	10,587	–	11,676
Net book value					
At 31 December 2008	55,893	7,749	17,333	–	80,975

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

(b) Amortization of US$558,000 (2007: US$334,000) is included in distribution and logistics costs; and US$2,328,000 (2007: US$2,132,000) in administrative expenses in the consolidated income statement.

14 Intangible Assets (Continued)

Impairment tests for goodwill

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

	2008 US$'000	2007 US$'000
Greater China	7,538	–
ASEAN	186	194
US and UK	48,169	47,811
	55,893	48,005

In accordance with HKAS 36 "Impairment of Assets", the Group completed its annual impairment tests for goodwill allocated to the Group's various cash generating units ("CGUs") by comparing their recoverable amounts to their carrying amounts as at the balance sheet date. The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on one-year financial budgets approved by management and extrapolated perpetually with an estimated annual growth of not more than 5%–10%. The discount rates used of 6%–9% are pre-tax and reflect specific risk. The budgeted gross margin and net profit margin were determined by the management for each individual CGU based on past performance and its expectations for market development. Management believes that any reasonably foreseeable change in any of the above key assumptions would not cause the carrying amount of goodwill to exceed the recoverable amount.

15 Lease Premium for Land

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

	Group	
	2008 US$'000	2007 US$'000
Outside Hong Kong, held on:		
Leases of between 10 to 50 years	2,819	3,077
Opening	3,077	1,684
Exchange difference	(152)	139
Acquisition of a subsidiary	–	1,649
Disposal of a subsidiary	–	(315)
Amortization of prepaid operating lease payments	(106)	(80)
	2,819	3,077

16 Property, Plant and Equipment

	Group			
	Freehold land US$'000	Buildings US$'000	Furniture, plant and machinery US$'000	Total US$'000
At 1 January 2007				
Cost	6,572	20,338	95,600	122,510
Accumulated depreciation	–	(930)	(52,666)	(53,596)
Net book value	6,572	19,408	42,934	68,914
Year ended 31 December 2007				
Opening net book value	6,572	19,408	42,934	68,914
Exchange adjustment	447	1,107	3,949	5,503
Acquisition of subsidiaries	–	3,683	12,594	16,277
Additions	–	612	22,465	23,077
Disposals	–	–	(474)	(474)
Disposal of a subsidiary	–	(2,878)	(2,189)	(5,067)
Depreciation	–	(602)	(11,539)	(12,141)
Closing net book value	7,019	21,330	67,740	96,089
At 31 December 2007				
Cost	7,019	24,315	142,234	173,568
Accumulated depreciation	–	(2,985)	(74,494)	(77,479)
Net book value	7,019	21,330	67,740	96,089

16 Property, Plant and Equipment (Continued)

	Group			
	Freehold land US$'000	Buildings US$'000	Furniture, plant and machinery US$'000	Total US$'000
Year ended 31 December 2008				
Opening net book value	7,019	21,330	67,740	96,089
Exchange adjustment	(318)	(2,590)	(4,814)	(7,722)
Acquisition of subsidiaries	–	2	2,205	2,207
Additions	–	313	29,801	30,114
Disposals	–	–	(678)	(678)
Depreciation	–	(553)	(14,513)	(15,066)
Closing net book value	6,701	18,502	79,741	104,944
At 31 December 2008				
Cost	6,701	21,086	160,652	188,439
Accumulated depreciation	–	(2,584)	(80,911)	(83,495)
Net book value	6,701	18,502	79,741	104,944

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

	2008 US$'000	2007 US$'000
Cost – capitalized finance leases	5,342	7,821
Accumulated depreciation	(583)	(558)
Net book value	4,759	7,263

Depreciation expense of US$2,789,000 (2007: US$2,506,000) has been expensed in cost of sales, US$9,718,000 (2007: US$6,991,000) in distribution and logistics expenses and US$2,559,000 (2007: US$2,644,000) in administrative expenses.

17 Interest in a Subsidiary

	Company	
	2008 US$'000	2007 US$'000
Unlisted shares, at cost (note (a))	23,988	23,988
Amount due from a subsidiary (note (b))	39,297	33,060
	63,285	57,048

Notes:

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

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

18 Associated Companies

	Group	
	2008 US$'000	2007 US$'000
At 1 January	9,155	–
Transfer from subsidiary due to decrease in shareholding interest	–	5,958
Acquisition of an associated company	–	1,457
Share of results of associated companies	2,101	1,401
Partial disposal of an associated company	(3,000)	–
Dividend received	(1,340)	(26)
Exchange difference	161	365
At 31 December	7,077	9,155

Particulars of principal associated companies are set out in note 35.

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

	2008 US$'000	2007 US$'000
Revenue	94,633	66,570
Profit after tax	5,726	4,668
Assets	54,045	46,152
Liabilities	31,871	27,096
Net assets	22,174	19,056

19 Inventories

	Group	
	2008 US$'000	2007 US$'000
Finished goods and merchandise	176,631	157,252
Raw materials	12,598	8,600
Work in progress	465	841
	189,694	166,693
Less: Provision for obsolescence	(3,571)	(2,824)
	186,123	163,869

The cost of inventories recognized as expense and included in cost of sales amounted to US$1,173,905,000 (2007: US$902,257,000).

The Group recognized an inventory write-down of US$1,174,000 (2007: US$127,000). The amount has been included in cost of sales in the consolidated income statement.

20 Trade and Other Receivables

	Group	
	2008 US$'000	2007 US$'000
Trade receivables	204,976	210,066
Less: provision for impairment of receivables	(4,016)	(3,790)
Trade receivables, net (note (a))	200,960	206,276
Other receivables, prepayments, and deposits	55,965	58,374
Due from related companies (note (b) and note 32)	5,465	2,922
	262,390	267,572
Less: non-current portion: prepayments and deposits	(9,899)	(9,371)
	252,491	258,201

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

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

20 Trade and Other Receivables (Continued)

Notes:

(a) The Group normally grants credit terms to its customers ranging from 30 to 90 days. In certain circumstances, longer credit terms are given based on negotiated contract terms. At 31 December, the aging analysis of the Group's trade receivables was as follows:

	Group	
	2008 US$'000	2007 US$'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

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

(c) Trade receivables that are not impaired

The aging analysis of trade receivables that are past due but not impaired are as follows:

	Group	
	2008 US$'000	2007 US$'000
Less than 180 days	53,926	53,097
Over 180 days	1,449	1,974
	55,375	55,071

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

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

	Group	
	2008 US$'000	2007 US$'000
At 1 January	3,790	2,275
Impairment loss recognized	1,403	1,425
Uncollectible amounts written off	(1,144)	(337)
Acquisition/(disposal) of subsidiaries	280	155
Exchange difference	(313)	272
At 31 December	4,016	3,790

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

21 Bank Balances, Cash and Time Deposits

	Group		Company	
	2008 US$'000	2007 US$'000	2008 US$'000	2007 US$'000
Bank balances and cash	56,196	55,656	48	66
Short-term bank deposits	46,736	33,816	–	–
	102,932	89,472	48	66

The effective interest rate on short-term bank deposits was 1.4% (2007: 3.4%); these deposits have an average maturity of 11 days (2007: 14 days).

22 Share Capital and Options

	2008 Number of shares (in thousand)	2008 US$'000	2007 Number of shares (in thousand)	2007 US$'000
Authorized:				
At 1 January and 31 December, ordinary shares of US$0.1 each	1,000,000	100,000	1,000,000	100,000
Issued and fully paid:				
At 1 January, ordinary shares of US$0.1 each	312,881	31,288	309,000	30,900
Exercise of share options	4,606	461	3,881	388
At 31 December, ordinary shares of US$0.1 each	317,487	31,749	312,881	31,288

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

22 Share Capital and Options (Continued)

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

	2008 Average exercise price HK$ per share	2008 Share options	2007 Average exercise price HK$ per share	2007 Share options
At 1 January	13.929	25,057,000	7.918	21,718,500
Granted	6.640	5,007,000	25.550	7,776,000
Exercised	4.825	(3,652,000)	4.825	(3,881,000)
Exercised	8.600	(954,000)	–	–
Lapsed	4.825	(202,000)	4.825	(501,000)
Lapsed	25.550	(165,000)	8.600	(55,500)
At 31 December	13.999	25,091,000	13.929	25,057,000

The weighted average share price at the time of exercise was HK$15.08 (2007: 23.23) per share.

Out of the 25,091,000 outstanding options (2007: 25,057,000 options), 864,000 options were exercisable at 31 December 2008 (2007: 190,000 options). Subsequently, 118,000 shares have been allotted and issued under the Share Option Scheme up to 17 March 2009.

22 Share Capital and Options (Continued)

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

Expiry date	Exercise price HK$ per share	Share options 2008	Share options 2007
31 December 2008	4.825	–	190,000
31 December 2009	4.825	287,000	3,834,000
31 December 2010	4.825	3,717,000	3,834,000
31 December 2009	8.600	577,000	1,531,000
31 December 2010	8.600	1,531,000	1,531,000
31 December 2011	8.600	1,531,000	1,531,000
31 December 2010	15.100	1,610,000	1,610,000
31 December 2011	15.100	1,610,000	1,610,000
31 December 2012	15.100	1,610,000	1,610,000
31 December 2011	25.550	2,537,000	2,592,000
31 December 2012	25.550	2,537,000	2,592,000
31 December 2013	25.550	2,537,000	2,592,000
31 December 2012	6.640	1,669,000	–
31 December 2013	6.640	1,669,000	–
31 December 2014	6.640	1,669,000	–
		25,091,000	25,057,000

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

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

23 Equity

	Group								
	Share capital US$'000	Share premium US$'000	Employee share-based compensation reserve (note (b)) US$'000	Merger reserve (note (a)) US$'000	Retained earnings US$'000	Exchange reserve US$'000	Total shareholders' fund US$'000	Minority interest US$'000	Total US$'000
At 1 January 2007	30,900	21,019	1,517	16,450	31,716	7,546	109,148	7,085	116,233
Exchange differences	–	–	–	–	–	7,764	7,764	452	8,216
Net actuarial gains from post employment benefit recognized in reserve	–	–	–	–	1,023	–	1,023	–	1,023
Profit for the year	–	–	–	–	28,152	–	28,152	1,050	29,202
2006 final dividend paid	–	–	–	–	(11,141)	–	(11,141)	(780)	(11,921)
2007 interim dividend paid	–	–	–	–	(4,820)	–	(4,820)	–	(4,820)
Employee share option benefits									
– cost of employee services	–	–	1,534	–	–	–	1,534	–	1,534
– proceeds from shares issued	388	2,009	–	–	–	–	2,397	–	2,397
– transfer to share premium	–	392	(392)	–	–	–	–	–	–
Disposal of a subsidiary	–	–	–	167	626	(793)	–	(3,763)	(3,763)
Acquisition of a subsidiary	–	–	–	–	–	–	–	4,119	4,119
Acquisition of additional interest in a subsidiary	–	–	–	–	–	–	–	(1,658)	(1,658)
Capital injection by minority shareholders of a subsidiary	–	–	–	–	–	–	–	18	18
At 31 December 2007	31,288	23,420	2,659	16,617	45,556	14,517	134,057	6,523	140,580
Company and subsidiaries	31,288	23,420	2,659	16,617	44,155	14,152	132,291	6,523	138,814
Associated companies	–	–	–	–	1,401	365	1,766	–	1,766
At 31 December 2007	31,288	23,420	2,659	16,617	45,556	14,517	134,057	6,523	140,580

23 Equity (Continued)

	Group								
	Share capital US$'000	Share premium US$'000	Employee share-based compensation reserve (note (b)) US$'000	Merger reserve (note (a)) US$'000	Retained earnings US$'000	Exchange reserve US$'000	Total shareholders' fund US$'000	Minority interest US$'000	Total US$'000
At 1 January 2008	31,288	23,420	2,659	16,617	45,556	14,517	134,057	6,523	140,580
Exchange differences	–	–	–	–	–	(8,418)	(8,418)	(206)	(8,624)
Net actuarial losses from post employment benefit recognized in reserve	–	–	–	–	(3,452)	–	(3,452)	–	(3,452)
Profit for the year	–	–	–	–	24,522	–	24,522	805	25,327
2007 final dividend paid	–	–	–	–	(12,197)	–	(12,197)	(320)	(12,517)
2008 interim dividend paid	–	–	–	–	(5,691)	–	(5,691)	–	(5,691)
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	48,766	6,099	135,074	7,099	142,173
Company and subsidiaries	31,749	26,890	4,953	16,617	45,264	5,573	131,046	7,099	138,145
Associated companies	–	–	–	–	3,502	526	4,028	–	4,028
At 31 December 2008	31,749	26,890	4,953	16,617	48,766	6,099	135,074	7,099	142,173

Notes:

(a) Merger reserve represented the difference between the sum of the nominal value and share premium of shares of the subsidiaries acquired from Li & Fung (Distribution) Limited for the purpose of the reorganization of the Group and the nominal value of shares of the Company issued in exchange thereof, net of subsequent transfer to accumulated loss/retained earnings.

(b) Employee share-based compensation reserve represented a corresponding entry of employee share option expenses charged to the consolidated income statement, net of transfer to share premium upon exercising of share options and transfer to retained earnings upon expiration of share options. The transfer to share premium during the year of US$620,000 represented the average share option value of approximately US$0.135 per option of the 4,606,000 options that were exercised in 2008.

23 Equity (Continued)

	Company				
	Share capital US$'000	Share premium US$'000	Employee share based compensation reserve US$'000	(Accumulated losses)/ retained earnings US$'000	Total US$'000
At 1 January 2007	30,900	21,019	1,517	522	53,958
Profit for the year	–	–	–	14,915	14,915
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	388	2,009	–	–	2,397
– transfer to share premium	–	392	(392)	–	–
At 31 December 2007	31,288	23,420	2,659	(524)	56,843
Profit for the year	–	–	–	18,183	18,183
2007 final dividend paid	–	–	–	(12,197)	(12,197)
2008 interim dividend paid	–	–	–	(5,691)	(5,691)
Employee share option benefits					
– cost of employee services	–	–	2,942	–	2,942
– proceeds from shares issued	461	2,850	–	–	3,311
– transfer to share premium	–	620	(620)	–	–
– transfer of reserve upon expiration of share options	–	–	(28)	28	–
At 31 December 2008	31,749	26,890	4,953	(201)	63,391

24 Bank Loans and Other Borrowings

	Group	
	2008 US$'000	2007 US$'000
Non-current		
Unsecured bank loans	29,752	81,716
Obligations under finance leases	2,811	4,546
	32,563	86,262
Current		
Unsecured bank overdrafts	10,729	10,164
Secured bank loan	1,500	–
Unsecured bank loans	104,156	49,999
Obligations under finance leases	1,056	1,324
	117,441	61,487
Total borrowings	150,004	147,749

Lease liabilities are effectively secured as the rights to the leased assets revert to the lessors in the event of default.

The maturity of borrowings is as follows:

	Group			
	Bank loans and overdrafts		Obligations under finance leases	
	2008 US$'000	2007 US$'000	2008 US$'000	2007 US$'000
Within 1 year	116,385	60,163	1,056	1,324
Between 1 and 2 years	27,441	44,552	1,125	1,367
Between 2 and 5 years	2,311	37,164	1,686	3,179
Wholly repayable within 5 years	146,137	141,879	3,867	5,870

The effective interest rates for the bank loans and other borrowings were ranging from 1.2% to 13.0%.

The carrying amounts of borrowings approximate their fair values.

24 Bank Loans and Other Borrowings (Continued)

Finance lease liabilities were payable as follows:

	Group	
	2008 US$'000	2007 US$'000
Within one year	1,275	1,698
In the second year	1,275	1,654
In the third to fifth year	1,777	3,500
	4,327	6,852
Future finance charges on finance leases	(460)	(982)
Present value of finance lease liabilities	3,867	5,870

25 Deferred Taxation

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

Deferred tax assets:

	Group			
	Tax losses US$'000	Decelerated tax depreciation US$'000	Provisions and others US$'000	Total US$'000
At 1 January 2007	(6,368)	(489)	(12,981)	(19,838)
Exchange differences	(173)	(33)	(630)	(836)
Charged to consolidated income statement	1,405	418	2,202	4,025
Acquisition of a subsidiary	(2,516)	–	–	(2,516)
Disposal of a subsidiary	–	23	671	694
Charged to equity	–	–	31	31
At 31 December 2007	(7,652)	(81)	(10,707)	(18,440)
Exchange differences	633	36	409	1,078
Credited to consolidated income statement	(322)	(382)	(589)	(1,293)
Charged to equity (note (a))	–	–	101	101
At 31 December 2008	(7,341)	(427)	(10,786)	(18,554)
Less: offset amount (note (b))				7,387
				(11,167)

25 Deferred Taxation (Continued)

Deferred tax liabilities:

	Group			
	Accelerated tax depreciation US$'000	Fair value gains US$'000	Others US$'000	Total US$'000
At 1 January 2007	3,385	146	8,282	11,813
Exchange differences	348	17	182	547
Charged/(credited) to consolidated income statement	420	(3)	(3,235)	(2,818)
Acquisition of subsidiaries	758	–	–	758
Disposal of a subsidiary	(168)	–	–	(168)
At 31 December 2007	4,743	160	5,229	10,132
Exchange differences	(364)	(6)	(164)	(534)
Charged/(credited) to consolidated income statement	2,969	(50)	(2,200)	719
Acquisition of subsidiaries	20	514	–	534
At 31 December 2008	7,368	618	2,865	10,851
Less: offset amount (note (b))				(7,387)
				3,464

Notes:

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

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

	Group	
	2008 US$'000	2007 US$'000
Deferred tax assets	(11,167)	(11,146)
Deferred tax liabilities	3,464	2,838

Deferred income tax assets are recognized for tax losses carried forward to the extent that realization of the related tax benefit through future taxable profits is probable. As at 31 December 2008, US$16,864,000 (2007: US$15,115,000) of the Group's unrecognized tax losses is carried forward against future taxable income; of which US$2,472,000 (2007: US$10,390,000) will expire by 2013 (2007: 2012).

25 Deferred Taxation (Continued)

The amounts shown in the consolidated balance sheet include the following:

	Group	
	2008 US$'000	2007 US$'000
Deferred tax assets to be received after more than 12 months	(11,167)	(11,146)
Deferred tax liabilities to be settled after more than 12 months	3,464	2,838

26 Defined Benefit Plans

	Group	
	2008 US$'000	2007 US$'000
Assets on:		
– defined benefit pension plans (note (a))	53	945
Obligations on:		
– defined benefit pension plans (note (b))	(2,962)	(1,699)
– other post employment benefit liabilities (note (f))	(3,720)	(2,492)
Liabilities under defined benefit plans	(6,682)	(4,191)
Actuarial (losses)/gains recognized in the year	(3,351)	1,054
Cumulative actuarial losses recognized	(4,674)	(1,323)

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

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

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

26 Defined Benefit Plans (Continued)

Notes:

(a) Assets under defined benefit pension plans

	Group	
	2008 US$'000	2007 US$'000
Fair value of plan assets (note (d))	1,076	5,381
Present value of funded obligations (note (d))	(1,023)	(4,436)
Assets under defined benefit pension plans	53	945

As at 31 December 2008, the level of funding represented 105.2% (2007: 121.3%) of the present value of obligations.

(b) Liabilities under defined benefit pension plans

	Group	
	2008 US$'000	2007 US$'000
Present value of funded obligations (note (d))	(8,051)	(3,952)
Fair value of plan assets (note (d))	5,089	2,253
Liabilities under defined benefit pension plans	(2,962)	(1,699)

As at 31 December 2008, the level of funding represented 63.2% (2007: 57.0%) of the present value of obligations.

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

	Group	
	2008 US$'000	2007 US$'000
Assets under defined benefit pension plans:		
Current service cost	225	185
Interest cost	138	133
Expected return on plan assets	(347)	(290)
Expenses on assets under defined benefit pension plans	16	28
Liabilities under defined benefit pension plans:		
Current service cost	312	342
Interest cost	169	138
Expected return on plan assets	(93)	(84)
Expense on liabilities under defined benefit pension plans	388	396
Pension costs – defined benefit plans (note 8)	404	424

26 Defined Benefit Plans (Continued)

Notes: (Continued)

(d) Movement included in the consolidated balance sheet:

The movement in the present value of funded obligation recognized in the balance sheet is as follows:

	Group	
	2008 US$'000	2007 US$'000
Assets under defined benefit pension plans		
At 1 January	4,436	3,650
Current service cost	225	185
Interest cost	138	133
Employee's contribution	12	12
Benefits paid	(73)	(47)
Actuarial loss	446	515
Transferred to liabilities under defined benefit pension plans	(4,197)	–
Exchange difference	36	(12)
At 31 December (note (a))	1,023	4,436
Liabilities under defined benefit pension plans		
At 1 January	3,952	3,656
Current service cost	312	342
Interest cost	169	138
Benefits paid	(158)	(315)
Actuarial gain	(245)	(69)
Transferred from assets under defined benefit pension plans	4,197	–
Exchange difference	(176)	200
At 31 December (note (b))	8,051	3,952

26 Defined Benefit Plans (Continued)

Notes: (Continued)

(d) Movement included in the consolidated balance sheet: (Continued)

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

	Group	
	2008 US$'000	2007 US$'000
Assets under defined benefit pension plans		
At 1 January	5,381	4,499
Employers' contribution	149	139
Employees' contribution	12	12
Expected return on plan assets	347	290
Benefits paid	(73)	(47)
Actuarial (loss)/gain	(1,891)	503
Transferred to liabilities under defined benefit pension plans	(2,880)	–
Exchange difference	31	(15)
At 31 December (note (a))	1,076	5,381
Liabilities under defined benefits pension plans		
At 1 January	2,253	2,112
Employers' contribution	205	228
Expected return on plan assets	93	84
Benefits paid	(90)	(256)
Actuarial (loss)/gain	(188)	22
Transferred from assets under defined benefit pension plans	2,880	–
Exchange difference	(64)	63
At 31 December (note (b))	5,089	2,253

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

	Group	
	2008 %	2007 %
Discount rate	1.7–15.5	2.75–10.5
Expected rate of future salary increases	2.7–9	3–8
Expected rate of return on plan assets	2.5–6.5	2.75–8.25

(f) Other post employment benefit liabilities mainly represent long service payment and equivalents. Actuarial valuation is performed on the Group's other post employment benefit liabilities. The actuarial loss recognized in 2008 is US$1,071,000 (2007: US$975,000 gain). At 31 December 2008, there were no unrecognized transitional liabilities (2007: US$388,000).

27 Trade and Other Payables

	Group	
	2008 US$'000	2007 US$'000
Trade payable (note (a))	345,615	293,700
Other payables and accruals	104,060	109,558
Obligations on defined contribution plans	1,126	970
Due to related companies (note (b) & note 32)	835	1,249
	451,636	405,477
Less: non-current portion: other payables and accruals	(4,601)	(13,535)
	447,035	391,942

Notes:

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

	Group	
	2008 US$'000	2007 US$'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

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

28 Notes to the Consolidated Cash Flow Statements

(a) Cash generated from operations:

	2008 US$'000	2007 US$'000
Operating profit	34,624	39,126
Amortization of intangible assets	2,886	2,466
Depreciation charge	15,066	12,141
Amortization of prepaid operating lease payments	106	80
Gain on partial disposal of an associated company/ disposal of a subsidiary	(14,038)	(11,286)
Gain on acquisition of additional interest in a subsidiary/ acquisitions of subsidiaries and an associated company	(77)	(1,131)
Gain on disposal of property, plant and equipment	(118)	(27)
Loss on disposal of intangible assets	–	6
Share option expenses	2,942	1,534
Operating profit before working capital changes	41,391	42,909
Increase in inventories	(17,192)	(41,279)
Decrease/(increase) in trade and other receivables	12,938	(24,193)
Increase in trade and other payables	36,910	78,076
Net cash generated from operations	74,047	55,513

28 Notes to the Consolidated Cash Flow Statements (Continued)

(b) Analysis of changes in financing and investing during the year

	Share capital US$'000	Share premium US$'000	Bank loans US$'000	Minority interest US$'000	Obligations under finance leases US$'000
At 1 January 2007	30,900	21,019	97,108	7,085	180
Net proceeds from issue of shares	388	2,009	–	–	–
Cash inflow from bank loans	–	–	36,649	–	–
Cash outflow from bank loans and finance lease	–	–	(5,184)	–	(455)
Dividends paid to minority shareholders	–	–	–	(780)	–
Capital injection by minority shareholders of a subsidiary	–	–	–	18	–
Non-cash movements:					
Transfer from employee share-based compensation reserve	–	392	–	–	–
Acquisition of a subsidiary	–	–	–	4,119	4,790
Inception of finance lease	–	–	–	–	1,405
Acquisition of additional interest in a subsidiary	–	–	–	(1,658)	–
Disposal of a subsidiary	–	–	–	(3,763)	–
Minority interest's share of profits	–	–	–	1,050	–
Exchange differences	–	–	3,142	452	(50)
At 31 December 2007	31,288	23,420	131,715	6,523	5,870
Net proceeds from issue of shares	461	2,850	–	–	–
Cash inflow from bank loans	–	–	68,604	–	–
Cash outflow from bank loans and finance lease	–	–	(57,262)	–	(1,227)
Dividends paid to minority shareholders	–	–	–	(320)	–
Non-cash movements:					
Transfer from employee share-based compensation reserve	–	620	–	–	–
Acquisition of subsidiaries	–	–	858	410	16
Inception of finance lease	–	–	–	–	666
Acquisition of additional interest in a subsidiary	–	–	–	(113)	–
Minority interest's share of profits	–	–	–	805	–
Exchange differences	–	–	(8,507)	(206)	(1,458)
At 31 December 2008	31,749	26,890	135,408	7,099	3,867

28 Notes to the Consolidated Cash Flow Statements (Continued)

(c) Acquisition of subsidiaries

	2008 US$'000	2007 US$'000
Net assets acquired:		
Other intangible assets	3,313	3,347
Software	–	202
Properties, plant and equipment	2,207	16,277
Lease premium for land	–	1,649
Deferred tax assets	–	2,516
Inventories	2,582	12,574
Trade and other receivables	8,869	33,722
Bank balances and cash	2,304	1,035
Obligations under finance leases	(16)	(4,790)
Liabilities under defined benefit plans	(39)	–
Deferred tax liabilities	(534)	(758)
Trade and other payables	(5,226)	(37,456)
Bank loans and other borrowings	(858)	–
Bank overdraft	–	(12,354)
Taxation payable	(205)	(1,552)
Minority interests	(410)	(4,119)
	11,987	10,293
Goodwill on acquisition	15,843	22,849
Gain on acquisition	–	(216)
	27,830	32,926
Satisfied by		
Cash consideration	26,427	31,165
Expenses incurred on acquisition	1,403	1,761
	27,830	32,926

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

	2008 US$'000	2007 US$'000
Purchase consideration	26,427	31,165
Expenses incurred on acquisition	1,403	1,761
(Positive)/negative cash and cash equivalents in subsidiary acquired	(2,304)	11,319
Purchase consideration payable	(2,500)	–
Expenses payable in respect of acquisition	(212)	(727)
Net outflow of cash and cash equivalents on acquisition	22,814	43,518

28 Notes to the Consolidated Cash Flow Statements (Continued)

(d) Disposal of a subsidiary

	2007 US$'000
Intangible assets	1,044
Property, plant and equipment	5,067
Lease premium for land	315
Other non-current assets	219
Deferred tax assets	694
Inventories	6,486
Trade and other receivables	8,164
Bank balances and cash	6,999
Liabilities under defined benefit plans	(121)
Other non-current payables	(156)
Deferred tax liabilities	(168)
Trade and other payables	(16,237)
Bank overdraft	(459)
Taxation payable	(41)
Minority interests	(3,763)
	8,043
Transfer to associated companies	(5,958)
	2,085
Gain on disposal	11,286
	13,371
Analysis of net inflow of cash and cash equivalents in respect of the disposal:	
Cash consideration	13,543
Expenses incurred in respect of the disposal	(50)
Net cash refund relating to partial divestment in 2006	(122)
Cash and cash equivalents disposed	(6,540)
	6,831

(e) Included in the cash and cash equivalents of the Group as at 31 December 2008 were amount totaling US$59,947,000 (2007: US$23,519,000) which were denominated in Renminbi, the remittance of which is subject to foreign exchange control.

29 Contingent Liabilities

(a) Bank guarantees

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

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

The Company has corporate guarantee in respect of banking facilities granted to subsidiaries amounting to US$370 million at 31 December 2008 (2007: US$355 million).

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

30 Commitments

(a) Capital commitments in respect of:

	Group 2008 US$'000	Group 2007 US$'000
Property, plant and equipment		
Contracted but not provided for	118	643
Authorized but not contracted for	369	1,874
Intangible assets		
Contracted but not provided for	435	–
Authorized but not contracted for	540	2,343
	1,462	4,860

30 Commitments (Continued)

(b) Commitments under operating leases

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

	Group			
	Buildings		Others	
	2008 US$'000	2007 US$'000	2008 US$'000	2007 US$'000
No later than one year	49,922	41,999	1,351	1,273
Later than one year and no later than five years	122,367	122,428	1,190	1,590
Later than five years	71,393	92,216	–	–
	243,682	256,643	2,541	2,863

The Company did not have any material commitments at 31 December 2008 (2007: Nil).

31 Business Combinations

In 2008, the Group acquired 95% equity interest of Universal Pharmaceutical Laboratories, Limited ("UPLL"). UPLL has its operation in Hong Kong and is principally engaged in the pharmaceutical manufacturing and distribution business.

In May 2008, the Group acquired the entire issued capital of Warehouse Technology, Inc. (now known as IDS USA West Inc.) in the US. The company is principally engaged in storage and transportation of footwear, handbags and accessories.

The Group has completed a smaller acquisition during the year. The details of the acquisition is not disclosed as it is relatively immaterial to both the Group's financial positions and results.

The acquired businesses contributed revenues of approximately US$27,508,000 and net profit of approximately US$843,000 for the year from their respective dates of acquisition to 31 December 2008. If these acquisitions had occurred on 1 January 2008, the estimated unaudited consolidated revenue for the Group would have been approximately US$1,697,550,000 and unaudited profit for the year would have been approximately US$25,842,000.

31 Business Combinations (Continued)

Details of net assets acquired and goodwill are as follows:

	2008 US$'000
Purchase consideration:	
– Cash consideration	26,427
– Direct costs relating to the acquisition	1,403
Total purchase consideration	27,830
Fair value of net assets acquired	(11,987)
Goodwill (Note 14)	15,843

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

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

	2008	
	Carrying amounts US$'000	Fair value US$'000
Other intangible assets (Note 14)	–	3,313
Property, plant and equipment (Note 16)	1,359	2,207
Inventories	2,582	2,582
Trade and other receivables	8,869	8,869
Bank balances and cash	2,304	2,304
Finance lease obligations	(16)	(16)
Liabilities under defined benefit plans	(39)	(39)
Deferred tax liabilities	(20)	(534)
Trade and other payables	(5,226)	(5,226)
Bank loan and other borrowings	(858)	(858)
Taxation payable	(205)	(205)
Minority interests	(336)	(410)
Net assets	8,414	11,987

32 Significant Related Party Transactions

	Group	
	2008 US$'000	2007 US$'000
Continuing transactions:		
– Income from provision of shipping, handling and other logistics services	**17,387**	7,434
– Income from distribution and sale of goods	**1,126**	1,276
– Purchase of bedding related products	**2,866**	2,107
– Rental received from	**1,263**	1,225
– Rental paid to	**4,786**	2,837
Non-recurring transactions:		
– Acquisition of a subsidiary	**–**	6,696
– Acquisition of an associated company	**–**	1,340

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

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

Save as disclosed above and the key management compensation as set out in note 8, the Group had no other material related party transactions during the year.

32 Significant Related Party Transactions (Continued)

Year-end balances with related parties

	Note	2008 US$'000	2007 US$'000
Due from	(a)		
– related parties		5,386	2,792
– associated companies		79	130
Due to	(b)		
– related parties		818	452
– an associated company		17	797

Notes:

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

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

33 Subsequent Events

Pursuant to the Sales and Purchase Agreement of UPLL, 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.

34 Approval of Consolidated Financial Statements

The consolidated financial statements have been approved for issue by the Board of Directors on 17 March 2009.

35 Principal Subsidiaries and Associated Companies

As at 31 December 2008, the Company held interests in the following principal subsidiaries and associated companies:

Name	Place of incorporation/ operation	Principal activities	Particulars of issued/paid up share capital	Interest held
Principal subsidiaries				
Indirectly held:				
IDS Logistics (Hong Kong) Limited	Hong Kong	Provision of logistics services	10,000 ordinary shares of HK$1 each	100%
IDS (Hong Kong) Limited	Hong Kong	Distribution of consumer and pharmaceutical products	14,600,000 ordinary shares of HK$10 each	100%
Universal Pharmaceutical Laboratories, Limited	Hong Kong	Manufacturing and distribution of pharmaceutical products	5,000 ordinary shares of HK$100 each	95%
Shanghai IDS Shen Hong Logistics Co., Ltd. 上海英和申宏商業服務有限公司* (note (a))	PRC	Provision of logistics services	US$5,000,000	100%
Nanjing IDS Marketing Company Limited 南京利豐英和商貿有限公司* (note (b))	PRC	Import/export and distribution of general merchandise	US$5,000,000	100%
IDS Logistics (Taiwan) Limited	Hong Kong/ Taiwan	Provision of logistics and packaging services	2 ordinary shares of HK$100 each	100%

35 Principal Subsidiaries and Associated Companies (Continued)

Name	Place of incorporation/ operation	Principal activities	Particulars of issued/paid up share capital	Interest held
Principal subsidiaries				
IDS Logistics Services Pte. Ltd.	Singapore	Provision of logistics services	28,296,962 ordinary shares of S$1 each	100%
IDS Marketing (Singapore) Pte. Ltd.	Singapore	Distribution of healthcare products	300,000 ordinary shares of S$1 each 60,000 preference shares of S$1 each	100%
IDS Logistics Services (M) Sdn. Bhd.	Malaysia	Provision of logistics services	2,000,000 ordinary shares of RM1 each	100%
IDS Services (Malaysia) Sdn. Bhd.	Malaysia	Distribution of consumer, pharmaceutical, and medical equipment products	14,231,002 shares of RM1 each	100%
IDS Sebor (Sarawak) Sdn. Bhd.	Malaysia	Distribution of consumer products	5,000,000 ordinary shares of RM1 each	67.09%
IDS Manufacturing Sdn. Bhd.	Malaysia	Manufacturing of pharmaceutical, foods and toiletries products	23,000,000 ordinary shares of RM1 each	100%
IDS Logistics (Thailand) Limited	Thailand	Provision of logistics services	1,215,000 ordinary shares of Baht250 each	100%
IDS Marketing (Thailand) Limited	Thailand	Distribution of consumer and pharmaceutical products	160,000 ordinary shares of Baht100 each 55,000 preference shares of Baht100 each	100%

35 Principal Subsidiaries and Associated Companies (Continued)

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

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

* The legal name of the company is in Chinese

Notes:

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

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

35 Principal Subsidiaries and Associated Companies (Continued)

Name	Place of incorporation/ operation	Principal activities	Particulars of issued/paid up share capital	Interest held
Principal associated companies				
Sebor (Sabah) Sendirian Berhad	Malaysia	Distribution of consumer products	11,000,000 ordinary shares of RM1 each	40%
Slumberland (M) Sdn. Bhd.	Malaysia	Marketing, distribution and manufacturing of mattresses and bed related products	2,000,000 ordinary shares of RM1 each	30%
Slumberland Marketing Sdn. Bhd.	Malaysia	Marketing and distribution of mattresses and bed related products	2 ordinary shares of RM1 each	30%
Slumberland Soft Furniture Shanghai Co., Ltd. 上海斯林百蘭軟傢俱有限公司*	PRC	Marketing, distribution and manufacturing of mattresses and bed related products	US$1,100,000	30%

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

* The legal name of the company is in Chinese

SEVEN-YEAR FINANCIAL SUMMARY

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

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

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

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

Member of the Li & Fung Group