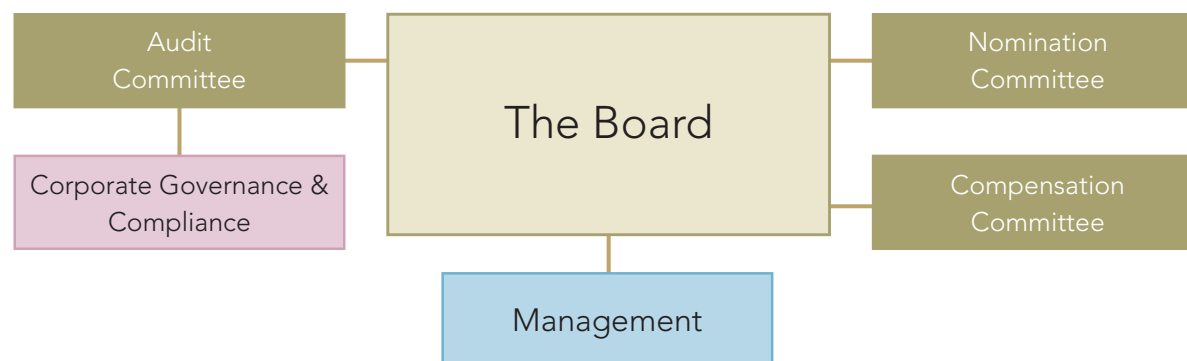


The Board of Directors and Management of Integrated Distribution Services Group Limited (the “Company”) are committed to principles of good corporate governance in enhancing **shareholders’ value**. These principles which include independence, accountability and transparency are set out below.



THE BOARD

The Board is composed of the Group non-executive Chairman, the Group Managing Director, two executive directors and eight non-executive directors (of whom four are independent) whose biographical details are set out in the Directors and Senior Management Biography section on pages 28 to 32.

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**. The Group Chairman is responsible for overseeing the proper functioning of the Board whilst the Group Managing Director, supported by the executive directors 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 serve the important function of advising the Management on strategy development and ensuring that the Board maintains high standards of financial and other mandatory reporting as well as 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 in accordance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules”).**

Management provides all members of the Board with operational and financial reports of Company's performance, position and prospects on an on-going basis.

The Company has arranged appropriate liability insurance to indemnify its directors for their liability arising out of corporate activities. The insurance coverage is reviewed on an annual basis.

BOARD COMMITTEES

On 4 November 2004, the Board has established the following committees (all chaired by non-executive directors), the Audit Committee, the Compensation Committee, and the Nomination Committee.

Directors	Audit Committee	Compensation Committee	Nomination Committee
Dr. Victor FUNG Kwok King ²		Chairman	
Benedict CHANG Yew Teck ¹			
Joseph Chua PHI ¹			
Rajesh Vardichand RANAVAT ¹			
Dr. William FUNG Kwok Lun ²			
Jeremy Paul Egerton HOBBS ²			✓
Butt Farn LAU ²	✓		
Derrick LEE Meow Chan ²			
John Estmond STRICKLAND ³	Chairman		
William Winship FLANZ ³		✓	Chairman
Dr. FU Yu Ning ³	✓		✓
Professor Hau Leung LEE ³	✓	✓	
Number of members	4	3	3

Note 1. Executive Director

Note 2. Non-Executive Director

Note 3. Independent Non-Executive Director

AUDIT COMMITTEE

The Audit Committee was formed on 4 November 2004 with written terms of reference as recommended under the Code of Best Practice set out in Appendix 14 to the Listing Rules. The Committee was established to review the Group's financial reporting including accounting principles and practices, internal control and risk management matters.

From year 2005, the Committee also reviews the scope, fee and plan of the external auditors and internal auditors (forming part of the Group's Corporate Governance & Compliance team under the supervision of the Group Chief Compliance Officer). In addition the Committee will also review with the external and internal auditors their audit findings covering internal control and risk management issues, and other financial reporting matters and offers recommendations to the Board.

The Audit Committee is made up of four non-executive directors including three independent non-executive directors, and the Committee has since the Company's listing on 7 December 2004 met once on 31 March 2005 (with an attendance rate of 100%).

COMPENSATION COMMITTEE

The Compensation Committee was established on 4 November 2004 with written terms of reference. The Committee is made up of three non-executive directors with a majority of them being independent non-executive directors. It is responsible for approving the **remuneration policy for all directors and senior management**, including granting of **Share Options** to employees under the Company's Share Option Scheme.

REMUNERATION FOR EXECUTIVE DIRECTORS

Remuneration of executive directors includes basic salary (subject to annual review), other allowances and a bonus based on performance together with share options which are designed to align directors' interest to maximizing the Company's long-term shareholders' value.

REMUNERATION FOR NON-EXECUTIVE DIRECTORS

Remuneration of non-executive directors comprises fees which are subject to annual recommendation by the Compensation Committee. Reimbursement is allowed for out-of-pocket expenses incurred in connection with the performance of their duties including attendance at Company's meetings.

The Committee met once on 4 December 2004 (with an attendance rate of 100%).

Details of directors' remuneration of the Company are set out in note 11 to the accounts.

NOMINATION COMMITTEE

The Nomination Committee was established on 4 November 2004 with written terms of reference. The Committee is made up of three non-executive directors with a majority of independent non-executive directors. It is responsible for making recommendations to the Board on the **appointment of directors** and the **management of board succession**.

BUSINESS ETHICS

The Group puts strong emphasis on business ethics in all aspects of its operations. All of our key executives and employees have been given clear message of the Group's ethical guidelines.

DIRECTORS' SECURITIES TRANSACTIONS

The Group has adopted stringent procedures governing directors' securities transactions in compliance with the Model Code as set out in Appendix 10 to the Listing Rules. Specific enquiries have been made to all directors to confirm compliance with the Model Code for the period from 7 December 2004 (date of listing) to 31 December 2004. Relevant employees who are likely to be in possession of unpublished price-sensitive information of the Group are also subject to compliance with guidelines on no less exacting terms than the Model Code.

DIRECTORS' INTERESTS

Details of directors' interests in the shares of the Company and associated corporations are set out in the Report of the Directors on pages 43 to 74.

DIRECTORS' AND AUDITORS' RESPONSIBILITIES FOR ACCOUNTS

The Directors' responsibilities for the accounts and the responsibilities of the external auditors to the shareholders are set out on page 77.

INTERNAL CONTROL

The Board is responsible for maintaining an adequate system of internal controls in the Company. It has delegated to the Management the implementation of such system of internal controls and reviewing of relevant financial, operational and compliance controls and risk management procedures.

The Audit Committee has had discussion with senior management, internal auditors and external auditors and is satisfied that control procedures are in place to provide reasonable assurance that the accounts are reliable for publication.

The Audit Committee also reviewed the non-audit services provided by PricewaterhouseCoopers (“PwC”), the external auditors, in 2004 and was satisfied that the independence of the external auditors had not been impaired. The Audit Committee has recommended to the Board that PwC be nominated for re-appointment as the external auditors at the forthcoming Annual General Meeting of the Company.

CODE OF BEST PRACTICE

The Company complies with the Code of Best Practice as set out in Appendix 14 of the Listing Rules during the period from 7 December 2004 to 31 December 2004.

The Code of Best Practice was replaced by the Code on Corporate Governance Practices and Corporate Governance Report (Appendices 14 and 23 of the Listing Rules) on 1 January 2005. Full compliance of the new Code will be effected in the year ending 31 December 2005.

INVESTOR RELATIONS AND COMMUNICATION

The Company pursues a proactive policy of promoting investor relations and communication by holding meetings with institutional investors and analysts. Occasionally, we also arrange facility tours for them to better understand our operations. In order to further promote effective communication, the Company maintains a website (www.idsgroup.com) to disseminate company information and answer enquiries electronically on a timely basis.

CORPORATE COMMUNICATION

The Company holds monthly Executive Group Meeting for senior executives to formulate company-wide policies and strategies, and to review and discuss significant issues affecting the Company.

As part of the Company’s entrepreneurial corporate culture and business policy, semi-annual Leadership Council Meeting, with active participation of the Group Chairman, the Group Managing Director, executive directors and the head of all business units across the region, are held to review business performance and strategic issues.

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