



PRESS RELEASE

IDS Group Reports First Half Profit Growth of 15.8%

Hong Kong, 16 August 2006 – Integrated Distribution Services Group Limited (or “the IDS Group”, “the Group” or “IDS”; SEHK: 2387), an integrated-distribution services provider in Asia, today announced its interim results for the six-month period ended 30 June 2006. Profit attributable to shareholders registered an increase of 15.8% to US\$8.5 million in 2006, against US\$7.4 million for the same period in 2005.

Earnings per share for the period were 2.76 US cents (equivalent to HK21.4 cents), compared to 2.39 US cents (HK18.6 cents) in 2005. The Board of Directors has recommended an interim dividend of HK7 cents per share, against HK6 cents for the first half of 2005.

Revenue for the period increased by 26.2% from US\$370.27 million in 2005 to US\$467.45 million in 2006, mainly driven by strong China growth and the full six-month contribution of the Philippines Marketing business which commenced operations in April 2005.

First half 2006 operating profit in China continued to register solid gains increasing 139% over the same period last year whilst operating margin grew from 3.0% to 4.3%. The Logistics business continued to deliver double-digit operating profit growth of 15.4%, with an operating margin improvement to 9.0% from 8.4%. The Manufacturing business reported a strong rebound, surging 68.2% in first half 2006 operating profit.

IDS Group’s balance sheet remains strong with gross cash of US\$56.8 million (net cash of US\$10.7 million) to fund future growth.

“We are now midway through our Three-Year Strategic Plan 2005-2007 and I am delighted to say the Group is making solid progress towards all our Plan objectives including the doubling of profit against our 2004 base,” said Mr. Ben Chang, Group Managing Director of the IDS Group. “Our two-pronged strategy of focusing on aggressive organic growth and selective mergers and acquisitions has begun to yield strong results. Our focus to increase the scope and scale of our regional partnerships with blue-chip multi-nationals has been a main contributor to our continuing success.”

The IDS Group continued to leverage its strength in business development and won 37 new contracts during the first half of 2006, over 20 of which are for providing additional services to existing customers, covering new product ranges or expanding into new geographies. A senior-level Regional Business Development (RBD) team was recently formed to spearhead regional partnership expansion. Annual gross profit (service fee) from new contracts won in the first half of 2006 is estimated to be about 140% and 15% more than those won in the second half of 2005 and first half of 2005 respectively.

IDS recently announced its first acquisition of Sitt Tatt Logistics, a logistics company in Malaysia, and two related distribution centers. The acquisition is expected to double the size of the Group's current logistics operations in Malaysia and provide a strategic entry into the electronics logistics segment.

“With the announcement of our first acquisition in Malaysia and today's signing of the Memorandum of Understanding with Impac Logistics Services LLC, USA, we now expect an increase in momentum of our mergers and acquisitions,” said Mr. Chang.

Mr. Joseph Phi, Regional Managing Director of the IDS Group, said, “Sitt Tatt Logistics has a strong management team and a solid customer base, many of whom we already serve in other countries. An example of this is Unilever who we provide exclusive logistics services to in Hong Kong, the Philippines and Taiwan. This will strengthen our regional value proposition and position IDS for strong growth in 2007 and beyond.”

IDS Logistics continued to show solid growth of 15.4% in operating profit, despite a more modest growth in revenue of 8.3%. Margin for the period reached 9%, which is outstanding in industry terms, compared to 8.4% recorded for the first half of 2005.

17 new logistics contracts were signed during the first six months of 2006, including Procter & Gamble in Taiwan, L'Oreal in Hong Kong, Johnson Diversey in China and the Philippines, and Diageo in Singapore. IDS' network of logistics infrastructure also expanded across the region to support business growth. As of 30 June 2006, IDS Logistics operates 60 distribution centers (compared to 53 as of 31 December 2005) covering over 480,000 square meters.

Implementation of major contracts signed in the first half is progressing smoothly. The first phase of Procter & Gamble operations in Taiwan has commenced in July, with the next phase scheduled for the fourth quarter.

“We have a robust pipeline with many customers already confirmed to partner with us in the second half, including Timex in the Philippines, C&A and Pacific Brands in China and Henkel in Singapore, to name just a few,” said Mr. Phi. “These new businesses will fuel the continued growth of Logistics. Our current focus is on implementing these new contracts flawlessly.”

IDS Marketing showed strong revenue growth, driven mainly by accelerated growth in China and the full six-month impact of the Philippines operations, which commenced in April 2005. The Philippines business is still in the investment phase and is not expected to break even until 2007. This has impacted Marketing’s operating profit and resulted in a modest growth of 4.6% over the same period last year.

The Group’s Marketing business in China is however growing from strength to strength. Distribution network expansion is progressing according to plan with six new branch offices opened in Hangzhou, Tianjin, Zhongshan, Suzhou Dalian and Shenyang. IDS is now capable of selling directly to key account retailers in 11 cities and will expand to 20 cities by year end 2006. As part of an initiative to expand its product portfolio with higher profit margin products, IDS has engaged in the distribution of high-end skincare and cosmetics products.

IDS Manufacturing showed a solid rebound in the first half of 2006 with operating profit increasing 68.2% against the same period in 2005, while the top line showed 15.2% growth. Despite soft market sentiment in South East Asia arising from high oil prices and interest rates, efforts to contain costs and enhance operational efficiency combined with increased volumes from new contracts contributed to substantial improvement in operating margin. This has improved from 2.1% in first half 2005 to 3.1% in 2006.

The Listerine plant in Thailand is now in full operation and has become the Group’s showcase example of establishing a dedicated facility for large-scale regional production. Efforts in business development have been stepped up to pursue regional export opportunities.

Manufacturing has also agreed terms to enter into a contract with Henkel to produce their industrial (metal cleaning) products in Indonesia. This will add substantially to the scale of IDS’ manufacturing operations in Indonesia, enhancing operational efficiency and profitability.

Looking ahead, Mr. Chang commented, "I am confident that we will continue the momentum of building on the results of the first half to meet our full year growth target. At the same time, we are now implementing strategic Human Resources initiatives which is crucial in strengthening our talent pool."

"In addition, we will focus on the full development and investment of Country Resource Teams (CRT), which centralizes the country support functions of Finance, IT and HR. This will provide us the necessary resources and capability to support strong organic growth and new M&A initiatives. IDS will be well poised for further solid growth in 2007," concluded Mr. Chang.

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About Integrated Distribution Services Group Limited

Integrated Distribution Services Group Limited ("IDS Group") is a leading integrated-distribution services provider in Asia covering the three core businesses of Marketing, Logistics and Manufacturing. The Group focuses primarily on serving brand owners of consumer and healthcare products who wish to penetrate the Asian market. IDS Manufacturing produces branded goods under licence, IDS Logistics provides in-country and international logistics services and IDS Marketing sells and distributes products on behalf of brand owners. Headquartered in Hong Kong, the IDS Group operates in nine economies in Asia offering a full menu of integrated-distribution services to 370 customers including an array of multinational brands. The IDS Group is a member of the Li & Fung Group.

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