



For immediate release

## **IDS Group Reports Growth of 25.3% in Net Profit**

Stellar performance in China coupled with growing recognition of unique business proposition fuel sustainable growth

*Hong Kong, 20 April 2006* – **Integrated Distribution Services Group Limited, or the IDS Group** (the 'Group'; SEHK: 2387), an integrated-distribution services provider in Asia, today announced its annual results for the year ended 31 December 2005. Operating profit surged 42.4% to US\$19.0 million in 2005 compared to US\$13.3 million last year whilst net profit attributable to shareholders increased by 25.3% to US\$13.3 million from US\$10.6 million over the same period of 2004. Revenue for the period increased by 40.5% from US\$584.9 million in 2004 to US\$821.5 million in 2005.

Earnings per share for the period were 4.31 US cents (equivalent to HK 33.6 cents). The Board of Directors has recommended a final dividend of HK 14 cents per share. Together with an interim dividend of HK 6 cents per share, the total dividend for the whole year would amount to HK 20 cents per share, equivalent to a payout ratio of approximately 60%.

The Group's Logistics business continued to move from strength to strength, with revenue increasing by 34.8% and operating profit surging by 55.9% benefiting from good operating leverage. The Group's Marketing business also registered strong gains in revenue, attributed mainly to the rapid expansion of China Marketing business as well as the commencement of the Philippines operations in April 2005. Marketing revenue was up by 51.6% whilst operating profit increased by 30.2%. Manufacturing revenue registered a modest growth whilst operating profit softened due to soft customer demand in Malaysia and Indonesia with increased operational costs as a result of plant start-up and operation rationalization in Thailand.

"The Group has a strong unleveraged balance sheet with US\$57.5 million of gross cash (net cash of US\$6.8 million) at the end of 2005 which will be used to fund future growth including acquisitions," said Mr. Rajesh Ranavat, Chief Financial Officer of the IDS Group.

Mr. Ben Chang, Group Managing Director of the IDS Group, said, "I am delighted at the Group's strong financial performance in 2005. It is a solid start for our current Three-Year Strategic Plan 2005–2007. We are on track to achieve our target of doubling of our profit over this Plan period to US\$21.2 million by 2007. This is a tribute to our management and people. Our unwavering focus on service and operational excellence has paid off."

"We are even more excited to see our new business model to remake the traditional distribution business begin to take off," Mr. Chang continued. "By championing Logistics as our fundamental enabler and connecting our Marketing and Manufacturing businesses in an end-to-end value chain, we now have a unique offering of integrated-distribution services, from procurement of raw materials to delivery of finished goods to the end consumer. We have built a deep and extensive logistics and distribution network across the region and are now in a strong position to help multinational and Asian brands penetrate the Asian consumer market."

The Group recorded stellar performance in China during the period with all business units showing strong profitable growth. Revenue from business operations in China grew over 150% in 2005, representing 12.2% of the Group revenue, compared to 6.8% in 2004.

Mr. Chang said, "China was our fastest growing market in 2005. Our CEPA approved status as a wholly-owned distributor obtained in April 2004 enabled us to enjoy first mover advantage in aggressively expanding our distribution network. With a coverage of 120 cities, we are now one of the largest logistics and marketing distributor of consumer products in China."

The IDS Group continued to enjoy remarkable success in business development. In 2005, the Group won 77 new contracts, about half of which were through service or geographical extension with existing customers. The Group's value proposition has received enhanced awareness, as major multinationals like Unilever, Diageo, Philip Morris, Nestle and Pfizer begin to engage IDS for wider scope of services last year.

"Of the 390 customers we have, about 20% are regional customers engaging with us in more than one country or business. We continue to focus on expanding our regional customer base as well as to offer them complete integrated-distribution services covering our three core businesses of Marketing, Logistics and Manufacturing," said Mr. Chang.

**IDS Logistics** continued to deliver solid growth in 2005 with revenue increasing by 34.8% to US\$127 million in 2005. Operating profit surged 55.9% to US\$10.4 million, representing an improvement in operating margin from 7.1% in 2004 to 8.2% in 2005. 30 new contracts were signed during the year and the business development pipeline remained strong in the first quarter of 2006 as new wins were secured with P&G in Taiwan, Johnson Diversey in China and Diageo in Singapore.

“Logistics continues to be our fastest growing business. We are getting strong momentum as our customer portfolio and services grow. Additionally, we are receiving more recognition from our partners and the industry. Last year we won the much-coveted Unilever 2004 Vendor of the Year award in the Philippines, the SCM Logistics Excellence Award 2005 in Singapore for Best Young Asian Integrated Logistics Service Provider, and the Best Solution for Garments at the 1<sup>st</sup> China Supply Chain Management Awards,” said Mr. Joseph Phi, Regional Managing Director of IDS Group.

The Group’s international logistics business is also beginning to make major headway especially in the area of export logistics. Transportation and Network Management has also emerged as another value-added service in meeting the increasing demand from major multinationals looking for more optimal supply chain solutions.

**IDS Marketing** enjoyed an outstanding year in 2005 with revenue surging 51.6% from US\$379.9 million in 2004 to US\$575.9 million in 2005, while operating profit increased by 30.2% to US\$11.9 million during the period. There was steady all round growth across Asia, with strong performance from China, Brunei and the Philippines.

“We will leverage our leadership position in China to grow our marketing business in South East Asia by offering Asian-wide regional solutions,” said Mr. Chang. “In China, our key initiative in 2006 is to further expand our direct key account sales coverage to over 20 cities.”

Another key initiative for Marketing is to roll out its new service offering of Credit & Cash Management. This service provides a flexible option to brand owners who prefer to conduct selling and marketing operations in-house but choose to leverage the experience and expertise of IDS in managing their sales-to-cash conversion cycle more efficiently.

**IDS Manufacturing** was affected by weak customer demand in Malaysia. The poor market sentiment resulted in downward adjustments in sales forecasts by brand owners, and order volume came in lower than the Group's expectation. The new Hot PET line installed in late 2004 had a slow off-take as brand owners showed reluctance in launching new products amidst a soft market. As a consequence, the revenue in 2005 remained relatively flat, whilst operating profit declined 10.6% to US\$3.9 million.

"Manufacturing is poised for strong rebound in 2006 as we begin to ride on the wave of outsourcing," said Mr. Chang. "We see more multinational brand owners outsource even their core products to IDS. A case in point is Pfizer where we now manage a regional plant for the supply of Listerine mouthwash to Asian countries in Asia. Additionally we are seeing more impetus for export. All these augment well for Manufacturing for 2006."

Looking ahead, Mr. Chang commented, "We see continued solid growth of our business in 2006 coming from strong organic growth as well as M&A activities. With the consolidation of our backend support services into Country Resource Teams, IDS is positioned well to take on increased activities and business expansion. Additionally our newly formed Regional Business Development unit will further drive stronger regional customer partnerships as well as focus on M&A targets."

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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 over 390 customers including a multitude of multinational brands. The IDS Group is a member of the Li & Fung Group.

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