



For immediate release

IDS Group Reports First Half Growth of 23.6% in Operating Profit

Logistics continues to be the engine of growth with solid surge in revenue and profit

Hong Kong, 18 August 2005 – **Integrated Distribution Services Group Limited**, or **the IDS Group** (the 'Group'; SEHK: 2387), a subsidiary of privately held Li & Fung (Distribution) Limited and an integrated-distribution services provider in Asia, today announced its interim results for the six-month period ended 30 June 2005. Operating profit surged 23.6% to US\$8.9 million in the first half of 2005 compared to US\$7.2 million last year whilst net profit attributable to shareholders increased by 11.0% to US\$7.4 million from US\$6.6 million over the same period of 2004. Had it not been for a one-off tax credit in the previous period, growth over last year would have been higher.

Earnings per share for the period were 2.39 US cents (equivalent to HK18.6 cents). The Board of Directors has recommended an interim dividend of HK6 cents per share.

Revenue for the period increased by 37.4% from US\$269.4 million in 2004 to US\$370.3 million in 2005. Revenue and operating profit from the Logistics business surged by 47.9% and 55.0% respectively with strong growth across all markets. Similarly, the Group's Marketing business registered strong gains in revenue, attributed mainly to the rapid expansion of China Marketing business as well as the start-up of the Philippines operations in April 2005. Manufacturing revenue remained flat due to soft market demand in Malaysia.

The strong increase in revenue helped push operating profit up by 23.6% from US\$7.2 million in the first half of 2004 to US\$8.9 million in 2005. Operating profit margin was however diluted by IDS Manufacturing and the new IDS Marketing operations in the Philippines which has yet to achieve critical mass.

Mr. Ben Chang, Group Managing Director of the IDS Group, said, "We achieved solid first half 2005 results particularly for our Logistics and China operations. Despite an exceptionally strong first half for 2004, we still achieved a double-digit net profit growth of 11% year-on-year. I am even more encouraged by our operating profit increase of 23.6% that is a firm start to our 2005 – 2007 Strategic Plan. We are on

track to meet our aim of doubling our net profit from US\$10.5 million in 2004 to US\$21.0 million in 2007.”

“We are adopting a two-pronged strategy to achieve our 2007 profit goal. Initially, we are focusing on aggressive organic growth, which is clearly the case we see in delivering our first half results. Organic growth will continue to be our primary focus. Secondly, we are also looking for suitable merger and acquisition opportunities across the region. Our focus is on profitable, small local operations that can immediately contribute to the bottom line. I expect to be stepping up our efforts in this area in the second half of 2005,” Mr. Chang continued.

Multinational brand owners are becoming more receptive to the concept of outsourcing in Asia. As their supply chains are becoming increasingly complex, they are focusing more on their core competencies of product development and brand marketing while outsourcing the logistics, marketing and manufacturing functions to third party professionals. Brand owners are even requesting services in certain back-office support areas such as billing and collection. These trends fit well with the Group’s strategy of providing a comprehensive menu of services for customers to pick and choose what they require at the most optimal cost.

IDS Logistics continued to be the engine of the Group’s growth in the first six months of the year. Year-on-year revenue and operating profit surged 47.9% and 55.0% respectively. Apart from strong revenue and operating profit growth, operating profit margin improved steadily to 8.4% as a result of further operating leverage in the first six months of 2005 compared to 8.0% for the same period in 2004.

“The remarkable performance of IDS Logistics in the first half of 2005 was mainly attributed to many new contracts signed in 2004, especially those with our key customers like Unilever, Nike and Watsons. Our business development pipeline remains strong this year and we continue to pursue the expansion of regional relationships across Asia. This strategy works well for us given the fact that less than 20% of our customers do business with us on a regional basis. We are also focusing on diversifying our clientele to adjacent product sectors,” said Mr. Joseph Phi, Regional Managing Director of IDS Logistics.

The expansion of logistics infrastructure continues in tandem with widening of the Group’s customer base throughout the region. The Group’s first cold storage facility in Thailand for Carrefour was completed in the second quarter. IDS Logistics now operates 52 Distribution Centres covering 400,000 square metres of space.

IDS Marketing recorded strong revenue growth in the first half of 2005 as a result of the commencement of business in the Philippines in April 2005. Additionally the Group pursued rapid expansion in the Chinese Mainland with significant investments in technology and network infrastructure across China. In South East Asia, strong growth was also recorded in Brunei, Singapore and Thailand.

The Group's strategy of expanding on its menu of service to offer new services such as billing and collection has been well received and IDS Marketing has been engaged by many of the Group's Logistics customers to provide this service.

IDS Manufacturing was affected by lower-than-expected order volume in Malaysia and investments in new plant equipment in Thailand and Malaysia during the period. This led to lower margins and operating profit versus last year. However, incoming orders has begun to pick up towards the end of the second quarter and is expected to continue to increase in the second half of 2005.

The new plant for Pfizer to produce Listerine mouthwash in Thailand was completed in July and production has commenced for the local market. The volume will be increasingly expanded in the second half and throughout 2006 with supply to eventually cover most countries in the Asia Pacific.

Mr. Chang said, "Investments already made in our Manufacturing operations for example the Pfizer plant will yield strong growth for us in 2006 and beyond."

He added, "Despite the fact that manufacturing order volume was lower than expected in the first half, we see some interesting opportunities emerging as brand owners move towards the concept of producing from centres of excellence for export. For example, we began producing core products for P & G and Nestle for export to Asian markets in the first quarter. One of our strategic imperatives is to ensure that our plants meet the corresponding qualifications required for export to other markets such as Australia, North Asia and the Middle East."

Looking ahead, Mr. Chang commented, "We expect outsourcing in Asia will continue to grow at a faster pace than other parts of the world. Coupled with buoyant consumer spending, we foresee the general economic environment will remain favourable to our operations in the second half of 2005. However, we are also aware of the potential threats of high oil prices and rising interest rates, which may dampen

consumer spending. The IDS Group will continue to be prudent to ensure our investment is in tandem with our business needs.”

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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 comprising IDS Marketing, IDS Logistics and IDS 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 regional 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 380 customers including a multitude of multi-national brands. The IDS Group is a member of the Li & Fung Group.

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