



PRESS RELEASE

IDS Group Reports Strong First Half Profit Growth of 17.6%

Hong Kong, 21 August 2008 – **Integrated Distribution Services Group Limited** (“the Group” or “IDS”; SEHK: 2387), an integrated-distribution and logistics services provider, today announced its interim results for the six-month period ended 30 June 2008. Despite a challenging business environment, profit attributable to shareholders recorded strong growth of 17.6% to US\$19.39 million in 2008, against US\$16.49 million for the same period in 2007.

Earnings per share for the period were 6.16 US cents (equivalent to 48.01 HK cents), compared to 5.32 US cents (approximately 41.57 HK cents) in 2007. The Board of Directors declared an interim dividend of 14 HK cents per share, against 12 HK cents for the first half of 2007.

Revenue for the period increased by 40.0% from US\$583.15 million in 2007 to US\$816.43 million in 2008, driven mainly by solid organic growth across all key markets, in particular China, Hong Kong, Malaysia and Thailand, as well as contributions from the businesses acquired in 2007 in East Malaysia and the UK. Core operating profit on a like-to-like basis, excluding the Slumberland Asia Pacific (SAP) business (which is being divested) increased by 17.6% to US\$10.20 million from US\$8.67 million. Core operating profit with the first half 2007 operating profit contribution from SAP saw a decline of 4.5% from US\$10.68 million last year to US\$10.20 this year.

During the period, IDS continued the progressive divestment of its interest in SAP, and reached another agreement with Hilding Anders for the divestment of its remaining 40% interest in SAP over a three-year period, commencing this year. Including the one-off gain of US\$14.04 million from the divestment of 20% interest in SAP, operating profit in the first half of 2008 was US\$24.31 million, up 6.4% over the same period last year.

“The operating environment during the first six months of 2008 had been challenging. Despite weak consumer sentiment, high inflation and the downbeat global economy, we are delighted that the Group continued to register strong profit growth,” said Mr. Ben Chang, Group Managing Director of the IDS Group.

“We expect the growth momentum of the first half to remain strong in Asia especially China for the rest of the year. We are also continuing to make substantial progress on the M&A front. With our vigilant control of expenses, and our strong business development pipeline, we expect to continue on our strong performance in 2008. We remain confident in our ability to achieve our 2008-2010 Strategic Plan breakthrough goal of doubling our profit by 2010 vs 2007,” added Mr. Chang.

Acquisitions Update

In May 2008, IDS announced two acquisitions. The first involved the acquisition of all the shares in Warehouse Technology Inc. (WTI), a third-party logistics company in the US based in the Los Angeles Metropolitan area, for a total consideration of US\$10 million. WTI provides storage and transportation services to a portfolio of illustrious customers in the footwear, handbags and accessories sectors, including the Rosetti handbag division of Li & Fung (Trading) Limited (L&F).

“Our investment in establishing a strong country resource team comprising the supporting functions of Finance, HR and IT in the US has resulted in the smooth integration of this acquisition,” said Mr. Chang. “There are substantial synergies as a result of consolidating our current logistics facilities on the West Coast with those of WTI. We will essentially be reducing our US Distribution Centers from 15 to 9 facilities. With better space utilization, we will generate over US\$2.5 million savings in occupancy costs alone.”

IDS also made its maiden acquisition at its home base, Hong Kong, acquiring 95% of the issued capital of Universal Pharmaceutical Laboratories Limited (Universal) for a consideration of approximately US\$14.6 million. Universal is a leading Hong Kong-based manufacturer and distributor of pharmaceutical and healthcare products. It runs a GMP-certified manufacturing facility in Hong Kong for the production of generic drugs and is a dominant supplier of certain restricted drugs in Hong Kong.

“With this acquisition, we have a much strengthened healthcare operation in Hong Kong,” said Mr. Joseph Phi, President of IDS. “Our manufacturing expertise is further expanded to cover pharmaceutical products, thus enhancing our service offerings to our customers. This is also a strategic move to facilitate a strong entry into the healthcare sector in China, which has enormous potential for us.”

Operations Review

Greater China

All markets reported healthy growth in both revenue and operating profit. China continued to register strong revenue and profit growth and accounted for 19.1% of total Group revenue in the first half of 2008. Operating profit for the Greater China region in the first half of 2008 was US\$9.09 million, up 26.9% compared to last year, excluding the Slumberland business for this region in 2007.

Major contracts won across the region included Asian hubbing services for ECCO in Hong Kong, logistics and distribution service for Shell lubricants in Taiwan and a number of healthcare distribution contracts in Hong Kong. The Group also secured more business to provide logistics services for garment companies including LiFung Trinity, a leading high to luxury end menswear retailer, in China, Taiwan and Hong Kong. IDS invested in building a 6,500-square meter, purpose-designed distribution center for handling both Garment-On-Hanger (GOH) and flat-pack garments specifically for this contract in Shanghai.

“IDS is already the acknowledged leader in the apparel and footwear logistics sector in China,” said Mr. Phi. “Our foray into the GOH logistics sector will lead us to the next tipping point of aggressive expansion. With LiFung Trinity as the anchor client in the

region, we expect to aggressively build our presence in the GOH industry and tap into the opportunities to work with other clients of Li & Fung.”

Shortly after the period under review, IDS was granted approval in July 2008 from the Ministry of Commerce in China to engage in the distribution of pharmaceutical products and medical equipment. This marked yet another important milestone for IDS since receiving the CEPA (Closer Economic Partnership Arrangement) approval to conduct distribution and wholesale of consumer products in 2004, which triggered the onset of the Group’s network expansion in China. Leveraging on the use of its extensive distribution and logistics network, IDS is now ready to make a stronger entry into China’s healthcare sector and further strengthen its position as a leading distributor of consumer products, pharmaceuticals and medical equipment.

“This is indeed great news for IDS,” said Mr. Chang. “We are in the process of finalizing our China healthcare entry plan, taking into account our newly constructed state-of-the-art healthcare facility as well as the newly acquired manufacturing resources in Hong Kong. From our initial discussions, we foresee strong interest from multinational healthcare brands to partner with us in this all-important China market.”

ASEAN

The ASEAN markets registered stellar performance in the first half of 2008 on the back of major contract wins last year as well as business growth from key customers such as the Listerine manufacturing business in Thailand. The acquisition of a distribution company in Sarawak in June 2007 also contributed to the strong performance in Malaysia. Excluding the Slumberland business in 2007, operating profit from the ASEAN region recorded year-on-year growth of 47.2%.

New contracts secured in the first half of 2008 included the ASEAN hub operation and distribution service for L’Oreal in Singapore and the Philippines, respectively, and manufacturing service for new Nestle products in Malaysia. Shortly after the period under review, the Malaysia team secured the manufacturing contract for Fisherman’s Friend lozenges, initially covering Malaysia and Singapore, with potential to expand to other markets such as Indonesia, Hong Kong and Australia.

US & UK

The strategic intent for IDS to expand globally is to connect its comprehensive Asian logistics and distribution network with that in the US and UK to manage end-to-end global logistics programs for its multinational customers as well as tapping into the customer base of its sister company, L&F. Investment in the US continued in the first half of 2008 with the implementation of the Group’s regional Warehouse Management System (WMS) in more logistics facilities. The weak retail sentiment in US coupled with the seasonal nature of the UK business, which is traditionally skewed towards the second half of the year, the region recorded a loss of US\$3.34 million in the first half of 2008, compared to a profit of US\$0.26 million during the same period in 2007.

Despite the short-term impact on the overall financial performance, investments in the US have allowed us to establish a much stronger foundation, and are pre-requisites for our sustainable long-term growth of the business.

The Group has also embarked on facility consolidation and rationalization program in the US to improve utilization. The first phase of the program was completed in June. The rest of the program will be completed in the second half, with target to reduce the floor space by 20%. It is expected that the program will translate into substantial rental savings for 2009 onwards.

The UK business, though negatively impacted by the soft retail market, has been tracking better than expected. During the period under review, the organization was streamlined and the distribution centers were rationalized through improved work process and infrastructure. As a consequence, operating efficiency was improved resulting in significant cost savings.

“We are confident that the businesses in the US and UK will rebound strongly in the second half,” said Mr. Chang. “Initial discussion with customers both in US / UK and Asia revealed that the concept of logistics hubbing and end-to-end solutions has gained traction. Our venture into global logistics will be experiencing an era of high growth in 2009 and beyond.”

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About Integrated Distribution Services Group Limited

Integrated Distribution Services Group Limited (“IDS Group”) is a leading integrated distribution and logistics services provider specializing in Value-Chain Logistics. Using Logistics as its fundamental enabler, IDS offers a full menu of services covering distribution, logistics and manufacturing to a wide spectrum of customers in consumer, healthcare, footwear & apparel, retail and garment industries. Headquartered in Hong Kong, the IDS Group has an extensive logistics and distribution network in Greater China, ASEAN countries, the US and UK offering customized services to over 400 customers including an array of multinational brands. The IDS Group is a member of the Li & Fung Group.

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