



# **2008 First Half Results**

*Analyst Briefing*

*21 August 2008*



## 1st Half 2008 Financial Highlights

- Despite a challenging business environment, 1H 08 Net Profit registered a steady increase of 17.6% from US\$16.49 million to US\$19.39 million.
- Core Operating Profit (on a like-to-like basis excluding Slumberland) increased by 17.6% to US\$10.20 million. This was mainly driven by strong organic growth of 37.4% in our Asian operations.
- 1H 08 Core OP would have been much stronger if not for the negative impact of soft retail sentiment and the slow first half seasonality sales of both our US & UK businesses.
- China continued to register strong growth of 45.1% in revenue and accounted for 19.1% of total Group revenue in 1H 08. Operating Profit grew by 33.1% year-on-year.



## 1st Half 2008 Financial Highlights

- Two successful acquisitions concluded in 1H 08 strengthened local operations and expanded our service offerings:
  - ❖ The acquisition of WTI, a 3<sup>rd</sup> Party Logistics provider, adds a new strong customer base including Li & Fung to IDS and facilitates the consolidation of our facility infrastructure in West Coast, USA
  - ❖ Universal Pharmaceuticals is operationally synergistic with our current Hong Kong Healthcare operations, better positions IDS in pharmaceutical manufacturing and will strengthen our China healthcare entry
- Strong Cash Flow from Operations (before capex) at US\$31.5m
- IDS Board of Directors has approved a dividend payout of 14 HK cents per share vs. HK12 cents for 1H 07, a 16.7% increase



## 1st Half 2008 Results

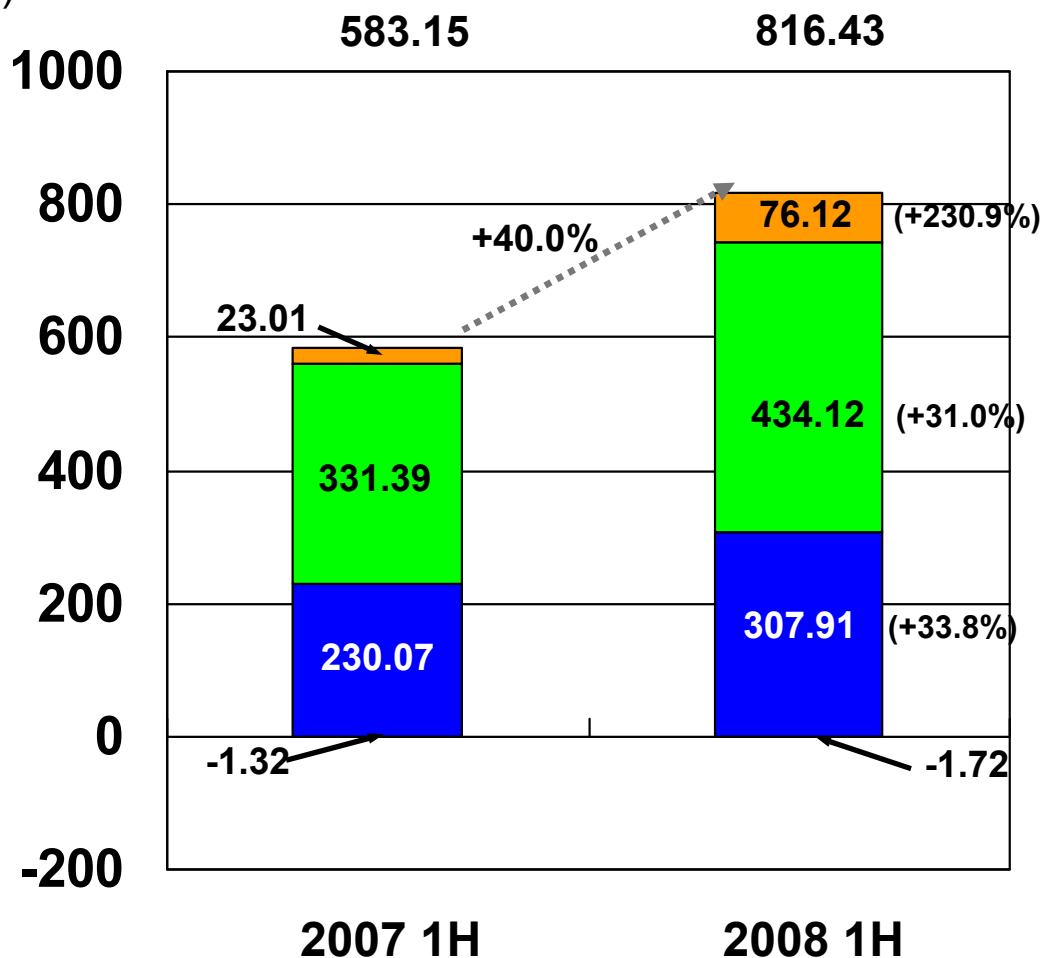
(US\$ million)

	<u>2008</u>	<u>2007</u>	<u>Change (%)</u>
Revenue	816.43	583.15	40.0%



# 1st Half 2008 Revenue - By Geography

(US\$m)



- Greater China revenue growth of 33.8% driven by strong Logistics & Distribution performance in China
- ASEAN revenue increased by 31% due to strong Logistics & Manufacturing organic growth and Distribution growth due to acquisition in June 2007
- Revenue from US & UK is significantly higher as 1H 07 revenue did not include the UK Logistics business





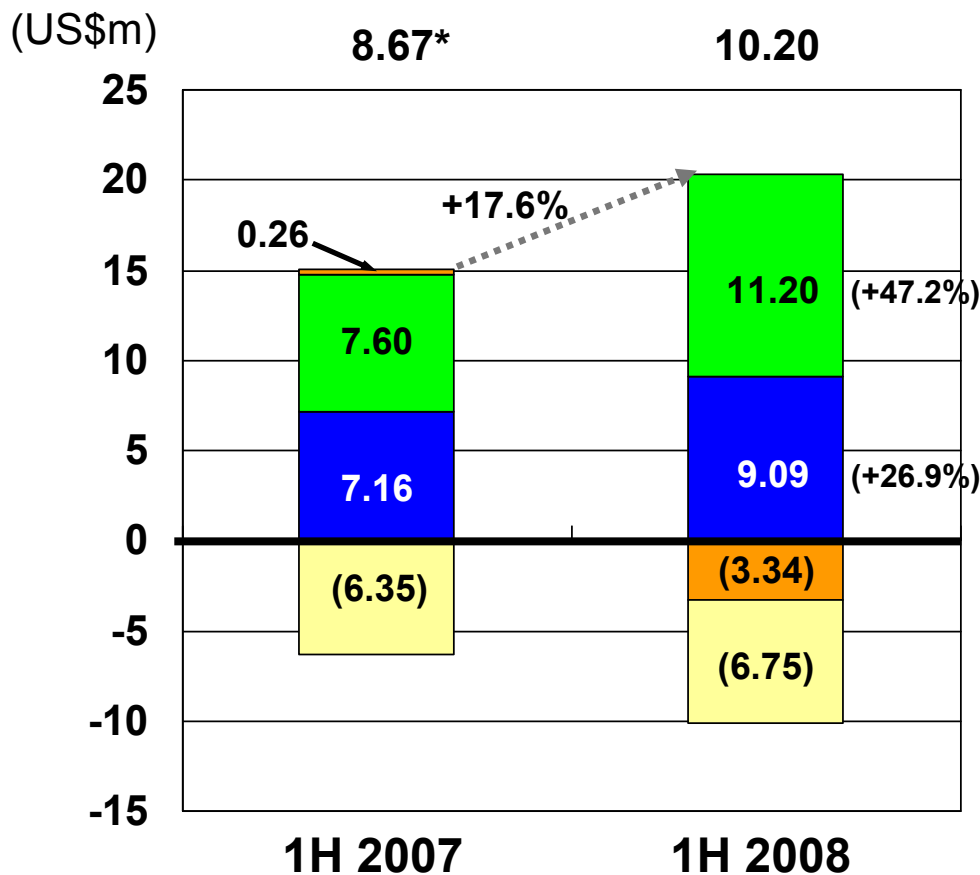
## 1st Half 2008 Results

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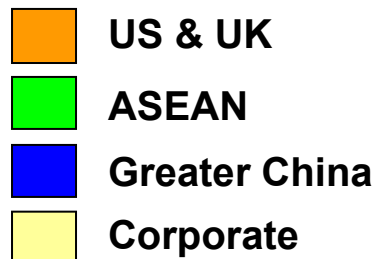
	Six months ended 30 June		
	<u>2008</u>	<u>2007</u>	<u>Change (%)</u>
<b>Revenue</b>	<b>816.43</b>	<b>583.15</b>	<b>40.0%</b>
<b>Gross Profit</b>	<b>229.21</b>	<b>164.69</b>	<b>39.2%</b>
<b>Core OP (w/o Slumberland)</b>	<b>10.20</b>	<b>8.67</b>	<b>17.6%</b>
<i>Core Operating Profit</i>	<i>10.20</i>	<i>10.68</i>	<i>-4.5%</i>



# 1st Half 2008 Core Operating Profit - By Geography



- Strong OP growth in G. China, both Distribution & Logistics OP up 27%. Another stellar result for China (OP up 33%) especially in Logistics (OP up 70%)
- Growth in ASEAN driven by strong results in Thailand, OP up 78% and Malaysia, OP up 100%, partly due to Sarawak acquisition
- US & UK registered losses in 1H but are well positioned for strong rebound in 2H & beyond



*\*Exclude Slumberland which became an associated company of IDS wef June 07*



# 1st Half 2008 Results

(US\$ million)

Six months ended 30 June

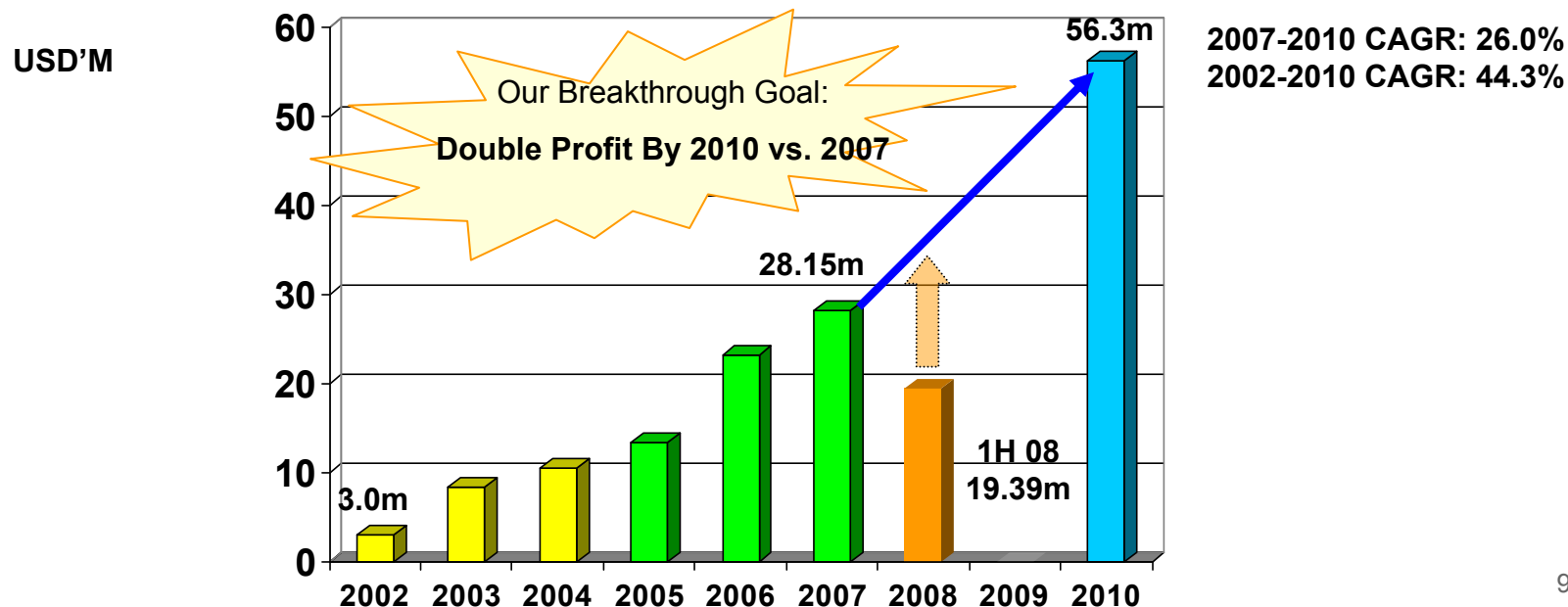
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<b>Core OP (w/o Slumberland)</b>	<b>10.20</b>	<b>8.67</b>	<b>17.6%</b>
<i>Core Operating Profit</i>	10.20	10.68	-4.5%
<i>Other gains</i>	14.11	12.18	
<b>Operating Profit</b>	<b>24.31</b>	<b>22.86</b>	<b>6.4%</b>
<i>Finance cost</i>	(3.39)	(1.82)	
<i>Share of Associates</i>	1.12	0.09	
<i>Taxation</i>	(2.17)	(3.79)	
<i>Minority interests</i>	(0.48)	(0.85)	
<b>Net Profit</b>	<b>19.39</b>	<b>16.49</b>	<b>17.6%</b>
<b>Interim Dividend</b>	14 HK cents	12 HK cents	<b>16.7%</b>





## Looking Ahead – Strategic Plan

- 1H 08 results is a good start to the IDS Strategic Plan 2008-2010. We are positioned for a strong full year performance.
- Despite weak consumer sentiment, high inflation and the downbeat global economy, IDS fully intends to deliver on our Strategic Plan 2010 goal of doubling Net Profit vs. 2007





## Strategic Plan 2008-2010

### Drivers of IDS Growth:

1. A strong rebound of our USA & UK business commencing 2H 08



## USA & UK Positioned For 2<sup>nd</sup> Half Rebound

- USA & UK will rebound to deliver 2<sup>nd</sup> half Operating Profit due primarily to:
  - ❖ Significantly stronger 2H revenues driven by seasonality of sales
  - ❖ Facility infrastructure consolidation in USA & UK (21 to 12 facilities) will see significant annual savings of over US\$3.5m in occupancy costs
  - ❖ Operations rationalization, process improvements and labor costs savings due to larger distribution centers and strategic investments in technology (WMS & E-1)
  - ❖ Strengthened customer base with new business development efforts, re-negotiation of contracts and strong momentum now established with Li & Fung-related business
  - ❖ Senior management in place with full support infrastructure in Finance, HR & IT established to drive profitable growth. The “IDS-DNA” is now in place to repeat the success of our Asian Logistics stellar growth of the past years

## US DC Consolidation



- Reduction from 15 to 9 Distribution Centers, facilities fully racked to increase capacity
- Space reduction from 2.8m ft<sup>2</sup> to 2.1m ft<sup>2</sup> with nearly US\$10m to be invested in rackings & technology

- Fully RF-enabled WMS implemented for all DC's by year end - significant labor cost reduction expected
- Occupancy savings alone expected to be over US\$2.5m





## Strategic Plan 2008-2010

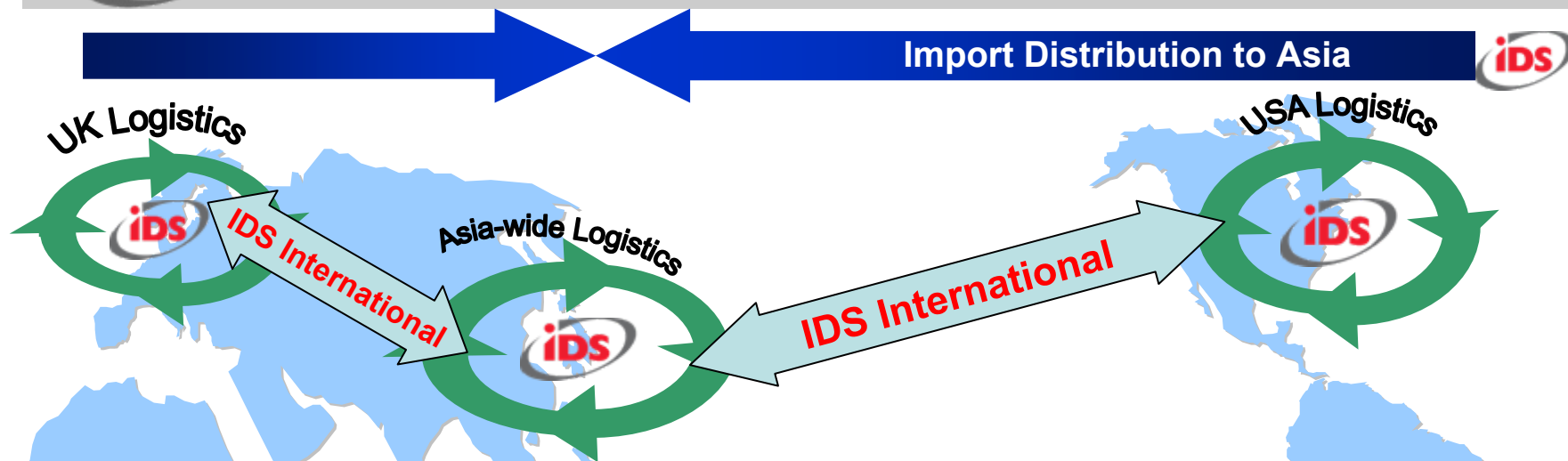
### Drivers of IDS Growth:

1. A strong rebound of our USA & UK business commencing 2H 08
2. Major focus on IDS **International** business with key objective of providing innovative and technologically-enabled end-to-end Global SCM / Logistics solutions from source to consumption



# IDS International

- End-to-End SCM / Logistics Solutions



- IDS Global Logistics footprint with our extensive Asian Logistics infrastructure positions us to deliver a quantum leap in our **International** business.
- Momentum built in our collaborative business relationship with Li & Fung to provide end-to-end Global SCM / Logistics solutions to US & European retail customers and brand owners.
- IDS now positioned to provide new services like freight forwarding, hubbing & consolidation, Program Solution & Administration (PSA) e.g. Inventory management, Replenishment, & LDP programs



Export sourcing from Asia to the US



## Strategic Plan 2008-2010

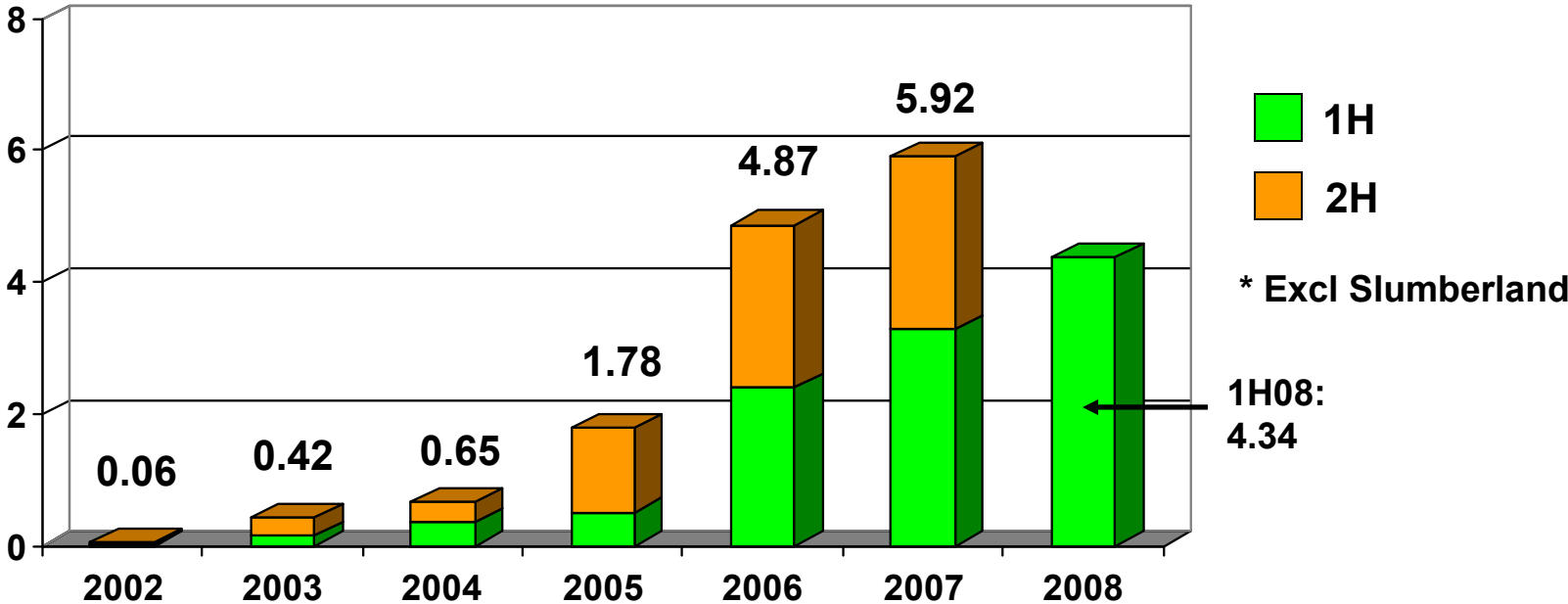
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1. A strong rebound of our USA & UK business commencing 2H 08
2. Major focus on IDS **International** business with key objective of providing innovative and technologically-enabled end-to-end Global SCM / Logistics solutions from source to consumption
3. China will continue to be the major theatre of IDS Growth

# China EBIT Growth 2002 - 2008

USD'M

CAGR 02 – 07: 150.5%



People & Organization; IT infrastructure

Footwear & Apparel Logistics



# Footwear & Apparel 1999 - 2002

# Footwear & Apparel 2003 -



# Footwear & Apparel 2008 -



PACIFIC BRANDS



Sleepmaker INTERMEZZO



Hush Puppies



SHERIDAN



BONDS



CERRUTI 1881

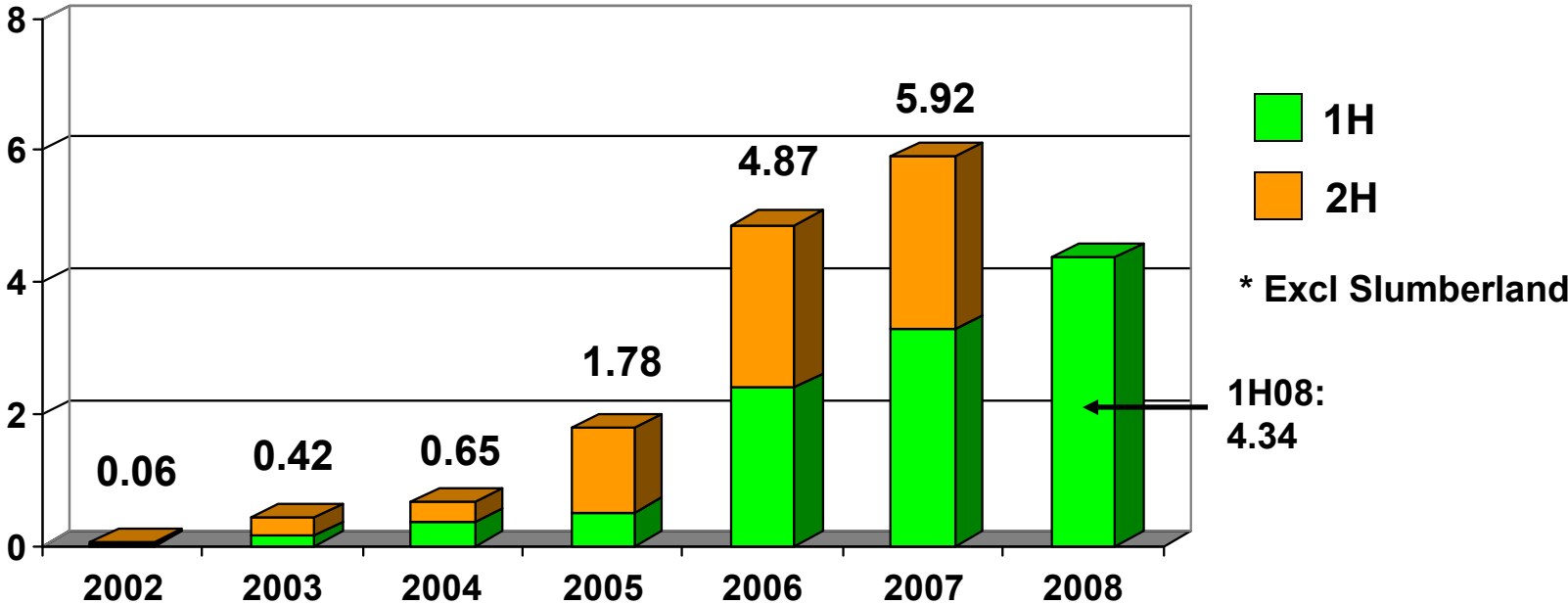
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# China EBIT Growth 2002 - 2008

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# Distribution Network in China





## 2008 – 2010 The Next Tipping Points

### 1 Healthcare Distribution

- Approval granted from the Ministry of Commerce to engage in distribution of pharmaceutical and medical products
- Tap into the enormous potential of healthcare sector in China.
- Leverage the use of our extensive distribution and logistics network
- Finalize entry strategy with consideration given to our newly constructed state-of-the-art healthcare facility as well as the newly acquired manufacturing capability in Hong Kong



## Healthcare DC



### New Healthcare DC Hong Kong

- Built according to GMP standard
- Fully RF-enabled, multiple temperature controlled storage, secured area for restricted drugs, packing line
- Support strong entry into China healthcare sector





## 2 Garment-On-Hanger Logistics

- Completed a purpose-designed facility in Shanghai
- With LiFung Trinity as the anchor client, IDS expects to aggressively build our presence in GOH industry.
- Huge opportunities to work with other clients of Li & Fung





## First GOH Facility



### LiFung Trinity DC Shanghai

- 6,500 sqm with 3 tier mezzanine
- Designed for both Garment-On-Hangers and flat pack
- 4,000 linear meter of railing, total throughput of 130,000 units a month



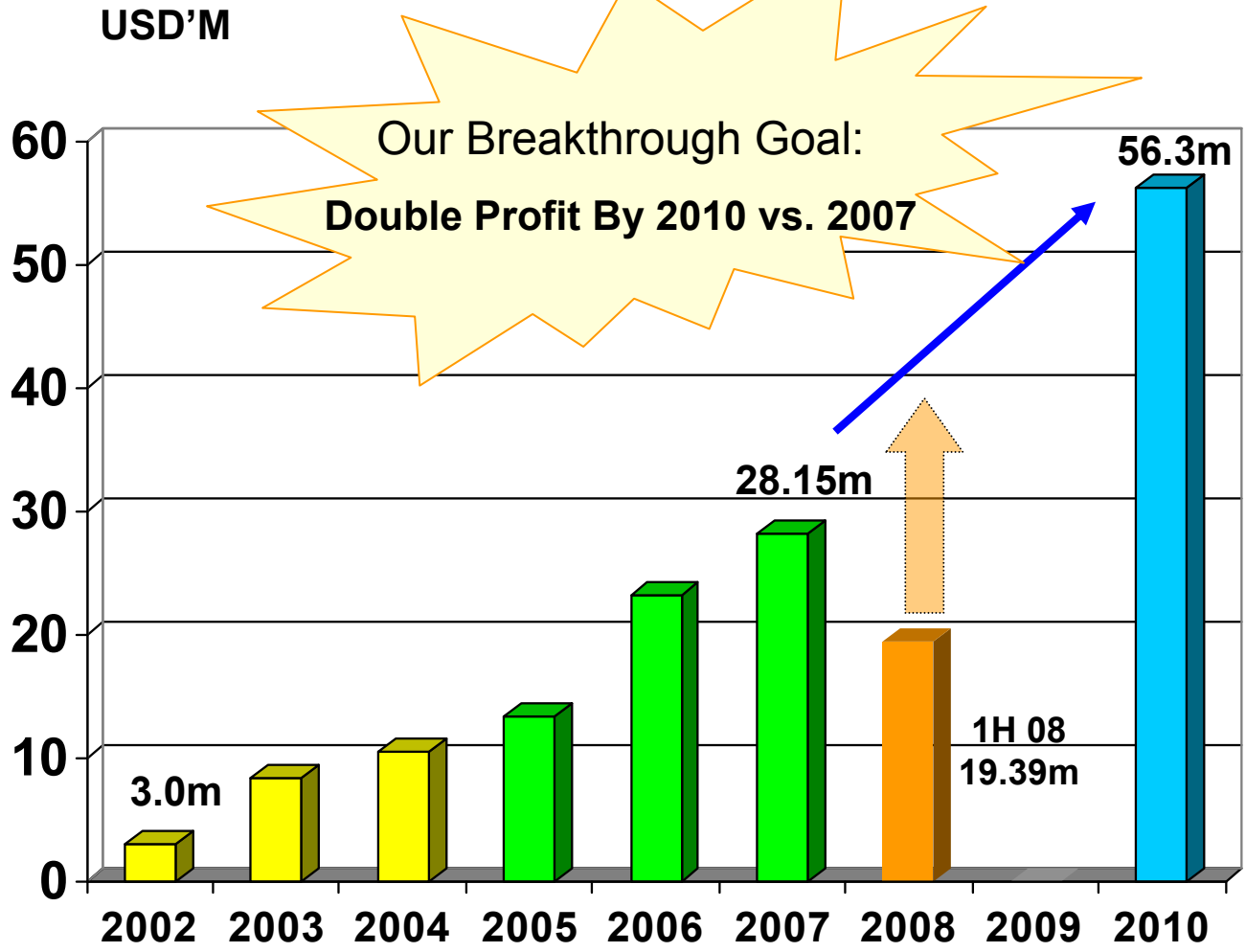
# Strategic Plan 2008-2010

## Drivers of IDS Growth:

1. A strong rebound of our USA & UK business commencing 2H 08
2. Major focus on IDS **International** business with key objective of providing innovative and technologically-enabled end-to-end Global SCM / Logistics solutions from source to consumption
3. China will continue to be the major theatre of IDS Growth
4. Twin strategy of aggressive organic growth and enhanced M&A activities – full country and corporate teams established for M&A
5. Continued investment in Technology and new applications – ViTAL (operating system for IDS International), Transportation Management System, Revenue Management System
6. Full implementation of the IDS Leadership, Management and Talent Development (LMT) program including Management Trainee and the New IDS Manager programs



# Our Breakthrough Goal



2007-2010 CAGR: 26.0%  
2002-2010 CAGR: 44.3%



**THANK YOU!**