PRESS RELEASE

IDS Group reports 1st Half 2009 Net Profit of US$18.5 Million
Asia achieves 20% profit growth and all-round improvement in Operating Profit margins

Hong Kong, 11 August 2009 – **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 2009. The Group registered net profit attributable to shareholders of US$18.46 million in the first half of 2009, a 4.8% decrease against the same period last year. Asia performed strongly with a 20% increase in operating profit and registered improvement in operating profit margins for all business streams. However, sluggish performance in the US and UK negatively impacted the Group's net profit performance.

Earnings per share for the period was 5.81 US cents (equivalent to 45.04 HK cents), compared to 6.16 US cents (approximately 48.01 HK cents) in 2008. The Board of Directors declared an interim dividend of 14 HK cents per share, the same payout per share as the first half of 2008.

Revenue for the period registered a modest growth of 3.7%, up from US$816.43 million in 2008 to US$846.66 million in 2009. Despite the success of retaining and expanding services with existing customers, accelerating the pace of new account wins and benefitting from two acquisitions last year, IDS still registered a slower growth in revenue. This was due to the significant drops in like-to-like customer volumes, especially in the US & UK. Weaker currency exchange rates against the US dollar in ASEAN countries and the UK also affected revenues.

Asia delivered an operating profit of US$24.20 million in the first half of this year, against US$20.28 million during the same period last year, up nearly 20%. This was mainly driven by new business wins and effective cost control. Another significant achievement for IDS' businesses in Asia was the improvement in operating margins across all our business streams – Logistics, Distribution and Manufacturing – due to stronger operating leverage. Compared to the first half of 2008, operating margin for Logistics improved from 7.1% to 7.8%, Distribution grew from 1.9% to 2.0%, and Manufacturing surged from 2.4% to 4.3%. Overall Asia's operating profit margin before corporate expense was 3.0%, a sharp increase from 2.7% a year ago.

However, growth in Asia was more than offset by the challenging operating environment of the US and UK. After taking into account US & UK losses, corporate expenses and the US$16.35 million gain from the divestment of 20% interest in Slumberland Asia Pacific (SAP), the Group's operating profit for the period was US$24.80 million, or 2.0% above the same period of last year.

"The first half of 2009 was one of the most challenging period the Group has experienced so far," said Mr. Ben Chang, Group Managing Director of the IDS Group. "I am however very pleased to see the continued strong growth momentum of our Asian business. We delivered a very solid performance considering the difficult environment we faced. The US & UK business had a disappointing first half as we can see from the sharp declines in revenue, but these are strategically important markets for IDS which will get significantly better in the second half. We remain focused to quickly turn around our operations in these markets."

The Group is under active negotiation to complete the acquisition of a US/Asia-based freight forwarding company and a logistics business in Indonesia. The completion of the freight forwarding deal will significantly strengthen the IDS International operations and enable IDS to better offer end-to-end global logistics solutions. The Indonesia acquisition will enable the Group to quickly build a logistics network in the country to complement its existing distribution and manufacturing businesses.

During the first half of 2009, the Group accelerated its pace in winning new businesses. 47 new contracts were concluded, including logistics service for Colgate Palmolive in Hong Kong; distribution of additional product lines of SSL Healthcare in Hong Kong; the manufacturing of diary products for F&N in Malaysia; the Muji hubbing operation in China; distribution service for Jamieson in China; and logistics service for DSG (Disposable Soft Goods) in Malaysia and Thailand.

"Amidst the challenging economic environment, we expect that like-to-like same customer volumes will be significantly down against last year. Retention and expansion with existing customers as well as winning new customers will be imperative to drive business growth," said Mr. Chang. "We will continue to step up our business development efforts to maintain the pace of new business uptake as well as focus on account management to maintain a high retention rate."

Operations Review

Greater China

The Greater China region delivered very solid performance in the first half of 2009, with 29% growth in revenue to US$397.29 million, while operating profit increased 27.5% to US$11.59 million. This was driven mainly by the commencement of new contracts in late 2008 and early 2009, such as Remy Cointreau and Converse in China, Sanofi-Aventis and Philips Lighting in Hong Kong, and Shell lubricants in Taiwan as well as the acquisition of a healthcare distribution company in Hong Kong in mid-2008.

All markets in the region registered double-digit growth in both revenue and operating profit despite challenges from soft consumer demand. Hong Kong showed 30.9% growth in operating profit with similar growth rates from both Distribution and Logistics, and Taiwan had a significant surge in operating profit of 61.1%, driven by the smooth commencement of Shell Lubricant contract as well as improved operational efficiency.

The Distribution business in China registered outstanding performance whilst Logistics was impacted by volume declines from existing customers. As a consequence, operating profit in China increased by 19.1%. After being granted approval from state authorities, the Group commenced distribution of pharmaceuticals, medical devices and OTC healthcare products in China in 2009. This has gone very smoothly as several new customers have signed up with IDS and numerous other parties have expressed interest.

"The pharmaceuticals and medical device trading licenses enable us to issue invoices to hospitals, pharmacy chains and secondary dealers, thus giving us better control of distribution channels," said Mr. Joseph Phi, President of the IDS Group. "We now have a significant presence in major cities such as Shanghai, Guangzhou and Beijing in pharmaceuticals and medical distribution, and we aim to further expand our presence in other cities and provinces. We expect to see rapid growth in this business from 2010 onwards."

ASEAN

The ASEAN region also registered respectable 12.7% growth in operating profit to US$12.61 million during the period, in spite of a 7.3% decline in revenue which was mainly caused by the weakening of ASEAN currencies. Excluding the foreign exchange effect, revenue growth was 6%.

Thailand maintained its momentum, which can be attributed to increased Listerine production volume after adding Australia, New Zealand and Japan to its list of export markets as well as strong performances from key customers such as Gilead and Procter & Gamble. Meanwhile, significant progress has been made turning around the business in Indonesia.

During the period, the Group acquired an additional 20% interest in its associated company in Sabah to become the majority shareholder. As a consequence, the company has become a subsidiary of the Group, and the Group now enjoys a leading position in the distribution of consumer products across the East Malaysian corridor.

IDS commenced building high-standard healthcare distribution centers in Singapore and Thailand in the first half of 2009. Following the success of the Hong Kong facility, it is expected that once the new facilities becomes fully functional by the fourth quarter of this year, it will substantially strengthen the Group's regional healthcare distribution proposition.

US & UK

Due to the economic downturn, the resulting weak retail spending in the US and UK led to a significant decrease in revenue over the first half of 2009. Many customers have shown year-on-year volume declines in excess of 30%. Despite the acquisition of a logistics company in the US in May 2008 and expanded business partnership with Li & Fung (L&F), first-half revenue for the US & UK registered a decline of 38.1% in 2009 compared to last year. Although with the benefit of savings from facility consolidation and cost reduction programs that were implemented in 2008, the region still recorded an operating loss of

US$8.26 million for the period compared to a US$3.34 million loss in the first half of 2008. The US operation continued to take on more business from L&F, which accounted for about 20% of the revenue there during the first half of 2009. Additional business from L&F is expected to come on board in the second half, and plans are in place to consolidate all L&F businesses into a new 650,000-square-foot distribution center on the West Coast towards the end of the year to enhance operational efficiency and ensure room for business expansion.

In the UK, an agreement has been reached with Marks & Spencer, the largest customer of IDS' UK operations, to guarantee the throughput volume of the distribution center in Leicester. This will ensure that the Leicester facility runs a profitable operation in the second half and brings the UK business to a better position. IDS is also investigating the viability of expanding its logistics clientele in the UK, which is apparel-centric, into the consumer sector by leveraging the Group's expertise and customer base in Asia.

With regard to the full-year outlook, Mr. Chang is cautiously optimistic about the second half performance of the IDS Group.

"We expect our Asian operations to maintain a strong growth for the rest of 2009 and we will be seeing improvements in the US and UK business. Together with the revenue-generating and cost-cutting initiatives we have undertaken and the potential acquisition opportunities, we are cautiously optimistic about our second half 2009 performance. I do expect it to be much stronger than last year," 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 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 the 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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