PRESS RELEASE

IDS Group Reports Profit Growth of 73.9% for 2006

Another stellar year for China complemented with
across-the-board organizational growth

Hong Kong, 20 March 2007 – Integrated Distribution Services Group Limited (or "IDS Group", "the Group" or "IDS"; SEHK: 2387), an integrated-distribution and logistics service provider, today announced its annual results for the year ended 31 December 2006. Profit attributable to shareholders grew substantially by 73.9% to US$23.19 million in 2006, against US$13.33 million in 2005.

Earnings per share for the period were US7.5 cents (equivalent to approximately HK58 cents) compared to US4.31 cents last year. The Board of Directors has recommended a final dividend of HK28 cents per share. Together with an interim dividend of HK7 cents per share, the total dividend for 2006 would amount to HK35 cents per share, or an increase of 75% against 2005.

China enjoyed another year of stellar growth, with operating profit increasing 102.4% over the same period last year. The Logistics business continued to deliver consistent double-digit operating profit growth of 23.4% while maintaining margin at 8.2%. The Manufacturing business enjoyed a solid rebound in operating profit growth of 29.6% through improvements in operational efficiency and effective cost control measures. Marketing also reported steady operating profit growth of 9.3%.

During this year, the Group recorded an US$8 million gain from the divestment of the first tranche of 12.5% shares in Slumberland Asia Pacific. Excluding the effect of one-off items, Core Operating Profit registered a 26.1% growth to US$20.11 million in 2006 on the back of solid organic growth across all businesses.

Despite the funding requirements for the acquisitions made in 2006, the balance sheet of IDS remains strong with gross cash of US$84.59 million (net borrowing of US$13.73 million) as of 31 December 2006.

"2006 was a remarkable year for IDS as we experienced growth not only in our financial results, but also in other dimensions of our business," said Mr. Ben Chang, Group Managing Director of IDS. "We expanded our presence beyond Asia for the first time through a strategic acquisition in the US; we saw the continued growth of our customer base with renowned brand owners; and most importantly, we launched a comprehensive Leadership, Management and Talent development program for our people."

During the last quarter of 2006, IDS completed two acquisitions. The first was a third-party logistics operator in Malaysia to augment local operations. This was followed shortly by the acquisition of a garment logistics company in the US to gain entry into the largest logistics market in the world.

"The integration process in Malaysia went smoothly, and we achieved 100% customer retention following its completion. We now have a much stronger operation there, as well as establishing ourselves as the leading logistics service provider in the Fast Moving Consumer Goods (FMCG) segment," said Mr. Chang. "We are now in the process of strengthening the back-end support functions in our newly-acquired US operations. We are very excited about the potential of this business which complements our extensive logistics infrastructure in Asia and allows us to provide end-to-end logistics solutions and aggressively grow our international business."

As the volume of trade between Asia and the West increases, IDS sees tremendous opportunities in offering comprehensive Value-Chain Logistics services including the management of the optimal flow of products, information, work and capital for multinational customers. IDS is currently providing regional logistics services for customers like Timberland, Diageo and Pacific Brands, and is aggressively expanding its logistics network on a global basis.

During the year, IDS won over 70 new contracts, about half of which were with existing customers to expand scope of service or geographical coverage. New regional partnerships established in 2006 included Diageo, Elizabeth Arden, Pacific Brands, Avon, Monde Nissin and Ecco to add to the existing blue-chip regional customers such as Nike, Procter & Gamble, L'Oreal, Abbott, GlaxoSmithKline, Unilever and Johnson & Johnson.

"Our focus on expanding relationships with existing customers on a regional basis has paid off handsomely," said Mr. Joseph Phi, Chief Operating Officer of IDS. "A dedicated team is now in place to spearhead regional business development. The team will also be instrumental in facilitating regional account management and further improving our success rate of new contract bidding."

Operations Review

Logistics had another spectacular year in 2006 with solid operating profit and revenue growth of 23.4% and 22.4% respectively. Margin for the year was maintained at 8.2%, which is above industry average. Together with the facilities of the newly acquired businesses, IDS currently manages some 80 distribution centers with a total area of more than 7 million square feet across eight economies.

During the year, the Logistics operations won 35 new contracts. A number of large-scale contracts have been implemented in the second half, including Procter & Gamble in Taiwan, L'Oreal in Hong Kong, and a regional hubbing operation for Diageo in the Group's Automated Storage and Retrieval System (ASRS) facility in Singapore.

The International division had an encouraging year as many new projects got underway with both Li & Fung Limited and third-party customers. A contract has been signed with Pacific Brands, a leading distributor of footwear, apparel and household products in Australia, to operate an offshore bonded distribution hub in Suzhou, China.

"We remain bullish towards the outlook for the Logistics operations in 2007," said Mr. Phi. "Our focus on strong organic growth coupled with expanded scale from the acquired operations is expected to carry Logistics to another record year in 2007."

Marketing registered a steady year-on-year operating profit growth of 9.3% in 2006. Operating profit from China in 2006 doubled that of 2005 and continued to be the main driver of growth. The focus on network expansion has resulted in the opening of 11 new branch offices in 2006, bringing the total to 17. These offices are capable of conducting direct sales, thus enabling IDS to foster closer relationships with key international and local retail chains.

Overall performance for the Philippines operations, which commenced in April 2005, is behind schedule despite strong top-line growth. The Group is closely monitoring the operations' position and reviewing service offerings to ensure that the objective of achieving breakeven by the end of 2007 can be met.

Priorities for 2007 will be to continue expansion in China, with emphasis on the most profitable cities already penetrated by modern trade. The Marketing business in Southeast Asia is expected to grow stronger especially in Thailand, which experienced a strong turnaround in 2006. With the strengthened partnership with

Hilding Anders, the Slumberland business is now well positioned towards market leadership and eventual dominance of the bedding business in Asia.

Manufacturing showed a strong rebound in 2006 with operating profit growing by 29.6% despite a more modest revenue growth of 1.8%. An improved sales mix combined with effective cost control measures and efficiency enhancement initiatives were the key drivers of growth amidst weak domestic sentiment and consumption in Thailand and Malaysia.

In 2006 the Group completed construction of a dedicated facility for Henkel in Indonesia, with commercial production commencing smoothly in January 2007. The contract has a high possibility of being extended to cover various export markets in the near future, and the Group is engaged in close discussions with Henkel.

The Group will continue to focus on expanding the proportion of its regional export business to reduce impact caused by unfavorable local economic conditions. A number of opportunities are currently in the pipeline.

Commenting on the outlook for 2007, Mr. Chang said, “Our theme for 2007 will be “Making the Difference with People”. We will focus on developing our leadership, management and talent base to ensure that we have people with the right skills and mindset to drive a quantum leap in business growth. In addition, we will continue to strengthen our Menu of Services through launching new offerings like Transportation Management Service and Credit & Cash Management Service. We will also step up our efforts in identifying suitable merger and acquisition targets.”

2007 will be the final year of the Group’s current Strategic Plan period. The Group has commenced the planning process for its Three-Year Strategic Plan 2008–2010 to set the direction for its next phase of growth.

“I am delighted that we have already achieved the Strategic Plan target of doubling our 2004 Net Profit one year ahead of schedule. We are on track to achieve a strong finish for our current Strategic Plan in 2007 and are all set with a robust foundation for us to have an even stronger beginning for our Three-Year Strategic Plan 2008–2010,” 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 covering a full menu of services along the value-chain. 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 Greater China, ASEAN countries and the US 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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