



PRESS RELEASE

## **IDS registers solid growth of 21.4% increase in Net Profit**

Strong finish to Three-Year 2005-2007 Strategic Plan

IDS targets to double profit again by 2010

Hong Kong, 13 March 2008 – Integrated Distribution Services Group Limited (or “the Group” or “IDS”; SEHK: 2387), an integrated-distribution and logistics service provider, today announced its annual results for the year ended 31 December 2007. Profit attributable to shareholders recorded solid growth to US\$28.15 million, an increase of 21.4% against 2006. This was achieved in spite of significant increases in interest and tax expenses of US\$8.16 million.

Revenue in 2007 was US\$1,295.66 million, representing an increase of 30.4% compared to 2006. Operating profit also registered strong growth of 44.6% to US\$39.13 million, attributable to excellent organic growth as well as gains from the disposal of the second tranche of 17.5% Slumberland Asia-Pacific (“SAP”) shares.

All core businesses of IDS – Logistics, Distribution and Manufacturing recorded double-digit growth in both revenue and operating profit. As a result, core operating profit increased by 24.7% to US\$25.08 million. Excluding the SAP business which became an associated company in June 2007, core operating profit for 2007 registered an increase of 41.8% against 2006.

Earnings per share for the period were US9.04 cents (equivalent to approximately HK70.52 cents) compared to US7.5 cents last fiscal year. The Board of Directors has recommended a final dividend of HK30 cents per share. Together with an interim dividend of HK12 cents per share, the total dividend for 2007 amounts to HK42 cents per share, 20.0% higher than the full-year dividend of HK35 cents per share declared in 2006.

“I am delighted with the Group’s financial performance and strategic accomplishments in 2007. It is a fitting culmination and an excellent finish to our 2005-2007 Strategic Plan,” said Mr. Ben Chang, Group Managing Director of IDS. “Our net profit of US\$28.15 million is nearly 2.7 times over our profit in 2004, far exceeding the “*doubling of 2004 Net Profit*” (i.e. a target of minimum US\$21.2 million) set in December 2004. We have also accomplished the key objectives of our 2005-2007 Strategic Plan, and have put in place all the necessary organizational fundamentals for IDS to launch an even more aggressive era of growth in the next three years.”

The Group has embarked on its new Three-year 2008-2010 Strategic Plan, which was formulated through extensive consultation involving over 100 senior managers at IDS. The 2008-2010 Strategic Plan serves as the road map for IDS’ next stage of Asian growth and global expansion.

"The theme of our 2008-2010 Strategic Plan is 'Accelerate Profitability Through People Growth, Asian Dominance & Global Expansion'," said Mr. Chang. "The financial challenge we have set for ourselves is to double our 2007 net profit by the year 2010. We have always delivered on the goals of each of our Three-year Strategic Plan cycles 1999-2001, 2002-2004 and 2005-2007. I am confident that we will once again meet our financial target in this new Strategic Plan period."

IDS also had many wins in business development. During the year, a major logistics contract was signed with Johnson & Johnson ("J&J") in the Philippines, whilst in Thailand IDS also finalized an agreement with J&J to expand the Listerine plant to cater for an enlarged export market coverage. After setting up the regional hub operations in 2006 for Diageo in Singapore, IDS won additional business from this premium alcoholic beverage company in Thailand. Other account wins include L'Oreal in Taiwan, Signature Apparel Group in the US and F&N Foods in Malaysia.

China continued to grow from strength to strength and delivered the highest year-on-year revenue growth amongst all markets at 46.1%. The Logistics business, in particular, enjoyed huge success in winning new customers, including for the first time, a local Chinese apparel brand, reflecting that local brands in China are beginning to appreciate the merits of working with IDS.

"China now accounts for 17.7% of total Group revenue and the percentage is increasing," said Mr. Joseph Phi, President of IDS. "Our extensive network of logistics and distribution infrastructure coupled with our ability to combine the best of professional service and local understanding will continue to underpin our solid growth in China."

IDS completed three acquisitions during the year. In mid-2007, the Group acquired a 67.09% and 40.00% interest in two distribution companies in Sarawak and Sabah respectively. This places IDS in a dominant position in Fast Moving Consumer Goods (FMCG) distribution in the East Malaysia corridor including Brunei. In August, IDS also acquired a garment logistics company in the UK which now positions the Group for further expansion into Europe.

"The acquisition in the UK is in line with our strategic intention of expanding our logistics network on a global basis," said Mr. Chang. "We have now established a solid foothold in the two key markets of the US and UK. This links seamlessly with our Asian logistics and distribution network, allowing us to provide new service solutions including the management of end-to-end supply chains of our customers."

## **Operations Review**

Operating profit for the **Logistics** business of IDS maintained steady growth, rising 20.2% to US\$15.38 million. The Logistics business has now delivered more than 20% year-on-year growth for the fifth consecutive year since 2003. The operating margin for Asian operations continued to outperform the industry average at 8.0%. Excellent performance was recorded in China, Thailand and Malaysia.

2007 was a year of achievements for Logistics in terms of awards and recognition from customers and the industry. The IDS Philippine Logistics team won the prestigious Unilever Vendor of the Year Award 2006 in April. This was the third consecutive year the team has been recognized by Unilever. The Thailand Logistics team won the Best Retail

Logistics Service Provider at the Frost & Sullivan Voice of the Customer Awards, and the Service Provider of the Year Award from YUM Restaurants.

Heavy investment programs to upgrade the effectiveness and efficiency of IDS USA operations made good progress throughout the year. The management team was strengthened with major resource build-up and investments made in the support areas of Finance, HR and IT. The US IT infrastructure was re-vamped and the Group's standard ERP (Enterprise Resources Planning) system for financial reporting was also implemented. The largest project undertaking was the implementation of WMS (Warehouse Management System) for all IDS distribution center facilities. WMS implementation is scheduled to be completed all within this year.

The logistics business acquired by the Group in the UK specializes in the garment sector and operates one of the largest garment-on-hanger facilities in the country, a one million square feet distribution center in Leicester. Its customer base consists mainly of major UK retailers, including Marks & Spencer, Accessorize, Republic, etc.

"We are making significant investments in the US and UK to prepare for rapid scalable growth in this new Three-year Strategic Plan cycle," said Mr. Phi. "Expectedly, we did not see substantial operating profit contributions from these two new markets in 2007. 2008 will be much better but the real quantum leap will come in 2009 and beyond."

Following the disposal of the second tranche of 17.5% SAP shares in June 2007, the business has become an associated company of the Group. As a result, the financial information reported for the **Distribution** business in 2007 included only five months of SAP's operating profit, whereas in 2006, SAP's results were included for the full year. Without SAP, operating profit for the Distribution business increased sharply by 75.8%, with substantial improvement in operating margin from 1.3% in 2006 to 1.7% in 2007.

The IDS distribution network continued to expand in China. The Group now operates 18 branch offices with invoicing and direct selling capability, and distribution coverage extending to 150 cities. The Group also commenced full operations and opened a new office in Macau, making IDS the first international distributor of FMCG and Healthcare products in the SAR.

The construction of a new pharmaceuticals distribution center in Hong Kong was completed in January 2008. Built according to the highest industry standards and equipped with advanced temperature-controlled storage facilities, the center has received very positive feedback from customers. Similar projects to construct state-of-the-art Healthcare Logistics centers are also being planned for Thailand, Singapore and Malaysia. IDS has also been actively exploring opportunities to enter the healthcare distribution market in China to further leverage its extensive distribution network and tap into the enormous potential of that market.

The **Manufacturing** business rebounded strongly in the second half of 2007 due to increased volumes of Listerine production in Thailand, new contracts secured in Malaysia, and an improved business scale in Indonesia following the commencement of the Henkel contract. Operating profit delivered growth of 13.2% against last fiscal year, to US\$5.76 million. Through our relentless drive to control costs and increase efficiency, Manufacturing's operating margin recorded further improvement in 2007 to 3.8%.

Building upon the strong relationship with J&J and the impressive service standard, the Thailand Manufacturing operations successfully reached an agreement with Johnson & Johnson in June 2007 to make IDS' Listerine production facility in Thailand as the exclusive manufacturing base to supply the entire Asia Pacific region. Full-scale upgrading of the existing plant and production capacities for TGA (Therapeutic Goods of Australia) compliance is currently in progress, including the building of an additional warehouse to accommodate the increasing volume over the next few years.

Commenting on the 2008-2010 Strategic Plan goals, Mr. Chang said, "In the next three years, we are essentially on a quest to rapidly build business scale. We are moving from an 'Era of Creation' to an 'Era of Extraction' of business value, building on what we have created over the past years. We will focus on realizing the value of the investments we have made in recent years, including our cutting-edge IT system, our extensive Asian distribution and logistics network and our business model of Value-Chain Logistics. Our new matrix organization structure will ensure a strong focus on country operations, supported by regional teams to ensure rapid conversion of business pipelines, strong operations support and seamless project implementation. We will also continue to implement our Leadership, Management and Talent Development program to ensure we have the depth of management and talent to support our business growth."

"This past three-year period for IDS, the first Strategic Plan cycle as a public company has been nothing short of momentous, enjoyable and spectacularly successful. We look forward to IDS taking another quantum leap in this Three-year 2008-2010 Strategic Plan cycle," 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 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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