PRESS RELEASE

IDS Group Reports 2008 Net Profit of US$24.52 million
Strong Growth in Asia off-set by Soft US & UK Operations

Hong Kong, 17 March 2009 – **Integrated Distribution Services Group Limited** (“the Group” or “IDS”; SEHK: 2387), an integrated-distribution and logistics services provider, today announced its annual results for the year ended 31 December 2008. The Group’s operations in Asia maintained strong growth momentum, but the US and UK businesses were nevertheless affected by the economic downturn. As a result, profit attributable to shareholders for 2008 was US$24.52 million, a decrease of 12.9% against US$28.15 million in 2007.

Basic earnings per share for the period were 7.76 US cents (equivalent to 60.39 HK cents), compared to 9.04 US cents (approximately 70.52 HK cents) in 2007. The Board of Directors has recommended a final dividend of 22 HK cents per share. Together with an interim dividend of 14 HK cents per share, the total dividend for 2008 amounts to 36 HK cents per share. The dividend payout ratio (% of net profit) maintained at approximately 60%.

Group revenue increased by 30.0% from US$1.30 billion in 2007 to US$1.68 billion in 2008. Growth was substantially driven by significant organic growth and regional partnership in Asia and acquisitions in the US and UK. All business streams grew fairly evenly. Core operating profit for 2008 was US$20.97 million, a decline of 9.1% on a like-to-like basis compared to US$23.07 million of 2007. These figures exclude the Slumberland Asia Pacific (SAP) business, from which the Group is divesting. After taking into account the SAP business and other one-off items, operating profit for 2008 was US$34.62 million.

Through effective control on receivables and inventory, cash flow generated from operating activities improved from US$44.70 million in 2007 to US$57.91 million in 2008. This has resulted in the reduction of net borrowing from US$58.28 million in 2007 to US$47.07 million in 2008. Gearing ratio (net borrowing divided by total capital) thus decreased to 24.9% in 2008, compared to 29.3% in 2007, reflecting a sound and healthy balance sheet.

"2008 was a very difficult year for IDS. We were adversely impacted by the severe deterioration of the global economy and the worst recession in decades," said Mr. Ben Chang, Group Managing Director of the IDS Group. "IDS was especially affected in the US and UK, where the economic downturn has been most severe. However, I am very encouraged to see our Asian businesses holding up very strongly. Given such a hostile business environment, I am pleased with our overall performance."

During the year, IDS' operations in Asia delivered very strong growth in excess of 20% in both revenue and operating profit. This was substantially due to the strong performance of key markets including China, Hong Kong, Thailand and Malaysia. On a business stream basis, both Distribution and Logistics delivered solid growth, while the increment in Manufacturing was relatively modest. The operating margin for the Group's Logistics business in Asia continued to maintain a high level of 8.0%.

"Although the external environment is highly volatile, we believe there are always opportunities amidst adversity," said Mr. Chang. "In addition to vigilant control of our costs and investments, we will be focusing on enhancing productivity across the Group, institutionalizing revenue management to improve the quality of our earnings, and continued investment in our people through the enhanced roll-out of the Group's Leadership, Management and Talent (LMT) Development Program."

In 2009, IDS plans to implement productivity enhancement programs through effective labor management, distribution center design and process optimization. The institutionalization of revenue management will address issues related to contract management, service pricing mechanism and business development support. It will help ensure that contracts are set properly to protect margins and that operations are efficient enough to facilitate competitive pricing.

Operations Review

Greater China reported year-on-year revenue and operating profit growth (excluding the SAP business) in 2008 of 37.8% and 28.2% respectively. This was substantially driven by stellar performance in China, while Hong Kong and Taiwan also delivered steady growth.

China continued to be the strongest growth driver for IDS with operating profit surging 65.7% (excluding the SAP business) compared to 2007. China has now become the biggest market for IDS, accounting for 20.5% of total Group revenue in 2008 compared to 17.7% in 2007. In December, IDS received the permit from the Shanghai State Food & Drug Administration to commence the distribution of traditional Chinese medicine, biologicals, pharmaceuticals and antibiotics in China. The Group has now cleared all the formalities to engage in the wholesaling, distribution, import and export of pharmaceutical products in China. This will provide IDS with another key competitive edge in China.

“Our logistics network in China continued to grow in leaps and bounds. In 2008 the footprint of our logistics facilities in China increased by 60% to over 1.7 million square feet, including our brand new state-of-the-art facility for Garments-On-Hangers (GOH) in Shanghai,” said Mr. Joseph Phi, President of IDS. ”In 2009, we are going to make strong entries into both the GOH and healthcare sectors, where we see huge potential.”

Through the acquisition of a pharmaceutical company in Hong Kong in May 2008, IDS added to its portfolio of facilities a fully GMP (Good Manufacturing Practice)-certified manufacturing line for pharmaceutical products. The Group is now exploring new opportunities, including contract manufacturing for regional supply as well as primary packing service for local distribution.

The Group also continued to make significant progress winning new customers. The China Logistics team signed deals with Converse, Dickies (the world’s largest work wear manufacturer) and LiFung Trinity (a leading retailer of high-end and luxury menswear). In Hong Kong, IDS won the distribution contracts for Philips Lighting and Sanofi Aventis. The Taiwan operation concluded the distribution and logistics service agreement with Shell lubricants covering all automobile workshops and factories. Leveraging this contract, the Group is now able to further expand its distribution capability in Taiwan.

ASEAN registered strong growth in 2008. Compared to 2007, and excluding the SAP business, revenue in 2008 increased by 25.4% while operating profit grew by 16.4%. Growth was mainly driven by the spectacular performance of the two major markets, Thailand and Malaysia. The Philippines, while making a relatively smaller contribution, also showed significant year-on-year improvement.

Thailand recorded year-on-year operating profit growth of nearly 50% in 2008. All three operations – logistics, distribution and manufacturing – recorded growth of between 40% and 55%. This was driven entirely by organic growth, effective cost control and better operating leverage. The TGA (Therapeutic Goods Administration) auditing process for the Listerine plant has been successfully completed, and the plant is now qualified to export Listerine mouthwash to Australia and New Zealand. This is expected to bring in extra volume from 2009 onwards.

On the business development front, the Singapore Logistics team added two new regional hubbing clients, L’Oreal and Remy Cointreau. In Thailand, the Group commenced the manufacturing of home care products for P&G (which was transferred from P&G’s in-house plant) and renewed the contract with SSL for five years. The Philippine team secured the logistics contract for Shell, as well as distribution businesses from L’Oreal, Gilead and Splash. The Group also commenced its contract with Lofthouse of Fleetwood to manufacture Fisherman’s Friend lozenges for regional supply in Malaysia, with production transferred smoothly.

The **US & UK** operations were severely impacted by soft retail sentiment. Consumer confidence reached an all-time low, and the fourth quarter, which is typically the peak season, proved to be much weaker than the past. As a result, the US and UK operations recorded a loss of US$7.57 million in 2008. Immediate action has been taken to streamline its cost base to ensure that operations can sustain a lower critical mass.

During the year, the Group acquired a logistics company based in the West Coast of the US and smoothly completed the integration process. One immediate synergy from the acquisition was the potential for facility consolidation. As a result, the Group was able to reduce floor space by about 600,000 square feet in the US, without sacrificing service level. This equates to US$2.5 million savings per annum in rental.

The Group also consolidated its facilities the UK, which has resulted in the exit of three facilities. The organization has also been restructured to improve process efficiency and reduce the number of staff. The Group is closely monitoring the situation and will take further action should market sentiment continue to deteriorate.

In 2009, IDS celebrates its 10th Anniversary under the theme “A Decade of Creation, A Future of Abundance”. The IDS 10th Anniversary celebrations is designed to recognize and appreciate employees and their families. Customer events will also be held.

“The theme encapsulates firstly, the journey of IDS in the last decade, during which we created an Integrated-Distribution Services company and a compelling business proposition in Value-Chain Logistics. Secondly, we look forward towards a “Future of Abundance”, capturing our intention to aggressively build scale, scope and depth in our business,” said Mr. Chang.

“Although we had a very challenging start to our 2008–2010 Strategic Plan, we expect 2009 to be a much stronger year. The whole company is focused to emerge stronger from this crisis. We have a single, determined focus to continue to pursue our 2010 Breakthrough Goal of doubling on our 2007 profit,” 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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