



PRESS RELEASE

IDS Group Reports Strong First Half Profit Growth of 93.1%

Hong Kong, 15 August 2007 – **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 2007. Profit attributable to shareholders registered a solid growth of 93.1% to US\$16.49 million in 2007, against US\$8.54 million for the same period in 2006.

Earnings per share for the period were US5.32 cents (equivalent to HK41.57 cents), compared to US2.76 cents (HK21.40 cents) in 2006. The Board of Directors has recommended an interim dividend of HK12 cents per share, against HK7 cents for the first half of 2006.

Revenue for the period showed steady growth of 24.8% from US\$467.45 million in 2006 to US\$583.15 million in 2007, driven mainly by strong China growth and the acquisition of the US logistics business in November 2006. During the period, IDS recorded a one-off gain of US\$11.3 million from the divestment of a 17.5% share in Slumberland Asia Pacific. Excluding one-off items, core operating profit registered a 24.4% growth from US\$8.58 million in 2006 to US\$10.68 million for the same period in 2007.

“We are delighted to report another set of solid results for the first half of 2007,” said **Mr. Ben Chang, Group Managing Director of the IDS Group**. “We made strong progress in both driving aggressive organic growth and making strategic mergers and acquisitions to strengthen our existing operations and gaining entry into new markets.”

During the first half of 2007, the Group announced acquisition of two FMCG distribution companies in Sarawak and Sabah in East Malaysia, which were completed in May and July respectively, to complement its operations in Brunei and strengthen its presence in Malaysia.

In a separate announcement today, IDS reinforced its global logistics expansion plans with the acquisition of PB Logistics, an apparel and footwear logistics company in the UK. The client portfolio of PB Logistics consists mainly of major UK retailers, including Marks & Spencer, and suppliers of garment and accessory items. PB Logistics also provides services to its parent company, Peter Black Group, which is engaged in the supply of footwear, accessories and beauty products for leading UK and European retailers.

2007 is the final year of IDS' current Three-Year Strategic Plan period. The Group has commenced the planning process for the next Three-Year Strategic Plan 2008-2010 to determine the direction and key transformational goals for the future development of IDS.

To prepare the Group of its next state Strategic Plan challenge of quantum growth and superior performance, IDS has embarked on a comprehensive Leadership, Management and Talent (LMT) Development Program. In the first half of 2007, the Core Management Training Program for some 1,200 managers and supervisors was rolled out. The Internship and Management Trainee Program for over 100 internationally recruited management trainees was also kicked off in June 2007.

Significant leadership and management changes were also made at both corporate and operating levels. Srinivasan Parthasarathy was appointed as Chief Financial Officer on 1 June 2007. At the same time, Rajesh Ranavat, IDS former CFO, was appointed to head up M&A and the US operations.

Following the sustained effort to enhance business development resources last year, IDS signed over 50 new contracts in the first half, 20 of which are with existing customers to expand the scope of our relationships. The number of new contracts has substantially exceeded the run rate of previous years and will drive strong organic growth in 2008 and beyond.

IDS Logistics registered a 21.7% growth in operating profit to US\$7.16 million against the first half of 2006. Revenue growth was much faster at 64.6%, primarily attributable to the US operations acquired in November 2006. Remarkable growth was registered in Malaysia, as a result of the strengthened operations after the acquisition of a local third party logistics company last year. China and Thailand registered strong organic growth, driven by new contract wins and improved operational efficiency respectively.

Substantial efforts are underway to improve the efficiency and upgrade the IT platform of the US logistics operations. The back-end supporting functions were strengthened in the first quarter of 2007 with a new management team recruited to oversee the finance, IT and human resources functions. A project was launched in May to implement the group-wide Enterprise Resources Planning (ERP) system and Warehouse Management System (WMS), and to review processes and procedures in order to upgrade operational efficiency and service levels.

“The investments this year in the US operations will be crucial to the development of our export logistics services,” said Mr. Chang. “Through connecting the US operations with IDS’ extensive infrastructure in Asia, we will be well positioned to administer global logistics programs and manage efficiently the end-to-end supply chain for our customers.”

IDS Logistics continued to receive significant recognitions from customers. The Philippine team won the Unilever 2006 Vendor of the Year Award in April 2007, being recognized for the third consecutive year for contributing to the attainment of Unilever’s business goals. In May, IDS Logistics Thailand was selected as the Best Retail Logistics Service Provider by the Frost & Sullivan Voice of the Customer Award. The winner was identified through independent research covering 270 respondents. It was indeed a powerful testimony to the high quality of service provided by IDS.

IDS Logistics continued to make significant progress in business development. 25 new contracts were signed during the first half of 2007, including major contracts with Johnson & Johnson in the Philippines and Diageo in Thailand that will contribute to strong organic growth in 2008.

IDS Marketing delivered exceptional results during the first half of 2007. Operating profit during the period grew by 38.4% to US\$8.16 million, with across-the-board improvement compared to last year. China continued to grow from strength to strength amidst buoyant consumer sentiment. The Philippine operations showed encouraging improvements and are expected to break even by the end of 2007. The rationalization program of terminating unprofitable accounts in Thailand, Malaysia, Indonesia and Singapore during 2005 and 2006 has successfully improved performance of these units. As a result, the operating margin improved from 1.7% in the first half of 2006 to 2.0% this year.

After completing the second tranche divestment of Slumberland Asia Pacific shares in June 2007, IDS also transferred the management control of the company to its partner Hilding Anders. As a consequence, Slumberland Asia Pacific became an associated company of the Group from 8 June 2007 onwards and ceased to be consolidated in the Group’s accounts. The increased involvement of Hilding Anders has assisted to improve productivity of the Slumberland plants and bargaining power for lower raw materials prices.

IDS Manufacturing had a slower than expected first half in 2007, partly attributable to the unstable political environment in Thailand and the sluggish order volume in Malaysia. Operating profit during the period registered US\$1.72 million, a 20% drop against the same period last year. However, business momentum is picking up as we saw a much stronger second quarter versus a very slow first quarter. Given the seasonality of the business, the Group is optimistic that Manufacturing will significantly strengthen in the second half 2007.

In June 2007 IDS won an extension of the manufacturing contract with Johnson & Johnson to expand the export coverage of the Group's Listerine plant in Thailand from the existing countries to the entire Asia Pacific, including Australia. As a consequence, production volume is expected to surge dramatically over the next two years and a plant extension project is underway to enlarge capacity.

The Henkel project in Indonesia commenced smoothly in early 2007. Discussions on expanding the scope of this project to cover export markets are on-going. Should the plan come to fruition, it will give our Indonesia operations another major boost in scale and profitability. In tandem with the building of the Henkel facility, IDS' manufacturing site infrastructure was significantly enhanced. Other major plant and equipment improvement projects are underway. As a result, a number of new contract wins has been registered and the plant is now gaining wider recognition in the industry.

"We see the increasing trend of multi-national brand owners outsourcing production to third party manufacturers for regional export," says Mr. Chang. "We will continue to aggressively capture opportunities in regional export projects, as these are usually sizable contracts that can add to the scale of our manufacturing business."

"We are excited about the growth opportunities in front of IDS. During the three Strategic Plan periods since 1999, the Group has successfully transformed from a traditional distributor to a service-driven company with a comprehensive menu of services. As with the previous plans, the coming Three-Year Strategic Plan 2008-2010 will also be transformational in nature and take IDS to new heights," 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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