



For immediate release

## **IDS Group announces listing plan to raise HK\$181.3 million Proceeds to fuel China growth and expansion in Asia**

*Hong Kong, 23 November 2004* – **Integrated Distribution Services Group Limited** ('IDS Group' or 'the Group'), a subsidiary of privately held Li & Fung (Distribution) Limited ("LFD") and an integrated-distribution services provider in Asia, today announced details of the Group's proposed listing on the Main Board of the Hong Kong Stock Exchange.

Through a Global Offering comprising a Public Offer and an International Placing, 120,000,000 shares, comprising 60,000,000 new shares and 60,000,000 sale shares, will be offered at an Offer Price of not more than HK\$3.75 per share. Of the offer shares, 12,000,000 shares will be allocated for public subscription in the Hong Kong Public Offer, while 108,000,000 shares will be available to professional and institutional investors through the International Placing. At a price of HK\$3.38 per share, being the mid-point of the proposed price range of HK\$3.00 to HK\$3.75 per share, the Group will raise approximately HK\$181.3 million in net proceeds, assuming that the Over-allotment Option is not exercised. Following the listing, and assuming a share price of HK\$3.75, IDS Group will have a market capitalization of HK\$1,125 million.

The net proceeds from the Global Offering will be used to accelerate the IDS Group's expansion into China, further build its businesses in Asia and pursue selective acquisitions in the region.

**Dr Victor K Fung**, Chairman of IDS Group, said, "The IDS Group would be the third company within the Li & Fung Group to be publicly listed with the successful completion of this IPO. The Group has, over the past five years, consolidated and grown into a US\$600 million integrated-distribution business in Asia, drawing from the Li & Fung Group's successful track record in supply chain management. This

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public offer now serves as an opportunity for investors to participate in the further growth of the IDS Group in Asia especially in the Mainland of China.”

Dr Fung said, “With the rapid growth of China’s economy leading the Asian markets, there is significant potential for increased consumer spending across the region. This trend should directly benefit the IDS Group whose primary focus is on serving brand owners of consumer and healthcare products. Another positive factor is the strong controlling shareholder support from Li & Fung, whose Asian heritage will be leveraged for the Group’s development.”

**The IDS Group** is an integrated-distribution services provider in Asia comprising IDS Marketing, IDS Logistics and IDS Manufacturing. The Group focuses primarily on serving brand owners of consumer and healthcare products who wish to penetrate the Asian market, helping them produce goods, then moving the products efficiently and responsively from the factory floor into the hands of the consumer. Headquartered in Hong Kong, the IDS Group operates in nine economies in Asia offering a full menu of integrated-distribution services to over 340 customers including a multitude of multinational brands. The Group currently employs over 4,200 staff across Asia.

**Mr Ben Chang**, Group Managing Director of the IDS Group, said, “Logistics is the essential link, connecting marketing and manufacturing together to form a complete value chain that covers the entire process, from procurement of raw materials to delivery of finished goods to end consumer. Each of our three core businesses is built on its own strength to compete against best-in-class competition. As such, we are able to offer customized solutions to suit the needs of our customers who can pick and choose from a menu of services or engage our all encompassing one-stop-shop for integrated-distribution services.”

### **Responding to the Global Outsourcing Trend**

Mr Chang commented, “More and more companies especially global multi-nationals will continue to outsource their marketing, logistics and contract manufacturing functions in order to reduce their production and distribution costs and capture the

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growing consumer demand in the region. With over 100 years of unique Asian experience, the IDS Group is well positioned to ride on this outsourcing trend and expand our share of providing outsourced services in marketing, logistics and manufacturing within the region.”

### **Established Partnerships with Global Brand Owners**

The IDS Group's overall business philosophy is based on a partnership approach with our customers. By understanding their unique requirements, we can customize our services to create value and enhance their competitive advantage in the market. Our customer base consists of leading multi-national companies including: Unilever, AstraZeneca, Johnson & Johnson, Kellogg's, Kimberly-Clark, Nike, New Zealand Milk, Pfizer, Sara Lee, Timberland, and retail chains such as Carrefour.

Mr Chang stated, “Client relationships which began in a single country or with a single service frequently expand across multiple countries or services, which is evidence of our unique ability to fully leverage the growing potential of integration across the value chain.”

### **Providing Visibility Across the Value Chain**

As a key enabler, information technology forms an integral part of the IDS Group and is crucial to supporting our services. The Group has built a single integrated regional IT system with common applications that allows the different core business operations to interact with each other to ensure a free flow of information within the Group.

“Customers can access the IDS Group's web-based portal for regional visibility of the Group's operations on a real-time basis. We have also developed business applications that are aimed at improving the efficiency of data collection and day-to-day operations. We believe that our IT infrastructure and its applications have been a key factor in the growth of our businesses, and will continue to play a pivotal role in the future,” Mr Chang added.

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### **China: Enormous Growth Potential Backed by Strong Li & Fung Heritage**

China has achieved a leadership position within Asia as the fastest growing economy, which is evident in terms of global exports. However, the huge opportunities driven by China's growing consumer demand is just opening up to its full potential.

Mr Chang stated, "With our deep understanding and our on-the-ground experiences of conducting business in China, the IDS Group, backed by the strong Li & Fung heritage, is well prepared to take advantage of China's enormous growth potential. Our strong position in Hong Kong will be utilized as a hub from which to pursue rapid growth into the Pearl River Delta and across the Mainland of China."

In the 12 months ended 31 December 2003, IDS Group recorded revenues of US\$591.8 million, an increase of 27.0% from approximately US\$466.1 million in the year ended 31 December 2002. Net profit for the year ended 31 December 2003 was US\$8.4 million, significantly increased by 181.3% from approximately US\$3.0 million in the year ended 31 December 2002. In the six months ended 30 June 2004, revenues and net profit are US\$269.4 million and US\$6.6 million respectively.

Looking forward, Mr Chang concluded, "As demand for logistics services continues to grow, we believe that logistics will become the fastest-growing sector among our three core businesses. Also we see a trend towards regional customer relationships, which are key drivers of our revenue growth. We will benefit by leveraging our regional operations across Asia to deliver regional solutions. We will also seek to expand into other Asian countries like Vietnam, and engage in mergers or acquisitions for strategic and financial benefits."

The Hong Kong Public Offer will be opened from Wednesday, 24 November 2004 (9:00 am) to Monday, 29 November 2004 (12:00 noon). Dealings in shares of the IDS Group on the Main Board of the Hong Kong Stock Exchange are expected to commence on Tuesday, 7 December 2004 under stock code 2387. HSBC is the Global Co-ordinator, Bookrunner, Lead Manager and Sponsor of the Global Offering.

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### **About Integrated Distribution Services Group Limited**

Integrated Distribution Services Group Limited (“IDS Group”), a subsidiary of privately held Li & Fung (Distribution) Limited, is a leading integrated-distribution services provider in Asia comprising IDS Marketing, IDS Logistics and IDS Manufacturing. The Group focuses primarily on serving brand owners of consumer and healthcare products who wish to penetrate the Asian market, helping them produce goods, then moving the products efficiently and responsively from the factory floor to the hands of the consumer. Headquartered in Hong Kong, the IDS Group operates in nine economies in Asia offering a full menu of integrated-distribution services to over 340 customers with many of them are world renowned multi-national brands. The Group currently employs over 4,200 staff across Asia.

**IDS Logistics** manages and coordinates the movement of goods, providing warehousing, transportation, and other value-added solutions for our customers. IDS Logistics currently operates in seven economies managing 42 distribution centers and depots covering a gross floor area of approximately 350,000 square meters. IDS Logistics can also provide regional and global logistics and supply chain management services to regional and global brand owners.

**IDS Marketing** has presence in eight economies representing FMCG and healthcare brand owners in distributing their products through multiple channels including hypermarkets, supermarkets, convenience stores, mini-marts, mom-and-pop stores, hospitals, clinics, pharmacies, traditional medicine halls and dental clinics. IDS Marketing offers a wide range of services including selling, marketing, and credit and cash management.

IDS Marketing is one of the first distribution companies to have been granted an approval to set up a wholly owned entity in the Mainland of China under the Closer Economic Partnership Arrangement (CEPA) in April 2004. This enables the Group to conduct distribution and import and export of consumer products on a nationwide basis.

**IDS Manufacturing** offers contract manufacturing based on the formulation and instruction provided by customers. The business operates three ISO and GMP accredited facilities located in Thailand, Malaysia and Indonesia, and specializes in

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manufacturing food and beverages, personal care and household products. Finished products can be packaged in a vast array of options including aerosols, bottles, cans, hot PET, Tetra Pak and tubes.

**About Li & Fung and Li & Fung (Distribution) Limited**

Li & Fung was founded in Guangzhou in 1906 as a traditional Chinese family company engaged in trading. In 1937, it was established in Hong Kong as Li & Fung (1937) Limited, the holding company for Li & Fung (Distribution) Limited (“LFD”).

In the 1970s, the management of Li & Fung was transferred to the third generation of the Fung family – Dr Victor K Fung and Dr William K Fung – who remain at its helm today. Privately held Li & Fung is now a multi-national group of companies comprising three distinct core businesses, namely export trading (under Main Board-listed Li & Fung Limited; code: 494), retailing (including GEM Board-listed Convenience Retail Asia; code: 8052) and distribution.

LFD was formed in 1998 to acquire the marketing services and related businesses of Inchcape plc in Asia. The IDS Group is a subsidiary and the integrated-distribution arm of privately held LFD.