

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this announcement, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



INTEGRATED DISTRIBUTION SERVICES GROUP LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 2387)

ACQUISITION OF SITT TATT LOGISTICS SDN. BHD. AND RELATED PROPERTIES

DISCLOSEABLE TRANSACTION

The Directors wish to announce that on 3 August 2006, a wholly-owned subsidiary of the Company entered into three sale and purchase agreements to acquire (a) the entire issued share capital of STLog, (b) Seberang Perai Land and (c) Selangor Land, for an aggregate cash consideration of RM94.5 million (approximately HK\$200.23 million), subject to adjustment as set out in this announcement.

The Acquisition constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules. A circular, providing further details of the Acquisition, will be despatched to the shareholders as soon as practicable.

THE ACQUISITION

On 3 August 2006, the Purchaser, an indirect wholly-owned subsidiary of the Company, entered into the following sale and purchase agreements to acquire:

- a. the entire issued share capital of STLog from the Seller and the Minority Shareholder, for a cash consideration of RM16.6 million (approximately HK\$35.17 million) (subject to the adjustment as described below) pursuant to the Share Purchase Agreement;
- b. the Seberang Perai Land from the Seller, for a cash consideration of RM16.65 million (approximately HK\$35.28 million) pursuant to the Seberang Perai Sale and Purchase Agreement; and

- c. the Selangor Land from the Seller, for a cash consideration of RM61.25 million (approximately HK\$129.78 million) pursuant to the Selangor Sale and Purchase Agreement.

To the best of knowledge, information and belief of the Directors having made all reasonable enquiry, the Seller and the Minority Shareholder are third parties independent of the Company and the connected persons of the Company.

THE CONSIDERATION

The aggregate cash consideration of RM94.5 million (approximately HK\$200.23 million) for the Acquisition will be financed from the Company's internal cash reserves and bank borrowings. The aggregate cash consideration was determined based on arm's length negotiation between the Seller and the Purchaser and represents the aggregate of (i) STLog's unaudited net asset value of RM11.6 million (approximately HK\$24.58 million) as at 30 June 2006, (ii) goodwill of RM5 million (approximately HK\$10.59 million) for STLog and (iii) the valuation of the Seberang Perai Land and the Selangor Land of RM16.65 million (approximately HK\$35.28 million) and RM61.25 million (approximately HK\$129.78 million) as at 10 January 2005 and 8 March 2006 respectively. The consideration for both lands has been determined based on the Purchaser's recent assessment of value of land in the neighbourhood.

Deposits equal to 10% of the consideration for the Share Purchase Agreement, the Seberang Perai Sale and Purchase Agreement and Selangor Sale and Purchase Agreement were paid to the Seller's solicitors as escrow agent upon signing of the said agreements.

Upon completion of the Share Purchase Agreement, the balance of the consideration for the Share Purchase Agreement (after the price adjustment, if any, as described below) will be paid in cash to the Seller and the Minority Shareholder, and the deposit for the Share Purchase Agreement together with all the interests accrued thereon will be released to the Seller.

Once the Share Purchase Agreement is completed, the deposits paid under the Seberang Perai Sale and Purchase Agreement and Selangor Sale and Purchase Agreement together with all the interests accrued thereon will be released to the Seller, and the balance of the considerations under the two agreements will be paid to the Seller's solicitors as escrow agent, which will, together with the interests accrued thereon, be released to the Seller not later than 21 days from the later of the completion of the transactions contemplated under the Share Purchase Agreement or the date when all the condition precedents in the two agreements have been satisfied.

PRICE ADJUSTMENTS, IF ANY, FOR THE SHARE PURCHASE AGREEMENT

Under the Share Purchase Agreement, the consideration of RM16.6 million (approximately HK\$35.17 million) for acquisition of the STLog Shares is subject to downward adjustment in the event that prior to the completion of the said agreement, the Purchaser establishes that:

- (i) the audited net profit after tax of STLog for the year ended 31 December 2005 is less than RM2,066,027 (approximately HK\$4,377,498), the said consideration shall be reduced by the amount of such shortfall; and
- (ii) the audited net asset value of STLog for the year ended 31 December 2005 is less than RM9,597,042 (approximately HK\$20,334,212), the said consideration shall be reduced by the amount of such shortfall.

Following agreement by the Seller and the Purchaser of the Completion Accounts of STLog, if the unaudited net profit after tax of STLog for the six months ended 30 June 2006 is less than RM2 million (approximately HK\$4.24 million), the Seller shall pay to the Purchaser an amount equivalent to the shortfall. If the completion occurs beyond 30 September 2006, the unaudited net profit after tax for any period beyond 30 June 2006 up to the Completion Accounts Date shall be an amount due to the Seller.

CONDITIONS PRECEDENT

The Share Purchase Agreement is conditional upon the obtaining of the relevant approval from the Malaysian Foreign Investment Committee and completion of satisfactory due diligence. If any of these conditions have not been satisfied within 60 days from the date of the Share Purchase Agreement, the Purchaser may waive such conditions or terminate the Share Purchase Agreement. If the Share Purchase Agreement is so terminated, the deposit held by the Seller's solicitors as escrow agent shall be returned to the Purchaser together with all the interests accrued thereon. The parties to the Share Purchase Agreement may agree to postpone the latest date to satisfy the conditions for up to 30 Business Days after the date stipulated in the Share Purchase Agreement.

The Seberang Perai Sale and Purchase Agreement is conditional on the obtaining of the relevant approvals from the Malaysian Foreign Investment Committee and State Authority on or before 31 December 2006, whereas the Selangor Sale and Purchase Agreement is conditional on the obtaining of the relevant approvals from the Malaysian Foreign Investment Committee on or before 31 December 2006. If any of these conditions have not been satisfied, the two agreements shall not be terminated so long as the Share Purchase Agreement remains in effect and is not terminated, and the parties thereto shall negotiate mutually acceptable terms and conditions for completing the transactions contemplated under the two agreements. If the Share Purchase Agreement is not completed, the Seller and the Purchaser shall not be bound to complete the transactions contemplated under the two agreements, and thereupon (except where the

Purchaser is in default) the deposits for the two agreements held by the Seller's solicitors as escrow agent shall be returned to the Purchaser together with all the interests accrued thereon.

Under the local Malaysian regulations, the Malaysian Foreign Investment Committee may give conditional approval to the Purchaser for the acquisition of STLog and the Seberang Perai Land and Selangor Land. Such conditional approval relates to the Purchaser agreeing to have a local shareholder ("Bumiputera") equity interest of 30% in STLog and the abovementioned lands within a specified period of time, where such specified period is normally three years. The Purchaser has agreed to comply with such condition, if imposed by the Malaysian Foreign Investment Committee.

Under the Seberang Perai Sale and Purchase Agreement and Selangor Sale and Purchase Agreement, the Purchaser has the right, subject to completion of the transactions contemplated under the Share Purchase Agreement, to designate any person to take up the transfer of the Seberang Perai Land and the Selangor Land.

The Purchaser has satisfactorily conducted a legal due diligence on the title of the abovementioned lands.

COMPLETION

Completion of the transaction contemplated under the Share Purchase Agreement will take place on the fifth Business Day following the satisfaction or waiver of the conditions of the Share Purchase Agreement.

Under the Seberang Perai Sale and Purchase Agreement and Selangor Sale and Purchase Agreement, the original issue documents of title to the Seberang Perai Land and the Selangor Land will be released to the Purchaser's solicitors upon the later of the completion of the transactions contemplated under the Share Purchase Agreement or the date when the conditions under the relevant agreement are satisfied, subject to the payment of the balance considerations by the Purchaser pursuant to the two agreements as set out above.

INFORMATION OF STLOG, SEBERANG PERAI LAND AND SELANGOR LAND

STLog, a company incorporated in Malaysia, is owned as to 99.6% by the Seller and as to 0.4% by the Minority Shareholder. Seberang Perai Land and Selangor Land are owned 100% by the Seller. STLog is a third party logistics provider with operating warehouse space covering more than 550,000 square feet over two distribution centres at Seberang Perai Land and Selangor Land in Malaysia and offering a range of logistics services covering storage, transportation and value-added services.

STLog's net profits before and after tax based on audited accounts prepared under Malaysian accounting standards for the year ended 31 December 2005 were RM2.87 million (approximately HK\$6.08 million) and RM2.07 million (approximately HK\$4.39 million) respectively. The corresponding figures for the year ended 31 December 2004 based on audited accounts prepared under Malaysian accounting standards were RM2.0 million (approximately HK\$4.24 million) and RM1.43 million (approximately HK\$3.03 million) respectively. As at 31 December 2005, the net asset value of STLog prepared under Malaysian accounting standards is approximately RM9.60 million (approximately HK\$20.34 million). The valuation of the Seberang Perai Land and the Selangor Land as at 10 January 2005 and 8 March 2006 respectively are RM16.65 million (approximately HK\$35.28 million) and RM61.25 million (approximately HK\$129.78 million).

REASONS FOR THE ACQUISITION

The Group is a leading integrated-distribution services provider in Asia covering the three core businesses of Marketing, Logistics and Manufacturing. The Directors anticipate that the Acquisition supports the strategic direction of the Purchaser by significantly scaling up and consolidating the logistics business in Malaysia and will allow the Group to enter the electronics logistics business with a good customer base in Penang. The Directors consider that the terms of the Acquisition are fair and reasonable and in the interests of the shareholders of the Company as a whole.

GENERAL

The Acquisition constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules. A circular, providing further details of the Acquisition, will be despatched to the shareholders as soon as practicable.

DEFINITIONS

In this announcement, the following expressions have the meanings set out below, unless the context otherwise requires:

“Acquisition”	the acquisitions contemplated under the Share Purchase Agreement, Seberang Perai Sale and Purchase Agreement and Selangor Sale and Purchase Agreement respectively
“Business Day”	a day other than a Saturday or Sunday, on which banks are open in Malaysia to the general public for business
“Company”	Integrated Distribution Services Group Limited, a company incorporated in Bermuda whose shares are listed on the Main Board of the Stock Exchange

“Completion Accounts”	the unaudited accounts of STLog for the period from 1 January 2006 to 30 June 2006 and for the period from 1 July 2006 to the latest calendar month end immediately preceding the completion date and date of such month end shall be referred to as the “Completion Accounts Date”
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Directors”	directors of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Minority Shareholder”	Dato’ Syed Mohamad bin Syed Murtaza, who holds 0.4% of the issued share capital of STLog
“Purchaser”	IDS Logistics Services (M) Sdn. Bhd., an indirect wholly-owned subsidiary of the Company
“RM”	Malaysian Ringgit, the lawful currency of Malaysia
“Seberang Perai Land”	All those pieces of leasehold industrial land held under title number H.S.(D) 591 (Plot 24), No. P.T. 486, in Mukim 06, District of Seberang Perai Tengah, Negeri Pulau Pinang and H.S. (D) 592 (Plot 23), No. P.T. 485, in Mukim 06, District of Seberang Perai Tengah, Negeri Pulau Pinang, including the buildings thereon
“Seberang Perai Sale and Purchase Agreement”	the sale and purchase agreement entered into between the Seller and the Purchaser in respect of Seberang Perai Land, the principal terms of which are set out above
“Selangor Land”	all those pieces of freehold land held under title number H.S.(D) 99548, No. P.T 48025, in the Mukim of Kapar, District of Klang, State of Selangor and GRN 59001, Lot No. 26028, in the Mukim of Kapar, District of Klang, State of Selangor, including the buildings thereon
“Selangor Sale and Purchase Agreement”	the sale and purchase agreement entered into between the Seller and the Purchaser in respect of Selangor Land, the principal terms of which are set out above

“Seller”	Sitt Tatt Company Sdn. Bhd., a company incorporated under the laws of Malaysia, which holds interests in 99.6% of the issued share capital of STLog and is the registered proprietor of the Selangor Land and the Seberang Perai Land. It is principally engaged in the business of provision of total logistics services covering ambient warehousing, cold storage, freight forwarding and custom brokering
“Share Purchase Agreement”	the share purchase agreement entered into between the Seller and the Purchaser, pursuant to which the Seller shall sell, and shall procure the Minority Shareholder to sell, the STLog Shares, the principal terms of which are set out above
“STLog”	Sitt Tatt Logistics Sdn. Bhd., a company incorporated under the laws of Malaysia
“STLog Shares”	the entire issued share capital of STLog
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

Unless otherwise stated, all references in this Announcement to HK\$ are for information only and are referenced to Hong Kong Dollars based on an approximate exchange rate of RMI = HK\$2.1188.

By Order of the Board
Victor FUNG Kwok King
Chairman

Hong Kong, 3 August 2006

As at the date hereof, the executive directors of the Company are Mr. Benedict CHANG Yew Teck, Mr. Joseph Chua PHI and Mr. Rajesh Vardichand RANAVAT; the non-executive directors of the Company are Dr. Victor FUNG Kwok King, Dr. William FUNG Kwok Lun, Mr. Jeremy Paul Egerton HOBBS and Mr. LAU Butt Farn; and the independent non-executive directors of the Company are Mr. William Winship FLANZ, Mr. John Estmond STRICKLAND, Dr. FU Yu Ning and Prof. LEE Hau Leung.

Please also refer to the published version of this announcement in South China Morning Post, and Hong Kong Economic Times.