INTEGRATED DISTRIBUTION SERVICES GROUP LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 2387)

ACQUISITION OF BUSINESS OF IMPAC LOGISTIC SERVICES LLC AND ITS AFFILIATES

DISCLOSEABLE TRANSACTION

Further to the announcement of the Company dated 16 August 2006, the Directors wish to announce that on 1 December 2006 (New York Time), a wholly-owned subsidiary of the Company entered into an asset purchase agreement to acquire from the Sellers their apparel logistics business and substantially all of the related assets for (a) a cash consideration of US$35 million (approximately HK$272.44 million), subject to adjustments as stated below; and (b) a cash payment not exceeding US$7.5 million (approximately HK$58.38 million).

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

Further to the announcement of Integrated Distribution Services Group Limited (the "Company") dated 16 August 2006, the Directors of the Company (the "Directors") wish to announce that IDS Impac Ltd. ("IDS"), a wholly-owned subsidiary of the Company, has on 1 December 2006 (New York Time) entered into an asset purchase agreement ("Asset Purchase Agreement") with (a) Impac Logistic Services LLC, a New Jersey limited liability company, (b) Impac Administrative Services Inc., a New Jersey corporation, (c) Impac Logistics Services, Inc., a Florida corporation, (d) Impac Logistic Services, Inc., a California corporation, (e) S.D.S. Management & Consulting Services, Inc., a

New Jersey corporation and (f) Innovative Methods, Packaging and Apparel Corrections, L.L.C., a New Jersey limited liability company ((a) to (f) are collectively referred to as the "Sellers"); (g) Mr. Richard Sapienza Jr. and (h) Mr. Steven Moses ((g) and (h) are collectively referred to as the "Principal Owners"), pursuant to which IDS will acquire the Sellers' apparel related logistics, distribution, warehousing and alteration businesses, their business of providing consulting and information technology outsourcing services (which relates to managing supply chain activities in the U.S.) (together the "Business") and substantially all of the related assets.

Completion of the acquisition is subject to a number of conditions including, *inter alia*, the obtaining of various consents by IDS, including consent from the bank for removal of lien on the fixed assets and consent from the landlord for assignment of leases. Completion is expected to take place by 15 December 2006 (the "Completion Date") or such other date mutually agreed by IDS and the Sellers. Subject to completion and as among the parties, the sale and purchase of the Business is treated as having taken place with effect from 31 October 2006 (the "Effective Date"). The Effective Date represents the date as agreed among the parties from which IDS will assume all risks and rewards of the Business.

On Completion Date, the Sellers shall sell, transfer and assign to IDS their accounts and other receivables, their customer contracts, leases, other contracts, licenses and agreements, tangible property, intellectual property, books and records, etc in connection with the Business but excluding cash and cash equivalent of the Business, receivables due from the Seller's owners, officers or directors and personal property, etc., and IDS shall enter into the employment and consulting agreements with the Principal Owners and the consulting companies respectively. The Principal Owners will be employed by IDS as co-presidents for a term commencing from the Completion Date until 31 December 2008.

The Sellers are owned as to 100% by the Principal Owners. To the best of the knowledge, information and belief of the Directors having made all reasonable enquiry, the Sellers and the Principal Owners are third parties independent of the Company and the connected persons of the Company (as defined in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules")).

THE CONSIDERATION

The cash consideration for the acquisition will consist of:–

(i) US$35 million (approximately HK$272.44 million) (the "Purchase Price"); and

(ii) a total maximum cash payment of US$7.5 million (approximately HK$58.38 million) payable to the Sellers on achievement of certain adjusted earnings before interest, tax, depreciation and amortization ("EBITDA") targets for each of the three financial years ending 31 December 2006, 2007 and 2008, with a maximum annual payment of US$2.5 million (approximately HK$19.46 million) per year. The range of the adjusted EBITDA targets to be achieved for the financial years ending 31 December 2006, 2007 and 2008 are US$6.25 million (approximately HK$48.65 million) to US$7.5 million (approximately HK$58.38 million), US$6.5 million (approximately HK$50.596 million) to US$9 million (approximately HK$70.056 million) and US$8.5 million (approximately HK$66.164 million) to US$11 million (approximately HK$85.624 million) respectively. If the adjusted EBITDA targets achieved for such years fall below or only reach the minimum limit, IDS will not be required to make any cash payment to the Sellers.

The consideration of US$42.5 million (approximately HK$330.82 million) will be financed from the Company's internal cash reserves for approximately US$12.5 million (approximately HK$97.3 million) and bank borrowings for approximately US$30 million (approximately HK$233.52 million) and was arrived at based on arm's length negotiation between the parties taking into consideration, among others things, (a) the average adjusted EBITDA for financial years ended 31 December 2004 and 2005 of the Business being approximately US$5.332 million (approximately HK$41.504 million) and (b) net asset value of the Business to be transferred to IDS as of the Completion Date being not less than US$10 million (approximately HK$77.84 million). The Purchase Price of US$35 million (approximately HK$272.44 million) represents an EBITDA multiple of approximately 6.6 times of the Business based on average adjusted EBITDA for the financial years ended 31 December 2004 and 2005.

PURCHASE PRICE ADJUSTMENTS, IF ANY

Under the Asset Purchase Agreement, the Purchase Price of US$35 million (approximately HK$272.44 million) will be payable to the Sellers in the following instalments:–

i. US$21 million (approximately HK$163.464 million), being 60% of the Purchase Price, together with interest accrued thereon at a rate of 5% from the Effective Date to the Completion Date, will be payable on Completion Date;

ii. US$3.5 million (approximately HK$27.244 million), being 10% of the Purchase Price will be payable on 30 April 2007;

iii. US$3.5 million (approximately HK$27.244 million), being 10% of the Purchase Price will be payable on 30 April 2008; and

iv. US$7.0 million (approximately HK$54.488 million), being 20% of the Purchase Price will be payable on 30 April 2009

(sub payments under (ii), (iii) and (iv), together the "Subsequent Payments").

The initial cash consideration of US$21 million (approximately HK$163.464 million) will be subject to adjustment according to the net asset value of the Business as at the Completion Date and the Effective Date, which will be assessed by IDS. Such adjustment is not expected to exceed US$1,000,000 (approximately HK$7.784 million). Any disputes as to the adjustment will be resolved by the appointment of independent firm of certified public accountants of international repute whose decision, in the absence of fraud or manifest error, shall be final and binding on IDS and the Sellers.

The Subsequent Payments are subject to a downward adjustment on a pro-rata basis if the adjusted EBITDA for each of the three years ending 31 December 2006, 2007 and 2008 falls below a minimum agreed EBITDA target of US$5.5 million (approximately HK$42.812 million). The total maximum downward adjustment to the Purchase Price will not exceed US$6.125 million (approximately HK$47.677 million).

INFORMATION OF THE SELLERS

The Sellers are privately-owned, U.S. based third party logistics providers of a broad array of services to the apparel industry with specialized expertise in Garments on Hangers ("GOH"). Their scope of services include full service pick and pack, bulk distribution, fulfillment, catalog-distribution, ground and air transportation, and value added IT services to leading U.S. retailers and manufacturers. They have extensive operations in New Jersey, Los Angeles and Miami with 11 distribution centres totaling 1.4 million square feet. They employ about 1,000 employees.

The net profits before and after tax and extraordinary items attributable to the Business for the year ended 31 December 2005 based on unaudited accounts (after adjustment of US$401,000 (approximately HK$3.12 million)) were US$3.15 million (approximately HK$24.52 million) and US$3.12 million (approximately HK$24.286 million) respectively determined in accordance with the U.S. generally accepted accounting principles. The corresponding figures for the year ended 31 December 2004 based on unaudited accounts determined under the U.S. generally accepted accounting principles were US$6.84 million (approximately HK$53.243 million) and US$6.83 million (approximately HK$53.165 million) respectively. The revenue attributable to the Business acquired for the year ended 31 December 2005 was approximately US$45.9 million (approximately HK$357.286 million).

REASONS FOR THE ACQUISITION

The Company and its subsidiaries are a leading integrated-distribution services provider in Asia covering the three core businesses of Marketing, Logistics and Manufacturing. The Directors anticipate that the acquisition will complement the Company's export logistics business in China, where most of the exports to the U.S. and Europe originate. It is also anticipated that the acquisition will give the Company immediate entry into the apparel logistics/GOH sector which will enable the Company to gradually add on the potential business from its customers who currently outsource this business to other third party service providers. 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.

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 US$1 = HK$7.784.

By Order of the Board
Victor FUNG Kwok King
Chairman

Hong Kong, 2 December 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 HOBBINS 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.

Website: www.idsgroup.com
www.irasia.com/listco/hk/ids

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