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INTEGRATED DISTRIBUTION SERVICES GROUP LIMITED

利和經銷集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 2387)

DISCLOSEABLE AND CONNECTED TRANSACTIONS ACQUISITION OF SHAREHOLDING INTEREST

On 16 April 2007, the Purchaser, a wholly-owned subsidiary of the Company, entered into the Sebor Sarawak Agreement and the Sebor Sabah Agreement with Malinch, pursuant to which the Purchaser agreed to purchase an aggregate of approximately 56.74% and 40% interest in Sebor Sarawak and Sebor Sabah respectively at the consideration as set out below. On the same day, the Purchaser also entered into the Minority Sebor Sarawak Agreement with six independent third parties for acquisition of an additional 10.35% interest in Sebor Sarawak.

The Transactions constitute discloseable transactions for the Company under the Listing Rules. As Malinch is an indirect wholly-owned subsidiary of Li & Fung Distribution, the controlling shareholder of the Company holding approximately 50.22% interest in the Company, it is a connected person of the Company and the Transactions (other than the transaction contemplated under the Minority Sebor Sarawak Agreement) also constitute connected transactions for the Company under the Listing Rules. Since the consideration for the Transactions is more than HK\$10,000,000 and the applicable percentage ratios exceed 2.5%, the Transactions are subject to the reporting, announcement and independent shareholders' approval requirements of the Listing Rules.

A circular containing, among other things, (i) further details of the Transactions; (ii) a letter from the Independent Board Committee; (iii) a letter from the independent financial adviser; and (iv) a notice of the SGM will be dispatched to the shareholders of the Company as soon as practicable.

THE SALE AND PURCHASE AGREEMENTS

1. Sale and purchase agreement (the "Sebor Sarawak Agreement") in relation to the interests in Sebor (Sarawak) Sdn Bhd ("Sebor Sarawak") and its subsidiaries (the "Sebor Sarawak Group") dated 16 April 2007

Parties

Seller: Malinch Associate Holdings Sdn Bhd ("**Malinch**"), an indirect wholly-owned subsidiary of Li & Fung (Distribution) Limited ("**Li & Fung Distribution**") and an investment holding company, which holds approximately 56.74% interest in Sebor Sarawak

Purchaser: IDS Group Limited (the "**Purchaser**"), a wholly-owned subsidiary of Integrated Distribution Services Group Limited (the "**Company**")

2. Sale and purchase agreement (the “Sebor Sabah Agreement”) in relation to the interests in Sebor (Sabah) Sdn Bhd (“Sebor Sabah”) and its subsidiaries (the “Sebor Sabah Group”) dated 16 April 2007

Parties

Seller: Malinch, which holds a 40% interest in Sebor Sabah

Purchaser: the Purchaser

ASSETS TO BE ACQUIRED

An aggregate of 5,392,329 shares in Sebor Sarawak (the “**Sebor Sarawak Shares**”) representing approximately 56.74% interest therein including the rights to receive all dividends and other distributions declared, made or paid on or after 31 December 2006 until the date occurring one week prior to the date of completion (the “**Cut-off Date**”); and an aggregate of 4,400,000 shares in Sebor Sabah (the “**Sebor Sabah Shares**”) representing a 40% interest therein including the rights to receive all dividends and other distributions declared, made or paid on or after 31 December 2006 until the Cut-off Date. Sebor Sarawak and Sebor Sabah are both principally engaged in the distribution of consumer goods in Eastern Malaysia.

The original purchase costs of the Sebor Sarawak Shares and the Sebor Sabah Shares to Malinch were approximately RM7,978,000 (approximately HK\$18,088,519) and RM4,809,000 (approximately HK\$10,903,446) respectively.

CONSIDERATION

Pursuant to the Sebor Sarawak Agreement, the Purchaser agreed to purchase the Sebor Sarawak Shares at an aggregate consideration of RM25,343,946.30 (approximately HK\$57,462,329) (equivalent to RM4.70 (approximately HK\$10.66) per share), which is with reference to the net asset value as shown in the audited accounts of Sebor Sarawak for the year ended 31 December 2006 after taking into account a revaluation of property which increases the audited net asset value by approximately RM6.988 million (approximately HK \$15.84 million). The said purchase price shall be reduced by the aggregate amount of any dividend paid by Sebor Sarawak after 31 December 2006 until the Cut-off Date multiplied by the percentage of the shares to be acquired.

Pursuant to the Sebor Sabah Agreement, the Purchaser agreed to purchase the Sebor Sabah Shares at an aggregate consideration of RM4,587,525 (approximately HK\$10,401,295) (equivalent to RM1.04 (approximately HK\$2.36) per share), which is based on the net asset value as shown in the audited accounts of Sebor Sabah for the year ended 31 December 2006. The said purchase price shall be reduced by the aggregate amount of all dividends paid by Sebor Sabah after 31 December 2006 until the Cut-off Date multiplied by the percentage of the shares to be acquired.

The consideration for the Sebor Sarawak Shares and the Sebor Sabah Shares was agreed between the parties after arm’s length negotiations and shall be paid in cash upon completion. The acquisitions will be financed from the Company’s internal cash reserves and bank borrowings.

The following table shows the audited consolidated financial information of Sebor Sarawak and its subsidiaries for the two years ended 31 December 2006:

	For the year ended 31 December 2006 <i>RM'000</i>	For the year ended 31 December 2005 <i>RM'000</i>
Turnover	237,456	240,070
Net profit/(loss) before taxation and extraordinary items	4,431	4,217
Net profit/(loss) after taxation and extraordinary items	3,204	3,097
	As at 31 December 2006 <i>RM'000</i>	As at 31 December 2005 <i>RM'000</i>
Total assets	84,918	81,816
Total liabilities	44,697	43,843
Net asset value	40,221	37,973

The following table shows the audited consolidated financial information of Sebor Sabah and its subsidiaries for the two years ended 31 December 2006:

	For the year ended 31 December 2006 <i>RM'000</i>	For the year ended 31 December 2005 <i>RM'000</i>
Turnover	85,680	83,288
Net profit/(loss) before taxation and extraordinary items	1,380	889
Net profit/(loss) after taxation and extraordinary items	1,359	865
	As at 31 December 2006 <i>RM'000</i>	As at 31 December 2005 <i>RM'000</i>
Total assets	43,817	50,743
Total liabilities	32,348	40,633
Net asset value	11,469	10,110

Remark: RM means Malaysian Ringgits, the lawful currency of Malaysia.

CONDITIONS

Completion of the Sebor Sarawak Agreement and the Sebor Sabah Agreement shall be conditional upon the following conditions being satisfied or waived by the relevant party on or before 31 July 2007 or such other date as mutually agreed between the Purchaser and Malinch.

The Sebor Sarawak Agreement

- i. A due diligence exercise on the Sebor Sarawak Group being carried out to the reasonable satisfaction of the Purchaser in all material respects.
- ii. The Company having obtained all necessary approvals as may be required under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) to permit the consummation of the transactions contemplated under the Sebor Sarawak Agreement.
- iii. All warranties set out in the Sebor Sarawak Agreement being true and accurate in all material respects at its completion.
- iv. There being no material adverse change in the business, operations, assets, position (financial, trading or otherwise) or profits of the Sebor Sarawak Group as a whole between the date of the Sebor Sarawak Agreement and its Completion.
- v. No contracts that are material to the business of the Sebor Sarawak Group as a whole being terminated or their terms being materially and adversely changed before Completion.
- vi. The approval of the Foreign Investment Committee (the “**FIC**”) being obtained in relation to the transactions contemplated in the Sebor Sarawak Agreement, in a form acceptable to the Purchaser.
- vii. All the conditions precedent (save for such conditions precedent relating to the fulfilment of all the conditions set out in this section) under the Sebor Sabah Agreement having been fulfilled or waived in accordance with its terms.

The Sebor Sabah Agreement

- i. A due diligence exercise on the Sebor Sabah Group being carried out to the reasonable satisfaction of the Purchaser in all material respects.
- ii. The Company having obtained all necessary approvals as may be required under the Listing Rules to permit the consummation of the transactions contemplated under the Sebor Sabah Agreement.
- iii. The Seller having obtained the consents of Permodalan Nasional Berhad (“**PNB**”) and Sebor Economic Development Corporation (“**SEDCO**”), existing shareholders of Sebor Sabah for the transfer of Sebor Sabah Shares in the agreed form at Completion.
- iv. All warranties set out in the Sebor Sabah Agreement being true and accurate in all material respects at its completion.
- v. There being no material adverse change in the business, operations, assets, position (financial, trading or otherwise) or profits of the Sebor Sabah Group as a whole between the date of the Sebor Sabah Agreement and its completion.
- vi. No contracts that are material to the business of the Sebor Sabah Group as a whole being terminated or their terms being materially and adversely changed before completion.
- vii. All the conditions precedent (save for such conditions precedent relating to the fulfilment of all the conditions set out in this section) under the Sebor Sarawak Agreement having been fulfilled or waived in accordance with its terms.

COMPLETION

Completion of the sale and purchase of the Sebor Sarawak Shares and the Sebor Sabah Shares shall take place on the fifth business day (a day other than a Saturday or Sunday on which banks are open in Malaysia and Hong Kong for business) (“**Business Day**”) following satisfaction or waiver by the relevant party of the conditions under the Sebor Sarawak Agreement and the Sebor Sabah Agreement respectively, or such other date as the parties may agree in accordance with the terms of the relevant agreements. The Purchaser has the right to nominate not less than four directors which will form a majority of the Board of Directors of Sebor Sarawak and two directors on the Board of Directors of Sebor Sabah upon or after Completion.

ADDITIONAL INTEREST

On the same day of the execution of the Sebor Sarawak Agreement, the Purchaser also entered into an agreement with six independent third parties who are not connected with any of the directors of the Company (the “**Director**”), chief executive and substantial shareholders of the Company or any of its subsidiaries, or an associate of any of them (the “**Minority Sebor Sarawak Agreement**”) for acquisition of an aggregate of 983,644 shares in Sebor Sarawak (the “**Minority Sebor Sarawak Shares**”) representing approximately 10.35% interest therein including the rights to receive all dividends and other distributions declared, made or paid on or after 31 December 2006 until the Cut-off Date at the same price per share as the Sebor Sarawak Shares.

Pursuant to the Minority Sebor Sarawak Agreement, the Purchaser agreed to purchase the Minority Sebor Sarawak Shares at an aggregate consideration of RM4,623,126.8 (approximately HK\$10,482,015) (equivalent to RM4.70 (approximately HK\$10.66) per share), which is with reference to the net asset value as shown in the audited accounts of Sebor Sarawak for the year ended 31 December 2006 after taking into account a revaluation of property which increases the audited net asset value by approximately RM6.988 million (approximately HK\$15.84 million). The said purchase price shall be reduced by the aggregate amount of any dividend paid by Sebor Sarawak after 31 December 2006 until the Cut-off Date multiplied by the percentage of the shares to be acquired.

Completion of the Minority Sebor Sarawak Agreement shall be conditional upon the same conditions as the Sebor Sarawak Agreement (save for the FIC approval and the satisfaction (or waiver) of the conditions precedent under the Sebor Sabah Agreement) and the simultaneous acquisition by the Purchaser or one of the wholly-owned subsidiaries of the Company of the Sebor Sarawak Shares. Completion shall take place on the fifth Business Day following satisfaction or waiver by the relevant party of the conditions.

Following the completions of the Sebor Sarawak Agreement, the Minority Sebor Sarawak Agreement and the Sebor Sabah Agreement, Sebor Sarawak will be owned as to approximately 67.09% by the Purchaser and approximately 32.91% by Sarawak Economic Development Corporation (“**SEDC**”) and become an indirect subsidiary of the Company, while Sebor Sabah will be owned as to 40% by the Purchaser, approximately 55% by PNB and approximately 5% by SEDCO and become an associated company of the Company. SEDC, PNB and SEDCO are independent third parties.

REASONS FOR THE TRANSACTIONS

The Directors consider that the transactions contemplated under the Sebor Sarawak Agreement and the Sebor Sabah Agreement (the “**Transactions**”) will strengthen the network and presence of the Company and its subsidiaries (the “**Group**”) complemented by the existing operations in Brunei and Peninsula Malaysia. The Directors (other than the independent non-executive Directors whose views will be set out in the circular to be dispatched to the shareholders of the Company) consider that the terms of the Transactions are fair and reasonable, and the Transactions are in the best interests of the Company and the shareholders of the Company as a whole.

INFORMATION ON THE COMPANY

The Group is a leading integrated-distribution services provider in Asia covering the three core businesses of Marketing, Logistics and Manufacturing.

GENERAL

The Transactions constitute discloseable transactions for the Company under the Listing Rules. As Malinch is an indirect wholly-owned subsidiary of Li & Fung Distribution, a controlling shareholder of the Company holding approximately 50.22% of the total issued share capital in the Company, it is a connected person of the Company and the Transactions (other than the transaction contemplated under the Minority Sebor Sarawak Agreement) also constitute connected transactions for the Company under the Listing Rules. Since the aggregate consideration for the Transactions is more than HK\$10,000,000 and the applicable percentage ratios exceed 2.5%, the Transactions are subject to the reporting, announcement and independent shareholders' approval requirements of the Listing Rules.

A special general meeting (the "SGM") will be convened to approve the Transactions. An independent committee of the board of Directors (the "**Independent Board Committee**") comprising the independent non-executive Directors will be formed to advise the independent shareholders of the Company, and an independent financial adviser will be retained to advise the Independent Board Committee and the independent shareholders of the Company in relation to the Transactions.

A circular containing, among other things, (i) further details of the Transactions; (ii) a letter from the Independent Board Committee; (iii) a letter from the independent financial adviser; and (iv) a notice of the SGM will be dispatched to the shareholders of the Company 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 RM1 = HK\$2.2673.

By Order of the Board
Victor FUNG Kwok King
Chairman

Hong Kong, 16 April 2007

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.

* For identification purpose only

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