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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)

CONNECTED TRANSACTION TRANSFER OF EQUITY INTEREST

The Purchaser, an indirect wholly-owned subsidiary of the Company, entered into the Equity Transfer Agreement, pursuant to which the Purchaser agreed to purchase a 20% equity interest in IDSH from SHSH. The purchase price for such purchase is RMB5.73 million (approximately HK\$5.796 million).

As SHSH owns a 20% equity interest in IDSH which is a subsidiary of the Company, it is regarded as a connected person of the Company under the Listing Rules. Accordingly, the Equity Transfer constitutes a connected transaction of the Company. Since each of the applicable percentage ratios (other than the profits ratio) for determining disclosure and shareholder approval requirements under the Listing Rules of the Equity Transfer is less than 2.5%, the Equity Transfer is subject to the reporting and announcement requirements, but is exempted from the independent shareholders' approval requirement under the Listing Rules.

THE EQUITY TRANSFER

1. *The agreement dated 17 April 2007 in relation to the equity interest in Shanghai IDS Shen Hong Logistics Co. Ltd. ("IDSH") (the "Equity Transfer Agreement").*

Parties involved

Seller: Shanghai Shen Hong Co. Ltd. ("SHSH"), an investment holding company, which owns a 20% equity interest in IDSH

Purchaser: Nanjing IDS Marketing Co. Ltd. (the "**Purchaser**"), an indirect wholly-owned subsidiary of Integrated Distribution Services Group Limited (the "**Company**")

2. *The agreement dated 20 March 2007 and as amended on 19 April 2007 in relation to the proceeds of the Equity Transfer Agreement (the "Side Agreement").*

Parties involved

Party A: Shanghai Wensheng Co. Ltd. ("SHWS"), the creditor of SHSH and the applicant of the order of the People's Court in Shanghai, the PRC, for the sale of the assets of SHSH, is independent third party which is not connected with any of the directors, chief executive and substantial shareholders of the Company or any of its subsidiaries, or an associate of any of them

Party B: the Purchaser

Equity to be Transferred

The Purchaser agreed to purchase from SHSH a 20% interest in the entire registered capital of IDSH (the “Equity Transfer”).

As SHWS is the creditor of SHSH and the applicant of the order of the People’s Court in Shanghai, the PRC, it will be entitled to receive the proceeds of the equity transfer in accordance with the terms of the above agreements. Hence, the Purchaser entered into the Side Agreement to deal with the settlement of the purchase price of the Equity Transfer. The 20% equity interest in IDSH was put on tender and listed on the Shanghai United Equity Exchange. The tender was successfully obtained on 17 April 2007.

Purchase Price

Pursuant to the above agreements, the purchase price for the Equity Transfer was RMB5.73 million (approximately HK\$5.796 million). The purchase price was arrived at after arm’s length negotiation between the relevant parties at a discount of approximately 45% to the unaudited net asset value of IDSH as at 31 July 2006.

The Equity Transfer will be financed by internal resources of the Company.

SHSH contributed RMB8.277 million (approximately HK\$8.373 million) to the registered capital of IDSH.

FINANCIAL INFORMATION OF IDSH

The following table shows the audited financial information of IDSH for the two years ended 31 December 2006:

	For the year ended 31 December 2006 RMB	For the year ended 31 December 2005 RMB
Turnover	56,402,504	42,744,025
Net profit/(loss) before taxation and extraordinary items	10,762,148	10,149,836
Net profit/(loss) after taxation and extraordinary items	7,808,133	7,395,505
	As at 31 December 2006 RMB	As at 31 December 2005 RMB
Total assets	71,043,030	58,751,885
Total liabilities	14,108,194	9,475,182
Net asset value	56,934,836	49,276,703

CONDITIONS

Completion of the Equity Transfer Agreement shall be conditional upon the granting of the final approval by the Shanghai Foreign Investment Committee. If such approval cannot be obtained by 31 August 2007, the above agreements will cease to have any legal effect and all monies paid by the Purchaser (if any) will be refunded by SHSH.

COMPLETION

Completion of the Equity Transfer shall take place on or prior to 31 August 2007. The purchase price for the Equity Transfer shall be paid in cash in two instalments. The first instalment in the amount of RMB5.3 million (approximately HK\$5.36 million) will become payable within five working days after the issuance of the confirmation on equity transfer by the Shanghai United Equity Exchange. The final instalment in the amount of RMB434,000 (approximately HK\$439,017) will become payable within five working days after the registration of the equity transfer with the relevant authority in the PRC.

Following the completion of the Equity Transfer, IDSH will become a wholly-owned subsidiary of the Company.

REASONS FOR THE EQUITY TRANSFER

It is anticipated that the Equity Transfer will maximize the Company's share of profit in IDSH by converting it into a wholly-owned subsidiary of the Company. The acquisition is the most cost effective way for the Company and its subsidiaries to achieve a 100% ownership in their China warehousing logistics operations.

The directors of the Company (including the independent non-executive directors) consider that the terms of the Equity Transfer are fair and reasonable, and the Equity Transfer is in the interests of the Company and the shareholders of the Company as a whole.

INFORMATION ON THE COMPANY

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

INFORMATION ON IDSH, SHWS AND SHSH

IDSH established in 1996 with registered capital of US\$5 million (approximately HK\$39.06 million), providing logistics service in mainland China. SHWS is a subsidiary of Zhejiang Wenhua Holding Co Ltd, which is a private owned company focusing on assets management and investment in non-performing loans and other bad debt. SHSH is a state-owned trading company based in Shanghai.

IMPLICATIONS UNDER THE LISTING RULES

As SHSH owns a 20% equity interest in IDSH, a subsidiary of the Company, it is regarded as a connected person of the Company under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rule**"). Accordingly, the Equity Transfer from SHSH constitutes a connected transaction of the Company. Since each of the applicable percentage ratios (other than the profits ratio) for determining disclosure and shareholder approval requirements under the Listing Rules of the Equity Transfer is less than 2.5%, the Equity Transfer is subject to the reporting and announcement requirements, but are exempted from the independent shareholders' approval requirement under the Listing Rules.

Unless otherwise specified in this announcement and for the purpose of illustration only, RMB is translated to HK\$ at the rate of RMB1.00 = HK\$1.01156 and US\$ is translated to HK\$ at the rate of US\$1.00 = HK\$7.812. No representation is made that any amounts in RMB or US\$ have been or could be converted at the above rates or at any other rates or at all.

By Order of the Board
Victor FUNG Kwok King
Chairman

Hong Kong, 24 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.