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## **INTEGRATED DISTRIBUTION SERVICES GROUP LIMITED**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 2387)**

### **CONNECTED TRANSACTION PROVISION OF FINANCIAL ASSISTANCE**

On 1 June 2007, the Purchaser, the Seller, the Purchaser's Guarantor and Slumberland entered into the Addendum to supplement and amend certain provisions of the Agreement.

As the Purchaser is a substantial shareholder of Slumberland Asia Pacific Limited ("**Slumberland**"), an indirect non-wholly owned subsidiary of Integrated Distribution Services Group Limited (the "**Company**"), and thus a connected person of the Company, the provision of the Financial Assistance contemplated under the Addendum constitutes connected transaction for the Company under the Listing Rules.

Since each of the applicable percentage ratios for determining disclosure and shareholder approval requirements under the Listing Rules of the Financial Assistance is less than 2.5%, the provision of the Financial Assistance is subject to the reporting and announcement requirements, but are exempted from the independent shareholders' approval requirement under the Listing Rules.

Reference is made to the announcement of the Company dated 13 November 2006 (the "**Announcement**") in relation to the discloseable and connected transaction of disposal of interest in a subsidiary. Capitalised terms used herein shall have the same meanings as defined in the Announcement unless otherwise stated.

#### **BACKGROUND**

On 13 November 2006, the Seller, a direct wholly-owned subsidiary of the Company, entered into the Agreement with the Purchaser and the Purchaser's Guarantor, pursuant to which the Seller agreed to sell to the Purchaser an aggregate of 400,000 shares in Slumberland, which represent 40% interest therein, comprising the First Tranche, the Second Tranche and the Third Tranche. The sale and purchase of the First Tranche was completed on 7 December 2006.

Slumberland is an indirect non-wholly owned subsidiary of the Company and is currently owned as to 67.5% by the Seller and 32.5% by the Purchaser which engages in the marketing, distribution and manufacturing of mattresses and bed related products.

On 1 June 2007, the same parties to the Agreement and Slumberland entered into an addendum to supplement and amend certain provisions of the Agreement (the "**Addendum**").

## THE ADDENDUM

**Date:** 1 June 2007

### **Parties:**

**Seller:** IDS Group Limited, a direct wholly-owned subsidiary of the Company.

**Purchaser:** Bico AG, a company engaging in the sale and marketing and manufacturing of bedding related products and a member of the Hilding Anders Group. The Hilding Anders Group is a group of companies engaging in the development, production and marketing of beds and mattresses and associated products.

**Purchaser's Guarantor:** Hilding Anders International AB, the immediate holding company of the Purchaser and the holding company for the operational businesses of the Hilding Anders Group.

**Slumberland:** Slumberland Asia Pacific Limited

## TERMS OF THE AGREEMENT AMENDED UNDER THE ADDENDUM

Completion of the sale and purchase of the Second Tranche shall be accelerated and shall take place on 8 June 2007.

Payment of consideration in the amount of US\$2,000,000 (approximately HK\$15,639,600), representing approximately 15% of the total consideration for the Second Tranche, shall be paid by the Purchaser to the Seller upon completion of the sale and purchase of the Second Tranche. The payment of the remaining approximately 85% of the total consideration for the Second Tranche, amounting to US\$11,343,000 (approximately HK\$88,699,991), shall be paid by the Purchaser to the Seller on 1 October 2007 (the "**Deferred Payment Date**"). An additional amount of US\$200,000 (approximately HK\$1,563,960) shall be payable by the Purchaser to the Seller as consideration for the deferral arrangements on the Deferred Payment Date. Such deferred payment arrangement for the amount of US\$11,343,000 (approximately HK\$88,699,991) shall be treated as financial assistance to be provided by the Seller to the Purchaser (the "**Financial Assistance**").

## REASONS FOR THE TRANSACTION

The Purchaser and the Seller have mutually agreed to an earlier change in management control to the Purchaser as Slumberland will benefit from the increased involvement in its business of the Purchaser and also this will free up the Company's management time to focus on its core business. As a result of this, the accelerated completion of the Second Tranche is necessitated and beneficial to the Company.

The revised terms as set out in the Addendum are on normal commercial terms which were determined after arm's length negotiations between the Seller and the Purchaser. The Directors (including the Independent Non-executive Directors) consider that the terms of the Addendum and the additional amount of US\$200,000 (approximately HK\$1,563,960) received in the form of added consideration for the deferral arrangement are fair and reasonable, and the provision of the Financial Assistance is in the interests of the Company and its shareholders as a whole.

## INFORMATION ON THE COMPANY

The Company is an integrated-distribution services provider in Asia, comprising marketing, logistics and manufacturing operations.

## GENERAL

As the Purchaser is a substantial shareholder of Slumberland, an indirect non-wholly owned subsidiary of the Company, and thus a connected person of the Company, the provision of the Financial Assistance contemplated under the Addendum constitutes connected transaction for the Company under the Listing Rules.

Since each of the applicable percentage ratios for determining disclosure and shareholder approval requirements under the Listing Rules of the Financial Assistance is less than 2.5%, the provision of the Financial Assistance is subject to the reporting and announcement requirements, but are exempted from the independent shareholders' approval requirement under the Listing Rules.

*Unless otherwise stated, all references in this announcement to HK\$ are for information only and are referred to Hong Kong Dollars based on an approximate exchange rate of US\$1 = HK\$7.8198.*

By Order of the Board  
**YUEN Ying Kwai**  
Company Secretary

Hong Kong, 1 June 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.*

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