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INTEGRATED DISTRIBUTION SERVICES GROUP LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 2387)

CONTINUING CONNECTED TRANSACTIONS

Further to the announcement of the Company dated 15 August 2007 and the circular of the Company dated 3 September 2007, the board of Directors of Integrated Distribution Services Group Limited announces that the completion for the acquisition of the entire issued capital of PB Logistics Limited by a wholly-owned subsidiary of the Company has taken place on 31 August 2007 (UK time).

After the completion, PB Logistics Limited became a wholly-owned subsidiary of the Company. On 14 September 2007, PB Logistics Limited entered into a distribution and warehousing agreement with Peter Black Footwear & Accessories Limited, a wholly-owned subsidiary of Li & Fung Limited and thus, a connected person of the Company, for the continuing provision of the existing logistics services to them at an estimated fee of not more than £2.65 million (HK\$41.91 million) for the period from 1 September 2007 to 31 December 2007 and not more than £3.65 million (HK\$57.73 million) for the period from 1 January 2008 to 31 August 2008.

Given the affiliation between PB Logistics Limited and Peter Black Footwear & Accessories Limited prior to completion, PB Logistics Limited has been leasing premises from Peter Black Footwear & Accessories Limited in the past and will continue to do so in view of administrative convenience. On 21 July 2006, Peter Black Footwear & Accessories Limited entered into an underlease to sub-lease a property at Airedale Mill, Lawkholme Lane, Keighley, West Yorkshire, United Kingdom to, and charge the related expenses against, PB Logistics Limited, at an estimated fee of not more than £278,320 (HK\$4.40 million), £849,960 (HK\$13.44 million), £849,960 (HK\$13.44 million), £849,960 (HK\$13.44 million), £904,270 (HK\$14.30 million), £968,454 (HK\$15.32 million), £968,454 (HK\$15.32 million), £968,454 (HK\$15.32 million), £968,454 (HK\$15.32 million) and £584,994 (HK\$9.25 million) for the unexpired lease period from 1 September 2007 to 31 December 2007, each of the eight financial years ending 31 December 2015 and the period from 1 January 2016 to 20 July 2016, respectively.

The transactions contemplated under the distribution and warehousing agreement and the underlease constitute continuing connected transactions for the Company, which

are subject to the reporting and announcement requirements, but are exempted from the independent shareholders' approval requirement under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

Reference is made to the announcement of Integrated Distribution Services Group Limited (the “**Company**”) dated 15 August 2007 and the circular of the Company dated 3 September 2007 in relation to the acquisition of PB Logistics Limited (“**PBL**”), which constitutes a discloseable transaction for the Company.

The board of Directors (the “**Directors**”) is pleased to announce that the completion for the acquisition of the entire issued capital of PBL has taken place on 31 August 2007 (UK time) (the “**Completion**”).

POST-COMPLETION CONTINUING CONNECTED TRANSACTIONS

The Company understands from Higher Check Limited (the “**Seller**”), the seller of PBL, that Peter Black Group, an affiliate of the Seller, had also disposed of the remaining part of its businesses (the “**Remaining Businesses**”) which are principally engaged in supply chain management for the United Kingdom and Continental European retail groups for footwear, accessories and personal care merchandise to a subsidiary of Li & Fung Limited, which is a connected person of the Company by virtue of the existence of a common controlling shareholder, namely Li & Fung (1937) Limited.

On 14 September 2007, PBL entered into a distribution and warehousing agreement with Peter Black Footwear & Accessories Limited (“**PBFA**”) (the “**Logistics Services Agreement**”) (being part of the Remaining Businesses). The particulars of the Logistics Services Agreement are set out below:

Date	:	14 September 2007
Parties	:	PBL, an indirect wholly-owned subsidiary of the Company PBFA, an indirect wholly-owned subsidiary of Li & Fung Limited, a connected person of the Company
Term	:	1 September 2007 to 31 August 2008
Services	:	For the continuing provision of the existing handling, storage, transport, freight and related services to PBFA
Logistics handling, storage, transport, freight and related fees	:	At an estimated fee of not more than £2.65 million (HK\$41.91 million) for the period from 1 September 2007 to 31 December 2007 and £3.65 million (HK\$57.73 million) for the period from 1 January 2008 to 31 August 2008.

The handling, storage, transport, freight and related fees under the Logistics Services Agreement were determined based on prevailing market rates and payments of the same will be settled in cash. Based on the amount payable under the Logistics Services Agreement, the Directors expected that the annual caps for the aggregate amount payable by PBFA to the Company and its subsidiaries (the “**Group**”) for the period from 1 September 2007 to 31 December 2007 and for the period from 1 January 2008 to 31 August 2008 are approximately £2.65 million (HK\$41.91 million) and £3.65 million (HK\$57.73 million), respectively, which would not exceed 2.5% of each of the applicable percentage ratios (other than the profits ratio) on an annual basis.

On 21 July 2006, PBFA entered into an underlease (the “**Underlease**”) with PBL. The particulars of the Underlease are as follows:

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| Date | : | 21 July 2006 (which has been in existence prior to the Completion) |
| Parties | : | Landlord - PBFA, an indirect wholly-owned subsidiary of Li & Fung Limited, a connected person of the Company

Tenant - PBL, an indirect wholly-owned subsidiary of the Company |
| Premises | : | Portion of each of basement, ground floor, first floor and second floor of Airedale Mill, Lawkholme Lane, Keighley, West Yorkshire, United Kingdom |
| Unexpired Lease Term | : | 1 September 2007 to 20 July 2016, terminable on 20 July 2011 by either party giving at least three months’ written notice to the other party |
| Rent, services charge and other related expenses | : | (a) Not more than £278,320 (HK\$4.40 million) for the period from 1 September 2007 to 31 December 2007;

(b) not more than £849,960 (HK\$13.44 million), £849,960 (HK\$13.44 million), £849,960 (HK\$13.44 million), £904,270 (HK\$14.30 million), £968,454 (HK\$15.32 million), £968,454 (HK\$15.32 million), £968,454 (HK\$15.32 million) and £968,454 (HK\$15.32 million) for each of the eight financial years ending 31 December 2015, respectively; and

(c) not more than £584,994 (HK\$9.25 million) for the period from 1 January 2016 to 20 July 2016. |

The rent, services charges and other related charges under the Underlease were determined based on prevailing market rates and payments of the same will be

settled in cash. Based on the amount payable under the Underlease, the Directors expected that the annual caps for the aggregate amount payable by the Group to PBFA for the period from 1 September 2007 to 31 December 2007 is £278,320 (HK\$4.40 million), for each of the eight financial years ending 31 December 2015 are not more than £849,960 (HK\$13.44 million), £849,960 (HK\$13.44 million), £849,960 (HK\$13.44 million), £904,270 (HK\$14.30 million), £968,454 (HK\$15.32 million), £968,454 (HK\$15.32 million), £968,454 (HK\$15.32 million) and £968,454 (HK\$15.32 million), and for the period from 1 January 2016 to 20 July 2016 is £584,994 (HK\$9.25 million), which would not exceed 2.5% of each of the applicable percentage ratios (other than the profits ratio) on an annual basis.

REASONS FOR THE CONTINUING CONNECTED TRANSACTIONS

The Group is one of the leading integrated-distribution services providers in Asia covering the three core businesses of Marketing, Logistics and Manufacturing. PBFA is principally engaged in design, development and sourcing of private label products which include footwear and accessories.

Given the affiliation between PBL and PBFA prior to the Completion, PBL has been leasing premises from PBFA in the past and will continue to do so in view of administrative convenience. As there have been arrangements similar to the transactions contemplated under the Logistics Service Agreement and the Underlease prior to the acquisition, the Group intends to maintain the existing arrangements and therefore enters into the Logistics Service Agreement and maintains the Underlease, which stipulate the continuing provision of the existing logistics services to PBFA and the lease of property from PBFA to PBL, respectively.

GENERAL

Pursuant to Rule 14A.35(1) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”), the Company engaged Somerley Limited as the independent financial adviser to the independent non-executive Directors to review the Underlease. Having considered (a) the circumstances in relation to the entering into of the Underlease; (b) other long-term tenancy agreements similar to the Underlease entered into by the Group with its connected persons; and (c) other long-term tenancy agreements of other Hong Kong listed companies, Somerley Limited is of the opinion that it is necessary for the Underlease to be of a longer period than three years and that it is normal business practice for tenancy agreements promoting long-term business development to be of a duration of more than three years.

The Directors, including the independent non-executive Directors, consider that the terms of the Logistics Service Agreement and the Underlease are fair and reasonable, and are in the interests of the Group and the shareholders of the Company as a whole.

Given that Li & Fung Limited is a connected person to the Company, the post-completion transactions contemplated under the Logistics Service Agreement and the Underlease constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules. 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 continuing connected transactions is less than 2.5% on an annual basis, such continuing connected transactions are 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, £ is translated to HK\$ at the rate of £1.00 = HK\$15.8152. No representation is made that any amounts in £ has been or could be converted at the above rate or at any other rate or at all.

By Order of the board of Directors
YUEN Ying Kwai
Company Secretary

Hong Kong, 14 September 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, Mr. LAU Butt Farn and Mr. William Winship FLANZ; and the independent non-executive directors of the Company are Mr. John Estmond STRICKLAND, Dr. FU Yu Ning and Prof. LEE Hau Leung.