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INTEGRATED DISTRIBUTION SERVICES GROUP LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code : 2387)

CONTINUING CONNECTED TRANSACTION

The Board is pleased to announce that on 8 April 2008, the Company entered into the 2008 Logistics Agreement with LF 1937, pursuant to which the Group will provide a variety of logistics services to LF 1937 Group. The provision of logistics services pursuant to the 2008 Logistics Agreement constitutes a continuing connected transaction for the Company under Chapter 14A of the Listing Rules.

Since the applicable percentage ratios (as defined under the Listing Rules) in respect of the Proposed Caps exceed 2.5% and the Proposed Caps are more than HK\$10 million, the Proposed Continuing Connected Transaction is subject to the reporting, announcement and independent shareholders' approval requirements of the Listing Rules.

Commerzbank AG Hong Kong Branch has been appointed as the independent financial adviser to advise the independent board committee of the Company and the Independent Shareholders in respect of the Proposed Continuing Connected Transaction and the Proposed Caps.

A circular containing, among other things, (i) further details of the 2008 Logistics Agreement and the Proposed Continuing Connected Transaction; (ii) a letter from the independent board committee of the Company; (iii) a letter of advice from Commerzbank AG Hong Kong Branch; and (iv) a notice of the SGM will be despatched to the Shareholders as soon as practicable.

BACKGROUND

On 21 December 2006, the Company announced that it had entered into the 2006 Logistics Agreement, pursuant to which the Group would provide shipping, handling services and a variety of other logistics services, including storage, cargo handling, container devanning, administration, labeling, goods return sorting and delivery services to LF 1937 Group. The annual caps for each of the three years ended/ending 31 December 2007, 2008 and 2009 were US\$4,984,000 (approximately HK\$38.81 million), US\$5,466,000 (approximately HK\$42.56 million) and US\$6,041,000 (approximately HK\$47.04 million) respectively.

On 14 September 2007, the Company announced that PBL, an indirect wholly-owned subsidiary of the Company, had entered into the PB Logistics Agreement, pursuant to which PBL would provide logistics handling, storage, transport, freight and related services to PBFA. The caps for the period from 1 September to 31 December 2007 and from 1 January to 31 August 2008 were £2,650,000 (approximately HK\$40.76 million) and £3,650,000 (approximately HK\$56.13 million) respectively.

Due to the anticipated increase in the demand for logistics services business by LF1937 Group under the 2006 Logistics Agreement and the forthcoming expiry of the PB Logistics Agreement by August 2008, the Company entered into the 2008 Logistics Agreement with the Proposed Caps which include the previously approved caps under the 2006 Logistics Agreement and the PB Logistics Agreement.

For the purpose of compliance with Chapter 14A of the Listing Rules, since the 2008 Logistics Agreement covers the scope of services contemplated under both of the 2006 Logistics Agreement and the PB Logistics Agreement, upon the 2008 Logistics Agreement becoming unconditional, the aforesaid caps for the 2006 Logistics Agreement and the PB Logistics Agreement (the “repealed caps”) shall cease to have any effect for the year of 2008 and onwards and transactions that would have otherwise been taken into account for the repealed caps will only be taken into account for the purpose of the Proposed Caps.

THE 2008 LOGISTICS AGREEMENT

The Company entered into the 2008 Logistics Agreement with LF 1937 on 8 April 2008 for a term of three years from 1 January 2008 to 31 December 2010 on the condition that it has obtained the approval of the Independent Shareholders.

Transaction nature

Provision by the Group of shipping, handling services and a variety of other logistics services, including storage, cargo handling, container devanning, administration, labeling, goods return sorting and delivery services to LF 1937 Group.

The Company will endeavour to procure its subsidiaries, and LF 1937 will endeavour to procure its associates, to comply with the terms of the 2008 Logistics Agreement in respect of transactions contemplated thereunder.

Pricing Basis

The fees charged by the members of the Group to the associates of LF 1937 are either at market rates or at rates similar to those offered to independent third parties.

Proposed annual caps for the Proposed Continuing Connected Transaction

The Proposed Caps for each of the three years ending 31 December 2010 are stated as follows:

Year ending 31 December 2008	Year ending 31 December 2009	Year ending 31 December 2010
US\$57,343,000 (approximately HK\$446.48 million)	US\$88,404,000 (approximately HK\$688.33 million)	US\$103,195,000 (approximately HK\$803.50 million)

The historical amount for the transactions contemplated under the 2006 Logistics Agreement for the year ended 31 December 2007 was US\$4,339,000 (approximately HK\$33.78 million). The historical amount for the transactions contemplated under the PB Logistics Agreement for the period from 1 September to 31 December 2007 was £1.544 million (approximately HK\$23.75 million).

The Proposed Caps are determined based on the Group's rapid expansion in logistics services, both in country logistics as well as end-to-end supply chain services. The Proposed Caps have also taken into account the estimated amounts of the potential new logistics businesses with LF 1937 Group, particularly in the markets of the United States of America and the United Kingdom, and the business expansion of LF 1937 Group for the years 2008 to 2010. The Proposed Cap for the year 2008 is based on various commencement dates for the potential businesses with LF 1937 Group. The Proposed Caps for the years 2009 and 2010 reflect both the full year impact of the potential businesses with LF 1937 Group and the expected growth of business.

REASONS FOR AND BENEFIT OF ENTERING INTO THE PROPOSED CONTINUING CONNECTED TRANSACTION

The Company expects that there may be increasing demand by LF 1937 Group for the shipping, handling and logistics services provided by the Group for the years 2008, 2009 and 2010 due to expansion of the Group's business in terms of scope of logistics services and geographical reach to the United States of America and the United Kingdom as a result of the acquisition of the business of Impac Logistic Services LLC (and its affiliates) and the entire shareholding interest in PBL in 2006 and 2007, respectively (details of which are disclosed in the Company's circulars dated 22 December 2006 and 3 September 2007, respectively). The above acquisitions have provided the Group with foothold into the United States of America, the United Kingdom and European markets and hence have created substantial potential for the Group's business expansion.

In view of the above, the Directors (excluding the independent non-executive Directors, whose view will be rendered after considering the independent financial adviser's advice) are of the view that it is in the interest of the Company and the Shareholders as a whole to enter into the 2008 Logistics Agreement to cater for the increasing demand for the Group's shipping, handling and logistics services from LF 1937 Group, and that the entering into of the 2008 Logistics Agreement is in the ordinary course of business of the Group and is on normal commercial terms and is fair and reasonable.

LISTING RULES IMPLICATION

As LF 1937 is the controlling Shareholder and its associates are connected persons of the Company, the Proposed Continuing Connected Transaction constitutes a continuing connected transaction for the Company under the Listing Rules. Dr. Victor FUNG Kwok King and Dr. William FUNG Kwok Lun and their respective associates are required to abstain from voting at the SGM. Such resolution will be voted by poll.

Since the applicable percentage ratios (as defined under the Listing Rules) in respect of the Proposed Caps exceed 2.5% and the Proposed Caps are more than HK\$10 million, the Proposed Continuing Connected Transaction is subject to the reporting, announcement and independent shareholders' approval requirements of the Listing Rules.

Commerzbank AG Hong Kong Branch has been appointed as the independent financial adviser to advise the independent board committee of the Company and the Independent Shareholders in respect of the Proposed Continuing Connected Transaction and the Proposed Caps.

A circular containing, among other things, (i) further details of the 2008 Logistics Agreement and the Proposed Continuing Connected Transaction; (ii) a letter from the independent board committee of the Company; (iii) a letter of advice from Commerzbank AG Hong Kong Branch; and (iv) a notice of the SGM will be despatched to the Shareholders as soon as practicable.

GENERAL

The Group is an integrated-distribution services provider in Asia, the United Kingdom and the United States of America covering three core businesses of marketing, logistics and manufacturing.

LF 1937 is the controlling Shareholder. LF 1937 Group focuses on sourcing and export trading and retailing businesses.

DEFINITIONS

In this announcement, the following expressions have the meanings set out below, unless the context otherwise requires:

“2006 Logistics Agreement”	the master agreement entered into between the Company and LF 1937 on 21 December 2006 in relation to the provision of shipping, handling and other logistics services
“2008 Logistics Agreement”	the master agreement entered into between the Company and LF 1937 on 8 April 2008 in relation to the provision of shipping, handling and other logistics services
“associate(s)”	has the meaning ascribed to it in the Listing Rules
“Board”	the board of Directors
“connected person(s)”	has the meaning ascribed to it in the Listing Rules
“controlling shareholder(s)”	has the meaning ascribed to it in the Listing Rules
“Company”	Integrated Distribution Services Group Limited, a company incorporated in Bermuda whose shares are listed on the Main Board of the Stock Exchange
“Directors”	directors of the Company
“GBP” or “£”	pound sterling, the lawful currency of the United Kingdom
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Independent Shareholder(s)”	Shareholder(s) other than those who are required to abstain from voting at the SGM
“LF 1937”	Li & Fung (1937) Limited, the controlling Shareholder of the Company and a company incorporated under the laws of Hong Kong
“LF 1937 Group”	LF 1937 and its associates (excluding the Group but including Li & Fung Limited and its subsidiaries)
“Listing Rules”	the Rules Governing the Listing of the Securities on the Stock Exchange
“PBFA”	Peter Black Footwear & Accessories Limited, an indirect wholly-owned subsidiary of Li & Fung Limited

“PBL”	PB Logistics Limited (now known as IDS Logistics (UK) Limited), an indirect wholly-owned subsidiary of the Company
“PB Logistics Agreement”	the distribution and warehousing agreement entered into between PBL and PBFA on 14 September 2007 in relation to the provision of logistics handling, storage, transport, freight and related services
“Proposed Caps”	the maximum aggregate annual value for the Proposed Continuing Connected Transaction for each of the three years ending 31 December 2010
“Proposed Continuing Connected Transaction”	the continuing connected transaction contemplated under the 2008 Logistics Agreement
“SGM”	the special general meeting of the Company to be convened and held for the purpose of considering and, if thought fit, approving the Proposed Continuing Connected Transaction and the Proposed Caps
“Shareholder(s)”	shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“US\$”	US dollars, the lawful currency of United States of America

Unless otherwise stated, all reference 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\$7.7862 and £1 = HK\$15.3794.

By Order of the Board
YUEN Ying Kwai
Company Secretary

Hong Kong, 8 April 2008

As at the date hereof, the executive Directors of the Company are Mr. Benedict CHANG Yew Teck and Mr. Joseph Chua PHI; the non-executive Directors of the Company are Dr. Victor FUNG Kwok King, Dr. William FUNG Kwok Lun, Mr. William Winship FLANZ, Mr. Jeremy Paul Egerton HOBBS, Mr. LAU Butt Farn and Mr. Rajesh Vardichand RANAVAT; and the independent non-executive Directors of the Company are Mr. John Estmond STRICKLAND, Dr. FU Yu Ning and Prof. LEE Hau Leung.