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INTEGRATED DISTRIBUTION SERVICES GROUP LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 2387)

(1) DISCLOSEABLE TRANSACTION INVOLVING ACQUISITION OF 91% (WITH PUT AND CALL OPTIONS TO ACQUIRE ADDITIONAL 5%) OF UNIVERSAL PHARMACEUTICAL LABORATORIES LIMITED AND PUT AND CALL OPTIONS TO ACQUIRE PROPERTIES

AND

(2) POST-COMPLETION CONTINUING CONNECTED TRANSACTIONS

Acquisition of 91% of the entire issued share capital of the Target

The Directors wish to announce that on 15 May 2008, the Purchaser, a wholly-owned subsidiary of the Company, entered into the Acquisition Agreement with the Sellers for the acquisition of 91% of the entire issued share capital of the Target, a pharmaceutical company, for an aggregate cash consideration of HK\$109.2 million, subject to downward adjustment and clawback.

Put and call options to acquire additional 5% of the entire issued share capital of the Target

At Completion, the Purchaser and PKPL will enter into the Shares Option Agreement, whereby the Purchaser will irrevocably grant to PKPL during the period of two years commencing from the first anniversary of Completion, a put option to require the Purchaser to purchase from PKPL, all (but not some only) of the shares of the Target owned by PKPL representing 5% of the entire issued share capital of the Target; and PKPL will irrevocably grant to the Purchaser during the same period, a call option to require PKPL to sell to the Purchaser, all (but not some only) of the same number of shares of the Target. The exercise of the put option shall preclude the exercise of the call option and vice versa. In the event that PKPL holds any Option Shares following the end of the Shares Option Period, PKPL and the Purchaser shall be deemed to have given a notice to each other immediately prior to the end of the Shares Option Period and PKPL and the Purchaser shall complete the sale and purchase of the Option Shares.

Put and call options to acquire properties

At Completion, the Purchaser and PKPL will also enter into option deeds to be finalised based on the agreed principal terms in respect of put and call options to acquire certain properties by the Purchaser from PKPL.

Implications under the Listing Rules

The Acquisition, the Shares Option Agreement and the Property Option Agreements together constitute a discloseable transaction for the Company under Chapter 14 of the Listing Rules. A circular, providing further details of the Acquisition, the Shares Option Agreement and the Property Option Agreements will be despatched to the shareholders of the Company as soon as practicable.

Post-completion continuing connected transactions

At Completion, the Target will enter into the Consultancy Agreement with Mr. Chan and the Leases with PKPL. It is expected that after Completion, the Target will continue to engage two distributors, which are subsidiaries of PKPL, for the distribution of certain animal and other health products.

Upon Completion, the Target will become a subsidiary of the Company and since Mr. Chan will remain as a director of the Target until PKPL ceases to hold any Option Shares, Mr. Chan is a connected person. PKPL is wholly owned by Mr. Chan, and PKPL and its subsidiaries are therefore also connected persons.

The arrangement under the Consultancy Agreement and the Leases, and the Distribution Arrangements will constitute continuing connected transactions for the Company. As the total amount of consultancy fee under the Consultancy Agreement is less than HK\$1 million, the Consultancy Agreement will be exempt from all the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. Based on the applicable percentage ratios calculated with reference to the aggregate annual rental of the Leases and the aggregate annual amount of sales and purchase value of products under the Distribution Arrangements, the Leases and the Distribution Arrangements will, respectively, be subject to the reporting and announcement requirements, but exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The completion of the Acquisition is subject to the Sellers and the Purchaser reaching agreement on the final form of the Leases and the Property Option Agreements. Therefore, the Acquisition may or may not proceed. In the meantime, investors and shareholders are advised to exercise caution when dealing in the shares of the Company.

DETAILS OF THE ACQUISITION

Date of the Acquisition Agreement

15 May 2008

Parties

Purchaser: IDS (Hong Kong) Limited, a wholly owned subsidiary of the Company

Sellers: (1) Pak Keung (Private) Limited
(2) Mr. Chan Kwok Wai

Mr. Chan is entrepreneur. PKPL is an investment holding company wholly owned by Mr. Chan.

To the best of the Directors' knowledge, information and belief and after having made all reasonable enquiry, Mr. Chan, PKPL and its ultimate beneficial owner are Independent Third Parties.

Assets to be acquired

Sale Interest comprising:

- (1) 4,474 shares of the Target held by PKPL; and
 - (2) 76 shares of the Target held by for, Mr. Chan,
- together representing 91% of the issued share capital of the Target

Consideration

The aggregate cash consideration for the Acquisition is HK\$109.2 million, representing 91% of the price of HK\$120 million (the "**Gross Consideration**") for the entire issued share capital of the Target, subject to downward adjustment and clawback as described below.

The Gross Consideration shall be reduced by a sum (the "**Adjustment Sum**") computed as follows:-

- (i) if the audited net profit of the Target for the year ended 31 December 2007 (as adjusted to reflect the Accounting Adjustments (as described in the note below)) is less than HK\$12,000,000, there shall be deducted from the Gross Consideration an amount equivalent to such shortfall multiplied by 10 times;

Note: "Accounting Adjustments" means (a) adjustment for fair market rental for the properties leased, occupied or otherwise used by the Target; (b) to exclude other income of a non-recurring or non-operational nature; and (c) to exclude any profit or loss in respect of all quoted and unquoted investments of the Target.

- (ii) if the actual net asset value of the Target as at 31 December 2007 is less than HK\$50,000,000, there shall be deducted from the Gross Consideration an amount equivalent to the difference; and
- (iii) if the amount of net cash of the Target as shown in the cash statement as at the date of Completion is less than HK\$3,000,000, there shall be deducted from the Gross Consideration an amount equivalent to such shortfall.

The Gross Consideration (less the Adjustment Sum) shall be subject to clawback if any of the Key Agency Contracts is terminated or notice of termination of any of the Key Agency Contracts is given within six months following Completion (each a “**Clawback Event**”). The Sellers shall pay to the Purchaser (in proportion to the number of shares of the Target each of them is selling) within 3 Business Days after the occurrence of each Clawback Event a certain amount, which varies depending on which distributor is involved. The aggregate amount upon occurrence of all the Clawback Events is 91% of HK\$25,011,000.

The Gross Consideration was determined after arm’s length negotiation between the Sellers and the Purchaser with reference to a P.E. of 8.25 times the net profit after tax of the Target for the year ended 31 December 2007 based on the management accounts and a P.E. of 9.43 times the audited net profit after tax of the Target for the year ended 31 December 2006.

The Consideration will be financed from the Company’s internal cash reserves and bank borrowings.

Payment terms

Under the Acquisition Agreement, the Consideration shall be satisfied by the Purchaser:-

- (a) HK\$98,280,000 shall be payable to the Sellers on Completion in proportion to the number of shares of the Target each of them is selling;
- (b) HK\$10,920,000 (the “**Deferred Amount**”) shall be deferred and subject to paragraph (c) below;
- (c) within 3 Business Days after agreement or determination of the adjustments to the Gross Consideration as described above:
 - (i) if the Deferred Amount is greater than 91% of the Adjustment Sum, the Purchaser shall pay to the Sellers (in proportion to the number of shares of the Target each of them is selling) an amount equivalent to the difference, together with interest on such sum at the rate of 3% per annum accrued from the date of Completion to the earlier of the actual date of payment or the due date of payment; and
 - (ii) if 91% of the Adjustment Sum is greater than the Deferred Amount, no further payment shall be made by the Purchaser to the Sellers and the Sellers shall pay to the Purchaser (in proportion to the number of shares of the Target each of them is selling) the amount equivalent to the difference, together with interest on such sum at the rate of 3% per annum accrued from the date of Completion to the earlier of the actual date of payment or the due date of payment.

Conditions Precedent

Completion is conditional upon the Sellers and the Purchaser reaching agreement on the final forms of the Leases and the Property Option Agreements on the agreed terms on or before 5:00 p.m. on 26 May 2008 (the “**Longstop Date**”).

If any of the conditions above have not been satisfied on or before the Longstop Date, then the Acquisition Agreement will immediately terminate and in which event, all rights and obligations of the parties will cease immediately upon termination.

Completion

Completion will take place on 26 May 2008, or on such other date as the Sellers and the Purchaser may agree in writing.

PUT AND CALL OPTIONS TO ACQUIRE ADDITIONAL 5% OF THE TARGET

At Completion, the Purchaser and PKPL will enter into an agreement, whereby the Purchaser will irrevocably grant to PKPL during the period of two years commencing from the first anniversary of completion of the Acquisition Agreement, a put option to require the Purchaser to purchase from PKPL, all (but not some only) of shares of the Target representing 5% of the entire issued share capital of the Target; and PKPL will irrevocably grant to the Purchaser during the same period, a call option to require PKPL to sell to the Purchaser, all (but not some only) of the same number of shares of the Target. The exercise of the put option shall preclude the exercise of the call option and vice versa. In the event that PKPL holds any Option Shares following the end of the Shares Option Period, PKPL and the Purchaser shall be deemed to have given a notice to each other immediately prior to the end of the Shares Option Period and PKPL and the Purchaser shall complete the sale and purchase of the Option Shares.

The purchase price payable by the Purchaser for each Option Share shall be the Gross Consideration (less the Adjustment Sum) per share multiplied by the following quotients:-

If exercise occurs anytime during the first year of the Shares Option Period:	1.1 times
If exercise occurs anytime during the second year of the Shares Option Period:	1.2 times
If the Options are deemed to have been exercised:	1.3 times

PUT AND CALL OPTIONS TO ACQUIRE PROPERTIES FROM PKPL

At Completion, the Purchaser and PKPL will also enter into option deeds in respect of the Optioned Properties to be finalised based on the following agreed principal terms on Completion:-

Call options in respect of the Optioned Properties

PKPL will grant to the Purchaser call options to require PKPL to sell to it Optioned Properties, which call options are exercisable by the Purchaser serving a written notice (the "Property Call Option Notice") on PKPL within the period of nine months commencing on and from the date of Completion (the "Property Call Option Period").

Put option in respect of Optioned Property No.3

The Purchaser will grant to PKPL a put option to require the Purchaser to purchase from it Optioned Property No.3, which put option is exercisable by PKPL serving a written notice (the "Property Put Option Notice") on the Purchaser within the period of three months commencing on the date immediately following the expiration date of the Property Call Option Period.

The purchase price of the Optioned Properties (the "Property Purchase Price") shall depend on the open market value of the Optioned Properties by a jointly appointed international recognised valuer (the "Property Market Price") as at the date when the Property Call Option Notice is deemed to be served on PKPL or the Property Put Option Notice is deemed to be served on the Purchaser (as the case may be) and determined in accordance with the following provisions:

- (i) If the difference between the Property Market Price and the Relevant Valuation Price shall be 3% of the Relevant Valuation Price, the Property Purchase Price shall be the Relevant Valuation Price;
- (ii) If the difference between the Property Market Price and the Relevant Valuation Price shall be more than 3% of the Relevant Valuation Price, the Property Purchase Price shall be the Property Market Price; and
- (iii) The Property Purchase Price shall not be more than 130% of the Relevant Valuation Price.

“Relevant Valuation Price” means:-

in the case of Optioned Property No.1, HK\$6,450,000

in the case of Optioned Property No.2, HK\$11,450,000

in the case of Optioned Property No.3, HK\$29,970,000

IMPLICATIONS UNDER THE LISTING RULES

The Acquisition, the Shares Option Agreement and the Property Option Agreements together constitute a discloseable transaction for the Company under Chapter 14 of the Listing Rules. A circular, providing further details of the Acquisition, the Shares Option Agreement and the Property Option Agreements will be despatched to the shareholders of the Company as soon as practicable.

POST-COMPLETION CONTINUING CONNECTED TRANSACTIONS

Consultancy Agreement with Mr. Chan

At Completion, the Target will enter into a consultancy agreement with Mr. Chan, pursuant to which Mr. Chan will be engaged by the Target to provide the following services at a consultancy fee of HK\$20,000 per month for a fixed term of one year:

- (a) use best endeavours to assist with and facilitate the smooth transition of the change of ownership of the Target arising from the Acquisition Agreement;
- (b) use all reasonable endeavours to procure the retention of the Key Agency Contracts; and
- (c) provide consultancy advice to the operating of the business of the Target.

The aggregate amount of consultancy fee under the Consultancy Agreement will be HK\$240,000.

Leases from PKPL

The Target is currently occupying certain premises owned by PKPL and will continue to do so upon Completion. At Completion, the Target (as tenant) will enter into the Leases to be finalised based on the following agreed principal terms with PKPL (as landlord) to lease such premises from PKPL:-

Leased Properties	Term <i>(each commencing from date of Completion)</i>	Monthly rent <i>(exclusive of rates, Government rent and management fees)</i>	Right of first refusal to purchase
No. 1	3 years <i>(Note)</i>	HK\$90,800	Yes
No. 2	3 years <i>(Note)</i>	HK\$116,000	Yes
No. 3	3 years <i>(Note)</i>	HK\$11,700	Yes
(i.e. being part of Optioned Property No. 1)			
No. 4	3 years <i>(Note)</i>	HK\$41,700	Yes
(i.e. Optioned Property No. 2)			
No. 5	3 years	HK\$104,600	Yes
(i.e. Optioned Property No. 3)			
No. 6	9 months	HK\$26,400	Nil
No. 7	9 months	HK\$50,000	Nil

Note: The Target has an option to renew for a further term of 3 years at the open market rent at the commencement of the renewed term. The Company will comply with the applicable Listing Rules requirements if the Target decides to exercise the options.

The aggregate annual amount of the rentals payable by the Target to PKPL under the Leases for the period from the date of Completion to 31 December 2008, each of the two years ending 31 December 2010 and the period from 1 January 2011 until end of term of the Leases (i.e. 25 May 2011) will be approximately HK\$3.17 million, HK\$4.52 million, HK\$4.38 million and HK\$1.75 million respectively.

Distribution Arrangements with PKPL's subsidiaries

The Target currently engages two subsidiaries of PKPL for the distribution of certain animal and other health products. It is expected that such arrangements will continue after Completion.

The amount of sales and purchase value of products under the Distribution Arrangements for the year ended 31 December 2007 were approximately HK\$8.2 million and HK\$4.0 million respectively. It is expected that the Target will enter into agreements with the two subsidiaries of PKPL for a maximum term of 3 years. The annual amount of sales value of products under the Distribution Arrangements for the period from the date of Completion (assuming the agreements will be entered into on the date of Completion) to 31 December 2008, each of the two years ending 31 December 2010 and the period from 1 January 2011 to 25 May 2011 will not exceed HK\$12 million, HK\$18 million, HK\$29 million and HK\$12 million, respectively. The annual amount of purchase value of products under the Distribution Arrangements for the period from the date of Completion (assuming the agreements will be entered into on the date of Completion) to 31 December 2008, each of the two years ending 31 December 2010 and the period from 1 January 2011 to 25 May 2011 will not exceed HK\$6 million, HK\$9 million, HK\$11 million and HK\$5 million, respectively. The maximum annual amount of sales and purchase value of products under the Distribution Arrangements have been determined based on the estimated annual growth of the value of products to be sold and purchased based on the market price of or terms and conditions of similar distribution arrangements offered to and from other third parties.

Upon Completion, the Target will become a subsidiary of the Company and since Mr. Chan will remain as a director of the Target until PKPL ceases to hold any Option Shares, Mr. Chan is a connected person. PKPL is wholly owned] by Mr. Chan and PKPL and its subsidiaries are therefore also connected persons.

The Consultancy Agreement, the Leases and the Distribution Arrangements will constitute continuing connected transactions for the Company. As the total amount of consultancy fee under the Consultancy Agreement is less than HK\$1 million and each of the applicable percentage ratios with reference to the total amount of consultancy fee is less than 0.1%, the Consultancy Agreement will be exempt from all the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. Based on the applicable percentage ratios calculated with reference to the aggregate annual rental of the Leases and the aggregate annual amount of sales and purchase value of products under the Distribution Arrangements, the Leases and the Distribution Arrangements will, respectively, be subject to the reporting and announcement requirements, but exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

INFORMATION ON THE TARGET

The Target is a company incorporated in Hong Kong in June 1940 and is engaged in the pharmaceutical manufacturing and distribution business. The Target's total issued share capital is HK\$500,000 divided into 5,000 shares of HK\$100 each, owned as to 4,724 by PKPL, 76 by Mr. Chan and 200 by Independent Third Parties.

The Target's net profits before and after tax based on its management accounts (in accordance with HK GAAP) for the year ended 31 December 2007 were HK\$17.52 million and HK\$14.54 million respectively. The Target's net profits before and after tax based on audited accounts (in accordance with HK GAAP) for the year ended 31 December 2006 were HK\$14.81 million (2005: HK\$8.12 million) and HK\$12.72 million (2005: HK\$6.66 million) respectively. As at 31 December 2007, the net asset value of the Target based on its management accounts (in accordance with HK GAAP) was approximately HK\$60.54 million. The audited net asset value (in accordance with HK GAAP) of the Target as at 31 December 2006 was approximately HK\$63.50 million.

REASONS FOR THE TRANSACTIONS

The Group is an integrated-distribution services provider in Asia, the United Kingdom and United States of America covering the three core businesses of marketing, logistics and manufacturing. The Directors anticipate that the Transactions further strengthen the Group's healthcare operations in Hong Kong and will enhance the Group's healthcare entry into China. It also enables the Group to expand its scope of manufacturing expertise to cover pharmaceutical products, thus enhancing the Group's services offering for its existing customers.

The Directors (including the independent non-executive Directors) consider that the terms of the Transactions are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The completion of the Acquisition is subject to the Sellers and the Purchaser reaching agreement on the final form of the Leases and the Property Option Agreements. Therefore, the Acquisition may or may not proceed. In the meantime, investors and shareholders are advised to exercise caution when dealing in the shares of the Company.

DEFINITIONS

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

“Acquisition”	acquisition of the Sale Interest under the Acquisition Agreement
“Acquisition Agreement”	the agreement dated 15 May 2008 and made between the Sellers and the Purchaser relating to the sale and purchase of the Sale Interest
“Business Day”	a day other than a Saturday or Sunday, on which banks are open in Hong Kong to the general public for business

“Company”	Integrated Distribution Services Group Limited, a company incorporated in Bermuda, shares of which are listed on the Main Board of the Stock Exchange
“Completion”	completion of the Acquisition Agreement
“connected person(s) and associate(s)”	has the meaning ascribed to it in the Listing Rules
“Consideration”	consideration for the Sale Interest to be paid by the Purchaser to the Sellers subject to and upon the terms of the Acquisition Agreement
“Consultancy Agreement”	a consultancy agreement to be entered into between Mr. Chan and the Target upon Completion for a term of one year
“Directors”	directors of the Company
“Distribution Arrangements”	the arrangements currently subsisting or to be entered into between the Target and each of two subsidiaries of PKPL after Completion for the distribution of certain animal and other health products
“Group”	the Company and its subsidiaries
“HK GAAP”	generally accepted accounting principles in Hong Kong
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Independent Third Parties”	third parties independent of the Company and the connected persons of the Company
“Key Agency Contracts”	the four currently subsisting distribution agreements entered into by the Target with four pharmaceutical distributors which are Independent Third Parties
“Leased Properties”	<ol style="list-style-type: none"> (1) Unit No.A on the Ground Floor, Eastern Centre, No.1065 King's Road, Hong Kong ("Leased Property No. 1"); (2) Unit Nos. 01 to 05 on the 1st Floor, Eastern Centre, No.1065 King's Road, Hong Kong ("Leased Property No. 2"); (3) Part of Unit No.02 on the 2nd Floor, Eastern Centre, No.1065 King's Road, Hong Kong ("Leased Property No. 3"); (4) Unit No.3 on the 7th Floor, Eastern Centre, No.1065 King's Road, Hong Kong ("Leased Property No. 4"); (5) Unit No.01 to 03 on the 8th Floor, Eastern Centre, No.1065 King's Road, Hong Kong ("Leased Property No. 5");

	<p>(6) Unit No.03 on the 3rd Floor, Eastern Centre, No.1065 King's Road, Hong Kong ("Leased Property No. 6"); and</p> <p>(7) Unit A on the 8th Floor, Cheung Wah Industrial Building, Nos. 10-12 Shipyard Lane, Hong Kong ("Leased Property No. 7").</p>
“Leases”	leases to be finalised and to be entered into between PKPL and the Company upon Completion in respect of the Leased Properties owned by PKPL
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Mr. Chan”	Mr. Chan Kwok Wai
“Optioned Properties”	<p>the following properties owned by PKPL, in respect of which PKPL and the Company will enter into the Property Option Agreements upon Completion:-</p> <p>(1) Unit No.02 on the 2nd Floor, Eastern Centre, No.1065 King's Road, Hong Kong ("Optioned Property No. 1");</p> <p>(2) Unit No.3 on the 7th Floor, Eastern Centre, No.1065 King's Road, Hong Kong (i.e. Leased Property No. 4) ("Optioned Property No. 2"); and</p> <p>(3) Unit No.01 to 03 on the 8th Floor, Eastern Centre, No.1065 King's Road, Hong Kong (i.e. Leased Property No. 5)("Optioned Property No. 3")</p>
“Option Shares”	250 fully-paid ordinary shares of HK\$100.00 each in the capital of the Target and registered in PKPL’s name, representing 5% of the entire issued share capital of the Target
“P.E.”	Price earnings multiples
“PKPL”	Pak Keung (Private) Limited, a company established under the laws of Hong Kong
“Property Option Agreements”	the option deeds in respect of the Optioned Properties to be finalised based on the agreed terms and to be entered into between PKPL and the Purchaser upon Completion
“Property Option Period”	the period of two years commencing from the first anniversary of completion of the Acquisition Agreement
“Purchaser”	IDS (Hong Kong) Limited, a company established under the laws of Hong Kong, which is a wholly owned subsidiary of the Company
“Sale Interest”	a total of 4,550 fully-paid ordinary shares of HK\$100.00 each in the capital of the Target held by, or as nominee for, the Sellers and

to be sold to the Purchaser pursuant to the Acquisition Agreement, which represent and will at Completion represent 91% of the entire issued share capital of the Target

“Sellers”	PKPL and Mr. Chan
“Shares Option Agreement”	the put and call option agreement in respect of the Option Shares in the agreed form to be entered into between PKPL and the Purchaser upon Completion
“Shares Option Period”	the period of two years commencing from the first anniversary of Completion
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target”	Universal Pharmaceutical Laboratories Limited (環球製藥有限公司), a company established under the laws of Hong Kong
“Transactions”	collectively, the Acquisition, the Shares Option Agreement, the Property Option Agreements, the Consultancy Agreement, the Leases and the Distribution Arrangements

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

Hong Kong, 15 May 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.