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INTEGRATED DISTRIBUTION SERVICES GROUP LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 2387)

CONNECTED TRANSACTIONS

EXERCISE OF OPTIONS TO ACQUIRE PROPERTIES

Reference is made to the announcement of the Company dated 15 May 2008 and the related circular to the shareholders dated 4 June 2008 regarding, inter alia, put and call options to acquire three properties from PKPL.

The Directors announce that on 25 February 2009, the Purchaser, a wholly-owned subsidiary of the Company, served a notice on PKPL to exercise the call options to require PKPL to sell to it the Target Properties at a purchase price, which will be the RVP or the Option Date Market Price (details set out below) and will not in any event exceed HK\$14,885,000 and HK\$38,961,000 respectively, pursuant to the relevant Property Option Agreements.

The call option granted to the Purchaser to require PKPL to sell to it the remaining property at the maximum purchase price of HK\$8,385,000 pursuant to the relevant Property Option Agreement expires on 25 February 2009. The Purchaser has decided not to exercise such call option.

PKPL is an investment holding company which is owned by a director of UPLL. UPLL is a 95%-owned subsidiary of the Company, and hence PKPL is a connected person. As each of the applicable percentage ratios calculated with reference to the aggregate amount of the maximum purchase price of the Target Properties and the Lapsed Option Property is more than 0.1% but less than 2.5%, the exercise of the call options to acquire the Target Properties and the non-exercise of the call option to acquire the Lapsed Option Property constitute connected transactions for the Company subject to the reporting and announcement requirements, but exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Reference is made to the announcement of the Company dated 15 May 2008 and the related circular to the shareholders dated 4 June 2008 (the “**Circular**”) regarding, inter alia, put and call options to acquire three properties from Pak Keung (Private) Limited (“**PKPL**”).

Unless otherwise defined herein, terms used in this announcement shall have the same meanings as those defined in the Circular.

Exercise of Call Options to acquire the Target Properties

On 25 February 2009, the Purchaser, a wholly-owned subsidiary of the Company, served a notice (the “**Option Notice**”) on PKPL to exercise the call options to require PKPL to sell to it the properties (the “**Target Properties**”) known as Unit No.03 on the 7th Floor, and Unit No. 01 to 03 on the 8th Floor, Eastern Centre, No.1065 King’s Road, Hong Kong (i.e. the Optioned Property No.2 and the Optioned Property No.3 as defined in the Circular).

As disclosed in the Circular, pursuant to the relevant Property Option Agreements, the purchase price of the Target Properties will be determined as follows:

- (i) if the difference (the “**Difference**”) between (1) the open market value of the Target Properties as at the date on which the Option Notice is deemed served on PKPL (the “**Option Date Market Price**”) appraised by an independent surveyor and valuer jointly appointed by the Purchaser and PKPL and (2) the respective Relevant Valuation Price of HK\$11,450,000 and HK\$29,970,000 (the “**RVP**”) is 3% or less of the RVP, the purchase price will be the RVP; and
- (ii) if the Difference is more than 3% of the RVP, then the purchase price will be the Option Date Market Price subject to a cap of 130% of the RVP, i.e. HK\$14,885,000 and HK\$38,961,000 respectively.

Based on a search at the Land Registry, the Target Properties were purchased by PKPL in 1996 and 1999 at a purchase price of HK\$7,224,960 and HK\$15,971,400 respectively.

The book values of each of the Target Properties as at 31 December 2007 were approximately HK\$12 million and HK\$31 million respectively. An independent surveyor and valuer has appraised the market value of each of the Target Properties as at 20 February 2009 at HK\$8.8 million and HK\$22 million respectively.

The rental income attributable to each of the Target Properties were HK\$420,516 and HK\$1,100,604 respectively for the financial year ended 31 December 2007 and HK\$465,189 and HK\$1,192,863 respectively for the financial year ended 31 December 2008.

The purchase price of each of the Target Properties shall be paid in the following manner:-

- (i) an initial deposit of HK\$10,000 to be paid as part payment of the purchase price upon signing of the preliminary sale and purchase agreement within three Business Days after the date of its service of the Option Notice;

- (ii) a further deposit of an amount equivalent to 10% of the purchase price less the amount of the initial deposit to be paid as part payment of the purchase price on or before the date of signing of the formal sale and purchase agreement; and
- (iii) the balance of the purchase price to be paid upon completion.

The obligations of the Purchaser to purchase the Target Properties will be subject to and conditional upon, inter alia, PKPL giving and showing to the Purchaser a good and marketable title to the Target Properties.

It is expected that completion of acquisition of the Target Properties will take place within two months commencing on and from the date on which the jointly appointed surveyor and valuer delivers its written decision of the Option Date Market Price, or such other dates to be mutually agreed by the Purchaser and PKPL. The purchase price of the Target Properties will be financed by the Group's internal cash reserves and bank borrowings.

Non-Exercise of Call Option to acquire the Lapsed Option Property

The call option granted to the Purchaser to require PKPL to sell to it the property (the “**Lapsed Option Property**”) known as Unit No. 02 on the 2nd Floor, Eastern Centre, No.1065 King's Road, Hong Kong (i.e. the Optioned Property No.1 as defined in the Circular) at the maximum purchase price of HK\$8,385,000 pursuant to the relevant Property Option Agreement expires on 25 February 2009. The Purchaser has decided not to exercise such call option.

Reasons for the Transactions

The Target Properties are currently leased by PKPL to Universal Pharmaceutical Laboratories, Limited (“**UPLL**”) and are where the GMP (Good Manufacturing Practice) certified manufacturing and laboratory facilities, which are crucial to UPLL's operations, are located. The Lapsed Option Property is also currently leased by PKPL to UPLL as a back office and is expected to be vacated by the end of the third quarter of 2009 after consolidation of the back office operation.

As disclosed in the Circular, the Purchaser acquired 91% of the issued share capital of UPLL in May 2008. Subsequently, in June and August 2008, the Purchaser acquired a further 4% of the issued share capital of UPLL from several Independent Third Parties. UPLL is currently owned as to 95% by the Purchaser and 5% by PKPL.

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

Implications under the Listing Rules

PKPL is an investment holding company which is owned by a director of UPLL. UPLL is a 95%-owned subsidiary of the Company, and hence PKPL is a connected person. As each of the applicable percentage ratios calculated with reference to the aggregate amount of the maximum purchase price of the Target Properties and the Lapsed Option Property is more than 0.1% but less than 2.5%, the exercise of the call options to acquire the Target Properties and the non-exercise of the call option to acquire the Lapsed Option Property constitute connected

transactions for the Company subject to the reporting and announcement requirements, but exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

General

The Group is an integrated-distribution services provider in Asia, the United Kingdom and the United States of America comprising logistics, distribution and manufacturing operations.

By Order of the board of Directors

YUEN Ying Kwai
Company Secretary

Hong Kong, 25 February 2009

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. 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, Prof. LEE Hau Leung and Mr. Andrew TUNG Lieh Cheung.