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INTEGRATED DISTRIBUTION SERVICES GROUP LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 2387)

EXERCISE OF CALL OPTION TO ACQUIRE REMAINING 5% INTEREST IN UNIVERSAL PHARMACEUTICAL LABORATORIES, LIMITED

CONNECTED TRANSACTION

The Directors of Integrated Distribution Services Group Limited wish to announce that on 25 August 2009, the Purchaser, a wholly-owned subsidiary of the Company, served a notice on Pak Keung (Private) Limited to exercise a call option to require it to sell the remaining 5% of the issued share capital of Universal Pharmaceutical Laboratories, Limited to the Purchaser for a total cash consideration of HK\$6.6 million pursuant to the Shares Option Agreement.

The exercise of the aforesaid call option constitutes a connected transaction for the Company, which is 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 5% of the issued share capital of Universal Pharmaceutical Laboratories, Limited (“**UPLL**”) 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.

As disclosed in the Circular, the Purchaser acquired 91% of the issued share capital of UPLL on 26 May 2008. Subsequently, on 18 June and 7 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. PKPL is an investment holding company.

Exercise of Call Option to Acquire the Option Shares

On 25 August 2009, pursuant to the Shares Option Agreement dated 26 May 2008 executed between the Purchaser and PKPL, the Purchaser, a wholly-owned subsidiary of the Company, served a notice on PKPL to exercise a call option to require PKPL to sell 250 ordinary shares of HK\$100 each in the capital of UPLL, representing the remaining 5% issued share capital of UPLL (the “**Option Shares**”).

Consideration

As disclosed in the Circular, pursuant to the Shares Option Agreement, where the exercise of the call option occurs anytime during the first year of the Shares Option Period (i.e. from 26 May 2009 to 25 May 2010), the purchase price payable by the Purchaser for each Option Share shall be the Gross Consideration per share (i.e. HK\$24,000) multiplied by 1.1 times.

The total cash consideration payable by the Purchaser at Completion for the Option Shares in the amount of HK\$6.6 million (i.e. HK\$26,400 x 250 shares) will be financed by the Group’s internal cash reserves.

Completion

It is expected that completion of acquisition of the Option Shares will take place on 31 August 2009, or such other date to be mutually agreed by the Purchaser and PKPL.

Information on UPLL

UPLL is a company incorporated in Hong Kong in June 1940 and is engaged in the pharmaceutical manufacturing and distribution business.

UPLL’s audited net profits before and after tax (in accordance with HK GAAP) for the year ended 31 December 2008 were approximately HK\$8.4 million (2007: HK\$17.7 million) and approximately HK\$7.0 million (2007: HK\$14.7 million) respectively. As at 31 December 2008, the audited net asset value of UPLL (in accordance with HK GAAP) was approximately HK\$56.7 million (2007: HK\$60.7 million).

The Company understands from PKPL that the original purchase cost of the Option Shares to PKPL in 1970 was HK\$25,000.

Reasons for the Transaction

The transaction is consistent with the Company's objective to convert UPLL into a wholly-owned subsidiary, thus maximizing the Company's share of profit in UPLL. The exercise of the call option during the first year of the Shares Option Period enables the Company to acquire the remaining interest in UPLL at the lowest purchase price under the Shares Option Agreement.

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

Implications under the Listing Rules

As PKPL is owned by a director of UPLL which is a subsidiary of the Company, it is regarded as a connected person of the Company under the Listing Rules. Since the consideration ratio is more than 0.1% but less than 2.5%, the exercise of the call option to acquire the Option Shares constitutes a connected transaction for the Company which is 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-services provider in Asia, the United Kingdom and 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 August 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 and Mr. LAU Butt Farn; 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.