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INTEGRATED DISTRIBUTION SERVICES GROUP LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 2387)

CONTINUING CONNECTED TRANSACTIONS

The Board is pleased to announce that on 24 November 2009, the Company entered into New Master Agreements with LF 1937 pursuant to which the Proposed Continuing Connected Transactions will be for a term commencing from 1 January 2010 and ending on 31 December 2012.

The Proposed Continuing Connected Transactions constitute continuing connected transactions for the Group, which are subject to the reporting and announcement requirements, but are exempted from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

1. BACKGROUND INFORMATION

References are made to the announcement of the Company dated 21 December 2006 in respect of the Existing Continuing Connected Transactions for the three years ending 31 December 2009, and another announcement dated 8 April 2008 in respect of the revision of the cap amounts for the provision of shipping, handling and logistics services for the three years ending 31 December 2010. The Directors consider that it is in the interest of the Group to continue the Existing Continuing Connected Transactions (save for the Billing Agent Service which was ceased in year 2008 and the said provision of shipping, handling and logistics services which will be renewed on or before 31 December 2010) and to enter into the New Master Agreements.

2. THE NEW MASTER AGREEMENTS

The Company entered into each of the following New Master Agreements with LF 1937 on 24 November 2009 for a term of three years from 1 January 2010 to 31 December 2012:

(a) Distribution and Sale of Goods Agreement

Transaction Nature

The Group distributes consumer products, healthcare products and apparel products to the retail operations of the LF 1937 Group, such as Toys “R” Us and Circle K Convenience Stores (HK) Limited.

Pricing Basis

The fees charged by the Group to the LF 1937 Group are either at market rates or at rates similar to those offered to third party customers.

This agreement is on similar terms and conditions as the previous distribution and sale of goods agreement dated 21 December 2006 pursuant to which the Company and LF 1937 would enter into, and procure their respective associates to enter into such transactions. The fees will be paid in cash by the LF 1937 Group.

(b) Group Master Lease Agreement

Transaction Nature

Leasing of properties by the Group to the LF 1937 Group.

Pricing Basis

The rental for the properties were negotiated between the parties with reference to the then prevailing market rates and therefore, the Directors consider the level of rental to be received to be fair and reasonable to the Group.

The Group Master Lease Agreement provides a framework for leasing of properties by the Group to the LF 1937 Group. The rental payment will be paid in cash by LF 1937 Group. The leases for the properties will expire by no later than 31 December 2012.

(c) LF 1937 Group Master Lease Agreement

Transaction Nature

Leasing of properties by the Group from the LF 1937 Group.

Pricing Basis

The rental for the properties were negotiated between the parties with reference to the then prevailing market rates and therefore, the Directors consider the level of rental to be paid to be fair and reasonable to the Group.

LF 1937 Group Master Lease Agreement provides a framework for leasing of properties by the Group from the LF 1937 Group. The rental payment will be paid in cash to the LF 1937 Group.

The lease term of two of the properties have a duration of more than three years and based on the reasons as more particularly set out in the last paragraph on page 130 of the Prospectus and the first paragraph of the section headed “General” of the announcement of the Company dated 14 September 2007, the Directors are of the opinion that a term exceeding three years is required for such leases and confirm that it is normal business practice for the lease terms of these types of properties to be of such duration.

In respect of one of these leases, as set out on page 131 of the Prospectus, the Company has already obtained the sponsor’s opinion at the time of listing that a term exceeding three years is required for certain lease agreements, including the leases of this property with a lease term expiring in 2014, and that it is normal business practice for lease agreements of this type to be of such duration, which opinion was accepted and approved by the Stock Exchange. The Company considers that given the said opinion already covers the subject property and there is not any change in circumstances which renders the said opinion to be inapplicable, the engagement of an independent financial advisor is unnecessary.

As for the other lease, as disclosed in the announcement of the Company dated 14 September 2007, the lease had already been reviewed by an independent financial adviser to the independent non-executive directors, who is of the opinion that it is necessary for the said lease to have a lease term of more than three years and that it is normal business practice for tenancy agreements promoting long-term business development to have a duration of more than three years.

The leases for the other properties will expire by no later than 31 December 2012.

(d) Purchase of Goods Agreement

Transaction Nature

The Group purchases various products (including lifestyle apparel and other branded children products) from the LF 1937 Group for trading purpose, which is consistent with the Group’s strategic direction to enter into the wholesaling of lifestyle apparel and other branded children products in Asia.

Pricing basis

The fees charged by the LF 1937 Group to the Group are either at market rates or at rates similar to those offered to third party customers.

3. HISTORICAL FIGURES

Set out below are the amounts of each category of the Existing Continuing Connected Transactions for the two years ended 31 December 2008 and the nine months ended 30 September 2009:

| Transactions | Year ended 31 December 2007 | Year ended 31 December 2008 | Nine months ended 30 September 2009 |
|--|--|--|--|
| 1. The aggregate distribution and sale of goods paid by the LF 1937 Group to the Group | US\$1,276,000 (approximately HK\$9,889,000) | US\$1,126,000 (approximately HK\$8,726,500) | US\$1,285,000 (approximately HK\$9,958,750) |
| (Annual Cap) ^{Note 1} | US\$2,446,000 (approximately HK\$18,956,500) | US\$2,446,000 (approximately HK\$18,956,500) | US\$2,446,000 (approximately HK\$18,956,500) |
| 2. The aggregate rental paid by LF 1937 Group to the Group | US\$1,225,000 (approximately HK\$9,493,750) | US\$1,263,000 (approximately HK\$9,788,250) | US\$968,000 (approximately HK\$7,502,000) |
| (Annual Cap) ^{Note 1} | US\$1,337,000 (approximately HK\$10,361,750) | US\$1,365,000 (approximately HK\$10,578,750) | US\$1,367,000 (approximately HK\$10,594,250) |
| 3. The aggregate rental paid by the Group to the LF 1937 Group | US\$2,837,000 (approximately HK\$21,986,750) | US\$4,786,000 (approximately HK\$37,091,500) | US\$3,441,000 (approximately HK\$26,667,750) |
| (Annual Cap) ^{Note 1} | US\$3,717,000 (approximately HK\$28,806,750) | US\$5,094,000 (approximately HK\$39,478,500) | US\$5,462,000 (approximately HK\$42,330,500) |
| 4. The aggregate amount of service fees received by Nanjing IDS in respect of the Billing Agent Service ^{Note 2} | US\$332,000 (approximately HK\$2,573,000) | US\$69,000 (approximately HK\$534,750) | Nil |
| (Annual Cap) ^{Note 1} | US\$501,000 (approximately HK\$3,882,750) | US\$626,000 (approximately HK\$4,851,500) | US\$751,000 (approximately HK\$5,820,250) |
| 5. The aggregate amount paid by the Group to the LF 1937 Group for Purchase of Goods | US\$3,000 (approximately HK\$23,250) | Nil | Nil |

Notes:

1. These are the annual caps for the Existing Continuing Connected Transactions for the three years ending 31 December 2009 as set out in the announcement of the Company dated 21 December 2006.
2. The Billing Agent Service was ceased in year 2008.

4. PROPOSED ANNUAL CAPS FOR THE PROPOSED CONTINUING CONNECTED TRANSACTIONS

The projected annual caps for the Proposed Continuing Connected Transactions for the three financial years ending 31 December 2012 are stated as follows:

| Transactions | Year ended 31 December 2010 | Year ended 31 December 2011 | Year ended 31 December 2012 |
|--|---|---|---|
| 1. Distribution and Sale of Goods Agreement | US\$6,500,000 (approximately HK\$50,375,000) | US\$7,800,000 (approximately HK\$60,450,000) | US\$8,700,000 (approximately HK\$67,425,000) |
| 2. The aggregate rental payable to the Group under the Group Master Lease Agreement ^{Note 1} | US\$1,900,000 (approximately HK\$14,725,000) | US\$100,000 (approximately HK\$775,000) | US\$130,000 (approximately HK\$1,007,500) |
| 3. The aggregate rental payable by the Group under the LF 1937 Group Master Lease Agreement | US\$7,800,000 (approximately HK\$60,450,000) | US\$8,500,000 (approximately HK\$65,875,000) | US\$9,500,000 (approximately HK\$73,625,000) |
| 4. Purchase of Goods Agreement | US\$6,500,000 (approximately HK\$50,375,000) | US\$8,000,000 (approximately HK\$62,000,000) | US\$9,500,000 (approximately HK\$73,625,000) |

Note 1: A portion of LiFung Centre at Shatin, Hong Kong is currently leased by the Group to the LF 1937 Group as office space which is expected to be vacated by 2010.

The above annual caps for the transactions contemplated under the Distribution and Sale of Goods Agreement are based on the historical transaction amounts for the two years ended 31 December 2008 and the nine months ended 30 September 2009 and the growth rates for such transactions as projected by the Group. For the past three years, the businesses of the LF 1937 Group have expanded through acquisition and/or setting up of new business units. Thus, there has been substantial growth in the demand for distribution and sale of goods business by the LF 1937 Group and the increase in annual caps for such services is to cope with the business needs of the LF 1937 Group.

The above respective annual caps for the aggregate rental payable to and from the Group under the Group Master Lease Agreement and the LF 1937 Group Master Lease Agreement are based on the rental for the properties leased by the Group to and from the LF 1937 Group and the estimated demand of additional warehouse space to cope with the business needs of the Group.

The above annual caps for the transactions contemplated under the Purchase of Goods Agreement are based on the estimated demand by customers to purchase various products (including lifestyle apparel and branded children products) from the LF 1937 Group in the coming three years. The increment of the Purchase of Goods is in line with the Group's strategic direction to enter into the wholesaling business of lifestyle apparel and other branded children products reflecting the expected significant business build-up in Asia in the next three years.

5. REASONS AND BENEFITS OF ENTERING INTO THE PROPOSED CONTINUING CONNECTED TRANSACTIONS

(a) Distribution and Sale of Goods Agreement

The Group distributes certain consumer, healthcare and apparel products that match with the product lines carried by some of the retail operations under the LF 1937 Group. Such transactions enable the Group to enhance the market coverage and sales performance of these products.

(b) Group Master Lease Agreement and LF 1937 Group Master Lease Agreement

Given the affiliation between the Group and LF 1937 Group, the Group has been leasing certain office and warehouse premises to and from the LF 1937 Group in the past and will continue to do so in view of administrative convenience.

(c) Purchase of Goods Agreement

Such transaction allows the Group to leverage the license, product development and sourcing network of various products (including lifestyle apparel and branded children products) from the LF 1937 Group and to concentrate on the sales and marketing and wholesaling of these products.

The terms of the New Master Agreements were made after arm's length negotiations between the Group and the LF 1937 Group. The Directors (including the independent non-executive Directors) consider that the terms of the New Master Agreements and the above annual caps are fair and reasonable, on normal commercial terms and in the interest of the Company and its shareholders as a whole.

6. INFORMATION ON THE PARTIES

The Company is an Asian-centric logistics, distribution and manufacturing company with a logistics presence in the United States of America and the United Kingdom.

LF 1937 is the controlling shareholder of those companies within the LF (1937) Group which focuses on three main businesses - sourcing and export trading, distribution and logistics and retailing.

7. GENERAL

As LF 1937 is the controlling shareholder of the Company, LF 1937 and its associates (other than the Group) are connected persons of the Company. The Proposed Continuing Connected Transactions constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

Taking into account the proposed annual caps for the Proposed Continuing Connected Transactions, as all the applicable percentage ratios in each category are more than 0.1% but less than 2.5%, such transactions are subject to the reporting and announcement requirements, but are exempted from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules. Details of the Proposed Continuing Connected Transactions will be included in the next published annual report and accounts of the Company in accordance with Rule 14A.46 of the Listing Rules and the Company will also comply with Rules 14A.37 to 14A.40 of the Listing Rules.

8. DEFINITIONS

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

| | |
|---|---|
| “associate(s)”, “connected person(s)”, “controlling shareholder” | has the meaning ascribed to it in the Listing Rules |
| “Billing Agent Service” | the transaction for the Group in respect of the provision of purchase agent services which include the billing agent service as set out in the announcement of the Company dated 21 December 2006 |
| “Board” | the board of Directors |
| “Company” | Integrated Distribution Services Group Limited, a company incorporated in Bermuda whose shares are listed on the Main Board of the Stock Exchange |

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| “Directors” | directors of the Company |
| “Distribution and Sale of Goods Agreement” | the agreement entered into between the Company and LF 1937 on 24 November 2009 in relation to the distribution and sale of goods |
| “Existing Continuing Connected Transactions” | the non-exempt continuing connected transactions of the Company in respect of the distribution and sale of goods, provision of logistics services, leases to and from the Group and the LF 1937 Group and the Billing Agent Services, as set out in the announcement of the Company dated 21 December 2006 |
| “Group” | the Company and its subsidiaries |
| “Group Master Lease Agreement” | the master lease agreement entered into between the Company and LF 1937 on 24 November 2009 in relation to the lease of properties by the Group to the associates of LF 1937 Group |
| “HK\$” | Hong Kong dollars, the lawful currency of Hong Kong |
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange |
| “LF 1937” | Li & Fung (1937) Limited, a company incorporated under the laws of Hong Kong, and a controlling shareholder of the Company |
| “LF 1937 Group” | LF 1937 and its associates (including Li & Fung Limited and its subsidiaries but excluding the Group) |
| “LF 1937 Group Master Lease Agreement” | the master lease agreement entered into between the Company and LF 1937 on 24 November 2009 in relation to the lease of properties by the Group from the associates of LF 1937 Group |
| “Nanjing IDS” | Nanjing IDS Marketing Company Limited, a wholly owned subsidiary of the Company; |
| “New Master Agreements” | the Distribution and Sale of Goods Agreement, the Group Master Lease Agreement, the LF 1937 Group Master Lease Agreement and the Purchase of Goods Agreement |

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|---|---|
| “Proposed Continuing Connected Transactions” | the transactions contemplated under the New Master Agreements |
| “Prospectus” | the prospectus of the Company dated 24 November 2004 |
| “Purchase of Goods Agreement” | the agreement entered into between the Company and LF 1937 on 24 November 2009 in relation to the purchase of goods |
| “Shareholder(s)” | holder(s) of shares in the Company |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |

Unless otherwise stated, all references 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\$7.75.

By Order of the Board
YUEN Ying Kwai
Company Secretary

Hong Kong, 24 November 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.