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If you have sold or transferred all your shares in Integrated Distribution Services Group Limited, you should at once hand this Circular to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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INTEGRATED DISTRIBUTION SERVICES GROUP LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 2387)

**DISCLOSEABLE TRANSACTION
ACQUISITION OF PB LOGISTICS LIMITED**

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DEFINITIONS

In this Circular, unless the context requires otherwise, the following expressions have the following meanings:

“Acquisition”	the acquisition of the entire issued share capital of PB Logistics Limited pursuant to the Agreement
“Agreement”	the agreement dated 15 August 2007, pursuant to which IDS Group Limited has conditionally agreed to proceed with the Acquisition
“associates”, “connected person(s)”	has the meaning ascribed to them under 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
“Completion”	completion of the Acquisition
“Consideration”	cash consideration of approximately £11.53 million (HK\$180.39 million)
“Directors”	directors of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“IDS Group Limited”	IDS Group Limited, a wholly-owned subsidiary of the Company
“Latest Practicable Date”	28 August 2007, being the latest practicable date prior to the printing of this Circular for ascertaining certain information contained in this Circular
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“PB Logistics Limited”	PB Logistics Limited, a company incorporated under the laws of England and Wales
“Remaining Businesses”	remaining part of businesses of the Peter Black Group which are principally engaged in supply chain management for the United Kingdom and Continental European retail groups for footwear, accessories and personal care merchandise

DEFINITIONS

“Seller”	Higher Check Limited
“SFO”	The Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of US\$0.10 each of the Company
“Shareholder(s)”	holders of Share(s) of the Company in issue
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“£”	the lawful currency of the United Kingdom

Unless otherwise stated in this Circular and for the purpose of illustration only, £ is translated to HK\$ at the rate of £1.00 = HK\$15.6456. No representation is made that any amounts in £ has been or could be converted at the above rate or at any other rate or at all.



INTEGRATED DISTRIBUTION SERVICES GROUP LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 2387)

Non-executive Directors:

Dr. Victor FUNG Kwok King (*Chairman*)
John Estmond STRICKLAND[#]
Dr. FU Yu Ning[#]
Professor LEE Hau Leung[#]
Dr. William FUNG Kwok Lun
William Winship FLANZ
Jeremy Paul Egerton HOBBS
LAU Butt Farn

[#] *Independent Non-executive Director*

Executive Directors:

Benedict CHANG Yew Teck
(Group Managing Director)
Joseph Chua PHI
(Chief Operating Officer)
Rajesh Vardichand RANAVAT

Registered Office:

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Principal place of business:

15th Floor, LiFung Centre
2 On Ping Street
Siu Lek Yuen
Shatin, N.T.
Hong Kong

3 September 2007

To Shareholders

Dear Sirs or Madam,

**DISCLOSEABLE TRANSACTION
ACQUISITION OF PB LOGISTICS LIMITED**

INTRODUCTION

On 15 August 2007, IDS Group Limited entered into the Agreement with the Seller, an independent third party, pursuant to which the Group has agreed to acquire from the Seller the entire issued share capital of PB Logistics Limited for a total cash consideration of approximately £11.53 million (HK\$180.39 million).

The Acquisition constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules. This Circular contains details of the Acquisition required to be disclosed under the Listing Rules.

LETTER FROM THE CHAIRMAN

THE ACQUISITION

On 15 August 2007, IDS Group Limited entered into the Agreement with the Seller, pursuant to which the Group has agreed to acquire from the Seller the entire issued share capital of PB Logistics Limited. Completion will be conditional upon the completion of an internal group restructuring involving PB Logistics Limited, and is expected to take place, in each case, on or about 31 August 2007 (or such later date as the parties may agree). As at the Latest Practicable Date, the Completion had not taken place. The obligations of IDS Group Limited under the Agreement will be guaranteed by the Company.

THE CONSIDERATION

The cash consideration of approximately £11.53 million (HK\$180.39 million) was arrived at after arm's length negotiations between the parties by taking into account current market and industry condition. Such amount represents 12 times of the audited profit after tax of PB Logistics Limited for the 53-week period ended 31 January 2007 at approximately £0.977 million (HK\$15.29 million).

The Consideration will be payable to the Seller on Completion.

INFORMATION OF THE SELLER AND PB LOGISTICS LIMITED

PB Logistics Limited is principally engaged in the provision of supply chain management, international freight, warehousing, transport and pre-retailing services to retailers and suppliers in the United Kingdom. There are approximately 720 staff in the business. The principal activity of the Seller is an investment holding company.

The profit before and after tax of PB Logistics Limited for the 53-week period ended 31 January 2007 based on audited accounts prepared under UK Accounting Standards (UK Generally Accepted Accounting Practice) were approximately £1.41 million (HK\$22.06 million) and £0.977 million (HK\$15.29 million), respectively. The audited loss before and after tax of PB Logistics Limited for the 52-week period ended 31 January 2006 were approximately £2.85 million (HK\$44.59 million) and £2.89 million (HK\$45.22 million), respectively. The net asset value based on audited accounts of PB Logistics Limited for the 53-week period ended 31 January 2007 was £4.43 million (HK\$69.31 million). PB Logistics Limited will declare and pay dividend in the sum of £2.0 million (HK\$31.29 million) to its shareholder prior to Completion. After Completion, PB Logistics Limited will pay certain costs mainly related to management benefits in an aggregate amount not exceeding £1.64 million (HK\$25.66 million).

The Company understood from the Seller that Peter Black Group, an affiliate of the Seller, would also dispose of the Remaining Businesses to a subsidiary of Li & Fung Limited, which is a connected person of the Company by virtue of the existence of a common controlling shareholder, namely Li & Fung (1937) Limited. As at the Latest Practicable Date, it is expected that PB Logistics Limited would enter into a logistics service agreement with a subsidiary of Li & Fung Limited for the continuing provision of the existing logistics service to the Remaining Businesses, and the Remaining Businesses would enter into a lease agreement with PB Logistics Limited to lease a property to, and charge the related expenses against, PB Logistics Limited. Further announcement will be made in due course.

LETTER FROM THE CHAIRMAN

To the best of knowledge, information and belief of the Directors, the Seller and its ultimate beneficial owners are third parties independent of the Company and any connected persons of the Company (as defined in the Listing Rules).

REASONS FOR AND EFFECTS OF THE ACQUISITION

The Group is one of the leading integrated-distribution services providers in Asia covering the three core businesses of Marketing, Logistics and Manufacturing. It is anticipated that the Acquisition will provide a strong entry point for the Group to expand into Europe in line with its global logistics strategy giving the Group a presence in the key markets of Asia, the United States and Europe. In addition, it will enable the Group to leverage on its strong presence in Asia, especially China, in terms of offering end-to-end solutions to the large retailers and importers in the United Kingdom.

The Directors, including the independent non-executive directors of the Company, consider that the terms of the Acquisition are fair and reasonable, and are in the interests of the Group and the shareholders of the Company as a whole.

Following the Completion, PB Logistics Limited will become an indirect wholly-owned subsidiary of the Company. The results, assets and liabilities will be consolidated into the financial statements of the Group. The Acquisition will be financed from the Group's internal cash reserves and bank borrowings. The Group's assets will be increased by the assets of PB Logistics Limited and decreased by the amount of cash reserves taken for financing the transaction. The Group's liabilities will be increased by the amount of bank borrowings for the transaction and the liabilities of PB Logistics Limited. Incremental earnings will be generated for the Group subsequent to the Acquisition.

GENERAL

As the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Acquisition exceeds 5% but are below 25%, the Acquisition constitutes a discloseable transaction for the Company under the Listing Rules.

Your attention is drawn to the additional information regarding the Group which is required to be disclosed under the Listing Rules as set out in the Appendix of this Circular.

Yours faithfully,
Victor FUNG Kwok King
Chairman

1. RESPONSIBILITY STATEMENT

This Circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement contained in this Circular misleading.

2. DISCLOSURE OF INTERESTS

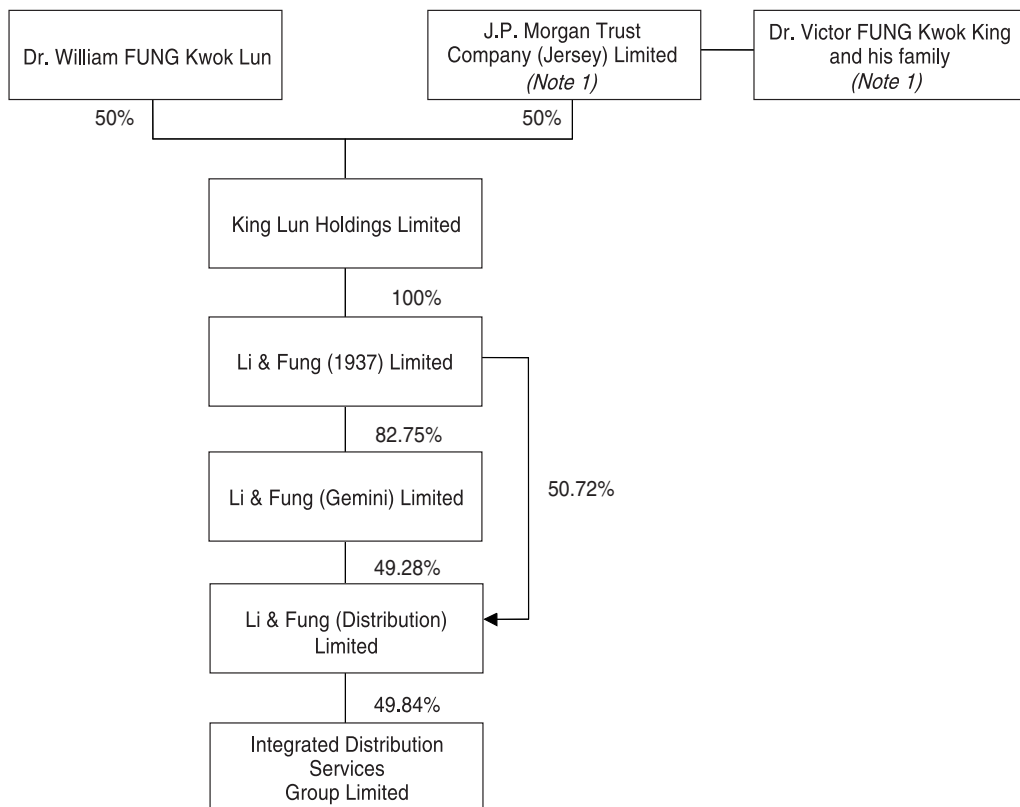
(I) Interests of Directors and the Chief Executives

As at the Latest Practicable Date, the Directors and chief executives of the Company had the following interests in the Shares and underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), the Model Code for Securities Transactions by Directors of Listed Companies (“Model Code”) and which are required to be entered in the register under section 352 of the SFO:

(A) Long position in Shares and underlying shares of the Company

Name of Director	Number of Shares				Number of underlying shares under equity derivatives (Share Options)	Total interest	Approximate percentage of issued share capital (%)
	Personal interest	Family interest	Corporate/ trust interest	Other interest			
Dr. Victor FUNG Kwok King	2,405,509	—	155,860,917 (Note 1)	—	—	158,266,426	50.61
Dr. William FUNG Kwok Lun	—	—	155,860,917 (Note 1)	—	—	155,860,917	49.84
Benedict CHANG Yew Teck	2,162,573	—	—	—	12,180,000 (Note 2)	14,342,573	4.59
Joseph Chua PHI	1,422,632	—	—	—	2,175,000	3,597,632	1.15
Rajesh Vardichand RANAVAT	345,000	—	—	—	1,725,000	2,070,000	0.66
LAU Butt Farn	610,549	—	—	—	—	610,549	0.20
John Estmond STRICKLAND	—	—	—	22,000 (Note 3)	—	22,000	0.00

The interests of Dr. Victor FUNG Kwok King and Dr. William FUNG Kwok Lun in the Shares are summarized in the following chart:



Notes:

1. As at the Latest Practicable Date, King Lun Holdings Limited (“King Lun”) through its indirect non-wholly owned subsidiary, Li & Fung (Gemini) Limited (“LFG”), held a 49.28% interest in Li & Fung (Distribution) Limited (“LFD”). In addition, King Lun also through its wholly owned subsidiary, Li & Fung (1937) Limited (“LF1937”), held 50.72% interest in LFD. LFD held 155,860,917 Shares, representing 49.84% of the issued share capital of the Company. King Lun are owned (a) as to 50% by J.P. Morgan Trust Company (Jersey) Limited (which also indirectly held 8.77% of the issued share capital of LFG), the trustee of a trust established for the benefit of the family members of Dr. Victor FUNG Kwok King and (b) as to 50% by Dr. William FUNG Kwok Lun. Dr. Victor FUNG Kwok King and Dr. William FUNG Kwok Lun are deemed to have interests in these shares through their respective interests in King Lun and indirect interests in LFD as set out above.
2. These interests represent:
 - a. the beneficial interest of Mr. Benedict CHANG Yew Teck in 3,780,000 underlying shares in respect of share options granted by the Company to Mr. Benedict CHANG Yew Teck, the details of which are set out in the Interest in Share Options section stated below; and
 - b. the deemed interest of Mr. Benedict CHANG Yew Teck in 8,400,000 underlying shares in the Company in respect of options granted by LF1937 to Mikenwill Investments Limited (“Mikenwill”), which is owned by Mr. Benedict CHANG Yew Teck, to require LF1937 to sell to Mikenwill or its nominee 10,500,000 Shares in five tranches, with the first tranche of

2,100,000 Shares exercised on 9 January 2007 and each of the remaining tranches having an exercisable period of one year during the period from 1 January 2007 to 31 December 2010 pursuant to an agreement made between LF1937 and Mikenwill dated 5 January 2007.

3. Mr. John Estmond STRICKLAND and his wife, Mrs. Anthea Evadne STRICKLAND are joint beneficial owners of these Shares.

(B) *Short position in Shares and underlying shares of the Company*

By virtue of the SFO, each of Dr. Victor FUNG Kwok King and Dr. William FUNG Kwok Lun was taken as at the Latest Practicable Date to have short position through LF1937, in which both of them are deemed to have interests as disclosed above, in respect of an aggregate of 8,400,000 underlying shares in the Company, representing 2.69 percent of the total issued share capital of the Company. Such interest constitutes, for the purposes of the SFO, a short position of LF1937 under unlisted physically settled equity derivative which arise under an agreement made between LF1937 and Mikenwill dated 5 January 2007 pursuant to which options were granted by LF1937 to Mikenwill to require LF1937 to sell to Mikenwill or its nominee 10,500,000 Shares in five tranches, with the first tranche of 2,100,000 Shares exercised on 9 January 2007 and each of the remaining tranches having an exercisable period of one year during the period from 1 January 2007 to 31 December 2010.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and chief executive of the Company or their associates had any short position in the Shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

(C) *Interest in share options*

Share options granted under the share option scheme adopted by the written resolutions of the then sole shareholder of the Company dated 4 November 2004 and amended by a committee of the Board on 22 November 2004 and remain outstanding:

<u>Name of Director</u>	<u>Number of Share Options outstanding</u>	<u>Exercise Price</u>	<u>Grant date</u>	<u>Exercise period</u>
		<u>HK\$</u>		
Benedict CHANG	750,000	4.825	14/12/04	01/01/08-31/12/09
Yew Teck	750,000	4.825	14/12/04	01/01/09-31/12/10
	380,000	8.600	16/12/05	01/01/08-31/12/09
	380,000	8.600	16/12/05	01/01/09-31/12/10
	380,000	8.600	16/12/05	01/01/10-31/12/11
	380,000	15.100	15/12/06	01/01/09-31/12/10
	380,000	15.100	15/12/06	01/01/10-31/12/11
	380,000	15.100	15/12/06	01/01/11-31/12/12
Joseph Chua PHI	375,000	4.825	14/12/04	01/01/08-31/12/09
	375,000	4.825	14/12/04	01/01/09-31/12/10
	210,000	8.600	16/12/05	01/01/08-31/12/09
	210,000	8.600	16/12/05	01/01/09-31/12/10
	210,000	8.600	16/12/05	01/01/10-31/12/11
	265,000	15.100	15/12/06	01/01/09-31/12/10
	265,000	15.100	15/12/06	01/01/10-31/12/11
	265,000	15.100	15/12/06	01/01/11-31/12/12
Rajesh Vardichand RANAVAT	345,000	4.825	14/12/04	01/01/08-31/12/09
	345,000	4.825	14/12/04	01/01/09-31/12/10
	135,000	8.600	16/12/05	01/01/08-31/12/09
	135,000	8.600	16/12/05	01/01/09-31/12/10
	135,000	8.600	16/12/05	01/01/10-31/12/11
	210,000	15.100	15/12/06	01/01/09-31/12/10
	210,000	15.100	15/12/06	01/01/10-31/12/11
	210,000	15.100	15/12/06	01/01/11-31/12/12

(II) Interests of Shareholders Discloseable Pursuant to the SFO

Save as disclosed below, the Directors are not aware of any other person (other than a Director or chief executive of the Company or his/her respective associate(s)) who, as at the Latest Practicable Date, had an interest or short position in the Shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name of Shareholder	Capacity	Number of Shares	Approximate percentage of issued share capital (%)
Long Positions			
Li & Fung (Distribution) Limited	Beneficial owner	155,860,917	49.84
Li & Fung (Gemini) Limited	Interest of controlled corporation	155,860,917	49.84
Li & Fung (1937) Limited	Interest of controlled corporation	155,860,917	49.84
King Lun Holdings Limited	Interest of controlled corporation	155,860,917	49.84
J.P. Morgan Trust Company (Jersey) Limited	Interest of controlled corporation	155,860,917	49.84
Brookside Capital Investors, L.P.	Interest of controlled corporation	15,473,000	4.95
Commonwealth Bank of Australia	Interest of controlled corporation	15,459,000	4.94
Short Positions			
Li & Fung (1937) Limited	Beneficial owner	8,400,000 (Note)	2.69
King Lun Holdings Limited	Interest of controlled corporation	8,400,000 (Note)	2.69
J.P. Morgan Trust Company (Jersey) Limited	Interest of controlled corporation	8,400,000 (Note)	2.69

Note:

This short position represents LF1937's short position in 8,400,000 underlying shares which constitutes unlisted physically settled equity derivatives pursuant to arrangement as described in the Interests of Directors and Chief Executives section stated above.

(III) Substantial Shareholders in Other Members of the Group

Save as disclosed below, the Directors are not aware of any other person (other than a Director or chief executive of the Company, or his/her respective associate(s)) who, as at the Latest Practicable Date, was directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

Name of Company	Name of Shareholder	(%)
Buttercup Foods Sdn. Bhd. (In Compulsory Liquidation)	Ishak Bin Ismail. Dato' Haji	49
IDS Borneo Sdn Bhd	Yang Amat Mulia Pengiran Indera Setia DiRaja Sahibul Karib Pengiran Anak Haji Idris bin Pengiran Maharaja Lela Pengiran Muda Abdul Kahar	10
IDS Borneo Sdn Bhd	Yang DiMuliakan lagi DiHormati Pehin Orang Kaya DiGadong Seri DiRaja Dato Laila Utama Awang Haji Abdul Rahman bin Pehin Orang Kaya Shahbandar Awang Haji Mohd Taha (Deceased)	20
IDS Performance Services Sdn. Bhd.	Mohd Fauzi Bin Mohd Fadzil	30
IDS Sebor (Sarawak) Holdings Sdn. Bhd.	Perbadanan Pembangunan Ekonomi Sarawak	32.91
PT. Singa Jaya Kapita	PT. Madari Eka Pratama	15
SebQuest Technology Sdn. Bhd. (In Members' Voluntary Liquidation)	Ruby Quest Sdn. Bhd.	40

3. SERVICE CONTRACTS

There is no existing or proposed service contract between any of the Directors or proposed Directors and the Company or any of its subsidiaries, which is not determinable within one year without payment of compensation other than by statutory compensation.

4. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors and their respective associates had any interest in a business which competes or may compete with the business of the Group.

5 LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries is engaged in any litigation or arbitration of material importance and, so far as the Directors are aware, no litigation or claim of material importance is pending or threatened against the Company or any of its subsidiaries.

6. GENERAL

- (a) The secretary of the Company is Ms. YUEN Ying Kwai, a fellow member of both The Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries.
- (b) The qualified accountant of the Company is Mr. CHAN Kam Chiu, a fellow member of The Association of Chartered Certified Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants.
- (c) The registered office of the Company is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.
- (d) The head office and principal place of business of the Company is 15th Floor, LiFung Centre, 2 On Ping Street, Siu Lek Yuen, Shatin, New Territories, Hong Kong.
- (e) The principal share registrar of the Company is Butterfield Fund Services (Bermuda) Limited, Rosebank Centre, 11 Bermudiana Road, Pembroke HM 08, Bermuda and its branch share registrar is Tricor Abacus Limited (formerly known as Abacus Share Registrars Limited) at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.
- (f) The English text of this Circular shall prevail over the Chinese text.