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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

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DEFINITIONS

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

“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
“associate(s)”, “connected person(s)”	has the meaning ascribed to them under the Listing Rules
“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
“Completion Date”	26 May 2008, being the date of Completion
“Consideration”	consideration for the Sale Interest paid by the Purchaser to the Sellers subject to and upon the terms of the Acquisition Agreement
“Consultancy Agreement”	a consultancy agreement entered into between Mr. Chan and the Target for a term of one year from the Completion Date
“Directors”	directors of the Company
“Distribution Agreements”	the distribution agreements entered into between the Target and two subsidiaries of PKPL on the Completion Date 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

DEFINITIONS

“Latest Practicable Date”	29 May 2008, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained in this circular
“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 No. 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. 03 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”);(6) Unit No. 03 on the 3rd Floor, Eastern Centre, No. 1065 King’s Road, Hong Kong (“Leased Property No. 6”); and(7) Unit A on the 8th Floor, Cheung Wah Industrial Building, No. 10-12 Shipyard Lane, Hong Kong (“Leased Property No. 7”).
“Leases”	the leases entered into between PKPL and the Target on the Completion Date in respect of the Leased Properties owned by PKPL
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Chan”	Mr. Chan Kwok Wai
“Optioned Properties”	<p>the following properties owned by PKPL, in respect of which PKPL and the Purchaser entered into the Property Option Agreements on the Completion Date:</p> <ol style="list-style-type: none">(1) Unit No. 02 on the 2nd Floor, Eastern Centre, No. 1065 King’s Road, Hong Kong (“Optioned Property No. 1”);(2) Unit No. 03 on the 7th Floor, Eastern Centre, No. 1065 King’s Road, Hong Kong (i.e. Leased Property No. 4) (“Optioned Property No. 2”); and(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”).

DEFINITIONS

“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 entered into between PKPL and the Purchaser on the Completion Date
“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 sold to the Purchaser pursuant to the Acquisition Agreement, which represent and are at Completion represent 91% of the entire issued share capital of the Target
“Sellers”	PKPL and Mr. Chan
“SFO”	The Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) with nominal value of US\$0.10 per share in the capital of the Company
“Shares Option Agreement”	the put and call option agreement in respect of the Option Shares entered into between PKPL and the Purchaser on the Completion Date
“Shares Option Period”	the period of two years commencing from the first anniversary of the Completion Date
“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 Agreements
“%”	per cent



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[#]
Prof. LEE Hau Leung[#]
Andrew TUNG Lieh Cheung[#]
Dr. William FUNG Kwok Lun
Jeremy Paul Egerton HOBBS
LAU Butt Farn
Rajesh Vardichand RANAVAT

[#] *Independent Non-executive Director*

Executive Directors:

Benedict CHANG Yew Teck
(Group Managing Director)
Joseph Chua PHI
*(President and Regional Managing
Director of IDS Group)*

Registered Office:

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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

4 June 2008

To Shareholders

Dear Sirs or Madam,

**(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**

INTRODUCTION

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 clawback. Completion took place on 26 May 2008.

LETTER FROM THE CHAIRMAN

At Completion, the Purchaser and PKPL entered into the Shares Option Agreement, whereby the Purchaser irrevocably granted to PKPL during the period of two years commencing from the first anniversary of the Completion Date, 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 irrevocably granted 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.

At Completion, the Purchaser and PKPL also entered into the Property Option Agreements in respect of options for the acquisition of certain properties by the Purchaser from PKPL.

The Acquisition, the Shares Option Agreement and the Property Option Agreements together constituted a discloseable transaction for the Company under Chapter 14 of the Listing Rules.

At Completion, the Target entered into the Consultancy Agreement with Mr. Chan, the Leases with PKPL and the Distribution Agreements with two subsidiaries of PKPL.

Upon Completion, the Target becomes a 91% subsidiary of the Company and since Mr. Chan remains 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 Agreements constituted 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 is exempted 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 Agreements, the Leases and the Distribution Agreements are, respectively, subject to the reporting and announcement requirements, but exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The purpose of this circular is to provide Shareholders with relevant information relating to the Transactions.

DETAILS OF THE ACQUISITION

Date of the Acquisition Agreement

15 May 2008

LETTER FROM THE CHAIRMAN

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 an 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 and PKPL are Independent Third Parties.

Assets acquired

Sale Interest comprising:

- (1) 4,474 shares of the Target held by PKPL; and
- (2) 76 shares of the Target held by 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 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.

Based on the accounts of the Target provided on or before the Completion Date, no downward adjustment was necessary to be made to the Gross Consideration of HK\$120 million in accordance with the Acquisition Agreement.

The Gross Consideration was determined after arm's length negotiation between the Sellers and the Purchaser with reference to a P.E. of 8.16 times (2006: 9.43 times) the audited net profit after tax of the Target for the year ended 31 December 2007.

The Consideration has been financed from the Company's internal cash reserves and bank borrowings.

LETTER FROM THE CHAIRMAN

Payment terms

The Consideration was satisfied by the Purchaser pursuant to the Acquisition Agreement as follow:

- (a) HK\$98,280,000 was paid to the Sellers on the Completion Date in proportion to the number of shares of the Target each of them is selling; and
- (b) HK\$10,922,693 was paid to the Sellers on 29 May 2008 being the aggregate of HK\$10,920,000 together with interest on such sum at the rate of 3% per annum accrued from the Completion Date to 29 May 2008.

Completion

Completion took place on 26 May 2008.

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

At Completion, the Purchaser and PKPL entered into the Shares Option Agreement, whereby the Purchaser irrevocably granted to PKPL during the period of two years commencing from the first anniversary of the Completion Date, 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 irrevocably granted 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 (where applicable, subject to clawback on the occurrence of any Clawback Event(s)) 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 also entered into the Property Option Agreements in respect of the Optioned Properties based on the following agreed principal terms:

Call options in respect of the Optioned Properties

PKPL granted 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 Completion Date (the “**Property Call Option Period**”).

LETTER FROM THE CHAIRMAN

Put option in respect of Optioned Property No. 3

The Purchaser granted 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 appraised 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% or less 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

POST-COMPLETION CONTINUING CONNECTED TRANSACTIONS

Consultancy Agreement with Mr. Chan

At Completion, the Target entered into a consultancy agreement with Mr. Chan, pursuant to which Mr. Chan is 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 is HK\$240,000.

LETTER FROM THE CHAIRMAN

Leases from PKPL

The Target is currently occupying certain premises owned by PKPL and continues to do so after Completion. At Completion, the Target (as tenant) entered into the Leases based on the following agreed principal terms with PKPL (as landlord) to lease such premises from PKPL:

<u>Leased Properties</u>	<u>Term</u>	<u>Monthly rent</u>	<u>Right of first refusal to purchase</u>
	<i>(each commencing from Completion Date)</i>	<i>(exclusive of rates, Government rent and management fees)</i>	
No. 1	3 years <i>(Note)</i>	HK\$90,800	Yes
No. 2	3 years <i>(Note)</i>	HK\$116,000	Yes
No. 3 (i.e. being part of Optioned Property No. 1)	3 years <i>(Note)</i>	HK\$11,700	Yes
No. 4 (i.e. Optioned Property No. 2)	3 years <i>(Note)</i>	HK\$41,700	Yes
No. 5 (i.e. Optioned Property No. 3)	3 years <i>(Note)</i>	HK\$104,600	Yes
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 Completion Date 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 Agreements with PKPL's subsidiaries

Prior to Completion, the Target had agreements with two subsidiaries of PKPL: Lee Lung Company Limited (“**Lee Lung**”) for the distribution of animal health products and C. Amy Laboratories Limited (“**C. Amy**”), the registered owner of certain animal and human health products for supply. The sales value of products to Lee Lung and purchase value of products from C. Amy for the year ended 31 December 2007 were approximately HK\$8.2 million and HK\$4 million, respectively. Such arrangements will continue after Completion.

On the Completion Date, the Target entered into the Distribution Agreements with the above two subsidiaries of PKPL for an initial term of 2 years, which term may be renewed automatically for twelve months periods, and either party has the right to terminate at any time within six months’ notice to the other party.

LETTER FROM THE CHAIRMAN

The annual amount of sales value of products under the Distribution Agreement with Lee Lung for the period from the Completion Date 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 Agreement with C. Amy for the period from the Completion Date 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 Agreements 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.

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 4,550 shares by the Purchaser, 250 shares by PKPL and 200 shares by Independent Third Parties after Completion of the Acquisition.

The Target's audited net profits before and after tax (in accordance with HK GAAP) for the year ended 31 December 2007 were approximately HK\$17.69 million (2006: HK\$14.81 million) and approximately HK\$14.70 million (2006: HK\$12.72 million) respectively. As at 31 December 2007, the audited net asset value of the Target (in accordance with HK GAAP) was approximately HK\$60.70 million (2006: HK\$63.50 million).

REASONS FOR AND EFFECTS OF 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.

Following the Acquisition, the Target becomes an indirect subsidiary of the Company. The results, assets and liabilities will be consolidated into the financial statements of the Group. The Acquisition has been financed by the Group's internal cash reserves and bank borrowings. The Group's assets will increase by the assets of the Target and decrease by the amount of cash reserves taken for financing the Acquisition. The Group's liabilities will increase by the amount of bank borrowings for financing the Acquisition and the liabilities of the Target. Incremental earnings will be generated for the Group subsequent to the Acquisition.

LETTER FROM THE CHAIRMAN

IMPLICATIONS UNDER THE LISTING RULES

The Acquisition, the Shares Option Agreement and the Property Option Agreements together constituted a discloseable transaction for the Company under Chapter 14 of the Listing Rules.

Upon Completion, the Target becomes a 91% subsidiary of the Company and since Mr. Chan remains 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. Therefore, the Consultancy Agreement, the Leases and the Distribution Agreements 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 is exempted 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 Agreements, the Leases and the Distribution Agreements are, respectively, subject to the reporting and announcement requirements, but exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

FURTHER INFORMATION

Your attention is drawn to the additional information regarding the Group which is required to be included in this circular under the Listing Rules as set out in the Appendix to 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 Group. 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 were 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 were required to be entered in the register under section 352 of the SFO:

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

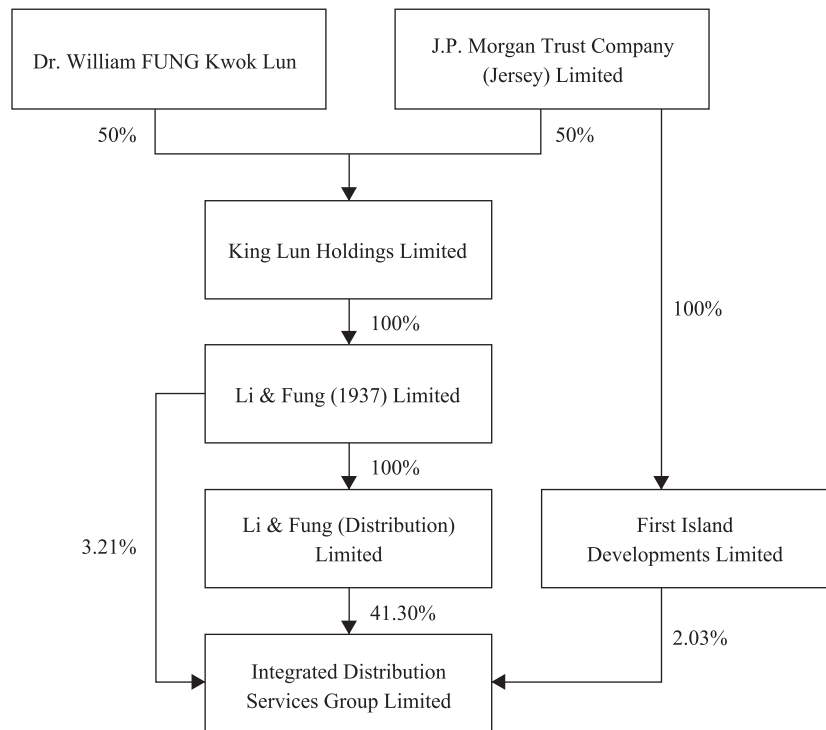
Name of Directors	Number of Shares				Number of underlying shares under equity derivatives (Share Options)	Total interest	Approximate percentage of issued share capital (%)
	Personal interest	Family interest	Corporate/trust interest	Other interest			
Dr. Victor FUNG Kwok King	2,405,509	—	147,553,661 (Note 1)	—	—	149,959,170	47.30
Dr. William FUNG Kwok Lun	—	—	141,132,371 (Note 1)	—	—	141,132,371	44.51
Benedict CHANG Yew Teck	3,292,573	—	—	2,100,000 (Note 2a)	9,940,000 (Notes 2b&2c)	15,332,573	4.84
Joseph Chua PHI	1,689,632	—	—	—	2,460,000	4,149,632	1.31
Rajesh Vardichand RANAVAT	—	—	—	345,000 (Note 3)	1,770,000	2,115,000	0.67
Jeremy Paul Egerton HOBBINS	—	—	4,922,999 (Note 4)	—	—	4,922,999	1.55
LAU Butt Farn	610,549	—	—	—	—	610,549	0.19
John Estmond STRICKLAND	—	—	—	22,000 (Note 5)	—	22,000	0.00

Notes:

- (1) King Lun Holdings Limited (“King Lun”) through its wholly owned subsidiary, Li & Fung (1937) Limited (“LF 1937”), held 100% interest in Li & Fung (Distribution) Limited (“LFD”). LFD held 130,962,364 Shares, representing approximately 41.30% of the issued share capital of the Company. LF 1937 held 10,170,007 Shares, representing approximately 3.21% of the issued share capital of Company.

King Lun was owned (a) as to 50% by J.P. Morgan Trust Company (Jersey) Limited (which also through First Island Developments Limited indirectly held 6,421,290 Shares, representing approximately 2.03% of the issued share capital of Company), 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 were deemed to have interests in these Shares through their respective interests in King Lun and indirect interests in LFD as set out above.

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



- (2) These interests represented:
- a. Mr. Benedict CHANG Yew Teck and his wife, LEONG Kim Mei, were joint beneficial owners of these Shares;
 - b. the beneficial interest of Mr. Benedict CHANG Yew Teck in 3,640,000 underlying Shares deriving from 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
 - c. the deemed interest of Mr. Benedict CHANG Yew Teck in 6,300,000 underlying Shares deriving from options granted by LF 1937 to Mikenwill Investments Limited (“Mikenwill”), which was owned by Mr. Benedict CHANG Yew Teck, to require LF 1937 to sell to Mikenwill or its nominee 10,500,000 Shares in five tranches, with the first tranche and second tranche of 2,100,000 Shares each being exercised on 9 January 2007 and 17 September 2007 respectively, and each of the remaining tranches having an exercisable period of one year during the period from 1 January 2008 to 31 December 2010 pursuant to an agreement made between LF 1937 and Mikenwill dated 5 January 2007.
- (3) Mr. Rajesh Vardichand RANAVAT and his wife, Mrs. Sandhya Rajesh RANAVAT, were joint beneficial owners of these Shares.

- (4) These Shares were held by Martinville Holdings Limited, which was owned by Mr. Jeremy Paul Egerton HOBBS.
- (5) Mr. John Estmond STRICKLAND and his wife, Mrs. Anthea Evadne STRICKLAND, were 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 LF 1937, in which both of them were deemed to have interests as disclosed above, in respect of an aggregate of 6,300,000 underlying Shares in the Company, representing approximately 1.99% of the total issued Shares. Such interest comprised LF 1937's short position in 6,300,000 underlying Shares (being regarded as unlisted physically settled equity derivatives) deriving from an agreement made between LF 1937 and Mikenwill dated 5 January 2007, pursuant to which options were granted by LF 1937 to Mikenwill to require LF 1937 to sell to Mikenwill or its nominee 10,500,000 Shares in five tranches, with the first tranche and second tranche of 2,100,000 Shares each being exercised on 9 January 2007 and 17 September 2007 respectively, and each of the remaining tranches having an exercisable period of one year during the period from 1 January 2008 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 Company on 4 November 2004 (as amended from time to time) and remained outstanding:

Name of Director	Number of Share Options outstanding	Exercise Price	Grant date	Exercise period
		HK\$		
Benedict CHANG	750,000	4.825	14/12/04	01/01/09-31/12/10
Yew Teck	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
	330,000	25.550	12/12/07	01/01/10-31/12/11
	330,000	25.550	12/12/07	01/01/11-31/12/12
	330,000	25.550	12/12/07	01/01/12-31/12/13
Joseph Chua PHI	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
	220,000	25.550	12/12/07	01/01/10-31/12/11
	220,000	25.550	12/12/07	01/01/11-31/12/12
	220,000	25.550	12/12/07	01/01/12-31/12/13
Rajesh Vardichand RANAVAT	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
	130,000	25.550	12/12/07	01/01/10-31/12/11
	130,000	25.550	12/12/07	01/01/11-31/12/12
	130,000	25.550	12/12/07	01/01/12-31/12/13

(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 Shareholders	Capacity	Number of Shares	Approximate percentage of issued share capital (%)
Long Positions			
Li & Fung (Distribution) Limited	Beneficial owner	130,962,364	41.30
Li & Fung (1937) Limited	Interest of controlled corporation	130,962,364	44.51
	Beneficial owner	10,170,007	
King Lun Holdings Limited	Interest of controlled corporation	141,132,371	44.51
J.P. Morgan Trust Company (Jersey) Limited	Interest of controlled corporation	147,553,661	46.54
Brookside Capital Investors, L.P.	Interest of controlled corporation	15,473,000	4.88
Commonwealth Bank of Australia	Interest of controlled corporation	20,081,000	6.33
Short Positions			
Li & Fung (1937) Limited	Beneficial owner	6,300,000 <i>(Note)</i>	1.99
King Lun Holdings Limited	Interest of controlled corporation	6,300,000 <i>(Note)</i>	1.99
J.P. Morgan Trust Company (Jersey) Limited	Interest of controlled corporation	6,300,000 <i>(Note)</i>	1.99

Note: This short position represented LF 1937's short position in 6,300,000 underlying Shares which constituted unlisted physically settled equity derivatives pursuant to arrangement as described in the above section of "Interests of Directors and the Chief Executives".

Save as disclosed above, the Company had not been notified of any short position being held by any substantial shareholder in the shares or underlying shares of the Company as at the Latest Practicable Date.

(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 member of the Group, 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:

<u>Name of Company</u>	<u>Name of Shareholder</u>	<u>(%)</u>
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
PT. Singa Jaya Kapita	PT. Madari Eka Pratama	15
IDS Performance Services Sdn. Bhd.	Mohd Fauzi Bin Mohd Fadzil	30
IDS Sebor (Sarawak) Holdings Sdn. Bhd.	Perbadanan Pembangunan Ekonomic Sarawak	32.91

(IV) Material interests

Save as disclosed under the section headed "Connected Transactions" in the report of the directors and in note 32 to the financial statements in the 2007 annual report of the Company:

- i. none of the Directors or the chief executive of the Company has any direct or indirect interest in any assets which have since 31 December 2007, being the date to which the latest published audited financial statements of the Company were made up, been acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group; and
- ii. there is no contract or arrangement subsisting at the Latest Practicable Date, in which any of the Directors is materially interested and which is significant in relation to the business of the Group.

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 compete or may compete with the business of the Group.

5. LITIGATION

The Company and its US subsidiary, IDS USA Inc. (formerly known as IDS Impac Ltd.) were advised on 14 December 2007 that they have been included as two of the defendants in a civil claim for alleged breaches of contract relating to provision of services. Neither the Company nor IDS USA Inc. are parties to the contract and the amount of the claim against them is not specified. The management of the Group has reviewed the facts and circumstances and is of the view that the likelihood of the Company and its subsidiary suffering material loss is low.

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

6. MATERIAL ADVERSE CHANGE

The Directors confirm that as at the Latest Practicable Date, there had been no material adverse change in the financial or trading position of the Group since 31 December 2007, being the date to which the latest published audited accounts of the Group have been made up.

7. 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. Simon CHAN Kam Chiu, a member of the Institute of Chartered Accountants of Ontario Canada 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 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.

8. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the principal place of business of the Company in Hong Kong, which is situated at 15th Floor, LiFung Centre, 2 On Ping Street, Siu Lek Yuen, Shatin, New Territories, Hong Kong, during business hours (except Saturdays and public holidays) up to and including 20 June 2008:

1. the Consultancy Agreement;
2. the Leases; and
3. the Distribution Agreements.