

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should obtain independent professional advice or consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Integrated Distribution Services Group Limited, you should at once hand this circular and the accompanying form of proxy 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)

CONTINUING CONNECTED TRANSACTION

**Independent Financial Adviser
to the Independent Board Committee and the Independent Shareholders**



KBC Bank N.V. Hong Kong Branch

A letter from the Independent Board Committee is set out on page 8 of this circular. A letter from KBC Bank N.V. Hong Kong Branch, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, is set out on pages 9 to 17 of this circular.

A notice convening a special general meeting of Integrated Distribution Services Group Limited to be held at East & West Room, 23rd Floor, Mandarin Oriental, 5 Connaught Road, Central, Hong Kong on Thursday, 13 May 2010 at the later of 12:15 p.m. and the conclusion of the annual general meeting of the Company (which is scheduled to be held at 12:00 noon on Thursday, 13 May 2010) is set out on pages 24 to 25 of this circular. Whether or not you are able to attend the meeting, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the Company's Hong Kong branch share registrar, Tricor Abacus Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the special general meeting or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting at the meeting and any adjourned meeting (as the case may be) should you so wish.

26 April 2010

CONTENT

	<i>Page</i>
Definitions	1
Letter from the Chairman	
Introduction	3
Background	4
The 2010 Logistics Agreement	4
Reasons for and benefit of entering into the Proposed Continuing Connected Transaction ..	5
Listing Rules Implication	5
Information on the Company and LF 1937	6
Notice of SGM	6
Independent advice	6
Additional Information	7
Letter from the Independent Board Committee	8
Letter from Independent Financial Adviser	9
Appendix – Additional Information	18
Notice of Special General Meeting	24

DEFINITIONS

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

“2008 Logistics Agreement”	the master agreement entered into between the Company and LF 1937 on 8 April 2008 in relation to the provision of shipping, handling and other logistics services
“2010 Logistics Agreement”	the master agreement entered into between the Company and LF 1937 on 7 April 2010 in relation to the provision of shipping, handling and other logistics services
“associate(s)”, “connected person(s)”, “controlling shareholder(s)”	has the meaning ascribed to them under the Listing Rules
“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 of Hong Kong Limited
“Directors”	directors of the Company
“Group”	the Company and its subsidiaries and “a member of the Group” shall be construed accordingly
“HK\$”	Hong Kong dollars, the lawful currency of The Hong Kong Special Administrative Region of The People’s Republic of China
“Independent Board Committee”	committee of the board of Directors comprising Mr. John Estmond STRICKLAND, Dr. FU Yu Ning and Mr. Andrew TUNG Lieh Cheung, the independent non-executive directors of the Company
“Independent Financial Adviser” or “KBC Bank N.V. Hong Kong Branch”	KBC Bank N.V., acting through its Hong Kong branch, a licensed bank under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) and a registered institution registered for Type 6 (advising on corporate finance) regulated activities under the SFO, and the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Proposed Continuing Connected Transaction and the Proposed Caps
“Independent Shareholders”	the Shareholders other than Dr. Victor FUNG Kwok King, Dr. William FUNG Kwok Lun, Mr Jeremy Paul Egerton HOBBS and Mr. LAU Butt Farn and their respective associates who are required to abstain from voting at the SGM

DEFINITIONS

“Latest Practicable Date”	21 April 2010, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained in this circular
“LF 1937”	Li & Fung (1937) Limited, a company incorporated in The Hong Kong Special Administrative Region of The People’s Republic of China and the controlling shareholder of the Company
“LF 1937 Group”	LF 1937 and its associates (excluding the Group) and “a member of LF 1937 Group” shall be construed accordingly
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Proposed Caps”	the maximum aggregate annual value for the Proposed Continuing Connected Transaction for each of the three years ending 31 December 2013
“Proposed Continuing Connected Transaction”	the continuing connected transaction contemplated under the 2010 Logistics Agreement
“SFO”	The Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“SGM”	the special general meeting of the Company to be held at East & West Room, 23rd Floor, Mandarin Oriental, 5 Connaught Road, Central, Hong Kong on Thursday, 13 May 2010 at the later of 12:15 p.m. and the conclusion of the annual general meeting of the Company (which is scheduled to be held at 12:00 noon on Thursday, 13 May 2010)
“Share(s)”	ordinary share(s) of US\$0.10 each of the Company
“Shareholder(s)”	holders of Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“US\$”	US dollars, the lawful currency of the United States of America

Unless otherwise stated, all reference in this circular to HK\$ are for information only and are referenced to Hong Kong Dollars based on an approximate exchange rate of US\$1 = HK\$7.7632.

LETTER FROM THE CHAIRMAN



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[#]
Mr. Andrew TUNG Lieh Cheung[#]
Dr. William FUNG Kwok Lun
Jeremy Paul Egerton HOBBS
LAU Butt Farn

[#] *Independent Non-executive Director*

Executive Directors:

Benedict CHANG Yew Teck
(*Group Managing Director*)
Joseph Chua PHI
(*President*)

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

26 April 2010

To the Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTION

INTRODUCTION

On 7 April 2010, the Company entered into the 2010 Logistics Agreement with LF 1937, pursuant to which the Group will provide a variety of logistics services to LF 1937 Group. The provision of logistics services pursuant to the 2010 Logistics Agreement constitutes a continuing connected transaction for the Company under Chapter 14A of the Listing Rules.

LETTER FROM THE CHAIRMAN

Since the applicable percentage ratios (as defined under the Listing Rules) in respect of the Proposed Caps exceed 2.5% and the Proposed Caps are more than HK\$10 million, the Proposed Continuing Connected Transaction is subject to the reporting, announcement and independent shareholders' approval requirements of the Listing Rules.

KBC Bank N.V. Hong Kong Branch has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Proposed Continuing Connected Transaction and the Proposed Caps.

The purpose of this circular is to provide the Shareholders with (i) relevant information relating to the 2010 Logistics Agreement and the Proposed Continuing Connected Transaction; (ii) the recommendation and advice of the Independent Board Committee on the Proposed Continuing Connected Transaction; (iii) a copy of the letter from KBC Bank N.V. Hong Kong Branch containing its advice in relation to the terms of the Proposed Continuing Connected Transaction and the Proposed Caps; and (iv) a notice of the SGM.

BACKGROUND

On 8 April 2008, the Company announced that it had entered into the 2008 Logistics Agreement, pursuant to which the Group would provide shipping, handling services and a variety of other logistics services, including storage, cargo handling, container devanning, administration, labeling, goods return sorting and delivery services to LF 1937 Group. The annual caps for each of the three years ending 31 December 2010 were US\$57,343,000 (approximately HK\$445.17 million), US\$88,404,000 (approximately HK\$686.30 million) and US\$103,195,000 (approximately HK\$801.12 million), respectively.

THE 2010 LOGISTICS AGREEMENT

For the purpose of renewing the arrangements under the 2008 Logistics Agreement, the Company entered into the 2010 Logistics Agreement with LF 1937 on 7 April 2010 for a term of three years from 1 January 2011 to 31 December 2013 subject to, amongst others, the approval of the Independent Shareholders.

Transaction nature

Provision by the Group of shipping, handling services and a variety of other logistics services, including storage, cargo handling, transportation, container devanning, administration, labeling, goods return sorting and delivery services to LF 1937 Group.

The Company and LF 1937 will endeavour to procure their respective members of the Group and LF 1937 Group to comply with the terms of the 2010 Logistics Agreement in respect of transactions contemplated thereunder.

Pricing Basis

The fees to be charged by the members of the Group to the members of LF 1937 Group will either be at market rates or at rates similar to those offered to independent third parties.

LETTER FROM THE CHAIRMAN

The Proposed Caps

The Proposed Caps for each of the three years ending 31 December 2013 are as follows:

2011	Year ending 31 December 2012	2013
US\$90.61 million (approximately HK\$703.42 million)	US\$112.90 million (approximately HK\$876.47 million)	US\$125.40 million (approximately HK\$973.51 million)

The historical amounts for the transactions under the 2008 Logistics Agreement for each of the two years ended 31 December 2009 and the two months ended 28 February 2010 were US\$17.39 million (approximately HK\$135 million), US\$25.15 million (approximately HK\$195.24 million) and US\$4.74 million (approximately HK\$36.8 million), respectively.

The Proposed Caps are determined based on the Group's planned expansion in its existing logistics services, both in-country logistics and end-to-end international supply chain services, and the business expansion of LF 1937 Group from 1 January 2011 to 31 December 2013 and have taken into account the estimated amounts of the potential new logistics businesses with LF 1937 Group, particularly in the markets of the United States of America and the United Kingdom.

REASONS FOR AND BENEFIT OF ENTERING INTO THE PROPOSED CONTINUING CONNECTED TRANSACTION

The provision of support services by the Group to LF 1937 Group has been an integral part of the Group's ordinary and usual course of business. The Company considers that the Proposed Continuing Connected Transaction will provide opportunities for the Group to leverage on its logistics expertise to continue to offer support services to LF 1937 Group and to maintain with LF 1937 Group its existing business relationship which has been significant to the Group's business development. Accordingly, the Directors (excluding the members of the Independent Board Committee, whose view has been set out in their letter in this circular) are of the view that it is in the interest of the Company and the Shareholders as a whole to enter into the 2010 Logistics Agreement with LF 1937, and that the terms of the 2010 Logistics Agreement and the Proposed Caps are fair and reasonable and on normal commercial terms.

LISTING RULES IMPLICATION

As LF 1937 is the controlling Shareholder, LF 1937 and its associates (other than the Group) are connected persons of the Company. Accordingly, the Proposed Continuing Connected Transaction constitutes a continuing connected transaction for the Company under the Listing Rules. Dr. Victor FUNG Kwok King and Dr. William FUNG Kwok Lun (by reasons of their deemed shareholding interests and directorship in LF 1937), and Mr. Jeremy Paul Egerton HOBBS and Mr. LAU Butt Farn (by reason of their directorship in LF 1937), and their respective associates are required to abstain from voting at the SGM. Such resolution will be voted by poll. As at the Latest Practicable Date, Dr. Victor FUNG Kwok King, Dr. William FUNG Kwok Lun and Mr. LAU Butt Farn and their respective associates in aggregate held 148,469,719 Shares (including personal interest and/or corporate/trust

LETTER FROM THE CHAIRMAN

interest), while Mr. Jeremy Paul Egerton HOBBS had no interests in the Shares, details of which are set out in paragraphs headed “Interests of Directors and Chief Executives” in the Appendix in this circular.

As the applicable percentage ratios (as defined under the Listing Rules) in respect of the Proposed Caps exceed 2.5% and the Proposed Caps are more than HK\$10 million, the Proposed Continuing Connected Transaction is subject to the reporting, announcement and independent shareholders’ approval requirements of the Listing Rules.

KBC Bank N.V. Hong Kong Branch has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Proposed Continuing Connected Transaction (including the Proposed Caps).

INFORMATION ON THE COMPANY AND LF 1937

The Group 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 LF 1937 Group which focuses on three main businesses, namely, sourcing and export trading, distribution and logistics and retailing.

NOTICE OF SGM

Set out on pages 24 to 25 of this circular is a notice convening the SGM for the purpose of considering and, if thought fit, passing the resolution set out therein.

A form of proxy for use at the SGM is enclosed. Whether or not you intend to be present at the SGM, you are requested to complete and return the enclosed form of proxy to the Company’s Hong Kong branch share registrar, Tricor Abacus Limited, at 26th Floor, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong in accordance with the instructions printed thereon not less than 48 hours before the time fixed for holding the SGM or any adjournment thereof (as the case may be). The completion and return of the form of proxy will not prevent you from attending and voting in person at the SGM and any adjourned meeting (as the case may be) should you so wish.

Pursuant to the Listing Rules, any votes of shareholders at a general meeting must be taken by poll. The chairman of the SGM will demand a poll on the question submitted for determination at the SGM. The result of the poll will be published on the websites of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk and the Company at www.idsgroup.com following the SGM.

INDEPENDENT ADVICE

The Independent Board Committee has been formed to advise the Independent Shareholders, and KBC Bank N.V. Hong Kong Branch has been retained as an independent financial adviser to advise the Independent Board Committee and the Independent Shareholders, in relation to the Proposed Continuing Connected Transaction (including the Proposed Caps).

LETTER FROM THE CHAIRMAN

ADDITIONAL INFORMATION

Your attention is drawn to the information as set out in the following sections of this circular:

- (i) Letter from the Independent Board Committee set out on page 8;
- (ii) Letter from Independent Financial Adviser set out on pages 9 to 17; and
- (iii) Additional information set out in the Appendix.

Yours faithfully,
Victor FUNG Kwok King
Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



INTEGRATED DISTRIBUTION SERVICES GROUP LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 2387)

26 April 2010

To: the Independent Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTION

We refer to the circular of the Company to the Shareholders dated 26 April 2010 (the “Circular”), of which this letter forms part. Terms used herein shall have the same meanings as those defined in the Circular unless the context otherwise requires.

The Independent Board Committee has been established to give an opinion to the Independent Shareholders in respect of the Proposed Continuing Connected Transaction and the Proposed Caps. KBC Bank N.V. Hong Kong Branch has been appointed as the independent financial adviser to advise us and the Independent Shareholders in connection with the Proposed Continuing Connected Transaction and the Proposed Caps. Details of their advice, together with the principal facts and reasons taken into consideration in arriving at such advice, are set out in their letter on pages 9 to 17 of the Circular.

Your attention is drawn to the “Letter from the Chairman” set out on pages 3 to 7 of and the additional information set out in the Appendix to the Circular.

Having considered the terms of the 2010 Logistics Agreement, the Proposed Continuing Connected Transaction and the Proposed Caps and the advice of KBC Bank N.V. Hong Kong Branch, we consider the terms of the 2010 Logistics Agreement (including the Proposed Caps) are fair and reasonable in so far as the Independent Shareholders are concerned and the entering into of the 2010 Logistics Agreement is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the resolution to be proposed at the SGM to approve the 2010 Logistics Agreement, the Proposed Continuing Connected Transaction and the Proposed Caps.

Yours faithfully,

John Estmond STRICKLAND

FU Yu Ning

Andrew TUNG Lieh Cheung

The Independent Board Committee

LETTER FROM INDEPENDENT FINANCIAL ADVISER

The following is the text of the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders for the purpose of incorporation into this circular.



39/F Central Plaza
18 Harbour Road
Hong Kong

26 April 2010

To the Independent Board Committee and the Independent Shareholders

Dear Sirs

CONTINUING CONNECTED TRANSACTION

INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in connection with the Proposed Continuing Connected Transaction and the Proposed Caps, details of which, among other things, are set out in the section headed “Letter from the Chairman” in this circular dated 26 April 2010 (the “Circular”), of which this letter forms a part. Unless otherwise defined herein, terms used in this letter shall have the same meanings as those defined in the Circular.

On 8 April 2008, the Company entered into the 2008 Logistics Agreement with LF 1937, pursuant to which the Group would provide shipping, handling services and a variety of other logistics services, including storage, cargo handling, container devanning, administration, labeling, goods return sorting and delivery services to LF 1937 Group for a term of three years from 1 January 2008 to 31 December 2010. The 2008 Logistics Agreement and the transactions contemplated thereunder were approved by the then independent Shareholders at the special general meeting held on 16 May 2008.

In view of the forthcoming expiry of the 2008 Logistics Agreement, the Company, on 7 April 2010, entered into the 2010 Logistics Agreement with LF 1937, to renew the terms of the 2008 Logistics Agreement with LF 1937 for a term of another three years from 1 January 2011 to 31 December 2013. Since LF 1937 is the controlling Shareholder, LF 1937 and its associates are connected persons of the Company under the Listing Rules and, accordingly, the Proposed Continuing Connected Transaction will constitute a continuing connected transaction for the Company under Chapter 14A of the Listing Rules. As the applicable ratios (as defined under the Listing Rules) in respect of the Proposed Caps exceed 2.5% and the Proposed Caps are more than HK\$10 million, the Proposed Continuing Connected Transaction constitutes a non-exempt continuing connected transaction for the Company and is subject to the reporting, announcement and independent shareholders’ approval requirements under the Listing Rules. Given the deemed shareholding interests and directorship of Dr. Victor Fung Kwok King and Dr. William Fung Kwok Lun in LF 1937, and the directorship of Mr. Jeremy Paul Egerton Hobbins and Mr. Lau Butt Farn in LF 1937, each of Dr. Victor Fung Kwok King,

LETTER FROM INDEPENDENT FINANCIAL ADVISER

Dr. William Fung Kwok Lun, Mr. Jeremy Paul Egerton Hobbins and Mr. Lau Butt Farn and their respective associates are required to abstain from voting at the SGM on the resolution approving the 2010 Logistics Agreement.

The Independent Board Committee, comprising three of the independent non-executive directors of the Company, namely Mr. John Estmond Strickland, Dr. Fu Yu Ning and Mr. Andrew Tung Lieh Cheung, has been formed to advise the Independent Shareholders in respect of the 2010 Logistics Agreement. We, KBC Bank N.V. Hong Kong Branch have been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders on the Proposed Continuing Connected Transaction (including the Proposed Caps) as to (i) whether the Proposed Continuing Connected Transaction is conducted in the ordinary and usual course of business of the Group and on normal commercial terms; (ii) whether the terms of the 2010 Logistics Agreement (including the Proposed Caps) are fair and reasonable in so far as the Independent Shareholders are concerned; and (iii) whether the entering into of the 2010 Logistics Agreement is in the interests of the Company and the Shareholders as a whole.

In formulating our recommendation, we have relied on the information and facts supplied to us by the Company. We have reviewed, among other things, (i) the Circular; (ii) the 2008 Logistics Agreement and the 2010 Logistics Agreement; (iii) the Company's annual reports covering the three years ended 31 December 2009 (the "Company Financial Reports"); and (iv) the annual report of Li & Fung for the year ended 31 December 2009 (the "Li & Fung Financial Reports"). We have assumed that all information, opinions and representations contained or referred to in the Circular are true, complete and accurate in all material respects and we have relied on the same. Also, we have relied on the representations made by the Company that after having made all reasonable enquiries and careful decisions, and to the best of the Company's information, knowledge and belief, there is no other material fact or representation or the omission of which would make any statement contained in the Circular, including this letter, misleading. We have also assumed that all information, statements and representations made or referred to in the Circular, which have been provided to us by the Company, and for which it is wholly responsible, are true, complete and accurate in all material respects at the time they were made and continue to be so up to the date of despatch of the Circular.

We consider that we have reviewed sufficient information to enable us to reach an informed view regarding the Proposed Continuing Connected Transaction (including the Proposed Caps) and to provide us with a reasonable basis for our recommendation. We have no reason to suspect that any material facts have been omitted or withheld, nor are we aware of any facts or circumstances, which would render the information and the representations made to us untrue, inaccurate or misleading. We have not, however, carried out any independent verification of the information provided by the Company; nor have we conducted any independent in-depth investigation into the business and affairs of the Company and its respective associates.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion in relation to the 2010 Logistics Agreement, and giving our independent financial advice to the Independent Board Committee and the Independent Shareholders in this regard, we have taken into account the following principal factors:

1. Background of the Parties

The Group

The Group is an Asian-centric logistics, distribution and manufacturing company with a logistics presence in the United States of America (the “U.S.”) and the United Kingdom (the “U.K.”) and provides a menu of integrated distribution services in its three core businesses of marketing, logistics and manufacturing to provide distinctive services to its customers and encompass the full breadth and depth of the value chain, or alternatively, such core businesses can be integrated to provide one-stop integrated distribution solutions to customers.

The Group’s logistics business comprises the management and coordination for the movement of goods on behalf of its brand customers and provision of customized local, regional and global logistics solution to its customers in a wide spectrum of industries. As an Asian-based multinational company, the Group has developed a comprehensive logistics network of about 90 strategically located distribution centres and depots across Asia in Hong Kong, the People’s Republic of China (the “PRC”), Taiwan, the Kingdom of Thailand (“Thailand”), Malaysia, the Republic of Indonesia, the Republic of Singapore (“Singapore”) and the Republic of Philippines.

In recent years, the Group has extended its logistics business from Asia to the U.S., the U.K. and Europe after the Group’s acquisition of the business of Impac Logistic Services LLC (an U.S. based logistics services provider which specialises in the provision of logistics services to the retailers and manufacturers in the apparel industry of the U.S.) in December 2006 and IDS Logistics (UK) Limited (an U.K. company principally engaged in the provision of supply chain management, international freight, warehousing, transport and pre-retailing services to retailer and suppliers in the U.K.) in August 2007. In 2008 and 2009, the Group made two strategic acquisitions to strengthen its presence of logistics business in the U.S., namely the acquisition of IDS USA West Inc. (formerly known as “Warehouse Technology Inc.”) (“WTI”) and AGI Logistics, Inc. (“AGI Logistics”), respectively. WTI, based in Los Angeles, the U.S., is a logistics company with strong business partnership with Li & Fung (Trading) Limited providing storage and transportation services to a portfolio of illustrious customers in the footwear, handbags and accessories sectors (its customers includes the handbag division of Li & Fung (Trading) Limited). AGI Logistics is a freight forwarding company which has an extensive network of freight forwarding offices in the U.S. and Asia and provides a wide range of services, including air and ocean freight forwarding, customs brokerage and domestic logistics, and has a strong customer base in the retailing and apparel sectors.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

The Group, as disclosed in the Company Financial Reports, will continue to pursue the strategy of both building a strong base in Asia and expanding its network to cover the key global markets in order to capture the opportunities from increasing international trade and enhance the capability of providing end-to-end logistics solutions.

LF 1937 Group

LF 1937 is the controlling shareholder of a number of companies which focus on three main businesses, namely sourcing and export trading, distribution and logistics and retailing. The group companies of LF 1937 Group respectively focus on different segments along the supply chain which are complementary to one another such that their respective expertise can be cross-leveraged in order to maximise the overall value of the supply chain management services of LF 1937 Group. Whilst the distribution and logistics business of LF 1937 Group is mainly carried out by the Group, its sourcing and export trading and retailing businesses are conducted through other group companies of LF 1937. Set out below is a brief description of the two key group members of LF 1937 Group, namely, Li & Fung Limited (“Li & Fung”) and Li & Fung (Retailing) Limited (“Li & Fung Retailing”):

Li & Fung, which is a constituent stock of the Hang Seng Index, and its subsidiaries are mainly involved in managing the supply chain for the sourcing of high volume consumer goods which are targeted at the mass market including garments, fashion accessories, gifts, handcrafts, home products, promotional merchandise, toys, sporting goods, footwear and travel goods. Li & Fung primarily focuses on sourcing manufacturers globally and monitoring the production process of such products on behalf of its clients which mainly comprise retailers and brand owners in the U.S. and Europe. As disclosed in the Li & Fung Financial Reports, Li & Fung has adopted a two-pronged acquisition strategy to further diversify its geographic coverage and product range, and conducted a number of acquisitions from 2008 to 2010. As a result of its growth strategy, Li & Fung, for each of the two years ended 31 December 2009, recorded revenue of over HK\$100 billion with revenue generated from the U.S. and Europe accounting for approximately 62% and 29% of Li & Fung’s audited consolidated revenue for the year ended 31 December 2008 and approximately 64% and 27% for the year ended 31 December 2009.

Li & Fung Retailing is the controlling shareholder of Trinity Limited (“Trinity”) and Convenience Retail Asia Limited (“CRA”). Trinity, the shares of which have been listed on the Stock Exchange since November 2009, is one of the leading high-to-luxury end menswear retailers primarily serving Greater China with 271 retail stores in the PRC and a total of 37 retail stores in South Korea, Malaysia, Singapore and Thailand as at 30 September 2009. CRA, the shares of which are listed on the Stock Exchange, is principally engaged in the operations of one of the leading convenience store chains and also one of the leading bakery chains under the trade names of “Circle K” and “Saint Honore” in both Hong Kong and the PRC. In addition, subsidiaries of Li & Fung Retailing operate Toys “R” Us stores in the Asian market including Hong Kong, the PRC, Taiwan, Singapore, Malaysia and Thailand.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

2. Reasons for and benefits of the Proposed Continuing Connected Transaction

As disclosed in the section headed “Letter from the Chairman” of the Circular, the provision of support services by the Group to LF 1937 Group has been an integral part of the Group’s ordinary and usual course of business and the Proposed Continuing Connected Transaction will provide opportunities for the Group to leverage on its logistics expertise to continue to offer support services to LF 1937 Group and to maintain with LF 1937 Group its existing business relationship which has been significant to the Group’s business development, for example, the respective U.S. arms of the Group and Li & Fung had entered into a memorandum of understanding in February 2010 for developing a strategic partnership under which the U.S. arm of the Group has become the preferred third party logistics partner of that of Li & Fung.

Having considered that (i) the Group has been providing LF 1937 Group with logistics services which are complementary to the daily business operations of LF 1937 Group for a number of years (as described in the Company’s circular dated 28 April 2008); (ii) the geographical coverage of the Group’s logistics services is in line with the key markets that LF 1937 Group has operations; and (iii) the provision of logistics services under both the 2008 Logistics Agreement and the 2010 Logistics Agreement are of similar nature and within the Group’s daily operations, we concur with the management of the Company that the Proposed Continuing Connected Transaction is conducted in the ordinary and usual course of business of the Group.

3. Terms and Pricing Policy of the 2010 Logistics Agreement

Major terms of the 2010 Logistics Agreement

As described in the Circular, the entering into of the 2010 Logistics Agreement is for the purpose of renewing the arrangements under the 2008 Logistics Agreement, subject to the Independent Shareholders’ approval of the Proposed Continuing Connected Transaction and the Proposed Caps, and the 2010 Logistics Agreement shall have a term of three years from 1 January 2011 to 31 December 2013.

The Group’s pricing policy

In order to flexibly accommodate the different logistics requirements of its customers, the Group has a full menu comprising different logistics services and other value-added services for its customers to choose. In general, the Group has adopted two major pricing policies charging its customers for the logistics services provided, namely the “cost-plus” basis (under which a fee is charged based on the total cost incurred by the Group plus an agreed margin) and the activity-based pricing (under which a fee is charged according to the activities to be carried out). The Group also have other pricing policies such as fixed minimum fee and percentage of sales value of the product(s) handled. The actual service fee agreed with the customers, however, is based on a number of other factors, including the types of services required by the customers, the nature of the customers’ products, the conditions of the relevant local market and the allocation of risk between the Group and its customers. Under the 2010 Logistics Agreement, the fees charged by the Group to the members of LF 1937 Group will be either at market rates or at rates similar to those offered to independent third parties. The management of the Company has confirmed that the service fees charged to the customers (including LF 1937 Group) are based on arm’s length

LETTER FROM INDEPENDENT FINANCIAL ADVISER

commercial negotiation with its customers (including LF 1937 Group), and that the Company will reject any orders (including those from LF 1937 Group) if the service fees cannot be agreed at a level acceptable to the Group.

The Company has maintained a list of connected persons (as defined under the Listing Rules) of the Group which is updated on a regular basis and its accounting system also monitors the monetary amount of the connected transactions with LF 1937 Group to ensure proper compliance with the Listing Rules. The Company also has written internal guidelines requiring the terms of the potential connected transactions between the Group and LF 1937 Group (including its associates) comparable to other similar bids and quotes for independent third parties so as to allow the management of the Company to assess the fairness of the connected transactions. We have reviewed certain sample copies of logistics services agreements (together with the relevant invoices issued) signed with LF 1937 Group and other independent third parties and noted that the logistic services provided to LF 1937 Group are of terms comparable to those offered to other independent third parties.

Having considered the above, we consider that the terms of the 2010 Logistics Agreement are on normal commercial terms and the entering into of the 2010 Logistics Agreement is fair and reasonable and is in the interests of the Company and the Shareholders as a whole.

4. Basis of the Proposed Caps

Set out is a summary of the actual amounts of the continuing connected transactions incurred under the 2008 Logistics Agreement for the two years ended 31 December 2009 and the two months ended 28 February 2010, and the Proposed Caps for the three years ending 31 December 2013:

	For the year ended/ending 31 December					
	2008	2009	2010	2011	2012	2013
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
Annual caps	57,343	88,404	103,195	90,610	112,900	125,400
Actual transaction amount	17,390	25,150	4,738*			
Utilisation	30.33%	28.45%	4.59%*			

* amount represents the actual transaction amount for the two months ended 28 February 2010 under the 2008 Logistics Agreement

As disclosed in the section headed “Letter from the Chairman” of the Circular, the Proposed Caps are determined based on the Group’s planned expansion in its logistics services (including the Group’s potential new projects/bids) with LF 1937 Group, both in-country logistics and end-to-end international supply chain services, particularly in the markets of the U.S. and the U.K. and the business expansion of LF 1937 Group for the three financial years ending 31 December 2013.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

In addition to the above, in deriving the Proposed Caps for the year ending 31 December 2011, the management of the Company has taken into account the adverse impact on the world wide consumer and export markets (particularly the U.S. and the U.K.) resulting from the financial turmoil occurred since the second half of 2008. As such, the Proposed Caps for the year ending 31 December 2011 is set at a lower monetary amount than the annual cap amount for the year ending 31 December 2010, which was determined by the Company in early 2008. On the other hand, the management of the Company considered that the continuous expansion of the distribution network of LF 1937 Group, particularly Li & Fung, Li & Fung Retailing and Trinity, through organic growth and mergers/acquisitions in the U.S., Europe, the PRC and Asia is likely to offer additional business opportunities to the Group. Accordingly, the Proposed Caps for the three years ending 31 December 2013 have been set at a compound annual growth rate of 17.6%.

Having considered the above, we are of the view that it is reasonable for the Group to adopt the above-mentioned bases and assumptions for determining Proposed Caps for the three years ending 31 December 2013.

5. Compliance with the Listing Rules

Pursuant to Rules 14A.37 to 14A.40 of the Listing Rules, the Proposed Continuing Connected Transaction is subject to, among other things, certain annual review requirements, including the review by the independent non-executive Directors and the Company's auditors, of the following:

- (i) for each of the three years ending 31 December 2013, the relevant amount of the Proposed Continuing Connected Transaction will not exceed the relevant Proposed Caps under the 2010 Logistics Agreement;
- (ii) the Proposed Continuing Connected Transaction will be entered into:
 - (a) in the ordinary and usual course of business of the Group;
 - (b) either on normal commercial terms, or if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Group than those available from independent third parties; and
 - (c) in accordance with the 2010 Logistics Agreement on terms that are fair and reasonable and in the interest of the Shareholders;
- (iii) brief details of the Proposed Continuing Connected Transaction will be disclosed in the Company's next and each successive annual report, and each report will be accompanied with a statement of the opinion of the independent non-executive Directors on the matters referred to in paragraph (iv) below;
- (iv) the independent non-executive Directors will review annually the Proposed Continuing Connected Transaction and confirm in the Company's annual report for the year in question that such Proposed Continuing Connected Transaction under their review are and have been conducted in the manners as stated in the paragraph (ii)(a) to (c) above;

LETTER FROM INDEPENDENT FINANCIAL ADVISER

- (v) the Company's auditors will review annually the Proposed Continuing Connected Transaction and confirm in a letter to the Directors in accordance with Rule 14A.38 of the Listing Rules;
- (vi) during the term of the 2010 Logistics Agreement, the Company will allow and will procure that each member of the Group, and LF 1937 will allow and endeavour to procure the relevant counter parties to the Proposed Continuing Connected Transaction, to allow the auditors of the Company sufficient access to the relevant records of the Proposed Continuing Connected Transaction for the purpose of the review of the Company's auditors on the Proposed Continuing Connected Transaction as referred to in paragraph (v) above. The Board will also state in the relevant annual report(s) as to whether the auditors have confirmed the matters stated in Rule 14A.38 of the Listing Rules; and
- (vii) the Company will comply with the applicable provisions of the Listing Rules governing continuing connected transactions in the event that the total amount of the Group's provision of the logistics services under the 2010 Logistics Agreement exceeds the Proposed Caps, if there is any material amendment to the terms of the 2010 Logistics Agreement.

According to the Company Financial Reports and representation by the management of the Company, no irregularities regarding the continuing connected transactions under the 2008 Logistics Agreement for the two years ended 31 December 2009 were identified by the auditors and the independent non-executive Directors.

CONCLUSION AND ANALYSIS

Having considered the principal factors referred from above, in particular:

- (i) the 2010 Logistics Agreement is for the renewal of the 2008 Logistics Agreement which will expire on 31 December 2010 such that the business relationship between the group members of LF 1937 and the Group may continue;
- (ii) the logistics services under the 2010 Logistics Agreement are similar to those under the 2008 Logistics Agreement and the Group has been providing such logistics services to LF 1937 Group for a number of years;
- (iii) the geographical coverage of LF 1937 Group is in line with the Group's logistics network;
- (iv) the pricing terms of the 2010 Logistics Agreement (including the pricing policy) are fair and reasonable; and
- (v) the Proposed Continuing Connected Transaction (including the Proposed Caps) will allow the Group to capture the growth opportunities arisen from the continuous business expansion of LF 1937 Group;

LETTER FROM INDEPENDENT FINANCIAL ADVISER

we are of the view that (i) the Proposed Continuing Connected Transaction is conducted in the ordinary and usual course of business of the Group and on normal commercial terms; (ii) the terms of the 2010 Logistics Agreement (including the Proposed Caps) are fair and reasonable in so far as the Independent Shareholders are concerned; and (iii) the entering into of the 2010 Logistics Agreement is in the interests of the Company and the Shareholders as a whole. Accordingly, we would advise the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the resolution with respect to the Proposed Continuing Connected Transaction (including the Proposed Caps) at the SGM.

Yours faithfully,
for and on behalf of
KBC Bank N.V. Hong Kong Branch

Kenneth Chan
Head of Corporate Finance, Greater China

Gaston Lam
Corporate Finance

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 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

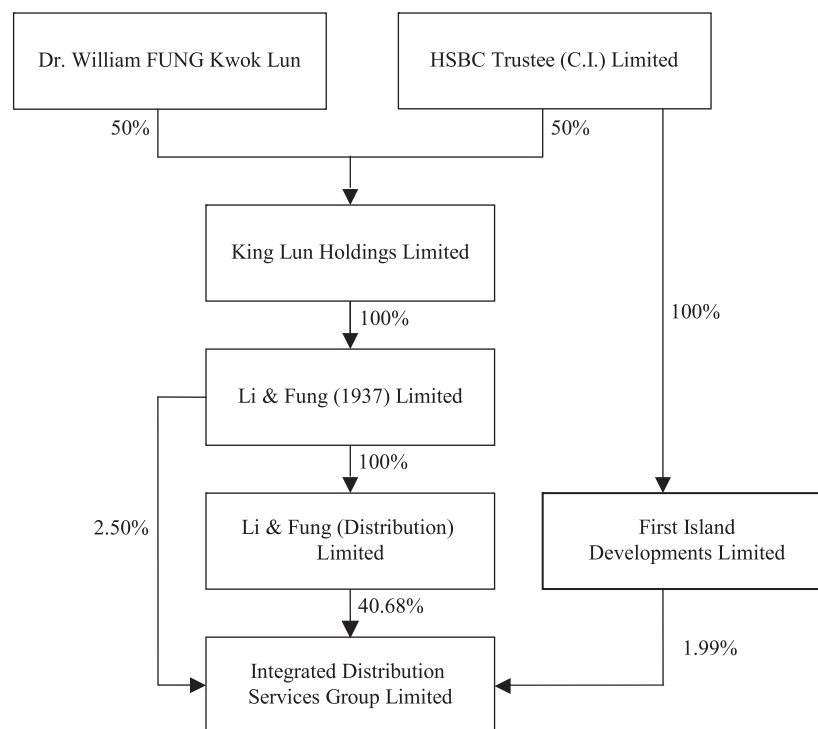
Name of Director	Number of Shares				Number of underlying shares under equity derivatives (Share Options)	Total interest	Approximate percentage of issued share capital (%)
	Personal interest	Family interest	Corporate/trust interest	Other interest			
Dr. Victor FUNG Kwok King	2,405,509	—	145,453,661 <i>(Note 1)</i>	—	—	147,859,170	45.93
Dr. William FUNG Kwok Lun	—	—	139,032,371 <i>(Note 1)</i>	—	—	139,032,371	43.19
Benedict CHANG Yew Teck	4,422,573	—	—	2,647,000 <i>(Note 2a)</i>	8,690,000 <i>(Notes 2b and c)</i>	15,759,573	4.89
Joseph Chua PHI	1,583,632	—	—	—	3,600,000	5,183,632	1.61
LAU Butt Farn	610,549	—	—	—	—	610,549	0.18
John Estmond STRICKLAND	—	—	—	22,000 <i>(Note 3)</i>	—	22,000	0.00

Notes:

- (1) As at the Latest Practicable Date, King Lun Holdings Limited (“King Lun”) through its wholly owned subsidiary, LF 1937, held 100% interest in Li & Fung (Distribution) Limited (“LFD”). LFD held 130,962,364 Shares, representing approximately 40.68% of the issued share capital of the Company. LF 1937 held 8,070,007 Shares, representing approximately 2.50% of the issued share capital of Company.

King Lun was owned (a) as to 50% by HSBC Trustee (C.I.) Limited (which also through First Island Developments Limited indirectly held 6,421,290 Shares, representing approximately 1.99% 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 and LF 1937 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:
- Mr. Benedict CHANG Yew Teck and his wife, LEONG Kim Mei, were joint beneficial owners of these Shares.
 - the beneficial interest of Mr. Benedict CHANG Yew Teck in 4,490,000 underlying shares deriving from 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
 - the deemed interest of Mr. Benedict CHANG Yew Teck in 4,200,000 underlying shares deriving from options granted by LF 1937 to Mikenwill Investments Limited (“Mikenwill”), which is 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, second tranche and third

tranche of 2,100,000 Shares each being exercised on 9 January 2007, 17 September 2007 and 27 June 2008 respectively, and the fourth and fifth tranches having an exercisable period of two years during the period from 1 January 2009 to 31 December 2010 and from 1 January 2010 to 31 December 2011 respectively pursuant to a deed given by LF 1937 in favour of Mikenwill dated 5 January 2007 and a supplemental deed dated 23 December 2009.

- (3) 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 respect of an aggregate of 4,200,000 underlying shares in the Company, representing approximately 1.30% of the total issued Shares. Such interest comprised LF 1937's short position in 4,200,000 underlying shares (being regarded as unlisted physically settled equity derivatives) deriving from a deed given by LF 1937 in favour of Mikenwill dated 5 January 2007 and a supplemental deed dated 23 December 2009, 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, second tranche and third tranche of 2,100,000 Shares each being exercised on 9 January 2007, 17 September 2007 and 27 June 2008 respectively, and the fourth and fifth tranches having an exercisable period of two years during the period from 1 January 2009 to 31 December 2010 and from 1 January 2010 to 31 December 2011 respectively.

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 interest or 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:

<u>Name of Director</u>	<u>Number of Share Options outstanding</u>	<u>Exercise Price</u> <i>HK\$</i>	<u>Grant date</u>	<u>Exercise period</u>
Benedict CHANG	380,000	8.600	16/12/05	01/01/10-31/12/11
Yew Teck	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
	330,000	6.640	14/11/08	01/01/11-31/12/12
	330,000	6.640	14/11/08	01/01/12-31/12/13
	330,000	6.640	14/11/08	01/01/13-31/12/14
	330,000	12.776	27/11/09	01/01/12-31/12/13
	330,000	12.776	27/11/09	01/01/13-31/12/14
	330,000	12.776	27/11/09	01/01/14-31/12/15
Joseph Chua PHI	375,000	4.825	14/12/04	01/01/09-31/12/10
	210,000	8.600	16/12/05	01/01/09-31/12/10
	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
	220,000	6.640	14/11/08	01/01/11-31/12/12
	220,000	6.640	14/11/08	01/01/12-31/12/13
	220,000	6.640	14/11/08	01/01/13-31/12/14
	230,000	12.776	27/11/09	01/01/12-31/12/13
	230,000	12.776	27/11/09	01/01/13-31/12/14
	230,000	12.776	27/11/09	01/01/14-31/12/15

Save as disclosed below, so far as was known to the Directors, none of the Directors is a director or employee of a company which has 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.

As at the Latest Practicable Date, Dr. Victor FUNG Kwok King and Dr. William FUNG Kwok Lun held directorships in Li & Fung (Distribution) Limited, LF 1937 and King Lun Holdings Limited; Mr. Jeremy Paul Egerton HOBBS and Mr. LAU Butt Farn held directorships in LF 1937 and Li & Fung (Distribution) Limited. Li & Fung (Distribution) Limited, LF 1937 and King Lun Holdings Limited had interest in the Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

(II) Material interests

Save as disclosed in the announcement of the Company dated 24 November 2009 under the title of “Continuing Connected Transactions” and 7 April 2010 under the title of “Continuing Connected Transaction”:

- 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 2009, 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 competes or may compete with the business of the Group.

5. INDEPENDENT FINANCIAL ADVISER

The qualification of the Independent Financial Adviser who has given advice contained in this circular is set out as follows:

Name	Qualification
KBC Bank N.V. Hong Kong Branch	KBC Bank N.V., acting through its Hong Kong branch, a licensed bank under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) and a registered institution registered for Type 6 (advising on corporate finance) regulated activities under the SFO

KBC Bank N.V. Hong Kong Branch has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and reference to its name in the form and context in which they respectively appear.

As at the Latest Practicable Date, KBC Bank N.V. Hong Kong Branch did not have any shareholding interests in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, KBC Bank N.V. Hong Kong Branch did not have any interest, direct or indirect, in any assets which have been acquired or disposed of by or leased to any member of the Group, or which are proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2009, being the date to which the latest published audited accounts of the Group have been made up.

The letter given by KBC Bank N.V. Hong Kong Branch is given as of the date of this circular for incorporation herein.

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 2009, 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 registered office of the Company is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.
- (c) 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.
- (d) 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.
- (e) The English text of this circular shall prevail over the Chinese text.

8. DOCUMENT AVAILABLE FOR INSPECTION

A copy of the 2010 Logistics Agreement is 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 13 May 2010.

NOTICE OF SPECIAL GENERAL MEETING



INTEGRATED DISTRIBUTION SERVICES GROUP LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 2387)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that a Special General Meeting of the shareholders of Integrated Distribution Services Group Limited (“the Company”) will be held at East & West Room, 23rd Floor, Mandarin Oriental, 5 Connaught Road, Central, Hong Kong on Thursday, 13 May 2010 at the later of 12:15 p.m. and the conclusion of the annual general meeting of the Company (which is scheduled to be held at 12:00 noon on Thursday, 13 May 2010) for the purpose of considering and, if thought fit, passing, with or without modifications, the following resolution as an ordinary resolution:

ORDINARY RESOLUTION

“**THAT** the entering into of the 2010 Logistics Agreement (as defined in the circular to Shareholders of the Company dated 26 April 2010 (the “Circular”)) by the Company (a copy of which has been produced to the meeting marked “A” and signed by the chairman of the meeting for the purpose of identification), the Proposed Continuing Connected Transaction (as defined in the Circular) and the Proposed Caps (as defined in the Circular) for each of the three years ending 31 December 2013 set out below be and are hereby approved and confirmed:

	Year ending 31 December		
	2011	2012	2013
	US\$90.61 million	US\$112.90 million	US\$125.40 million”

By Order of the Board
YUEN Ying Kwai
Company Secretary

Hong Kong, 26 April 2010

Notes:

- (1) A member entitled to attend and vote at the above meeting may appoint one or, if he/she holds two or more shares, more proxies to attend and vote instead of him/her. A proxy need not be a member of the Company.

NOTICE OF SPECIAL GENERAL MEETING

- (2) In order to be valid, a form of proxy, together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of that power of attorney or authority, shall be deposited with the Company's Hong Kong branch share registrar, Tricor Abacus Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time for holding the meeting or any adjourned meeting. The proxy form is also available on the websites of Hong Kong Exchanges and Clearing Limited at *www.hkexnews.hk* and the Company at *www.idsgroup.com*.
- (3) The chairman of the meeting will demand a poll on the question submitted for determination at the Special General Meeting.