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## **INTEGRATED DISTRIBUTION SERVICES GROUP LIMITED**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 2387)**

### **DISCLOSEABLE TRANSACTION**

#### **DISPOSAL AND LEASEBACK OF PROPERTIES**

The Board of Directors is pleased to announce that on 19 November 2009, the Vendor, a wholly-owned subsidiary of the Company, entered into Sale and Purchase Agreements with the Purchaser whereby the Vendor agreed to dispose of certain land and buildings in Malaysia to the Purchaser at a total cash consideration of RM96 million (approximately HK\$220.64 million). The Vendor has also executed Lease Agreements on the same day in escrow to lease back such land and buildings from the Purchaser.

The Disposal constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules.

#### **SALE AND PURCHASE AGREEMENTS**

##### **Date**

19 November 2009

##### **Parties**

Vendor: IDS Logistics Services (M) Sdn. Bhd., a wholly-owned subsidiary of the Company

Purchaser: OSK Trustees Berhad, as trustee for Axis-REIT

Axis-REIT is a real estate investment trust registered with the Securities Commission, Malaysia owning and investing primarily in commercial, office and office/industrial real estate. To the best of the Directors' knowledge, information and belief and after having made all reasonable enquiry, the Purchaser and its ultimate beneficial owners are Independent Third Parties.

### **Assets to be sold**

*The Bukit Raja Property comprises:*

- (i) GRN 59001 for Lot 26028 in the Mukim Kapar, District of Klang, State of Selangor measuring approximately 25,963 sq. metres with land tenure freehold;
- (ii) HSD 99548 for PT 48025 in the Mukim Kapar, District of Klang, State of Selangor measuring approximately 45,770 sq. metres with land tenure freehold; and
- (iii) the buildings erected on the land described in (i) and (ii) above comprising certain office blocks and warehouse buildings together with all the fixtures and fittings attached, erected or annexed thereto.

*The Prai Property comprises:*

- (i) HSD 37861 for PT 486 in the Mukim 06 District of Seberang Perai Tengah, State of Pulau Pinang measuring approximately 1.7517 hectares with land tenure of 60 years leasehold expiring on 2 November 2053; and
- (ii) HSD 37862 for PT 485 in the Mukim 06 District of Seberang Perai Tengah, State of Pulau Pinang measuring approximately 0.9253 hectares with land tenure of 60 years leasehold expiring on 2 November 2053; and
- (iii) the buildings erected on the land described in (i) and (ii) above comprising certain office blocks and warehouse buildings together with all the fixtures and fittings attached, erected or annexed thereto.

The unaudited book value of the Bukit Raja Property and the Prai Property as at 30 June 2009 were RM62.6 million (HK\$143.87 million) and RM16.9 million (HK\$38.84 million) respectively. The Properties have been held for the Group's own use without generating any income.

## Consideration and Completion

The consideration for the Properties will be payable by the Purchaser to the Vendor in the following manner:

| Consideration                    | Bukit Raja Property                           | Prai Property                                |
|----------------------------------|---|--|
| Deposit (10% of the total price) | RM7,175,000<br>(HK\$16,490,303)<br>(Note 1)   | RM2,425,000<br>(HK\$5,573,378)<br>(Note 2)   |
| Balance (90% of the total price) | RM64,575,000<br>(HK\$148,412,722)<br>(Note 1) | RM21,825,000<br>(HK\$50,160,397)<br>(Note 2) |
| Total selling price              | RM71,750,000<br>(HK\$164,903,025)             | RM24,250,000<br>(HK\$55,733,775)             |

### Notes:

1. The deposit was paid to the Vendor upon the execution of the relevant Sale and Purchase Agreement for the Bukit Raja Property. The balance shall be paid to the Vendor's solicitors as stakeholders on or before 31 December 2009.
2. The deposit was paid to the Purchaser's solicitors as stakeholders in an interest bearing account upon the execution of the relevant Sale and Purchase Agreement for the Prai Property. The Purchaser's solicitors shall release the deposit together with all accrued interest thereon to the Vendor on the date on which the relevant Sale and Purchase Agreement becomes unconditional (the "**Unconditional Date**"). The balance shall be paid to the Vendor's solicitors as stakeholders on or before the expiry of one month from the Unconditional Date, subject to an automatic extension of one additional month provided that the Purchaser shall pay to the Vendor an interest at a rate of 8% per annum on the outstanding sum.

Upon the execution of the Sale and Purchase Agreements, the Vendor has executed a memorandum of transfer and stamping proforma for the purpose of effecting the transfer of the Properties in favour of the Purchaser free from all encumbrances and deposit the same with the Purchaser's solicitors (as stakeholders) which shall present the duly stamped memorandum of transfer for registration at the relevant land office within five working days of the Settlement Date (in the case of the Bukit Raja Property) or five working days from the date of the land office valuation being notified to the Purchaser's solicitors by the relevant land office, whichever date is the later (in the case of the Prai Property). The Vendor's solicitors will release the balance of the consideration to the Vendor within seven working days thereafter.

The consideration for the Properties is derived on a willing-buyer willing-seller basis. For the purpose of determining the consideration, the Group has taken into account, among other things, the valuation of the Bukit Raja Property and the Prai Property at RM65 million (HK\$149.39 million) and RM17.7 million (HK\$40.68 million) respectively in May 2009 based on comparison and/or cost methods of valuation conducted by an independent firm of registered valuers commissioned by the Group.

### **Conditions Precedent**

#### *Bukit Raja Property*

The sale and purchase of the Bukit Raja Property is not subject to any condition precedent.

#### *Prai Property*

The sale and purchase of the Prai Property is conditional upon the consent for (i) the transfer of the Prai Property from the Vendor in favour of the Purchaser and (ii) the lease of the said Property by the Purchaser to the Vendor, to be obtained from the state authority (*Pihak Berkuasa Negeri*) and Penang Development Corporation (*Perbadanan Pembangunan Pulau Pinang*) (if applicable) by the Vendor at its own cost and expense within six months from the date of the Sale and Purchase Agreement or such other extended period that may be mutually agreed between the parties in writing. If such condition is not fulfilled within such period, the Purchaser may terminate the relevant Sale and Purchase Agreement and the Purchaser's Solicitors will be authorised to refund to the Purchaser the deposit (together with all interests accrued) and the relevant Sale and Purchase Agreement will become null and void. The completion of the sale and purchase of the Prai Property is expected to be completed on or before 31 May 2010.

### **LEASEBACK**

The Properties are currently occupied by the Vendor and are intended to be occupied by the Vendor after the Disposal. Simultaneously with the execution of the Sale and Purchase Agreements, the Vendor and the Purchaser have executed in escrow the Lease Agreements which shall then be deposited with the Purchaser's Solicitors as stakeholders. Such leases will be deemed to be commenced on the Settlement Date. The Lease Agreements are for an initial fixed period of 15 years with an option to renew for a further term of 15 years ("**Option Period**").

The monthly rentals for the initial fixed period under the Lease Agreements are set out below:

|   | <b><u>Bukit Raja Property</u></b><br><i>RM (HK\$)</i>   | <b><u>Prai Property</u></b><br><i>RM (HK\$)</i> |
|---|---|---|
| 1 <sup>st</sup> - 3 <sup>rd</sup> years   | 498,069.77(1,144,714)   | 168,596.90 (387,486)                            |
| 4 <sup>th</sup> - 6 <sup>th</sup> years   | 547,876.75(1,259,185)   | 185,456.59(426,235)                             |
| 7 <sup>th</sup> - 9 <sup>th</sup> years   | 602,664.42(1,385,104)   | 204,002.25(468,858)                             |
| 10 <sup>th</sup> - 12 <sup>th</sup> years | to be renegotiated and mutually agreed by the parties based on prevailing market rate at least three months prior to the expiry of the 9th year, subject to an increase of not more than 10% of the preceding monthly rental  |   |
| 13 <sup>th</sup> - 15 <sup>th</sup> years | to be renegotiated and mutually agreed by the parties based on prevailing market rate at least three months prior to the expiry of the 12th year, subject to an increase of not more than 10% of the preceding monthly rental   |   |
| Option Period of 15 years                 | to be renegotiated and mutually agreed by the parties based on prevailing market rate at least three months prior to the expiry of the initial fixed period, subject to such rental review by the lessor (i.e. the Purchaser) at the end of every interval of three years of the option period and an increase of not more than 10% of the preceding monthly rental |   |

A security deposit equivalent to six months of the monthly rental as set out above is required to be maintained at all times and will be returned to the lessee (i.e. the Vendor) within 14 days from the expiry of the initial fixed period or the option period (after deducting any sum by the lessor as allowed under the terms of the Lease Agreements).

#### **REASONS FOR THE DISPOSAL AND LEASEBACK**

The Directors consider that the Disposal and Leaseback allow the Group to achieve its asset light strategy while obtaining long leases for the Group's use.

As a result of the Disposal, the Group is expected to record an unaudited gain of approximately RM16.0 million (HK\$36.77 million) in aggregate after deducting estimated expenses of approximately RM0.5 million (HK\$1.15 million) based on the unaudited book value of the Properties as at 30 June 2009 as mentioned above. Presently, the Group intends to use such net proceeds to reduce bank borrowings and fund any possible capital expenditure and acquisition for the Group.

The Directors consider that the terms of the transactions are fair and reasonable and in the interest of the Company and its shareholders as a whole.

## GENERAL INFORMATION

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.

The largest applicable percentage ratio calculated with reference to the aggregate amount of the selling price of the Properties is more than 5% but less than 25%. The Disposal constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules.

## DEFINITIONS

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

|                             |   |
|-----------------------------|---|
| “Axis-REIT”                 | Axis Real Estate Investment Trust   |
| “Bukit Raja Agreement”      | the sale and purchase agreement dated 19 November 2009 entered into between the Vendor and the Purchaser in respect of the sale and purchase of the Bukit Raja Property   |
| “Bukit Raja Property”       | certain land and buildings together with all the fixtures and fittings attached, erected or annexed thereto (more particularly described above) to be transferred from the Vendor to the Purchaser under the Bukit Raja Agreement |
| “Company”                   | Integrated Distribution Services Group Limited, a company incorporated in Bermuda, shares of which are listed on the Main Board of the Stock Exchange   |
| “Directors”                 | directors of the Company  |
| “Disposal”                  | the disposal of the Properties pursuant to the Sale and Purchase Agreements   |
| “Group”                     | the Company and its subsidiaries  |
| “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   |
| “Lease Agreements”          | the lease agreements executed in escrow upon the execution of the Sale and Purchase Agreements by the Purchaser as lessor and the Vendor as lessee in respect of the leasing of the Properties                                    |
| “Leaseback”                 | the leasing of the Properties pursuant to the Lease Agreements  |
| “Listing Rules”             | the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited  |

|                                |   |
|--------------------------------|---|
| “Properties”                   | the Prai Property and the Bukit Raja Property   |
| “Prai Agreement”               | the sale and purchase agreement dated 19 November 2009 entered into between the Vendor and the Purchaser in respect of the sale and purchase of the Prai Property   |
| “Prai Property”                | certain land and buildings together with all the fixtures and fittings attached, erected or annexed thereto (more particularly described above) to be transferred from the Vendor to the Purchaser under the Prai Agreement |
| “Purchaser”                    | OSK Trustees Berhad, a limited liability company incorporated in Malaysia, as trustee for Axis-REIT   |
| “RM”                           | Ringgit Malaysia, the lawful currency of Malaysia   |
| “Sale and Purchase Agreements” | the Prai Agreement and the Bukit Raja Agreement   |
| “Settlement Date”              | the date on which the Vendor’s Solicitors receive the full payment of the balance of the total selling price for the relevant Properties from the Purchaser   |
| “Vendor”                       | IDS Logistics Services (M) Sdn. Bhd., a limited liability company incorporated in Malaysia  |

*Unless otherwise stated, all references in this Announcement to HK\$ stated in brackets are for information only and are referenced to Hong Kong Dollars based on an approximate exchange rate of RM1 = HK\$2.2983. No representation is made that any amounts in RM has been or could be converted at the above rate or at any other rate or at all.*

By Order of the board of Directors  
**YUEN Ying Kwai**  
*Company Secretary*

Hong Kong, 19 November 2009

*The executive Directors are Mr. Benedict CHANG Yew Teck and Mr. Joseph Chua PHI; the non-executive Directors are Dr. Victor FUNG Kwok King, Dr. William FUNG Kwok Lun, Mr. Jeremy Paul Egerton HOBBS and Mr. LAU Butt Farn; and the independent non-executive Directors are Mr. John Estmond STRICKLAND, Dr. FU Yu Ning, Prof. LEE Hau Leung and Mr. Andrew TUNG Lieh Cheung.*