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LI & FUNG LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 494)



**INTEGRATED DISTRIBUTION SERVICES
GROUP LIMITED**

(Incorporated in Bermuda with limited liability)

(Stock Code: 2387)

**JOINT ANNOUNCEMENT
PROPOSED ACQUISITION BY
LI & FUNG LIMITED
OF
INTEGRATED DISTRIBUTION SERVICES GROUP LIMITED
BY WAY OF PRIVATISATION
PURSUANT TO A SCHEME OF ARRANGEMENT
(UNDER SECTION 99 OF THE COMPANIES ACT)
AND
DISCLOSEABLE AND CONNECTED TRANSACTION FOR
LI & FUNG LIMITED
AND
DESPATCH OF SCHEME DOCUMENT AND OPTION OFFER LETTER**

Financial adviser to Li & Fung Limited

J.P.Morgan

**Independent financial adviser to the independent board committee of
Integrated Distribution Services Group Limited**



The Scheme Document has been despatched to each of the IDS Shareholders and the IDS Optionholders and the Option Offer Letter has been despatched to each of the IDS Optionholders on Tuesday, 14 September 2010.

The respective notices of the Court Meeting and the IDS SGM to be held on Thursday, 7 October 2010 are set out in the Scheme Document.

The IDS Independent Shareholders and the IDS Optionholders should consider carefully the recommendation of the IDS IBC and the factors, reasons and the recommendation in relation to the Proposal as set out in the letter from ANZ, the independent financial adviser to the IDS IBC, before taking any action in respect of the Proposal.

WARNING: Li & Fung Shareholders, IDS Shareholders, IDS Optionholders and/or potential investors should be aware that the Scheme will only become effective upon all the Conditions being satisfied or validly waived (as applicable). The Scheme may or may not become effective, and the Option Offer may or may not become unconditional. Li & Fung Shareholders, IDS Shareholders, IDS Optionholders and/or potential investors should therefore exercise caution when dealing in IDS Shares and/or Li & Fung Shares. Persons who are in doubt as to the action they should take should consult their licensed securities dealer, registered institution in securities, bank manager, solicitor or other professional adviser.

As the default option under the Scheme is the Cash Alternative, CCASS Shareholders whose IDS Shares remain in the name of HKSCC Nominees will receive the Cash Alternative should the Scheme become effective.

INTRODUCTION

Reference is made to the joint announcement dated 12 August 2010 made by Li & Fung and IDS (the "**Joint Announcement**") and the Scheme Document dated 14 September 2010. Terms defined in the Scheme Document shall have the same meanings when used herein unless the context requires otherwise.

DESPATCH OF THE SCHEME DOCUMENT AND THE OPTION OFFER LETTER

The Scheme Document has been despatched to each of the IDS Shareholders and the IDS Optionholders and the Option Offer Letter has been despatched to each of the IDS Optionholders on Tuesday, 14 September 2010.

The Scheme Document contains, inter alia, further details of the Proposal and the Scheme, the Option Offer, the expected timetable, the explanatory statement as required under the Companies Act, information regarding the IDS Group and the Li & Fung Group, the letter from the IDS IBC giving its recommendation to the IDS Independent Shareholders and the IDS Optionholders on the Proposal, the letter from ANZ, the independent financial adviser to the IDS IBC, giving its advice and recommendation to the IDS IBC on the Proposal and the notices of the Court Meeting and the IDS SGM.

The IDS Independent Shareholders and the IDS Optionholders should consider carefully the recommendation of the IDS IBC and the factors, reasons and the recommendation in relation to the Proposal as set out in the letter from ANZ before taking any action in respect of the Proposal.

COURT MEETING AND IDS SGM

The Court Meeting and the IDS SGM will be held at 11:00 a.m. and 11:30 a.m. (or at such time immediately after the Court Meeting shall have been concluded or adjourned, whichever is the later) respectively on Thursday, 7 October 2010 at Pheasant-Jasmine Room, 1st Floor, Mandarin Oriental, 5 Connaught Road, Central, Hong Kong. Notices of the Court Meeting and the IDS SGM are set out in the Scheme Document.

In accordance with the direction of the Court, the Court Meeting is convened for the purpose of considering and, if thought fit, passing a resolution to approve the Scheme (with or without modification(s)). The Scheme will be subject to the approval of the IDS Independent Shareholders at the Court Meeting in the manner referred to in the section headed “Explanatory Statement — Conditions of the Scheme” of the Scheme Document. The resolution will be passed provided that it is approved by a majority in number of the IDS Independent Shareholders present and voting at the Court Meeting representing not less than three-fourths in value of those IDS Shares that are voted by the IDS Independent Shareholders at the Court Meeting either in person or by proxy. In addition, such resolution will only be considered to have been passed under Rule 2.10 of the Takeovers Code if the Scheme is approved (by way of poll) by at least 75% of the votes attaching to the IDS Shares held by the IDS Independent Shareholders that are voted either in person or by proxy at the Court Meeting, provided that the number of votes cast against the resolution to approve (by way of poll) the Scheme at the Court Meeting is not more than 10% of the votes attaching to all the IDS Shares held by the IDS Independent Shareholders.

As at 10 September 2010, being the Latest Practicable Date, there were 325,855,000 IDS Shares in issue, of which 179,485,281 IDS Shares were held by the IDS Independent Shareholders.

The IDS SGM will be held immediately after the Court Meeting for the purpose of considering and, if thought fit, passing a special resolution to approve, among other things, the allotment and issue of 120,000 new IDS Shares to Li & Fung and the reduction of the issued share capital of IDS by cancelling and extinguishing the Scheme Shares. All IDS Shareholders will be entitled to attend and vote on such special resolution at the IDS SGM. The special resolution will be passed provided that it is approved by a majority of not less than three-fourths of the votes cast by the IDS Shareholders who, being entitled so to do, are present and vote, in person or by proxy, at the IDS SGM.

CLOSURE OF REGISTER OF MEMBERS OF IDS

It is proposed that the register of members of IDS will be closed on Tuesday, 5 October 2010 (or such other date as may be notified to the IDS Shareholders by way of announcement(s)) and until Thursday, 7 October 2010 (both days inclusive) in order to determine entitlements of the IDS Independent Shareholders to attend and vote at the Court Meeting and the IDS Shareholders to attend and vote at the IDS SGM. In order to qualify to attend and vote at the Court Meeting and the IDS SGM, the IDS Shareholders should ensure that the relevant forms of transfer of their IDS Shares are lodged with the IDS Registrar, Tricor Abacus Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong by not later than 4:30 p.m. on Monday, 4 October 2010.

In the event the Scheme is approved at the Court Meeting and is sanctioned by the Court and the other conditions are fulfilled or validly waived (as applicable), it is proposed that the latest time for dealings in the IDS Shares on the Stock Exchange will be 4:00 p.m. on Wednesday, 13 October 2010 and that the register of members of IDS will be closed on Tuesday, 19 October 2010 (or such other date as may be notified to the IDS Shareholders by way of announcement(s)) and until Friday, 22 October 2010 (both days inclusive) in order to determine IDS Shareholders who are qualified for entitlements under the Scheme. In order to qualify for entitlement under the Scheme, the IDS Shareholders should ensure that the relevant forms of transfer of their IDS Shares are lodged for registration by not later than 4:30 p.m. on Monday, 18 October 2010.

IDS OPTIONHOLDERS

For the IDS Optionholders who wish to accept the Option Offer, the forms of acceptance in relation to the Option Offer appended to the Option Offer Letters, duly completed in accordance with the instructions thereon, must be returned to Li & Fung c/o IDS, at 1st Floor, LiFung Tower, 888 Cheung Sha Wan Road, Kowloon, Hong Kong, for the attention of the Li & Fung Board and marked "IDS-Option Offer", so as to reach Li & Fung not later than 4:30 p.m. on Friday, 22 October 2010 (or such later time and/or date as may be notified through announcement(s)), failing which the IDS Share Options granted under the IDS Option Scheme that are not exercised or cancelled pursuant to the acceptance of the Option Offer will automatically lapse upon the Scheme becoming effective.

CONDITIONS OF THE SCHEME

Li & Fung Shareholders, IDS Shareholders, IDS Optionholders and/or potential investors should be aware that the Scheme will only become effective upon all the Conditions being satisfied or validly waived (as applicable). The Scheme may or may not become effective, and the Option Offer may or may not become unconditional. Subject to all the Conditions being satisfied or validly waived (as applicable), the Scheme is expected to become effective on or around 22 October 2010. Details of the Conditions are set out in the Scheme Document. As at the date hereof, Conditions (i) and (l) have been satisfied. The Scheme will lapse if it does not become effective on or before 31 December 2010 or such later date as may be proposed by Li & Fung and permitted by the Executive. The IDS Shareholders will be notified accordingly by announcement(s).

The IDS Directors intend that the listing of the IDS Shares on the Stock Exchange will be withdrawn if the Scheme becomes effective or will be maintained in the event that the Scheme is not approved or is withdrawn.

Li & Fung Shareholders, IDS Shareholders, IDS Optionholders and/or potential investors should therefore exercise caution when dealing in IDS Shares and/or Li & Fung Shares. Persons who are in doubt as to the action they should take should consult their licensed securities dealer, registered institution in securities, bank manager, solicitor or other professional adviser.

EXPECTED TIMETABLE

The following timetable takes into account the Court procedures for the Scheme. The expected timetable is indicative only and is subject to change. Further announcement(s) will be made if there is any change to the following expected timetable.

Hong Kong time
2010

Despatch of the Scheme Document	Tuesday, 14 September
Despatch of the Option Offer Letter to IDS Optionholders in connection with the Option Offer	Tuesday, 14 September
Latest time for lodging forms of transfer of IDS Shares to qualify for attending and voting at the Court Meeting and the IDS SGM	4:30 p.m. on Monday, 4 October
Register of members of IDS closed (<i>Note 1</i>)	Tuesday, 5 October to Thursday, 7 October (both days inclusive)
Latest time for lodging the pink form of proxy in respect of the Court Meeting (<i>Note 2</i>)	11:00 a.m. on Tuesday, 5 October
Latest time for lodging the white form of proxy in respect of the IDS SGM (<i>Note 2</i>)	11:30 a.m. on Tuesday, 5 October
Suspension of trading in IDS Shares	9:30 a.m. on Thursday, 7 October
Court Meeting (<i>Note 3</i>)	11:00 a.m. on Thursday, 7 October
IDS SGM (<i>Note 3</i>)	11:30 a.m. on Thursday, 7 October (or at such time immediately after the Court Meeting shall have been concluded or adjourned, whichever is the later)
Announcement of the results of the Court Meeting and the IDS SGM	not later than 7:00 p.m. on Thursday, 7 October
Resumption of trading in IDS Shares	9:30 a.m. on Friday, 8 October
Last day for dealings in IDS Shares on the Stock Exchange	Wednesday, 13 October
Suspension of dealings in IDS Shares pending withdrawal of listing	9:30 a.m. on Thursday, 14 October

Latest time for IDS Optionholders to exercise their IDS Share Options in order to qualify for entitlements under the Scheme	5:30 p.m. on Friday, 15 October
Court Hearing (<i>Note 4</i>)	Friday, 15 October (<i>Bermuda time</i>)
Announcement of the result of the Court Hearing, the expected Effective Date and the expected date of withdrawal of listing of IDS Shares on the Stock Exchange	Monday, 18 October
Latest time for lodging forms of transfer of IDS Shares to qualify for entitlements under the Scheme	4:30 p.m. on Monday, 18 October
Register of members of IDS closed (<i>Note 5</i>)	Tuesday, 19 October to Friday, 22 October (both days inclusive)
Latest time for lodging the Election Form(<i>Note 6</i>)	4:30 p.m. on Friday, 22 October
Latest time for lodging the form of acceptance in relation to the Option Offer (<i>Note 7</i>)	4:30 p.m. on Friday, 22 October
Registration of the order of the Court to sanction the Scheme at the Bermuda Registrar of Companies (<i>Note 4 and Note 8</i>)	Friday, 22 October (<i>Bermuda time</i>)
Record Date	4:30 p.m. on Friday, 22 October
Effective Date (<i>Note 8</i>)	Friday, 22 October
Lapse of unexercised outstanding IDS Share Options.....	Friday, 22 October
Withdrawal of the listing of the IDS Shares on the Stock Exchange becomes effective	9:30 a.m. on Monday, 25 October
Announcement of the Effective Date and the withdrawal of the listing of the IDS Shares on the Stock Exchange	Monday, 25 October
Cheques for cash entitlements under the Scheme (if applicable) and the Option Offer to be despatched (<i>Note 9</i>)	on or before Monday, 1 November
Allotment and issue of Li & Fung Shares pursuant to the Share Alternative (if applicable) and despatch of share certificates of Li & Fung Shares to those Scheme Shareholders entitled thereto (<i>Note 9</i>)	on or before Monday, 1 November

Notes:

1. The register of members of IDS will be closed during such period for the purposes of determining entitlement of the IDS Independent Shareholders to attend and vote at the Court Meeting and the entitlement of the IDS Shareholders to attend and vote at the IDS SGM. This book close period is not for determining entitlements under the Scheme.

2. Forms of proxy should be lodged with the IDS Registrar, Tricor Abacus Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event not later than the respective times and dates stated above or, in the case of the pink forms of proxy for use at the Court Meeting, they may be handed to the Chairman of the Court Meeting. Completion and return of the relevant form of proxy for the Court Meeting or the IDS SGM will not preclude an IDS Independent Shareholder and an IDS Shareholder, respectively from attending the relevant meeting and voting in person. In such event, the relevant form of proxy returned will be deemed to have been revoked.

A Beneficial Owner whose IDS Shares are registered in the name of a Registered Owner should contact such Registered Owner to give instructions to or to make arrangements with such Registered Owner as to the manner in which the IDS Shares beneficially owned by the Beneficial Owner should be voted at the Court Meeting and/or the IDS SGM. Such instructions or arrangements should be given or made in advance of the aforementioned latest time for the lodgement of forms of proxy in respect of the Court Meeting and/or the IDS SGM in order to provide the Registered Owner with sufficient time to accurately complete his, her or its proxy and to submit it by the deadline stated above. To the extent that any Registered Owner requires instructions from or arrangements to be made with any Beneficial Owner at a particular date or time in advance of the aforementioned latest time for the lodgement of forms of proxy in respect of the Court Meeting and the IDS SGM, then any such Beneficial Owner should comply with the requirements of the Registered Owner.

Any Beneficial Owner whose IDS Shares are deposited in CCASS and registered under the name of HKSCC Nominees Limited must, unless such Beneficial Owner is a person admitted to participate in CCASS as an investor participant, contact his, her or its broker, custodian, nominee, or other relevant person who is, or has, in turn, deposited such IDS Shares with, the other CCASS participant regarding voting instructions to be given to such persons if he, she or it wishes to vote in respect of the Scheme. The same timeframes for contacting his, her or its broker, custodian, nominee or other relevant person as set out in the previous paragraph apply to such Beneficial Owner. The procedure for voting in respect of the Scheme by the investor participants and the other CCASS participants with respect to IDS Shares registered under the name of HKSCC Nominees Limited shall be in accordance with the "General Rules of CCASS" and the "CCASS Operational Procedures".

3. The Court Meeting and the IDS SGM will be held at Pheasant-Jasmine Room, 1st Floor, Mandarin Oriental, 5 Connaught Road, Central, Hong Kong at the times and dates specified above. Please see the notice of the Court Meeting set out on pages N-1 to N-2 and the notice of the IDS SGM set out on pages SGM-1 to SGM-3 of the Scheme Document for details.
4. All references in the Scheme Document to times and dates are references to Hong Kong times and dates, other than references to the expected dates of the Court Hearing and the registration of the order of the Court, which are the relevant times and dates in Bermuda. Bermuda time is 11 hours behind Hong Kong time.
5. The register of members of IDS will be closed during such period for the purposes of determining IDS Shareholders who are qualified for entitlements under the Scheme. Entitlements under the Scheme will be based on the actual number of IDS Shares held by the Scheme Shareholders as at the Record Date i.e. 4:30 p.m. on Friday, 22 October 2010.
6. Election Forms, correctly completed in accordance with the instructions thereon, must be lodged with the IDS Registrar, Tricor Abacus Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, not later than the time and date stated above (or such later time and/or date as may be notified through announcement(s)), failing which an Election Form shall not be treated as valid and the IDS Shareholders (other than the Committed Shareholders) purporting to make the election shall not, for any purpose, be entitled to receive the Share Alternative but shall instead receive the Cash Alternative.

7. The form of acceptance in relation to the Option Offer, which is appended to the Option Offer Letter to the IDS Optionholders, duly completed in accordance with the instructions thereon must be returned to Li & Fung c/o IDS, at 1st Floor, LiFung Tower, 888 Cheung Sha Wan Road, Kowloon, Hong Kong, for the attention of the Li & Fung Board and marked "IDS-Option Offer", so as to reach Li & Fung not later than 4:30 p.m. on Friday, 22 October 2010 (or such later time and/or date as may be notified through announcement(s)), failing which the IDS Share Options granted under the IDS Option Scheme that are not exercised or cancelled pursuant to the acceptance of the Option Offer will automatically lapse upon the Scheme becoming effective. Copies of the Option Offer Letter and the form of acceptance in relation to the Option Offer to the IDS Optionholders can also be obtained from the company secretary of IDS, at 1st Floor, LiFung Tower, 888 Cheung Sha Wan Road, Kowloon, Hong Kong subsequent to the despatch of the same and at any time before 4:30 p.m. on Friday, 22 October 2010.
8. The Scheme shall become effective upon all the conditions set out in the section headed "Explanatory Statement — Conditions of the Scheme" on page 72 to 76 of the Scheme Document having been fulfilled or validly waived (as applicable).
9. Cheques for cash entitlements in respect of the Cash Alternative or share certificates of Li & Fung in respect of the Share Alternative under the Scheme and payment pursuant to the Option Offer to the IDS Optionholders will be despatched by ordinary post at the risk of the recipients to their registered addresses shown in the register of members of IDS and to the last known addresses of the IDS Optionholders as notified by the IDS Optionholders to IDS on or before Monday, 1 November 2010.

GENERAL

Any Scheme Shareholder who holds Scheme Shares as a nominee, trustee or registered owner in any other capacity will not be treated differently from any other Registered Owner. A Beneficial Owner whose IDS Shares are registered in the name of a Registered Owner should contact such Registered Owner to give instructions to and, or to make arrangements with such Registered Owner as to the election of the form of the Cancellation Consideration. A Beneficial Owner may consider whether he, she or it wishes to arrange for the registration of the relevant IDS Shares in his, her or its name prior to the Record Date.

Beneficial Owners who have deposited their respective IDS Shares with CCASS (the "**CCASS Shareholders**") through their respective brokers, custodians or nominees, or for CCASS Investor Participants with their IDS Shares lodged with CCASS, should bear in mind that their IDS Shares are registered in the name of HKSCC Nominees Limited ("**HKSCC Nominees**"), which is recognised as the registered holder of all such IDS Shares. In connection with the election of the Share Alternative or the Cash Alternative, HKSCC Nominees will not be treated differently from any other Registered Owner. HKSCC Nominees is therefore unable to elect a combination of the Share Alternative and the Cash Alternative depending on the wishes of the CCASS Shareholders. As the default option under the Scheme is the Cash Alternative, CCASS Shareholders whose IDS Shares remain in the name of HKSCC Nominees will receive the Cash Alternative should the Scheme become effective.* Therefore, the CCASS Shareholders who wish to elect to receive the Share Alternative must arrange for their IDS Shares to be registered in their names on the register of members of IDS by contacting their respective brokers, custodians, nominees or other relevant persons who have deposited such IDS Shares with a CCASS participant, or for CCASS Investor Participants to submit withdrawal instruction via the CCASS Phone System or CCASS Internet System, to arrange for their respective IDS Shares to be withdrawn from CCASS and registered in their respective names on the register of members of IDS. CCASS Shareholders who wish to withdraw their IDS Shares from CCASS will have to pay a withdrawal fee of HK\$3.50 per board lot and for any remaining odd lot. In order to be in a position to elect to receive the Share Alternative, CCASS

Shareholders must arrange for their IDS Shares to be registered in their respective names on the register of members of IDS by lodging with the IDS Registrar, Tricor Abacus Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, duly completed forms of transfer of IDS Shares **not later than 4:30 p.m. on Monday, 18 October 2010**. Any CCASS Shareholder who does not arrange for their IDS Shares to be registered in his name will receive the Cash Alternative should the Scheme become effective. **CCASS Shareholders should contact their respective brokers, custodians or nominees as soon as possible if they intend to elect to receive the Share Alternative.**

**It is stated in the Scheme Document that HKSCC Nominee's default option is the Cash Alternative. Please note that this is the default option under the Scheme and not HKSCC Nominee's own chosen default position. However, the fact remains that CCASS Shareholders whose IDS shares remain in the name of HKSCC Nominees will receive the Cash Alternative should the Scheme become effective.*

The Scheme Document (in both English and Chinese versions) is also available on Li & Fung's website at www.lifung.com and IDS's website at www.idsgroup.com.

By order of the board of directors of

LI & FUNG LIMITED

Bruce Philip Rockowitz
Executive Director

By order of the board of directors of

**INTEGRATED DISTRIBUTION
SERVICES GROUP LIMITED**

Benedict Chang Yew Teck
Executive Director

Hong Kong, 14 September 2010

As at the date of this announcement, the Li & Fung Board comprises the following directors:

Non-executive Li & Fung Directors:

Dr. Victor Fung Kwok King (Chairman)

*Mr. Paul Edward Selway-Swift**

*Mr. Allan Wong Chi Yun**

*Mr. Franklin Warren McFarlan**

*Mr. Makoto Yasuda**

*Mr. Martin Tang Yue Nien**

** Independent non-executive Li & Fung Directors*

Executive Li & Fung Directors:

*Dr. William Fung Kwok Lun (Managing
Director)*

Mr. Bruce Philip Rockowitz

Mr. Spencer Theodore Fung

As at the date of this announcement, the IDS Board comprises the following directors:

Non- executive IDS Directors:

Dr. Victor Fung Kwok King

Dr. William Fung Kwok Lun

Mr. Jeremy Paul Egerton Hobbins

Mr. Lau Butt Farn

Mr. John Estmond Strickland#

Dr. Fu Yu Ning#

Prof. Lee Hau Leung#

Mr. Andrew Tung Lieh Cheung#

Independent non-executive IDS Directors

Executive IDS Directors:

Mr. Benedict Chang Yew Teck

Mr. Joseph Chua Phi

The Li & Fung Directors jointly and severally accept full responsibility for the accuracy of the information contained in this announcement (other than that relating to the IDS Group) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this announcement (other than those expressed by the IDS Group) have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any statement in this announcement (other than that relating to the IDS Group) misleading.

The IDS Directors jointly and severally accept full responsibility for the accuracy of information contained in this announcement relating to the IDS Group and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this announcement by the IDS Group have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any statement in the announcement relating to the IDS Group misleading.