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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
RESUMPTION OF TRADING IN LI & FUNG SHARES AND IDS
SHARES**

Financial adviser to Li & Fung Limited

J.P.Morgan

Introduction

The Li & Fung Board and the IDS Board wish to announce that on 12 August 2010, Li & Fung requested the IDS Board to put forward a proposal to the Scheme Shareholders regarding a proposed acquisition of IDS by way of privatisation pursuant to a scheme of arrangement under Section 99 of the Companies Act involving cancellation of all the Scheme Shares and allotment and issue of new IDS Shares to Li & Fung. As part of the Proposal, Li & Fung will make a comparable cash offer to the IDS Optionholders to cancel their outstanding IDS Share Options. Upon the Scheme becoming effective, IDS will become a wholly owned subsidiary of Li & Fung, and the listing of IDS Shares on the Stock Exchange will be withdrawn.

The Proposal

The terms of the Proposal are as follows:

The Scheme

Subject to the Scheme becoming effective, all the Scheme Shares will be cancelled in exchange for either:

(a) **Cash Alternative:**

For every Scheme ShareHK\$21.00 in cash

(b) **Share Alternative:**

For every Scheme Share0.585 Li & Fung Share

The Scheme Shareholders may elect either the Cash Alternative or the Share Alternative as the form of Cancellation Consideration in respect of their entire holdings of Scheme Shares (but not, for the avoidance of doubt, a combination of the two).

The cash consideration of HK\$21.00 per Scheme Share under the Cash Alternative represents a premium of approximately:

- 36.19% over the closing price of HK\$15.42 per IDS Share on 9 August 2010 (being the last trading day in IDS Shares immediately preceding the Announcement Date);
- 42.86% over the closing price of HK\$14.70 per IDS Share on 6 August 2010 (being the last trading day in IDS Shares in the week immediately preceding the Announcement Date);
- 43.91% over the average closing price of approximately HK\$14.59 per IDS Share based on the daily closing prices as quoted on the Stock Exchange for the 1 week up to and including 6 August 2010;
- 43.46% over the average closing price of approximately HK\$14.64 per IDS Share based on the daily closing prices as quoted on the Stock Exchange for the 1 month up to and including 6 August 2010; and

- 51.32% over the average closing price of approximately HK\$13.88 per IDS Share based on the daily closing prices as quoted on the Stock Exchange for the 3 months up to and including 6 August 2010.

If all Scheme Shareholders (other than the Committed Shareholders, which have irrevocably undertaken to elect the Share Alternative; and assuming that Mikenwill will elect the Cash Alternative in respect of the Mikenwill Option Shares to be transferred to Mikenwill pursuant to the full exercise of the Mikenwill Call Option) elect for the Cash Alternative, the amount of cash required for the Proposal is approximately HK\$4,382,849,520 (assuming all IDS Optionholders exercising their outstanding IDS Share Options to become Scheme Shareholders before the Record Date) or approximately HK\$4,076,971,339 (assuming no IDS Optionholders exercising their outstanding IDS Share Options to become Scheme Shareholders before the Record Date).

The exchange ratio of 0.585 Li & Fung Share for every Scheme Share cancelled under the Share Alternative values each IDS Share at HK\$21.00, which is the same as the cash consideration under the Cash Alternative, based on the closing price of HK\$35.90 per Li & Fung Share on 6 August 2010 (being the last trading day in Li & Fung Shares in the week immediately preceding the Announcement Date). The exchange ratio was determined by Li & Fung with reference to the closing price of Li & Fung Shares on 6 August 2010 (being the last trading day in Li & Fung Shares in the week immediately preceding the Announcement Date).

The actual number of new Li & Fung Shares for allotment and issuance under the Proposal will be determined on the last day for the election of Cancellation Consideration, but in any event shall be not more than 202,377,825 new Li & Fung Shares (assuming all IDS Share Options being fully exercised and all Scheme Shareholders electing the Share Alternative), representing approximately 5.31% of the existing issued share capital of Li & Fung, or approximately 5.04% of the enlarged issued share capital of Li & Fung.

The cash offer to IDS Optionholders

As part of the Proposal, Li & Fung will make a cash offer to the IDS Optionholders to cancel their outstanding IDS Share Options which will be conditional on the Scheme becoming effective. The cash offer for every IDS Share Option to be cancelled will be the "see-through" price, which shall be calculated by deducting the exercise price per IDS Share payable on exercise of the relevant IDS Share Option from the cash consideration per Scheme Share under the Cash Alternative. For those IDS Share Options with an exercise price per IDS Share higher than the cash consideration per Scheme Share under the Cash Alternative, the "see-through" price is zero and a cash offer of a nominal amount (which is currently expected to be HK\$1.00 per 10,000 2007 Options) will be made. The terms of the cash offer to the IDS Optionholders will be set out in the Scheme Document.

Financial resources

J.P.Morgan has been appointed as the financial adviser to Li & Fung in respect of the Proposal. Li & Fung intends to finance all the amount payable under the Proposal by its internal resources. J.P.Morgan is satisfied that sufficient financial resources are available to Li & Fung for the implementation of the Proposal.

Conditions of the Scheme

The Scheme is conditional upon the satisfaction or valid waiver (as applicable) of the conditions described in the section headed "Conditions of the Scheme" below. All Conditions will have to be satisfied or validly waived (as applicable), on or before a long-stop date to be set out in the Scheme Document (which is expected to be no later than 90 days after the date to be scheduled for the Court Meeting and the IDS SGM or such later date as may be proposed by Li & Fung and permitted by the Executive), otherwise the Scheme will not become effective. When the Conditions are satisfied or validly waived (as applicable), the Scheme will become effective and binding on IDS and all the Scheme Shareholders.

Shareholding Structure

As at the Announcement Date, there are 324,354,500 IDS Shares in issue and all of the IDS Shares are held by the Scheme Shareholders. Save for the Interested Shareholders, Li & Fung and persons acting in concert with it do not hold any IDS Shares as at the Announcement Date. The Interested Shareholders hold 146,369,719 IDS Shares in aggregate (representing approximately 45.13% of the issued share capital of IDS) as at the Announcement Date. Li & Fung and persons acting in concert with it (including the Interested Shareholders) will not vote at the Court Meeting. All IDS Independent Shareholders shall be entitled to vote at the Court Meeting and all IDS Shareholders shall be entitled to vote at the IDS SGM.

As at the Announcement Date, the IDS Independent Shareholders hold 177,984,781 IDS Shares in aggregate (representing approximately 54.87% of the issued share capital of IDS), inclusive of a total of 9,641,205 IDS Shares (representing approximately 2.97% of the issued share capital of IDS) held by certain IDS Directors, including Mr. Benedict Chang Yew Teck (an executive IDS Director) who together with his wife holds 7,599,573 IDS Shares, Mr. Joseph Chua Phi (an executive IDS Director) who holds 2,019,632 IDS Shares and Mr. John Estmond Strickland (an independent non-executive IDS Director) who together with his wife holds 22,000 IDS Shares.

Irrevocable undertakings

Li & Fung has received an Irrevocable Undertaking from each of the Committed Shareholders, pursuant to which each of the Committed Shareholders has undertaken (a) to vote to approve the Proposal at the IDS SGM in respect of his/its Committed Shares, and (b) to elect the Share Alternative in respect of his/its Committed Shares. Save as disclosed above, as at the Announcement Date, none of Li & Fung and persons acting in concert with it (including the Interested Shareholders) has received any irrevocable commitment from the IDS Independent Shareholders in respect of voting at the Court Meeting.

Withdrawal of listing of IDS Shares

The IDS Board will apply to the Stock Exchange for the withdrawal of the listing of IDS Shares on the Stock Exchange immediately following the effective date of the Scheme. The IDS Board intends that the listing of IDS Shares on the Stock Exchange shall be maintained in the event that the Scheme is not approved or does not become effective.

Independent financial adviser of Li & Fung in respect of the Proposal

The independent non-executive Li & Fung Directors have appointed BNP Paribas as the independent financial adviser for the purposes of Rule 2.4 of the Takeovers Code and Rule 13.39(6)(b) of the Listing Rules.

Discloseable and connected transaction for Li & Fung

Since the highest of all applicable percentage ratios of the transactions contemplated under the Proposal is above 5% but below 25%, the Proposal constitutes a discloseable transaction for Li & Fung under the Listing Rules. In addition, since LF 1937, a substantial shareholder of Li & Fung, directly and indirectly holds a 42.22% interest in IDS, the Proposal constitutes a connected transaction for Li & Fung under the Listing Rules. Since the highest of all applicable percentage ratios (other than the profit ratio) of the transactions contemplated under the Proposal is above 5%, the Proposal is subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

LF 1937 and its associates shall abstain from voting on the resolutions in connection with the approval of the Proposal. The Li & Fung IBC, comprising all the independent non-executive Li & Fung Directors, has been established to advise the Li & Fung Independent Shareholders on the Proposal. BNP Paribas has been appointed to advise the Li & Fung IBC and the Li & Fung Independent Shareholders on the Proposal.

A circular containing, amongst others, (1) further information on the Proposal; (2) the recommendation from the Li & Fung IBC in respect of the Proposal; (3) the full advice from BNP Paribas to the Li & Fung IBC and the Li & Fung Independent Shareholders in respect of the Proposal; and (4) notice of the special general meeting of Li & Fung to be held for the purposes of considering and, if thought fit, approving, among other matters, the Proposal, will be despatched to the Li & Fung Shareholders on or before 2 September 2010 in accordance with the Listing Rules.

General

The IDS IBC

The IDS IBC has been appointed to advise the IDS Independent Shareholders and the IDS Optionholders on the Proposal. The IDS IBC will appoint an independent financial adviser to advise it in respect of the Proposal in due course. A further announcement will be made by IDS upon the appointment of the independent financial adviser.

Despatch of the Scheme Document

IDS will send to the IDS Shareholders and the IDS Optionholders a Scheme Document containing, among other things, further details about the Scheme and the cash offer to the IDS Optionholders to cancel their outstanding IDS Share Options, recommendations from the IDS IBC, a letter of advice from the independent financial adviser to the IDS IBC and the IDS Independent Shareholders, a notice of the Court Meeting and a notice of the IDS SGM as soon as practicable in accordance with the Takeovers Code.

Suspension and resumption of trading in Li & Fung Shares and IDS Shares

At the request of IDS, trading in IDS Shares on the Stock Exchange was suspended from 9:30 a.m. on 10 August 2010 pending the issue of this announcement. Application has been made by IDS to the Stock Exchange for resumption of trading in IDS Shares on the Stock Exchange with effect from 9.30 a.m. on 13 August 2010.

At the request of Li & Fung, trading in Li & Fung Shares on the Stock Exchange was suspended from 9:30 a.m. on 10 August 2010 pending the issue of this announcement. Application has been made by Li & Fung to the Stock Exchange for resumption of trading in Li & Fung Shares on the Stock Exchange with effect from 9:30 a.m. on 13 August 2010.

WARNING: Li & Fung Shareholders, IDS Shareholders 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 cash offer to IDS Optionholders may or may not become unconditional. Li & Fung Shareholders, IDS Shareholders 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.

INTRODUCTION

On 12 August 2010, Li & Fung requested the IDS Board to put forward a proposal to the Scheme Shareholders regarding a proposed acquisition of IDS by way of privatisation pursuant to a scheme of arrangement under Section 99 of the Companies Act involving cancellation of all the Scheme Shares and allotment and issue of new IDS Shares to Li & Fung. As part of the Proposal, Li & Fung will make a comparable cash offer to the IDS Optionholders to cancel their outstanding IDS Share Options.

Upon the Scheme becoming effective, IDS will become a wholly owned subsidiary of Li & Fung, and the IDS Board will, as soon as practicable thereafter, make an application for the withdrawal of listing of IDS Shares on the Stock Exchange.

Li & Fung has appointed J.P.Morgan as its financial adviser in connection with the Proposal and the independent non-executive Li & Fung Directors have appointed BNP Paribas as the independent financial adviser for the purposes of Rule 2.4 of the Takeovers Code and Rule 13.39(6)(b) of the Listing Rules.

The IDS IBC will appoint an independent financial adviser to advise it in respect of the Proposal in due course. A further announcement will be made by IDS upon the appointment of the independent financial adviser.

TERMS OF THE PROPOSAL

The terms of the Proposal are as follows:

The Scheme

Subject to the Scheme becoming effective, all the Scheme Shares will be cancelled in exchange for either:

(a) **Cash Alternative:**

For every Scheme ShareHK\$21.00 in cash; or

(b) **Share Alternative:**

For every Scheme Share.....0.585 Li & Fung Share

The Scheme Shareholders may elect either the Cash Alternative or the Share Alternative as the form of Cancellation Consideration in respect of their entire holdings of Scheme Shares (but not, for the avoidance of doubt, a combination of the two).

The Cancellation Consideration per Scheme Share will not be revised, and Li & Fung does not reserve the right to do so.

The Cash Alternative

If all Scheme Shareholders (other than the Committed Shareholders, which have irrevocably undertaken to elect the Share Alternative; and assuming that Mikenwill will elect the Cash Alternative in respect of the Mikenwill Option Shares to be transferred to Mikenwill pursuant to the full exercise of the Mikenwill Call Option) elect for the Cash Alternative, the amount of cash required for the Proposal is approximately HK\$4,382,849,520 (assuming all IDS Optionholders exercising their outstanding IDS Share Options to become Scheme Shareholders before the Record Date) or approximately HK\$4,076,971,339 (assuming no IDS Optionholders exercising their outstanding IDS Share Options to become Scheme Shareholders before the Record Date).

The cash consideration of HK\$21.00 per Scheme Share under the Cash Alternative represents a premium of approximately:

- (a) 36.19% over the closing price of HK\$15.42 per IDS Share on 9 August 2010 (being the last trading day in IDS Shares immediately preceding the Announcement Date);
- (b) 42.86% over the closing price of HK\$14.70 per IDS Share on 6 August 2010 (being the last trading day in IDS Shares in the week immediately preceding the Announcement Date);
- (c) 43.91% over the average closing price of approximately HK\$14.59 per IDS Share based on the daily closing prices as quoted on the Stock Exchange for the 1 week up to and including 6 August 2010;
- (d) 43.46% over the average closing price of approximately HK\$14.64 per IDS Share based on the daily closing prices as quoted on the Stock Exchange for the 1 month up to and including 6 August 2010;
- (e) 51.32% over the average closing price of approximately HK\$13.88 per IDS Share based on the daily closing prices as quoted on the Stock Exchange for the 3 months up to and including 6 August 2010; and
- (f) 406.02% to the audited consolidated net asset value per IDS Share of approximately US\$0.5319 (HK\$4.15) as at 31 December 2009.

During the 6-month period preceding and including 9 August 2010 (being the last trading day in IDS Shares immediately preceding the Announcement Date), the highest closing price of the IDS Shares as quoted on the Stock Exchange was HK\$15.42 per IDS Share on 9 August 2010, and the lowest closing price of the IDS Shares as quoted on the Stock Exchange was HK\$11.66 per IDS Share on 22 February 2010.

During the week immediately preceding the Announcement Date, the closing prices of IDS Shares were within the range of HK\$14.36 to HK\$14.90 and the average trading volume was only 149,729 IDS Shares a day. However, the trading price of IDS Shares on 9 August 2010 (being the last trading day immediately before the suspension of trading in IDS Shares pending the release of this announcement) increased noticeably from an opening price of HK\$14.18 to a closing price of HK\$15.42 (representing an increase of approximately 8.7%), with 718,610 IDS Shares traded which was approximately 4.8 times of the average in the preceding week, and approximately 15.1 times of the 47,647 IDS Shares traded on the immediately preceding trading day. In view of the relatively stable performance of the trading prices of IDS Shares in the week immediately preceding the Announcement Date and such noticeable increase in the trading price and volume of IDS Shares on 9 August 2010, the Li & Fung Board determines the cash consideration per Scheme Share under the Cash Alternative with reference to the closing price of IDS Shares on 6 August 2010, being the last trading day in the week immediately preceding the Announcement Date.

The Share Alternative

The exchange ratio of 0.585 Li & Fung Share for every Scheme Share cancelled under the Share Alternative values each IDS Share at HK\$21.00, which is the same as the cash consideration under the Cash Alternative, based on the closing price of HK\$35.90 per Li & Fung Share on 6 August 2010 (being the last trading day in Li & Fung Shares in the week immediately preceding the Announcement Date). The exchange ratio was determined by Li & Fung with reference to the closing price of Li & Fung Shares on 6 August 2010 (being the last trading day in Li & Fung Shares in the week immediately preceding the Announcement Date). The closing price of Li & Fung Shares on 9 August 2010 (being the last trading day in Li & Fung Shares immediately preceding the Announcement Date) was HK\$37.70.

The actual number of new Li & Fung Shares for allotment and issuance under the Proposal will be determined on the last day for the election of the Cancellation Consideration but in any event shall be not more than 202,377,825 new Li & Fung Shares (assuming all IDS Share Options being fully exercised and all Scheme Shareholders electing the Share Alternative), representing approximately 5.31% of the issued share capital of Li & Fung of 3,813,437,586 Li & Fung Shares as at the Announcement Date and approximately 5.04% of the enlarged issued share capital of Li & Fung of 4,015,815,411 Li & Fung Shares (as enlarged by the issue of the Li & Fung Shares issued pursuant to the Share Alternative), assuming all IDS Share Options being fully exercised and all Scheme Shareholders electing for the Share Alternative.

Under the Scheme, fraction of Li & Fung Share will not be issued to any Scheme Shareholder elected for the Share Alternative. Fractional entitlements to Li & Fung Shares will be aggregated and sold in the market, the proceeds of which will be distributed to the Scheme Shareholders entitled thereto on a pro rata basis. However, individual entitlement of less than HK\$10.00 will not be paid to any Scheme Shareholder but will be retained for the benefit of Li & Fung.

The Li & Fung Shares to be issued in satisfaction of the Share Alternative pursuant to the Proposal will be issued and credited as fully paid and will rank *pari passu* with the existing Li & Fung Shares at the date of issue and are expected to be issued under the general mandate granted to the Li & Fung Directors at the annual general meeting held on 18 May 2010. An application will be made to the Stock Exchange for the listing of, and permission to deal in, the Li & Fung Shares to be issued in satisfaction of the Share Alternative on the Stock Exchange.

The cash offer to IDS Optionholders

As at the Announcement Date, there are 21,590,500 outstanding IDS Share Options. An aggregate of 21,590,500 new IDS Shares may fall to be issued if all outstanding IDS Share Options are exercised by the IDS Optionholders in full.

Li & Fung will make a cash offer to the IDS Optionholders to cancel their outstanding IDS Share Options which will be conditional on the Scheme becoming effective. The cash offer for every IDS Share Option to be cancelled will be calculated on a "see-through" basis, pursuant to which each IDS Optionholder will be entitled to receive a sum for each IDS Share Option equivalent to the amount calculated by deducting the exercise price per IDS Share payable on exercise of the relevant IDS Share Option from the cash consideration in the amount of HK\$21.00 per Scheme Share under the Cash Alternative, being:

- HK\$16.175 for each 2004 Option;
- HK\$12.40 for each 2005 Option;
- HK\$5.90 for each 2006 Option;
- HK\$14.36 for each 2008 Option; and
- HK\$8.224 for each 2009 Option.

For the 2007 Options, of which the exercise price per IDS Share is higher than the cash consideration per Scheme Share under the Cash Alternative, the "see-through" price is zero and a cash offer of a nominal amount (which is currently expected to be HK\$1.00 per 10,000 2007 Options) will be made. In sum, the total amount of cash payment for the above IDS Share Options will be approximately HK\$147,522,319.

The terms of the cash offer to the IDS Optionholders will be set out in the Scheme Document.

In the event that any IDS Share Option is exercised after the Announcement Date and new IDS Shares are issued pursuant to such exercise up to the Record Date, such IDS Shares will constitute Scheme Shares and their holders shall be eligible to receive the Cancellation Consideration under the Proposal. Holders of any IDS Shares so issued (other than the Interested Shareholders) will be entitled to vote at the Court Meeting. As at the Announcement Date, none of the Interested Shareholders has any IDS Share Option.

IDS Optionholders who wish to elect for the Share Alternative shall exercise their IDS Share Options in accordance with the terms of the IDS Option Scheme.

Further information on the Proposal including, among other things, the cash offer to IDS Optionholders, will be set out in the Scheme Document and the cash offer will be made by or on behalf of Li & Fung by way of a letter to the IDS Optionholders to be despatched on the same day as the Scheme Document.

FINANCIAL RESOURCES

J.P.Morgan has been appointed as the financial adviser to Li & Fung in respect of the Proposal. Li & Fung intends to finance all the amount payable under the Proposal by its internal resources. J.P.Morgan, the financial adviser to Li & Fung, is satisfied that sufficient financial resources are available to Li & Fung for the implementation of the Proposal.

OVERSEAS SCHEME SHAREHOLDERS AND IDS OPTIONHOLDERS

The making of the Proposal to and acceptance of the Proposal by Scheme Shareholders and IDS Optionholders who are not residents in Hong Kong may be subject to the laws of the relevant jurisdictions in which such Scheme Shareholders and IDS Optionholders are located. Such Scheme Shareholders and IDS Optionholders should inform themselves about and observe any applicable legal or regulatory requirements. It is the responsibility of any overseas Scheme Shareholders and IDS Optionholders wishing to accept the Proposal to satisfy themselves as to the full observance of the laws of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents which may be required, or the compliance with other necessary formalities and the payment of any taxes, duties and other amounts required to be paid in such jurisdictions. Any acceptance by such Scheme Shareholders and IDS Optionholders will be deemed to constitute a representation and warranty from such persons to IDS and Li & Fung that those local laws and requirements have been complied with. If you are in doubt as to your position, you should consult your professional advisers.

REASONS AND BENEFITS OF THE PROPOSAL

Benefits of the Proposal to Li & Fung

The Li & Fung Board is of the view that the terms of the Proposal are attractive and beneficial to the IDS Shareholders and IDS Optionholders and that the proposed acquisition of IDS by way of privatisation is complementary to and supportive of Li & Fung's growth strategy, in a number of important ways:

- strengthening Li & Fung's footprint in Asia, particularly in China;
- providing a complete end to end supply chain solution;
- option of entering food & beverage sourcing business at a later date; and
- potential of enhancement of operational synergies and new business prospects.

New geographic reach and changing economic environment

As Asia accounts for an increasing proportion of international trade and economic growth, and with China becoming a major consumer market in itself, the Asia region will be an important component of Li & Fung's future growth strategy. The transaction is central in positioning Li & Fung for distribution and wholesaling opportunities in China and the rest of Asia, which generated approximately 2% of the Li & Fung Group's revenue in 2009. Management of Li & Fung believes that the opportunity to acquire an existing, proven business such as that of IDS is a compelling proposition, providing the Li & Fung Group with immediate infrastructure, people, know-how, and all the necessary business relationships that would otherwise take years to build up. In these respects, Li & Fung believes that IDS, with its proven track record, provides the best available platform to replicate in Asia, and China in particular, Li & Fung's success achieved in wholesaling in the United States and in Europe.

Extended business model

Logistics is an important component in the supply-chain. Currently, Li & Fung's involvement in the supply-chain essentially ends at the point where products are delivered to the freight forwarders for shipment to customers. The proposed acquisition of IDS will allow Li & Fung to enlarge and extend its services from the point when products leave the factory gates, to the ships or airplanes, and to the distribution centres of the customers in the United States and Europe. Furthermore, the consolidation of third party volumes and Li & Fung's own volumes will increase negotiating power, allowing Li & Fung to ship when shipment capacity is short or timing is tight. These, together with the addition of a large contingent of professional logistics specialists, mean a significant leap in Li & Fung's service offering and in its service quality.

New product category

Food and beverage is a segment that Li & Fung's management has been considering to enter into. With IDS' expertise from manufacturing to marketing in this segment, the proposed acquisition provides Li & Fung with the option to enter into this market in a safe and controlled manner at a later date. Importantly, IDS will at the appropriate time enable Li & Fung to explore and better understand the food and beverage export market. The proposed acquisition gives Li & Fung the manpower with food experience to enter the market in sourcing and distribution of food products at a later date.

Synergetic Benefit

Management of Li & Fung expects to realise operational synergies and new business prospects from the proposed acquisition of IDS within a short time. These will be achieved through optimisation of capacities, internal cost savings, extended management expertise and additional negotiating power for both companies and customer relationships. For example, not more than 20% of the existing Li & Fung logistics requirement in the United States is handled by IDS, Li & Fung can put through the remaining 80% to IDS.

In addition, management of Li & Fung considers the integration risk to be relatively low given the established relationships of the two companies, and similarities in terms of corporate governance measures, information technology systems, and corporate culture.

The Li & Fung Board believes that the ability of IDS to take advantage of its listed status to raise funds from equity markets is limited and that the costs associated with the maintenance of IDS' listing on the Stock Exchange may no longer be warranted. The limitation on liquidity can be observed through the average daily trading volume for the 6 months up to and including 9 August 2010 (being the last trading day in IDS Shares immediately preceding the Announcement Date) being approximately 191,798 IDS Shares.

The Li & Fung Board believes that the Proposal represents a good opportunity for the Scheme Shareholders and the IDS Optionholders to realise their investments at a price significantly above the prevailing market price of IDS Shares.

The Li & Fung Board (including the independent non-executive Li & Fung Directors) believe, having regard to the advice of BNP Paribas (as more particularly described in the section headed "Independent Financial Adviser of Li & Fung in respect of the Proposal" below), that the terms of the Proposal are fair and reasonable so far as the Li & Fung Independent Shareholders are concerned and the transactions contemplated under the Proposal are in the interests of Li & Fung and the Li & Fung Independent Shareholders as a whole.

Benefits of the Proposal to IDS

The Proposal enables IDS, as part of the Li & Fung Group, to be able to leverage on Li & Fung's strengths in product development and sourcing to offer clients end-to-end supply chain solutions. Li & Fung's presence in the United States or Europe will allow IDS to increase in scale significantly and gain access to a broader customer base. This will create more cross-selling opportunities for IDS, leading to greater top-line growth and enhanced utilisation of warehouses in the United States or Europe.

CONDITIONS OF THE SCHEME

The Scheme will become effective and binding on IDS and all Scheme Shareholders subject to satisfaction or valid waiver (as applicable) of the following Conditions:

- (a) the approval of the Scheme by a majority in number of 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, provided that:
 - (i) 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; and
 - (ii) the number of votes cast against the resolution to approve (by way of poll) the Scheme is not more than 10% of the votes attaching to all the IDS Shares held by the IDS Independent Shareholders;
- (b) the passing by IDS Shareholders (other than those who are prohibited from voting under relevant laws, rules or regulations) of a special resolution to approve the reduction of the issued share capital of IDS by cancelling and extinguishing the Scheme Shares at the IDS SGM;
- (c) the allotment and issue of 120,000 new IDS Shares to Li & Fung (or its nominee) immediately before the reduction of the issued share capital of IDS referred to in (b) above;
- (d) the sanction of the Scheme (with or without modifications) by the Court and the delivery to the Registrar of Companies in Bermuda of a copy of the order of the Court for registration;

- (e) the necessary compliance with the procedural requirements and conditions, if any, of Section 46(2) of the Companies Act in relation to the reduction of the issued share capital of IDS referred to in (b) above;
- (f) the granting by the Stock Exchange of the listing of, and permission to deal in, the Li & Fung Shares which fall to be issued pursuant to the Proposal, on the Stock Exchange;
- (g) all Authorisations having been obtained or made from, with or by (as the case may be) the Relevant Authorities, in Bermuda, Hong Kong and/or any other relevant jurisdictions;
- (h) the Authorisations remaining in full force and effect without variation, and all necessary statutory or regulatory obligations in all relevant jurisdictions having been complied with and no requirement having been imposed by any Relevant Authorities which is not expressly provided for, or is in addition to requirements expressly provided for, in relevant laws, rules, regulations or codes in connection with the Proposal or any matters, documents (including circulars) or things relating thereto, in each aforesaid case up to and at the time when the Scheme becomes effective;
- (i) the Li & Fung Independent Shareholders passing such resolutions as may be required by the Listing Rules to implement the Proposal;
- (j) if required, the obtaining by Li & Fung of such other necessary consent, approval, authorisation, permission, waiver or exemption which may be required from any Relevant Authorities or other third parties which are necessary or desirable for the performance of the Scheme under applicable laws and regulations;
- (k) no government, governmental, quasi-governmental, statutory or regulatory body, court or agency in any jurisdiction having taken or instituted any action, proceeding, suit, investigation or enquiry (or enacted, made or proposed, and there not continuing to be outstanding, any statute, regulation, demand or order) that would make the Proposal or the Scheme or its implementation in accordance with its terms void, unenforceable, illegal or impracticable (or which would impose any material and adverse conditions or obligations with respect to the Proposal or the Scheme or its implementation in accordance with its terms);
- (l) all necessary consents which may be required under any existing material contractual obligations of IDS and of Li & Fung being obtained;
- (m) there being no provision of any arrangement, agreement, licence or other instrument to which any member of the IDS Group is a party or by or to which any of them is or are or may be bound, entitled or subject which as a consequence of the implementation of the Proposal or because of a change in control or management of IDS could or might reasonably result in, to an extent which is material in the context of the IDS Group taken as a whole:
 - (i) any monies borrowed by or other indebtedness (actual or contingent) of any member of the IDS Group being repayable or being capable of being declared payable prior to their stated maturity;

- (ii) the creation of any mortgage, charge or other security interest over the whole or any material part of the business, property or assets of any member of the IDS Group or any such security (whether arising or having arisen) becoming enforceable; and
 - (iii) any such arrangement, agreement, licence, permit, franchise or other instrument being terminated or adversely modified or any material action being taken or any material obligation arising thereunder;
- (n) save as publicly announced prior to the Announcement Date, no member of the IDS Group having since 31 December 2009 (being the date to which the latest published audited accounts of IDS were made up):
- (i) issued, agreed or authorised or proposed the issue of additional shares of any class, or securities convertible into, or rights, warrants or options to subscribe for or acquire, any such shares or convertible securities (save as between IDS and its wholly-owned subsidiaries and other than the issue of IDS Shares pursuant to the exercise of any IDS Share Options) and including, for the avoidance of doubt, any scrip dividend;
 - (ii) recommended, declared, paid or made any bonus, dividend or other distribution other than between members of the IDS Group (other than any declaration and payment of an interim dividend by IDS in the ordinary course for the 6 months ended 30 June 2010, if not disallowed by the Executive);
 - (iii) to an extent which is material in the context of the IDS Group as a whole, merged with any body corporate or acquired or disposed of any assets or authorised, proposed or announced any intention to propose any merger, demerger, acquisition or disposal;
 - (iv) issued, authorised or proposed the issue of any debentures or, save in the ordinary course of business, incurred or increased any indebtedness or contingent liability in each case to an extent which is material in the context of the IDS Group taken as a whole;
 - (v) purchased, redeemed or repaid or announced any proposal to purchase, redeem or repay any of its own shares or other securities or redeemed or reduced or made any other change to any part of its share capital to an extent which is material in the context of the IDS Group taken as a whole;
 - (vi) entered into any contract, transaction, arrangement or commitment (whether in respect of capital expenditure or otherwise) which is of a long-term, onerous or unusual nature or magnitude, and which involves or is likely to involve an obligation of a nature or magnitude which, in any case, is material in the context of the IDS Group taken as a whole; or
 - (vii) made or authorised or proposed or announced an intention to propose any change in its loan capital to an extent which is material in the context of the IDS Group taken as a whole;

- (o) save as publicly announced prior to the Announcement Date, since 31 December 2009 (being the date to which the latest published audited accounts of IDS were made up):
 - (i) there having been no material adverse change in the business, financial or trading position or prospects of any member of the IDS Group to an extent which is material in the context of the IDS Group taken as a whole; and
 - (ii) there not having been instituted or remaining outstanding any material litigation, arbitration proceedings, prosecution or other legal proceedings to which any member of the IDS Group is a party (whether as plaintiff or defendant or otherwise) and no such proceedings having been threatened in writing against any such member and no investigation by any government or quasi-governmental, supranational, regulatory or investigative body or court against or in respect of any such member or the business carried on by any such member having been threatened in writing, announced, instituted or remaining outstanding by, against or in respect of any such member in each case which is material and adverse in the context of the IDS Group taken as a whole; and
- (p) each member of the IDS Group remaining solvent and not being subject to any insolvency or bankruptcy proceedings or likewise and no liquidator, receiver or other person carrying out any similar function having been appointed anywhere in the world in respect of the whole or any substantial part of the assets and undertakings of any member of the IDS Group from the Announcement Date up to the date when all the Conditions are satisfied or validly waived (as applicable).

Li & Fung reserves the right to waive any of Conditions (l), (m), (n), (o) and (p), either in whole or in respect of any particular matter. All of the Conditions will have to be satisfied or validly waived (as applicable), on or before a long-stop date to be set out in the Scheme Document (which is expected to be no later than 90 days after the date to be scheduled for the Court Meeting and the IDS SGM or such later date as may be proposed by Li & Fung and permitted by the Executive), otherwise the Scheme will not become effective. When the Conditions are satisfied or waived (as applicable) the Scheme will become effective and binding on IDS and all the Scheme Shareholders.

Assuming that the Conditions are satisfied or validly waived (as applicable), it is expected that the Scheme will become effective on or before 31 December 2010. A detailed timetable will be included in the Scheme Document.

Li & Fung is not a party to any agreements or arrangements which relate to circumstances in which it may or may not invoke or seek to invoke any of the above conditions to the Proposal. Pursuant to Note 2 to Rule 30.1 of the Takeovers Code, Li & Fung will not invoke any condition so as to cause the Scheme not to become effective unless the circumstances which give rise to the right to invoke the condition are of material significance to Li & Fung in the context of the Scheme.

WARNING: Li & Fung Shareholders, IDS Shareholders 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 cash offer to IDS Optionholders may or may not become unconditional. Li & Fung Shareholders, IDS Shareholders 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.

SHAREHOLDING STRUCTURE

IDS

As at the Announcement Date, there are 324,354,500 IDS Shares in issue and all of the IDS Shares are held by the Scheme Shareholders. Save for the Interested Shareholders, Li & Fung and persons acting in concert with it do not hold any IDS Shares as at the Announcement Date. The Interested Shareholders hold 146,369,719 IDS Shares in aggregate (representing approximately 45.13% of the issued share capital of IDS) as at the Announcement Date. Li & Fung and persons acting in concert with it (including the Interested Shareholders) will not vote at the Court Meeting. All IDS Independent Shareholders shall be entitled to vote at the Court Meeting and all IDS Shareholders shall be entitled to vote at the IDS SGM.

On the assumption that there is no other change in shareholding, the table below sets out the shareholding structure of IDS as at the Announcement Date and immediately upon completion of the Proposal:

	As at the Announcement Date		Upon completion of the Proposal	
	Number of IDS Shares owned	% of the total issued share capital	Number of IDS Shares owned (Note 4)	% of the total issued share capital
Li & Fung	-	-	120,000	100
Related Shareholders (Note 1)	145,759,170	44.94	-	-
Mr. Lau Butt Farn (Note 2)	610,549	0.19	-	-
Li & Fung and persons acting in concert with it (including the Interested Shareholders)	146,369,719	45.13	120,000	100
IDS Independent Shareholders (Note 3)	177,984,781	54.87	-	-
Total	324,354,500	100.00	120,000	100

Notes:

1. LF 1937 directly holds 5,970,007 IDS Shares, inclusive of 2,100,000 IDS Shares which are subject to the Mikenwill Call Option.

LFD, a wholly owned subsidiary of LF 1937, directly holds 130,962,364 IDS Shares. LF 1937 is a wholly owned subsidiary of King Lun which is in turn 50% owned by HSBC Trustee, and 50% owned by Dr. William Fung Kwok Lun.

Dr. Victor Fung Kwok King directly holds 2,405,509 IDS Shares.

First Island Developments Limited, a wholly owned subsidiary of HSBC Trustee, the trustee of a trust established for the benefit of the family members of Dr. Victor Fung Kwok King, directly holds 6,421,290 IDS Shares.

All of King Lun, LF 1937, LFD, HSBC Trustee, Dr. Victor Fung Kwok King and Dr. William Fung Kwok Lun are taken to be interested in the IDS Shares pursuant to the SFO. All of King Lun, LF 1937, LFD, HSBC Trustee, Dr. Victor Fung Kwok King and Dr. William Fung Kwok Lun directly or indirectly control Li & Fung and are presumed to be persons acting in concert with Li & Fung pursuant to the Takeovers Code.

2. Mr. Lau Butt Farn is a non-executive IDS Director and a director of LF 1937 and LFD. and is presumed to be a person acting in concert with Li & Fung under the Takeovers Code. He will not vote at the Court Meeting.
3. These IDS Shares include a total of 9,641,205 IDS Shares (representing approximately 2.97% of the issued share capital of IDS) held by certain IDS Directors, including Mr. Benedict Chang Yew Teck (an executive IDS Director), who together with his wife holds 7,599,573 IDS Shares, Mr. Joseph Chua Phi (an executive IDS Director) who holds 2,019,632 IDS Shares and Mr. John Estmond Strickland (an independent non-executive IDS Director) who together with his wife holds 22,000 IDS Shares
4. Under the Scheme, the share capital of IDS will, on the effective date of the Scheme, be reduced by cancelling and extinguishing the Scheme Shares. Forthwith upon such reduction, the issued share capital of IDS will comprise only 120,000 IDS Shares issued to Li & Fung under the Proposal.

As at the Announcement Date, save for the 21,590,500 IDS Share Options, IDS does not have any outstanding options, warrants, derivatives or other convertible securities.

Save as disclosed above, none of Li & Fung and persons acting in concert with it (including the Interested Shareholders) owns or controls any IDS Shares or any options, warrants, derivatives or other convertible securities in respect of IDS Shares.

Save for the transfer of 2,100,000 IDS Shares by LF 1937 to Mikenwill on 17 June 2010 upon its exercise of the Mikenwill Call Option, none of Li & Fung and persons acting in concert with it (including the Interested Shareholders, but excluding the J.P.Morgan group) has any dealings in IDS Shares for value in the 6 months prior to and including the Announcement Date. Any dealings in IDS Shares during the 6 months prior to the Announcement Date by the J.P.Morgan group will be disclosed in the Scheme Document.

Li & Fung

As at the Announcement Date, there are 3,813,437,586 Li & Fung Shares in issue and 92,810,100 Li & Fung Share Options. Save as disclosed above, Li & Fung does not have any outstanding options, warrants, derivatives or other convertible securities.

On the assumption that there is no other change in shareholding, the table below sets out the shareholding structure of Li & Fung as at the Announcement Date and immediately upon completion of the Proposal assuming no Li & Fung Share Options being exercised:

	As at the Announcement Date		Upon completion of the Proposal (assuming all IDS Share Options being fully exercised and all Scheme Shareholders electing the Share Alternative)		Upon completion of the Proposal (assuming no IDS Share Options being exercised and only the Related Shareholders and persons acting in concert with LF 1937 electing the Share Alternative)	
	Number of Li & Fung Shares owned	% of the total issued share capital	Number of Li & Fung Shares owned	% of the total issued share capital	Number of Li & Fung Shares owned	% of the total issued share capital
Related Shareholders	1,095,600,000 <i>(Note 1)</i>	28.73	1,180,869,112 <i>(Note 5)</i>	29.40	1,180,869,112 <i>(Note 5)</i>	30.29
Common Directors	85,432,930 <i>(Note 2)</i>	2.24	85,790,101 <i>(Note 6)</i>	2.14	85,790,101 <i>(Note 6)</i>	2.20
King Lun	21,945,880	0.58	21,945,880	0.55	21,945,880	0.56
Mr. Spencer Theodore Fung	352,000	0.01	352,000	0.01	352,000	0.01
Mr. James Siu Kai Lau	1,331,200 <i>(Note 3)</i>	0.03	1,331,200	0.03	1,331,200	0.03
HSBC Trustee	55,825,000 <i>(Note 4)</i>	1.46	55,825,000	1.39	55,825,000	1.43
Sub-total	1,260,487,010	33.05	1,346,113,293	33.52	1,346,113,293	34.52
Others <i>(Note 7)</i>	2,552,950,576	66.95	2,669,702,118	66.48	2,552,950,576	65.48
Total	3,813,437,586	100.00	4,015,815,411	100.00	3,899,063,869	100

Notes:

1. These Li & Fung Shares are directly held by LF 1937. The other Related Shareholders do not directly hold any Li & Fung Shares as at the Announcement Date.
2. These Li & Fung Shares comprise:
 - (a) 83,012,930 Li & Fung Shares directly held by Dr. William Fung Kwok Lun, his wife and a company beneficially owned by him; and
 - (b) 2,420,000 Li & Fung Shares directly held by Mr. Lau Butt Farn.
3. These Li & Fung Shares comprise 1,100,000 Li & Fung Shares directly held by Mr. James Siu Kai Lau and a joint interest in 231,200 Li & Fung Shares held by Mr. James Siu Kai Lau and his wife.
4. These Li & Fung Shares are directly held by HSBC Trustee.

5. These Li & Fung Shares comprise:
- (a) 1,095,600,000 Li & Fung Shares held by the Related Shareholders as at the Announcement Date;
 - (b) 3,492,454 Li & Fung Shares which fall to be issued to LF 1937 upon the election of the Share Alternative assuming that Mikenwill will not exercise any of the outstanding portion of the Mikenwill Call Option;
 - (c) 1,407,222 Li & Fung Shares which fall to be issued to Dr. Victor Fung Kwok King upon the election of the Share Alternative;
 - (d) 76,612,982 Li & Fung Shares which fall to be issued to LFD upon the election of the Share Alternative; and
 - (e) 3,756,454 Li & Fung Shares which fall to be issued to First Island Developments Limited upon the election of the Share Alternative.
6. These Li & Fung Shares comprise:
- (a) 85,432,930 Li & Fung Shares held by the Common Directors as at the Announcement Date; and
 - (b) 357,171 Li & Fung Shares which fall to be issued to Mr. Lau Butt Farn upon the election of the Share Alternative.
- For the number of Li & Fung Shares fall to be issued to Dr Victor Fung Kwok King upon the election of the Share Alternative, please refer to Note 5 above.
7. These Li & Fung Shares include 2,000 Li & Fung Shares held by the J.P.Morgan group (other than exempt principal traders and exempt fund managers).

Save for the arrangements contemplated under the Proposal, there are no arrangements (whether by way of option, indemnity or otherwise) of the kind referred to in Note 8 to Rule 22 of the Takeovers Code between Li & Fung and persons acting in concert with it (including the Interested Shareholders) in relation to IDS Shares and Li & Fung Shares which might be material to the Proposal. Li & Fung confirms that, as at the Announcement Date, there are no relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in IDS and Li & Fung which Li & Fung or any persons acting in concert with it (including the Interested Shareholders) has borrowed or lent, except that the J.P.Morgan group (other than exempt principal traders and exempt fund managers) has borrowed 150,000 Li & Fung Shares, representing approximately 0.004% of the issued share capital of Li & Fung.

Save as disclosed above, and save for the 36,880 Li & Fung Shares held by Mr. Joseph Chua Phi (an executive IDS Director) and the 10,000 Li & Fung Shares jointly held by Mr. John Estmond Strickland (an independent non-executive IDS Director) and his wife, neither IDS nor persons acting in concert with it owns or controls any Li & Fung Shares or any options, warrants, derivatives or other convertible securities in respect of Li & Fung Shares.

Dealings in Li & Fung Shares by Li & Fung and persons acting in concert with it (including the Interested Shareholders, but excluding the J.P.Morgan group) during the 6 months prior to and including the Announcement Date are set out below:

- on 7 May 2010, 11,000,000 Li & Fung Shares were transferred from King Lun to Hurricane Millennium Holdings Limited ("**HMHL**"), a company beneficially owned by a trust established for the benefit of the family members of Mr Bruce Philip Rockowitz, an executive Li & Fung Director, pursuant to an agreement between King Lun and HMHL whereby call options were granted by King Lun to HMHL to purchase 54,945,880 Li & Fung Shares in 10 tranches during the period from 25 December 2004 to 24 December 2019;
- on 7 May 2010, Dr. William Fung Kwok King exercised 1,320,000 Li & Fung Share Options to subscribe for 1,320,000 Li & Fung Shares at an exercise price of HK\$25.55 each;
- on 12 April 2010, Mr. Spencer Theodore Fung exercised 36,000 Li & Fung Share Options to subscribe for 36,000 Li & Fung Shares at an exercise price of HK\$13.45 each; and
- on 25 March 2010, Li & Fung granted 177,000 Li & Fung Share Options to Mr. Spencer Theodore Fung to subscribe for 177,000 Li & Fung Shares at an exercise price of HK\$41.52 each.

Save as disclosed above, none of Li & Fung and persons acting in concert with it (including the Interested Shareholders but excluding the J.P.Morgan group) has any dealings in Li & Fung Shares for value in the 6 months prior to and including the Announcement Date. Any dealings in Li & Fung Shares during the 6 months prior to the Announcement Date by the J.P.Morgan group will be disclosed in the Scheme Document.

IRREVOCABLE UNDERTAKINGS TO ACCEPT THE PROPOSAL

Li & Fung has received an Irrevocable Undertaking from each of the Committed Shareholders, pursuant to which each of the Committed Shareholders has undertaken (a) to vote to approve the Proposal at the IDS SGM in respect of his/its Committed Shares; and (b) to elect the Share Alternative in respect of his/its Committed Shares. Save as disclosed above, as at the Announcement Date, none of Li & Fung and persons acting in concert with it (including the Interested Shareholders) has received any irrevocable commitment from the IDS Independent Shareholders in respect of voting at the Court Meeting.

INFORMATION ON THE LI & FUNG GROUP

Li & Fung is a company incorporated in Bermuda with limited liability, the shares of which have been listed on the Stock Exchange since July 1992. The Li & Fung Group is principally engaged in consumer goods design, development and sourcing.

A summary of the audited consolidated results of the Li & Fung Group for each of the 2 years ended 31 December 2009 is set out below:

	For the year ended 31 December	
	2008	2009
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
Turnover	110,722,117	104,478,983
Profit before income tax	2,683,186	3,605,947
Profit before minority interest	2,423,689	3,365,725
Profit attributable to shareholders (after minority interest)	2,421,936	3,369,107

As at 31 December 2009, the audited consolidated net assets of the Li & Fung Group were approximately HK\$17,726.19 million.

INFORMATION ON THE IDS GROUP

IDS is a company incorporated in Bermuda with limited liability, the shares of which have been listed on the Stock Exchange since December 2004. The IDS Group is principally engaged in provision of logistics services, and distribution of fast moving consumer goods and healthcare products and manufacturing.

A summary of the audited consolidated results of the IDS Group for each of the 2 years ended 31 December 2009 is set out below:

	For the year ended 31 December	
	2008	2009
	<i>(US\$'000)</i>	<i>(US\$'000)</i>
Turnover	1,683,792 <i>(HK\$13,133,578)</i>	1,802,062 <i>(HK\$14,056,084)</i>
Profit before income tax	30,253 <i>(HK\$253,973)</i>	41,307 <i>(HK\$322,195)</i>
Profit before minority interest	25,327 <i>(HK\$197,551)</i>	30,778 <i>(HK\$240,068)</i>
Profit attributable to shareholders (after minority interest)	24,522 <i>(HK\$191,712)</i>	29,828 <i>(HK\$232,658)</i>

As at 31 December 2009, the audited consolidated net assets of the IDS Group were approximately US\$170.82 million (HK\$1,332.40 million).

LI & FUNG'S INTENTION REGARDING IDS

Following implementation of the Proposal, Li & Fung intends that the IDS Group will continue to carry on its current business of provision of logistics services, and distribution of fast moving consumer goods and healthcare products and manufacturing.

WITHDRAWAL OF LISTING OF IDS SHARES ON THE STOCK EXCHANGE

Upon the Scheme becoming effective, all Scheme Shares will be cancelled and the share certificates for the Scheme Shares will thereafter cease to have effect as documents or evidence

of title. The IDS Board will apply to the Stock Exchange for the withdrawal of the listing of IDS Shares on the Stock Exchange immediately following the effective date of the Scheme. The Scheme Shareholders will be notified by way of a press announcement of the exact dates of the last day of dealing in IDS Shares and on which the Scheme and the withdrawal of the listing of IDS Shares will become effective. A detailed timetable will be set out in the Scheme Document, which will also contain, among other things, further details of the Scheme.

The IDS Board intends that the listing of IDS Shares on the Stock Exchange shall be maintained in the event that the Scheme is not approved or does not become effective.

INDEPENDENT FINANCIAL ADVISER OF LI & FUNG IN RESPECT OF THE PROPOSAL

The independent non-executive Li & Fung Directors have appointed BNP Paribas as the independent financial adviser for the purposes of Rule 2.4 of the Takeovers Code and Rule 13.39(6)(b) of the Listing Rules. Pursuant to Rule 2.4 of the Takeovers Code, BNP Paribas has advised the Li & Fung Board that the Proposal is in the interests of the Li & Fung Independent Shareholders, having taken into account, among others, the Cancellation Consideration and other terms of the Proposal, the benefits of the Proposal (as set out in the section headed "Reasons for and Benefits of the Proposal" above), and the impact of the effects of the Proposal on the earnings, cash flow, financial position and gearing of Li & Fung. The full advice of BNP Paribas in relation to the Proposal will be set out in the circular to be despatched to the Li & Fung Shareholders in accordance with the Listing Rules in connection with the convening of the special general meeting of Li & Fung.

DISCLOSURE OF DEALINGS

Respective associates (as defined under the Takeovers Code) of IDS and Li & Fung are reminded to disclose their dealings in the securities of IDS or Li & Fung (as the case may be). In accordance with Rule 3.8 of the Takeovers Code, reproduced below is the full text of Note 11 to Rule 22 of the Takeovers Code:

“Responsibilities of stockbrokers, banks and other intermediaries

Stockbrokers, banks and others who deal in relevant securities on behalf of clients have a general duty to ensure, so far as they are able, that those clients are aware of the disclosure obligations attaching to associates and other persons under Rule 22 and that those clients are willing to comply with them. Principal traders and dealers who deal directly with investors should, in appropriate cases, likewise draw attention to the relevant Rules. However, this does not apply when the total value of dealings (excluding stamp duty and commission) in any relevant security undertaken for a client during any 7-day period is less than HK\$1 million.

This dispensation does not alter the obligation of principals, associates and other persons themselves to initiate disclosure of their own dealings, whatever total value is involved.

Intermediaries are expected to co-operate with the Executive in its dealings enquiries. Therefore, those who deal in relevant securities should appreciate that stockbrokers and other intermediaries will supply the Executive with relevant information as to those dealings, including identities of clients, as part of that co-operation.”

DISCLOSEABLE AND CONNECTED TRANSACTION FOR LI & FUNG

Since the highest of all applicable percentage ratios of the transactions contemplated under the Proposal is above 5% but below 25%, the Proposal constitutes a discloseable transaction for Li & Fung under the Listing Rules.

In addition, since LF 1937, a substantial shareholder of Li & Fung, directly and indirectly holds a 42.22% interest in IDS, the Proposal constitutes a connected transaction for Li & Fung under the Listing Rules. Since the highest of all applicable percentage ratios (other than the profit ratio) of the transactions contemplated under the Proposal is above 5%, the Proposal is therefore subject to reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

LF 1937 and its associates shall abstain from voting on the resolutions in connection with the approval of the Proposal. The Li & Fung IBC, comprising all the independent non-executive Li & Fung Directors, has been established to advise the Li & Fung Independent Shareholders on the Proposal. BNP Paribas has been appointed to advise the Li & Fung IBC and the Li & Fung Independent Shareholders on the Proposal.

A circular containing, amongst others, (1) further information on the Proposal; (2) the recommendation from the Li & Fung IBC in respect of the Proposal; (3) the full advice from BNP Paribas to the Li & Fung IBC and the Li & Fung Independent Shareholders in respect of the Proposal; and (4) notice of the special general meeting of Li & Fung to be held for the purposes of considering and, if thought fit, approving, among other matters, the Proposal, will be despatched to the Li & Fung Shareholders on or before 2 September 2010 in accordance with the Listing Rules.

GENERAL

IDS IBC

Dr. Fu Yu Ning, Prof. Lee Hau Leung and Mr. Andrew Tung Lieh Cheung, all being the independent non-executive IDS Directors, have been appointed to form the IDS IBC to advise the IDS Independent Shareholders and the IDS Optionholders on the Proposal. As at the Announcement Date, Mr. John Estmond Strickland (an independent non-executive IDS Director) and his wife together hold 10,000 Li & Fung Shares. Given such interest, Mr. John Estmond Strickland is not a member of the IDS IBC. Since all the other non-executive IDS Directors, namely Dr. Victor Fung Kwok King, Dr. William Fung Kwok Lun, Mr. Jeremy Paul Egerton, Hobbins and Mr. Lau Butt Farn, are presumed to be persons acting in concert with Li & Fung and are considered to have an indirect interest in the Proposal, they are not members of the IDS IBC. The IDS IBC will appoint an independent financial adviser to advise it in respect of the Proposal in due course. A further announcement will be made by IDS upon the appointment of the independent financial adviser.

Despatch of Scheme Document

IDS will send to the IDS Shareholders and the IDS Optionholders a Scheme Document containing, among other things, further details about the Scheme and the cash offer to the IDS Optionholders to cancel their outstanding IDS Share Options, recommendations from the IDS IBC, a letter of advice from the independent financial adviser to the IDS IBC and the IDS Independent Shareholders, a notice of the Court Meeting and a notice of the IDS SGM as soon as practicable in accordance with the Takeovers Code.

Suspension and resumption of trading in Li & Fung Shares and IDS Shares

At the request of IDS, trading in IDS Shares on the Stock Exchange was suspended from 9:30 a.m. on 10 August 2010 pending the issue of this announcement. Application has been made by IDS to the Stock Exchange for resumption of trading in IDS Shares on the Stock Exchange with effect from 9:30 a.m. on 13 August 2010.

At the request of Li & Fung, trading in Li & Fung Shares on the Stock Exchange was suspended from 9:30 a.m. on 10 August 2010 pending the issue of this announcement. Application has been made by Li & Fung to the Stock Exchange for resumption of trading in Li & Fung Shares on the Stock Exchange with effect from 9:30 a.m. on 13 August 2010.

DEFINITIONS

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

“2004 Options”	the outstanding IDS Share Options granted in 2004, the exercise price of which is HK\$4.825 per IDS Share; as at the Announcement Date, there are 336,000 2004 Options
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“2005 Options”	the outstanding IDS Share Options granted in 2005, the exercise price of which is HK\$8.60 per IDS Share; as at the Announcement Date, there are 1,147,500 2005 Options
“2006 Options”	the outstanding IDS Share Options granted in 2006, the exercise price of which is HK\$15.10 per IDS Share; as at the Announcement Date, there are 3,160,000 2006 Options
“2007 Options”	the outstanding IDS Share Options granted in 2007, the exercise price of which is HK\$25.55 per IDS Share; as at the Announcement Date, there are 7,188,000 2007 Options
“2008 Options”	the outstanding IDS Share Options granted in 2008, the exercise price of which is HK\$6.64 per IDS Share; as at the Announcement Date, there are 4,719,000 2008 Options
“2009 Options”	the outstanding IDS Share Options granted in 2009, the exercise price of which is HK\$12.776 per IDS Share; as at the Announcement Date, there are 5,040,000 2009 Options
“acting in concert”	has the meaning ascribed to it under the Takeovers Code
“Announcement Date”	12 August 2010, being the date of this announcement
“associate(s)”	has the meaning ascribed to it under the Takeovers Code
“Authorisations”	all necessary authorisations, registrations, filings rulings, consents, permissions and approvals in connection with the Proposal
“BNP Paribas”	BNP Paribas Capital (Asia Pacific) Limited, a licensed corporation under the SFO licensed to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities, which is the independent financial adviser to Li & Fung in respect of the Proposal
“Cancellation Consideration”	the Cash Alternative or the Share Alternative
“Cash Alternative”	the cash alternative under the Scheme, being HK\$21.00 in cash for each Scheme Share

“Committed Shareholders”	LF 1937, Li & Fung (Distribution) Limited and Dr. Victor Fung Kwok King
“Committed Shares”	in respect of a Committed Shareholder, all the IDS Shares directly held by the Committed Shareholder (excluding the Mikenwill Option Shares), which are subject to the Irrevocable Undertaking given by such Committed Shareholder
“Common Directors”	the IDS Directors who are also directors of Li & Fung and/or LF 1937, namely Dr. Victor Fung Kwok King, Dr. William Fung Kwok Lun and Mr. Lau Butt Farn
“Companies Act”	the Companies Act 1981 of Bermuda
“Conditions”	the conditions of the Scheme, as set out above in this announcement under the section headed “Conditions of the Scheme”
“Court”	the Supreme Court of Bermuda
“Court Meeting”	a meeting of the IDS Independent Shareholders to be convened at the direction of the Court at which the Scheme (with or without modification) will be voted upon, or any adjournment thereof
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any delegate for the time being of the Executive Director
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of PRC
“HSBC Trustee”	HSBC Trustee (C.I.) Limited, the trustee of a trust established for the benefit of the family members of Dr. Victor Fung Kwok King
“IDS”	Integrated Distribution Services Group Limited, a company incorporated in Bermuda, whose shares are currently listed on the Stock Exchange
“IDS Board”	the board of IDS Directors
“IDS Director(s)”	director(s) of IDS
“IDS Group”	IDS and its subsidiaries

“IDS IBC”	an independent committee of the IDS Board established to advise the IDS Independent Shareholders and the IDS Optionholders in relation to the Proposal, the composition of which is set out in the section headed "General - IDS IBC" above
“IDS Independent Shareholder(s)”	all IDS Shareholder(s), other than Li & Fung and persons acting in concert with it (including the Interested Shareholders)
“IDS Optionholder(s)”	holder(s) of IDS Share Options granted under the IDS Option Scheme
“IDS Option Scheme”	the share option scheme of IDS adopted on 4 November 2004, and amended on 22 November 2004
“IDS Share(s)”	ordinary share(s) of US\$0.1 each in the share capital of IDS
“IDS Shareholder(s)”	holder(s) of IDS Share(s)
“IDS Share Option(s)”	the outstanding options granted to the IDS Optionholders under the IDS Option Scheme, irrespective of whether or not such options have been vested, comprising the 2004 Options, 2005 Options, 2006 Options, 2007 Options, 2008 Options and 2009 Options
“IDS SGM”	a special general meeting of the IDS Shareholders to be convened for the purposes of passing all necessary resolutions for the implementation of the Proposal
“Interested Shareholders”	the Related Shareholders and the Common Directors
“Irrevocable Undertakings”	the irrevocable undertakings all dated 11 August 2010 given by each of the Committed Shareholders in respect of his/its Committed Shares in favour of Li & Fung as set out above in this announcement under the section headed “Irrevocable Undertakings to accept the Proposal”
“J.P.Morgan”	J.P.Morgan Securities (Asia Pacific) Limited, a registered institution under the SFO licensed to conduct Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 7 (providing automated trading services) regulated activities, which is the financial adviser to Li & Fung in respect of the Proposal

“King Lun”	King Lun Holdings Limited, which is 50% owned by HSBC Trustee and 50% owned by Dr. William Fung Kwok Lun
“LF 1937”	Li & Fung (1937) Limited, a company directly and indirectly holding approximately 42.22% and directly holding approximately 28.73% interests in IDS and Li & Fung, respectively as at the Announcement Date; and is wholly owned by King Lun
“LFD”	Li & Fung (Distribution) Limited, a wholly owned subsidiary of LF 1937
“Li & Fung”	Li & Fung Limited, a company incorporated in Bermuda, whose shares are listed on the Stock Exchange
“Li & Fung Board”	the board of Li & Fung Directors
“Li & Fung Director(s)”	director(s) of Li & Fung
“Li & Fung Group”	Li & Fung and its subsidiaries
“Li & Fung IBC”	an independent committee of the Li & Fung Board, comprising all the independent non-executive Li & Fung Directors, established to advise the Li & Fung Independent Shareholders in relation to the Proposal
“Li & Fung Independent Shareholder(s)”	all Li & Fung Shareholder(s), other than LF 1937 and its associates
“Li & Fung Share(s)”	ordinary share(s) of HK\$0.025 each in the share capital of Li & Fung
“Li & Fung Shareholder(s)”	holder(s) of Li & Fung Share(s)
“Li & Fung Share Option(s)”	the 92,810,000 outstanding options granted under the existing share option scheme of Li & Fung
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mikenwill”	Mikenwill Investments Limited, a company owned by Mr. Benedict Chang Yew Teck, who is not acting in concert with Li & Fung

“Mikenwill Call Option”	a call option granted by LF 1937 to Mikenwill to require LF 1937 to sell to Mikenwill or its nominee a total of 10,500,000 IDS Shares in five tranches pursuant to a deed given by LF 1937 in favour of Mikenwill dated 5 January 2007 and a supplemental deed dated 23 December 2009
“Mikenwill Option Shares”	a maximum of 2,100,000 IDS Shares to be transferred by LF 1937 to Mikenwill or its nominee pursuant to the exercise of the outstanding portion of the Mikenwill Call Option
“PRC” and “China”	the People’s Republic of China
“Proposal”	the proposal for acquisition of IDS by way of privatisation by Li & Fung comprising the Scheme and the cash offer to IDS Optionholders to cancel their outstanding IDS Share Options set out above in this announcement
“Record Date”	record date for determining entitlements under the Proposal
“Related Shareholders”	LF 1937, LFD, First Island Developments Limited and Dr. Victor Fung Kwok King
“Relevant Authorities”	appropriate governments and/or governmental bodies, regulatory bodies, courts or institutions, including but not limited to the Court and the Registrar of Companies in Bermuda
“Scheme”	a scheme of arrangement under Section 99 of the Companies Act involving the cancellation of all the Scheme Shares
“Scheme Document”	the document to be despatched to the IDS Shareholders and the IDS Optionholders containing details of the Scheme
“Scheme Share(s)”	IDS Share(s) held by the Scheme Shareholders
“Scheme Shareholder(s)”	IDS Shareholder(s) whose name(s) appear on IDS’ register of shareholders on the Record Date
“SFC”	the Securities and Futures Commission
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share Alternative”	the share alternative under the Scheme, being 0.585 Li & Fung Share for every Scheme Share

“ Stock Exchange ”	The Stock Exchange of Hong Kong Limited
“ subsidiary ”	has the meaning ascribed to it under the Listing Rules
“ Takeovers Code ”	the Hong Kong Code on Takeovers and Mergers
“ US\$ ”	United States dollars, the lawful currency of United States of America
“ % ”	per cent

For the purposes of this announcement, the exchange rate of US\$1.00 = HK\$7.8 has been used for currency translation, where applicable. Such exchange rate is for illustration purposes only and does not constitute representations that any amount in US\$ or HK\$ has been, could have been or may be converted at such rate.

By order of the board of
LI & FUNG LIMITED
Bruce Philip Rockowitz
Executive Director

By order of the board of
**INTEGRATED DISTRIBUTION
SERVICES GROUP LIMITED**
Benedict Chang Yew Teck
Executive Director

Hong Kong, 12 August 2010

As at the Announcement Date, 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 Announcement Date, 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.