INTEGRATED DISTRIBUTION SERVICES GROUP LIMITED
(Incorporated in Bermuda with limited liability)
(Stock Code: 2387)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2007

HIGHLIGHTS

	Year ended 31 December		
	2007	2006	Change
	US$ million	US$ million	%
Revenue	**1,295.66**	993.61	30.4%
Gross profit	**375.79**	257.93	45.7%
Core operating profit	**25.08**	20.11	24.7%
Operating profit	**39.13**	27.06	44.6%
Profit attributable to shareholders	**28.15**	23.19	21.4%
Earnings per share	**US9.04 cents**	US7.50 cents	20.5%
Dividend per share - Final	**HK30 cents**	HK28 cents	7.1%
- Full Year	**HK42 cents**	HK35 cents	20.0%

- Profit attributable to shareholders recorded solid growth to US$28.15 million, an increase of 21.4% against 2006. This was achieved in spite of significant increases in interest and tax expenses of US$8.16 million.

- The Group accomplished all the major objectives of the IDS Strategic Plan 2005-2007 including the "doubling of 2004 Net Profit" (i.e. a target of minimum US$21.2 million) set in December 2004.

- All-round solid organic growth was registered. The Group's core operating profit increased by 24.7% against 2006. Excluding the one-off impact of the Slumberland business, which became an associated company in June 2007, core operating profit growth was 41.8% vs. 2006.

- China continued to grow from strength to strength and delivered the strongest year-on-year revenue growth amongst all markets of 46.1%.

- Three M&A projects were successfully completed in 2007. This included a significant entry into the United Kingdom logistics market and two acquisitions in Sarawak and Sabah that now places IDS in a dominant position with our distribution business in the East Malaysia corridor, including Brunei.

- Proposed final dividend of HK30 cents per share. Total dividend for the year of HK42 cents per share increased by 20.0% compared to HK35 cents per share in 2006.

The board of directors (the "Board'') of Integrated Distribution Services Group Limited (the "Company'') is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively the "Group'') for the year ended 31 December 2007 together with the comparative figures for the corresponding year as follows:

CONSOLIDATED INCOME STATEMENT

	Note	Year ended 31 December	
		2007	2006
		US$'000	US$'000
Revenue	2	**1,295,657**	993,611
Cost of sales		**(919,870)**	(735,684)
Gross profit		**375,787**	257,927
Distribution and logistics expenses		**(300,811)**	(202,659)
Administrative expenses		**(49,901)**	(35,157)
Core operating profit		**25,075**	20,111
Other gains	3	**14,051**	7,997
Other expenses	3	**-**	(1,050)
Operating profit	4	**39,126**	27,058
Finance costs, net	5	**(4,709)**	(1,442)
Share of profit less loss of associated companies		**1,401**	-
Profit before taxation		**35,818**	25,616
Taxation	6	**(6,616)**	(1,725)
Profit for the year		**29,202**	23,891
Profit attributable to:			
Shareholders of the Company		**28,152**	23,188
Minority interest		**1,050**	703
		29,202	23,891
Dividends	8	**16,936**	13,891
Earnings per share for profit attributable to the shareholders of the Company during the year			
Basic	7	**US9.04 cents**	US7.50 cents
Diluted		**US8.70 cents**	US7.29 cents

CONSOLIDATED BALANCE SHEET

	Note	As at 31 December **2007** **US$'000**	2006 US$'000
ASSETS			
Non-current assets			
Intangible assets		**66,519**	39,496
Property, plant and equipment		**96,089**	68,914
Lease premium for land		**3,077**	1,684
Associated companies		**9,155**	-
Other non-current assets		**9,371**	7,774
Pension assets		**945**	849
Deferred tax assets		**11,146**	9,818
		196,302	128,535
Current assets			
Inventories		**163,869**	116,182
Trade and other receivables	9	**258,201**	210,172
Taxation recoverable		**679**	652
Time deposits		**33,816**	46,432
Bank balances and cash		**55,656**	38,161
		512,221	411,599
Total assets		**708,523**	540,134
EQUITY			
Capital and reserves attributable to the Company's shareholders			
Share capital		**31,288**	30,900
Reserves	11	**102,769**	78,248
		134,057	109,148
Minority interest		**6,523**	7,085
Total equity		**140,580**	116,233

CONSOLIDATED BALANCE SHEET (continued)

	Note	As at 31 December 2007 US$'000	2006 US$'000
LIABILITIES			
Non-current liabilities			
Unsecured bank loans		**81,716**	51,242
Obligations under finance leases		**4,546**	15
Deficit on pension schemes		**1,699**	1,544
Post-employment benefit liabilities		**2,492**	2,942
Other non-current liabilities		**13,535**	16,408
Deferred tax liabilities		**2,838**	1,793
		106,826	73,944
Current liabilities			
Trade and other payables	10	**391,942**	297,075
Bank loans and other borrowings		**61,487**	47,245
Taxation payable		**7,688**	5,637
		461,117	349,957
Total liabilities		**567,943**	423,901
Total equity and liabilities		**708,523**	540,134
Net current assets		**51,104**	61,642
Total assets less current liabilities		**247,406**	190,177

1 Basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"), under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss, which are carried at fair value.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies.

New standards, amendments to published standards and interpretations effective in 2007

The following standards, amendments and interpretations are mandatory for financial year ended 31 December 2007. Management has concluded that there is either no significant financial impact or relevance to the Group:

HKAS1 (Amendment)	Presentation of Financial Statements - Capital Disclosures
HKFRS 7	Financial instruments: Disclosures
HK(IFRIC) - Int 8	Scope of HKFRS 2
HK(IFRIC) - Int 9	Reassessment of Embedded Derivatives
HK(IFRIC) - Int 10	Interim Financial Reporting and Impairment

Standards, interpretations and amendments to existing standards that are not yet effective and have not been early adopted by the Group

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for the Group's accounting periods beginning on or after 1 March 2007 or later periods but which the Group has not early adopted. The new HKFRS expected to be applicable to the Group's operations are as follows:

HKAS1 (Revised)	Presentation of Financial Statements (effective for annual periods beginning on or after 1 January 2009)
HKAS 23 (Revised)	Borrowing Costs (effective for annual periods beginning on or after 1 January 2009)
HKFRS 8	Operating Segments (effective for annual periods beginning on or after 1 January 2009)
HK(IFRIC)-Int 11	HKFRS 2 — Group and Treasury Share Transactions (effective for annual periods beginning on or after 1 March 2007)
HK(IFRIC)-Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (effective for annual periods beginning on or after 1 January 2008)

Interpretations to existing standards that are not yet effective and not relevant to the Group's operations

The following interpretations to existing standards have been published that are mandatory for the Group's annual periods beginning on or after 1 January, 2008 or later periods but are not relevant for the Group's operations.

HK(IFRIC)-Int 12	Service Concession Arrangement (effective for annual periods beginning on or after 1 January 2008)
HK(IFRIC)-Int 13	Customer Loyalty Programmes (effective for annual periods beginning on or after 1 July 2008)

2 Segment information

Primary reporting format - business segments

The segment results for the year ended 31 December 2007 are as follows:

	Logistics US$'000	Distribution US$'000	Manufacturing US$'000	Unallocated (note) US$'000	Inter-segment elimination US$'000	Group total US$'000
Sales of goods	-	874,307	123,985	-	-	998,292
Rendering of services	271,488	11,103	28,076	-	(13,302)	297,365
Revenue	271,488	885,410	152,061	-	(13,302)	1,295,657
Gross profit	254,609	122,325	9,222	-	(10,369)	375,787
Distribution, logistics and administrative expenses	(239,230)	(105,460)	(3,459)	(12,932)	10,369	(350,712)
Core operating profit	15,379	16,865	5,763	(12,932)	-	25,075
Other gains	892	216	-	12,943		14,051
Segment results	16,271	17,081	5,763	11		39,126
Finance costs, net						(4,709)
Share of profit less loss of associated companies						1,401
Profit before taxation						35,818
Taxation						(6,616)
Profit for the year						29,202
Segment assets	209,267	338,271	62,864	88,966		699,368
Associated companies	-	9,155	-	-		9,155
Total assets	209,267	347,426	62,864	88,966		708,523
Total liabilities	193,436	270,192	45,582	58,733		567,943
Capital expenditure	14,141	4,729	6,674	4,516		30,060
Capital expenditure arising from acquisition of subsidiaries	39,994	4,330	-	-		44,324
Depreciation and amortization	7,091	2,917	2,545	2,134		14,687
Impairment/(reversal of impairment) of inventory	62	(81)	146	-		127
Impairment of trade receivables	480	945	-	-		1,425

Note: Unallocated mainly includes corporate costs, common information technology costs and land and buildings which cannot be meaningfully allocated to the business segments.

2 Segment information (continued)

Primary reporting format - business segments (continued)

The segment results for the year ended 31 December 2006 are as follows:

	Logistics US$'000	Distribution US$'000	Manufacturing US$'000	Unallocated (note) US$'000	Inter-segment elimination US$'000	Group total US$'000
Sales of goods	-	707,691	120,037	-	(235)	827,493
Rendering of services	155,531	7,567	16,729	-	(13,709)	166,118
Revenue	155,531	715,258	136,766	-	(13,944)	993,611
Gross profit	144,061	117,218	7,647	-	(10,999)	257,927
Distribution, logistics and administrative expenses	(131,270)	(104,922)	(2,558)	(10,065)	10,999	(237,816)
Core operating profit	12,791	12,296	5,089	(10,065)	-	20,111
Other gains	-	-	-	7,997		7,997
Other expenses	-	(1,050)	-	-		(1,050)
Segment results	12,791	11,246	5,089	(2,068)		27,058
Finance costs, net						(1,442)
Profit before taxation						25,616
Taxation						(1,725)
Profit for the year						23,891
Total assets	137,556	273,336	43,762	85,480		540,134
Total liabilities	129,061	214,241	26,781	53,818		423,901
Capital expenditure	4,868	2,350	2,535	2,627		12,380
Capital expenditure arising from acquisition of a subsidiary / business	35,130	-	-	22,424		57,554
Depreciation and amortization	4,262	2,431	1,447	1,503		9,643
Impairment of inventory	69	1,045	-	-		1,114
Impairment of trade receivables	(2)	611	113	-		722

Note: Unallocated mainly includes corporate costs, common information technology costs and land and buildings which cannot be meaningfully allocated to the business segments.

2 Segment information (continued)

Secondary reporting format - geographical segments

The segment results for the year ended 31 December 2007 are as follows:

	Revenue US$'000	**Segment results US$'000**	**Total assets US$'000**	**Capital expenditure US$'000**
Greater China	**487,361**	**16,656**	**232,873**	**9,418**
Asean	**720,256**	**20,520**	**281,155**	**15,144**
US and UK	**89,314**	**831**	**105,529**	**45,306**
Unallocated (note)	**-**	**(12,932)**	**88,966**	**4,516**
	1,296,931	**25,075**	**708,523**	**74,384**
Less: Inter-segment elimination	**(1,274)**			
	1,295,657			
Other gains		**14,051**		
Operating profit		**39,126**		

The segment results for the year ended 31 December 2006 are as follows:

	Revenue US$'000	Segment results US$'000	Total assets US$'000	Capital expenditure US$'000
Greater China	403,188	15,638	204,445	5,293
Asean	585,261	14,009	200,777	7,092
US and UK	7,733	529	49,432	32,498
Unallocated (note)	-	(10,065)	85,480	25,051
	996,182	20,111	540,134	69,934
Less: Inter-segment elimination	(2,571)			
	993,611			
Other gains		7,997		
Other expenses		(1,050)		
Operating profit		27,058		

Note: Unallocated mainly includes corporate costs, common information technology costs and land and buildings which cannot be meaningfully allocated to the geographical segments.

3 Other gains/(expenses)

	2007 US$'000	2006 US$'000
Gain on disposal/partial divestment of a subsidiary	**11,286**	7,997
Realized exchange gain upon settlement of long term intra-group loan	**1,634**	-
Gain on acquisition of additional interest of a subsidiary	**892**	-
Gain on acquisition of a subsidiary	**216**	-
Gain on acquisition of an associated company	**23**	-
Other gains	**14,051**	7,997
Cost for restructuring	**-**	(1,050)
Other expenses	**-**	(1,050)

4 Operating profit

Operating profit is stated after charging and (crediting) the following:

	2007 US$'000	2006 US$'000
Depreciation of		
Owned property, plant and equipment	**11,969**	8,099
Leased property, plant and equipment	**172**	85
(Gain)/loss on disposal of plant and equipment	**(27)**	87
Amortization of prepaid operating lease payment	**80**	17
Amortization of intangible assets	**2,466**	1,442
Costs of inventories sold	**902,257**	722,377

5 Finance costs, net

	2007	2006
	US$'000	US$'000
Interest expense on bank loans and overdrafts	**5,738**	3,668
Interest expense of finance leases	**206**	9
Imputed interest on non-current payables (note)	**690**	119
	6,634	3,796
Interest income from bank deposits	**(1,925)**	(2,354)
	4,709	1,442

Note: The amount represents imputed interest on non-current portion of the purchase consideration payable at the average borrowing rate of 5.78% (2006: 5.68%) under the effective interest method.

6 Taxation

Hong Kong profits tax has been provided for at the rate of 17.5% on the estimated assessable profits in Hong Kong for the year. It has not been provided for the year ended 2006 as the Group's assessable profits in Hong Kong have been offset against tax losses from prior years. Taxation on overseas profits has been calculated on the estimated assessable profits for the year at the rates of taxation prevailing in the countries in which the Group operates.

The amount of taxation charged/(credited) to the consolidated income statement for the year represents:

	2007	2006
	US$'000	US$'000
Current taxation:		
- Hong Kong profits tax	**59**	-
- Overseas taxation	**5,350**	6,379
	5,409	6,379
Deferred taxation:		
- Deferred tax assets	**4,025**	(5,506)
- Deferred tax liabilities	**(2,818)**	852
	1,207	(4,654)
Taxation charge	**6,616**	1,725

7 Earnings per share

The calculation of the Group's basic and diluted earnings per share is based on the consolidated profit attributable to shareholders of US$28,152,000 (2006: US$23,188,000). The basic earnings per share is based on the weighted average number of 311,359,000 (2006: 309,000,000) shares in issue during the year.

The diluted earnings per share is based on the average number of 311,359,000 (2006: 309,000,000) shares in issue during the year plus the weighted average number of 12,214,000 (2006: 9,273,000) shares deemed to have been issued at no consideration if all outstanding options had been exercised.

8 Dividends

	2007 **US$'000**	2006 US$'000
Interim dividend paid of HK12 cents (equivalent to US1.54 cents) (2006:HK7 cents (equivalent to US0.90 cent)) per share	**4,820**	2,782
Proposed dividend after balance sheet date of HK30 cents (equivalent to US3.85 cents) (2006:HK28 cents (equivalent to US3.58 cents)) per share	**12,116**	11,109
	16,936	13,891

At a meeting held on 13 March 2008, the Directors proposed a final dividend of HK30 cents (equivalent to US3.85 cents) per share. The proposed dividends are not reflected as dividend payable in these financial statements, but will be reflected as an appropriation of retained earnings for the year ending 31 December 2008.

9 Trade receivables

The aging analysis of the Group's trade receivable based on invoice date was as follows:

	2007	2006
	US$'000	US$'000
Less than 90 days	**190,603**	153,367
91-180 days	**12,211**	8,715
181-360 days	**2,004**	1,513
Over 360 days	**1,458**	759
	206,276	164,354

The Group normally granted credit terms to its customers ranging from 30 to 90 days. In certain circumstances, longer credit terms are given based on negotiated contract terms.

10 Trade payables

The aging analysis of the Group's trade payable was as follows:

	2007	2006
	US$'000	US$'000
Less than 90 days	**232,228**	178,037
91-180 days	**56,218**	30,569
181-360 days	**4,017**	1,758
Over 360 days	**1,237**	1,415
	293,700	211,779

11 Reserves

	Share premium US$'000	Employee share-based compensation reserve US$'000	Merger reserve US$'000	Retained earnings US$'000	Exchange reserve US$'000	Total US$'000
At 1 January 2006	21,019	537	16,450	17,116	1,242	56,364
Exchange differences	-	-	-	-	6,304	6,304
Actuarial losses from post employment benefit recognized in reserve:						
- gross	-	-	-	(268)	-	(268)
- tax	-	-	-	37	-	37
Profit for the year	-	-	-	23,188	-	23,188
2005 final dividend paid	-	-	-	(5,575)	-	(5,575)
2006 interim dividend paid	-	-	-	(2,782)	-	(2,782)
Employee share option benefits	-	980	-	-	-	980
At 31 December 2006	21,019	1,517	16,450	31,716	7,546	78,248
Exchange differences	**-**	**-**	**-**	**-**	**7,764**	**7,764**
Actuarial gain from post employment benefit recognized in reserve:						
- gross	**-**	**-**	**-**	**1,054**	**-**	**1,054**
- tax	**-**	**-**	**-**	**(31)**	**-**	**(31)**
Profit for the year	**-**	**-**	**-**	**28,152**	**-**	**28,152**
2006 final dividend paid	**-**	**-**	**-**	**(11,141)**	**-**	**(11,141)**
2007 interim dividend paid	**-**	**-**	**-**	**(4,820)**	**-**	**(4,820)**
Employee share option benefits						
- cost of employee services	**-**	**1,534**	**-**	**-**	**-**	**1,534**
- proceeds from shares issued	**2,009**	**-**	**-**	**-**	**-**	**2,009**
- transfer to share premium	**392**	**(392)**	**-**	**-**	**-**	**-**
Disposal of a subsidiary	**-**	**-**	**167**	**626**	**(793)**	**-**
At 31 December 2007	**23,420**	**2,659**	**16,617**	**45,556**	**14,517**	**102,769**

BUSINESS REVIEW

Profit attributable to shareholders recorded solid growth to US$28.15 million, equivalent to an increase of 21.4% against 2006. This was achieved in spite of significant increases in interest and tax expenses of US$8.16 million. The year 2007 concluded our 3-Year Strategic Plan 2005–2007, and the Group has accomplished all the major objectives of the Plan, including the "doubling of 2004 Net Profit" (i.e. a target of minimum US$21.2 million) set in December 2004.

All core businesses of IDS – logistics, distribution and manufacturing recorded double-digit growth in both revenue and operating profit. Excluding the gains recorded from the disposal of the second tranche of 17.5% shares of Slumberland Asia Pacific and other one-off items, core operating profit increased by 24.7% to US$25.08 million. Excluding the Slumberland business which became an associated company in June 2007, core operating profit growth for 2007 registered an increase of 41.8% against 2006.

IDS completed three acquisitions during the year. In mid-2007, the Group acquired a 67.09% and 40.00% interests in two distribution companies in Sarawak and Sabah respectively. This places IDS in a dominant position in Fast Moving Consumer Goods distribution in the East Malaysia corridor including Brunei. In August, IDS also acquired a garment logistics company in the UK which now positions the Group to better target expansion into Europe.

China continued to grow from strength to strength and delivered the highest year-on-year revenue growth amongst all markets at 46.1%. The Logistics business, in particular, enjoyed huge success in winning new customers.

Heavy investment programs to upgrade the effectiveness and efficiency of IDS USA operations made good progress throughout the year. The management team was strengthened with major resource build-up and investments made in the support areas of Finance, HR and IT. The Group's standard ERP (Enterprise Resources Planning) system for financial reporting was implemented and WMS (Warehouse Management System) implementation for all IDS distribution center facilities is scheduled to be completed all within this year.

FINANCIAL OVERVIEW

In 2007, the Group's revenue increased 30.4% to US$1,295.7 million. All three business segments registered double-digit revenue growth, 74.6% in Logistics, 23.8% in Distribution and 11.2% in Manufacturing. Gross profit grew by US$117.9 million, an increase of 45.7%. The gross profit margin increased from 26% in 2006 to 29%, mainly attributable to the favourable revenue mix resulting from the significant increase in Logistics revenue.

The Group's core operating profit rose 24.7% to US$25.1 million, mainly driven by overall higher revenue. Operating profit increased by 44.6% to US$39.1 million including a US$11.3 million gain on the disposal of a 17.5% share in Slumberland Asia Pacific, the bedding business. Subsequent to this disposal, the Group's equity interest in Slumberland Asia Pacific was reduced to 50%. Net finance costs increased by US$3.3 million to US$4.7 million, mainly due to the financing of the new acquisitions. Taxation for the year amounted to US$6.6 million, an effective tax rate of 18.5%, compared to US$1.7 million (effective tax rate – 6.7%) in 2006 that included the recognition of US$4.9 million deferred tax credit. As a result, profit attributable to shareholders grew 21.4% to US$28.2 million.

SEGMENTAL ANALYSIS

Logistics

Revenue and segment results increased by 74.6% and 27.2% to US$271.5 million and US$16.3 million respectively, driven by new contracts won, the UK new business acquired this year, and the full year impact of the US and Malaysia businesses acquired in last quarter of 2006.

Distribution

Revenue rose 23.8% to US$885.4 million and segment results increased by 51.9% to US$17.1 million, benefiting from the expanded distribution network in China, good performances in the Asean markets and the contribution from the newly acquired businesses in East Malaysia.

Manufacturing

Revenue and segment results increased by 11.2% and 13.2% to US$152.1 million and US$5.8 million, reflecting the increased volumes in Thailand and new business wins.

Geographical analysis

Total revenue grew 30.4%, with Greater China and Asean growing at 21% and 23% respectively. The US & UK revenue increased by US$81.6 million to US$89.3 million, reflecting the full year impact of the US operations plus four months revenue from the newly acquired UK business. Greater China and Asean accounted for 43% and 52% of the total segment results.

FUTURE PROSPECTS

2008 is the beginning of a new strategic plan cycle for IDS. The theme of the 2008–2010 Strategic Plan is “Accelerate Profitability Through People Growth, Asian Dominance & Global Expansion”. This translates to the financial challenge that we have set for ourselves – to double our 2007 net profit by the year 2010. The Group will focus on realizing the value of the investments we have made in recent years, including our cutting-edge IT system, our extensive Asian distribution and logistics network and our business model of Value-Chain Logistics.

The Group has enjoyed rapid growth in China since 2004 and has now taken a leadership position in the distribution of consumer goods and garment logistics. Our network expansion in the past three years had resulted in an extensive network of 18 branch offices, distribution coverage of 150 cities, and distribution centers covering over 1 million square feet. The next step is to leverage our strong presence to maintain this growth momentum.

Our initial foray into the US and UK market has given us physical presence in two key strategic markets. In order to extract full value from this enlarged geographical coverage, it is imperative to materialize our concept of connecting these markets with our Asian logistics and distribution network, allowing us to provide new service solutions including the management of end-to-end supply chains of our customers. We see strong potential in the US and UK markets, but the short-term market outlook would be challenging as recent figures show the housing market in the US is weak and consumer sentiment remains soft. The sub-prime mortgage issue, first exposed in mid-2007, has begun to be felt in other segments of the economy and becomes the biggest unknown factor that may have a global impact in 2008.

The Group will continue to advance according to our two-pronged strategy of strong organic growth and strategic mergers and acquisitions. Whilst we will strengthen our efforts to identify suitable M&A targets, we will also build a strong discipline into our integration processes to ensure we derive the most synergies from these acquisitions.

ACQUISITIONS AND DISPOSAL

The Group completed three major acquisitions in 2007. In May and July, the Group acquired 67.09% and 40% interests in Sebor (Sarawak) Sdn. Bhd. (now known as IDS Sebor (Sarawak) Holdings Sdn. Bhd.) and Sebor (Sabah) Sdn. Bhd. respectively for a total consideration of US$9.3 million. Both companies are well-established distributors of fast-moving consumer products in East Malaysia and these acquisitions augment well with the Group's operations in East Malaysia corridor. In August, the Group acquired PB Logistics Limited (now known as IDS Logistics (UK) Limited), the logistics arm of Peter Black Group in the United Kingdom for a consideration of US$23.2 million. This acquisition provided a strong entry point for the Group to expand into Europe in line with the Group's strategy to offer end-to-end solutions to the large retailers and importers in the United Kingdom. Consistent with the Group's progressive plan to dispose its bedding business, the Group reduced its interest in Slumberland Asia Pacific from 67.5% to 50% in June, resulting in a gain of US$11.3 million.

LIQUIDITY AND FINANCIAL RESOURCES

Net cash flow from operating activities during the year was US$44.7 million. Net cash of the Group amounted to US$79.3 million at 2007 year-end, compared to US$78.3 million at end of 2006. The new loans raised were mainly for financing the acquisitions. In addition, the Group has available bank loans and overdraft facilities of US$280 million of which only US$141.9 million have been utilized. The Group's gearing ratio at end of 2007 was 41.5% compared to 12.0% at 2006 year-end.

CHARGES ON GROUP ASSETS

As at 31 December 2007, there were no charges on the Group's assets.

FOREIGN EXCHANGE RISK MANAGEMENT

The Group operates in various economies over the world and is exposed to foreign exchange risk. Fluctuations in exchange rates in these economies can affect the earnings and net assets of the Group.

In addition, certain purchase transactions are not conducted in the respective local currencies of the operations. The foreign currencies involved in these transactions include mainly U.S. Dollars, Euro, Japanese Yen and Pound Sterling. The Group purchases foreign currency contracts to protect against the adverse effect of such exchange fluctuations on the foreign currency. The Group policy is to hedge all material purchases transacted in foreign currencies and restrict from engaging in speculative foreign exchange transactions.

CONTINGENT LIABILITIES

(a) Bank guarantees

The Group has counter guaranteed the following outstanding bank guarantees issued by banks for normal business operation:

	2007	2006
	US$'000	US$'000
As security in favor of local tax and customs authorities in accordance with local regulations	**494**	9,811
For purchase of goods in favor of suppliers	**9,469**	10,052
Performance bonds and others	**593**	407
For rental payment in favor of the landlords	**8,210**	5,762
	18,766	26,032

(b) The Company and its US subsidiary, IDS Impac Ltd. were advised on 14 December 2007 that they have been named as defendants in a civil claim for alleged breaches of contracts. The management of the Group have reviewed the facts and circumstances and are of the view that the likelihood of the Company and its subsidiary suffering material loss is low.

HUMAN RESOURCES

As at 31 December 2007, the Group employed 6,500 (vs. 6,200 in 2006) permanent employees. They were located throughout various operations within the Group. Total staff costs on 31 December 2007 amounted to about US$161.56 million (vs. US$109.92 million in 2006).

The Group offers its staff competitive remuneration schemes. In addition, discretionary bonuses and share options are granted to eligible staff based on individual and Group performance. The Group is committed to nurturing a learning culture in the organization.

FINAL DIVIDEND

The Board recommends the payment of a final dividend of HK30 cents (2006: HK28 cents) per share for the year ended 31 December 2007 to shareholders of the Company. Together with the interim dividend of HK12 cents (2006: HK7 cents) per share, there is an aggregate distribution of HK42 cents per share for the full year, representing an increase of 20% over the total dividend for the year 2006.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from 2 May 2008 to 7 May 2008, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Tricor Abacus Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on 30 April 2008. Dividend warrants will be despatched immediately after the holding of the Annual General Meeting on 16 May 2008 subject to shareholders' approval of payment of the final dividend.

ANNUAL GENERAL MEETING

The Annual General Meeting of the Company will be held at Pheasant-Jasmine Room, 1st Floor, Mandarin Oriental, 5 Connaught Road, Central, Hong Kong on Friday, 16 May 2008 at 12:00 noon. Notice of the Annual General Meeting will be sent to the shareholders of the Company shortly.

PUBLICATION OF THE RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This results announcement is published on the website of Hong Kong Exchanges and Clearing Limited at *www.hkexnews.hk* and on the website of the Company at *www.idsgroup.com*. The 2007 annual report and the notice of annual general meeting will be despatched to the shareholders of the Company and available on the same websites on or about 23 April 2008.

CORPORATE GOVERNANCE

The Board of Directors and Management are committed to principles of good corporate governance consistent with prudent enhancement and management of shareholder value. These principles emphasize transparency, accountability and an appropriate oversight by Independent Non-executive Directors.

In order to reinforce independence, accountability and responsibility, the role of the Group Chairman is separate from that of the Group Managing Director with their respective responsibilities endorsed by the Board in writing.

The Board has established the Audit Committee, the Compensation Committee and the Nomination Committee with written terms of reference (available to shareholders upon request), which are of no less exacting terms than those set out in the Code on Corporate Governance Practices of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules"). All committees, with the exception of the Audit Committee (chaired by an Independent Non-executive Director), are chaired by Non-executive Directors.

Full details on the subject of corporate governance are set out in the Company's 2007 Annual Report.

AUDIT COMMITTEE

The Audit Committee met three times in 2007 (with an average attendance rate of 91.6%) to review with senior management and the Group's internal and external auditors, the significant internal controls and financial matters as set out in the Committee's terms of reference. The committee's review covers the audit plans and findings of internal and external auditors, external auditor's independence, the Group's accounting principles and practices, Listing Rules and statutory compliance, internal controls, risk management and financial reporting matters (including the interim financial information and annual financial statements for the Board's approval).

The Audit Committee has reviewed the annual results for the year ended 31 December 2007.

INTERNAL CONTROL AND RISK MANAGEMENT

The Board recognizes the importance of internal controls to safeguard shareholders' interests and investments and the Group's assets, and managing business risks. The Board assumes the overall responsibility for reviewing the adequacy and integrity of the Group's system of internal controls and risk management through the Audit Committee.

Based on the assessments made by senior management, the Group's Internal Audit team and the external auditor in 2007 and up to the approval date of the Company's 2007 Annual Report and financial statements, the Audit Committee is satisfied that the internal controls and accounting systems of the Group are in place and function effectively and are designed to provide reasonable assurance that material assets are protected, business risks attributable to the Group are identified and monitored, material transactions are executed in accordance with management's authorization and the financial statements are reliable for publication; and that there is an ongoing process in place for identifying, evaluating and managing the significant risks faced by the Group.

COMPLIANCE WITH THE MODEL CODE OF THE LISTING RULES

The Group has adopted procedures governing Directors' securities transactions in compliance with the Model Code as set out in Appendix 10 of the Listing Rules. Relevant employees who are likely to be in possession of unpublished price-sensitive information of the Group are also subject to compliance with written guidelines on no less exacting terms than the Model Code. Specific enquiries have been made to all Directors and relevant employees to confirm compliance with the Model Code. No incident of non-compliance of the Model Code was noted by the Company in 2007.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES OF THE LISTING RULES

The Board has reviewed the Company's corporate governance practices and is satisfied that the Company has complied with the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Listing Rules for the year ended 31 December 2007.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SHARES

The Company has not redeemed any of its listed shares during the year. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's listed shares during the year.

By Order of the Board
Victor FUNG Kwok King
Chairman

Hong Kong, 13 March 2008

As at the date of this announcement, the executive directors of the Company are Mr. Benedict CHANG Yew Teck and Mr. Joseph Chua PHI; the non-executive directors of the Company are Dr. Victor FUNG Kwok King, Dr. William FUNG Kwok Lun, Mr. William Winship FLANZ, Mr. Jeremy Paul Egerton HOBBINS, Mr. LAU Butt Farn and Mr. Rajesh Vardichand RANAVAT; and the independent non-executive directors of the Company are Mr. John Estmond STRICKLAND, Dr. FU Yu Ning and Prof. LEE Hau Leung.