



TAI PING CARPETS INTERNATIONAL LIMITED

(Incorporated in Bermuda with limited liability)

**INTERIM REPORT
FOR THE SIX MONTHS ENDED 30TH JUNE 2002**

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TAI PING CARPETS INTERNATIONAL LIMITED

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INTERIM REPORT FOR THE SIX MONTHS ENDED 30TH JUNE 2002

The directors of Tai Ping Carpets International Limited (“the Company”) are pleased to present the Interim Report and condensed consolidated accounts of the Company and its subsidiaries (“the Group”) for the six months ended 30th June 2002. The consolidated results, consolidated cash flow statement and consolidated statement of changes in equity for the Group for the six months ended 30th June 2002, and the consolidated balance sheet as at 30th June 2002 of the Group, all of which are unaudited and condensed, along with selected explanatory notes, are set out on pages 6 to 17 of this report.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group’s unaudited consolidated turnover for the first half of 2002 was HK\$214.8 million, a fall of 2% compared to HK\$219.3 million for the same period last year. The Group’s unaudited consolidated profit attributable to shareholders for the first half of 2002 was HK\$6.2 million compared to HK\$19.2 million for the same period last year. The 30th June 2002 results were after a charge of HK\$0.5 million being amortisation of goodwill net of negative goodwill recognised as income on acquisition of subsidiaries made in the previous year. The corresponding entry in the previous year was after a negative goodwill of HK\$0.2 million recognised as income and gain of HK\$0.8 million on acquisition from a minority shareholder of a shareholder’s loan due from a subsidiary.

The Board does not recommend the payment of an interim dividend for the period (2001: Nil).

Carpet operations

During the period under review, the Group’s turnover in carpet manufacture and trading fell 5% to HK\$148.6 million, compared with HK\$155.5 million for the corresponding period in 2001. This disappointing drop in sales was predominantly due to the events of 11th September 2001. After an especially slow first quarter, exports to countries outside the Asia Pacific region improved in the second quarter and totaled HK\$66.5 million for the six-month period, slightly below exports of HK\$67.4 million for the same period last year. Sales in the Asia Pacific region for the period fell by HK\$5.9 million to HK\$82.1 million with sales to Hong Kong and China being significantly reduced. However, sales in Thailand remained strong. The gross profit for the period fell by HK\$4.0 million to HK\$62.9 million reflecting both the market preference towards lower cost products of lower margin, as well as a decreased profit margin as increased competition was experienced in the world contract market. These factors, together with additional overhead costs incurred as part of the Group’s long term strategy to improve customer service and to support the development of Options Tai Ping Carpets, Inc. in the US, and Tai Ping Carpets Europe S.A. in Paris, resulted in a reduction of segment profit of HK\$14.6 million for the carpet operations.

Joint ventures and associated company

The Group’s share of the combined profits after tax from the joint venture operations of Weihai Huabao Carpets Company Limited and Weihai Premier Carpets Company Limited fell by 24% to HK\$4.5 million reflecting the increasingly competitive China market. Philippine Carpet Manufacturing Corporation, the Group’s associated company, also reported a fall in profitability due to the uncertainties in their export markets, and the Group’s share of their unaudited profits after tax fell by 50% to HK\$0.7 million.

Other operations

Turnover of the yarn manufacturing and trading operations improved by 8% to HK\$51.2 million with a marked improvement in their gross profit margins for the six-month period to 30th June 2002 over the same period last year. This improvement is predominantly due to operating efficiency from the increased production volume.

With the continued soft retail environment in Hong Kong, the turnover of the furniture and interior furnishings operations of Banyan Tree Limited fell by HK\$1.0 million to HK\$11.7 million for the period. However, the growth of the rental and contract furniture business led to the Company’s decision to establish a new operation to service this growing sector of the market. Several projects for major property developments are scheduled for completion in the second half of the year.

Corporate transactions

On 3rd January 2002, the Group acquired the remaining 10% of the share capital of Singapore Carpet Manufacturers Private Limited (“SCM”) for a cash consideration of HK\$2,101,000. The share of the fair value of the net identifiable assets of SCM at the date of acquisition was HK\$1,991,000. The resulting positive goodwill amounted to HK\$110,000 and will be amortised to the profit and loss account for 3 years. Subsequent to this transaction, SCM was re-activated as a sales and trading operation with its activities centered on the Singapore carpet market. It is expected that the re-establishment of SCM will have a beneficial impact on the future results of the Group.

Employees and remuneration policy

There is no material change in the Group’s employment and remuneration policies since 31st December 2001.

In May 2002, the Company adopted a new share option scheme which complies with the revised Chapter 17 of the Listing Rules, and terminated the existing share option scheme adopted in 1997. The participants of this new scheme include employees and consultants of the Group who have contributed or will contribute to the Group. The Company considers that the adoption of new share option scheme is in the best interests of the Company and its shareholders as a whole as this will encourage the employees to work towards enhancing the value of the Company.

Liquidity and capital structure

The Group finances its businesses with internally generated cash flows and banking facilities at its different geographical locations. Financing and cash management activities of the Group are coordinated at the corporate level.

The debt maturity profiles of the Group at 30th June 2002 and 31st December 2001 were as follows:

	30th June 2002 HK\$’000	31st December 2001 HK\$’000
Repayable within one year (including bank overdrafts)	83,774	60,748
Repayable after 1 year, but within 2 years	8,056	7,992
Repayable after 2 years but within 5 years	–	3,636
Total	<u>91,830</u>	<u>72,376</u>

Borrowings are mainly in Thai Baht. Total borrowing increased by 26.9% as a result of appreciation of Thai Baht and increase of trust receipt loans in Thailand.

The cash deposits and bank balances of the Group amount to HK\$107.3 million and the net current assets total HK\$154.7 million. Management believes that the Group has sufficient financial resources to discharge its debts and to finance its operations and capital expenditure.

The earnings before interest, tax, depreciation and amortisation for the six-month period ended 30th June 2002 was HK\$30.1 million and HK\$43.6 million for the corresponding period in 2001.

Outlook

In spite of a challenging world market environment so far in the year, the Group has continued to proceed in accordance with the Group’s long-term strategy to improve product range and to increase market coverage. The upgrading of production capabilities and investment into product and market development has brought encouraging advances for the Group.

During the period, wilton woven carpets of Carpets International Thailand Public Company Limited (“CIT”) have been successful in passing strict aviation specifications and standards. The company intends to become a supplier of floorcovering to this market sector. The company’s axminster woven carpets have passed certification standards established by the International Maritime Organization for floorcovering used on commercial passenger cruise liners. This will open yet another market for the Group. For the US market, a wilton woven carpet program for the residential market was successfully launched at the beginning of the year, with shipments expected to increase in the second half of the year.

The Group continues to improve its facilities and product capabilities through continued investment. At the CIT factory the new electricity sub-station opened in January 2002, a new nylon yarn extrusion line was commissioned and production will start in September 2002. In Nanhai PRC, a new factory incorporating the relocated and upgraded dye house is under construction to improve the standards of treatment of waste discharge into the environment, as well as to improve operating efficiency. As the Group continues to move in its strategic direction, the completed investments have begun to yield results and those under construction will further add to the profitability and sustainability of the Group.

Superlative customer service is a key principle in the Group’s sales efforts. After due consideration at the end of year 2001, it was felt unwise to react to the events of September 2001 by immediately cutting costs which would directly impact the level of customer service offered. As market confidence overall slowly improves, the decision not to cut costs in areas of customer service has begun to prove correct, with improvements in the Group’s order books and with all the operations forecasting a steady improvement through to the end of the year.

Purchase, sale or redemption of shares

The Company has not redeemed any of its shares during the period. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company’s shares during the period.

Directors’ interests in equity or debt securities

At 30th June 2002, the interests of the directors in the shares and options of the Company and its associated corporations (within the meaning of the Securities (Disclosure of Interests) Ordinance (“SDI Ordinance”)), as recorded in the register maintained by the Company under Section 29 of the SDI Ordinance or as notified to the Company were as follows:

(a) Ordinary shares of HK\$0.10 each in the Company

Name	No. of ordinary shares held			
	Personal Interests	Family Interests	Corporate interests	Other Interests
J. S. Dickson Leach	3,041,263	–	–	–
Anthony Y. C. Yeh	5,036,230	–	–	–
Kent M. C. Yeh	1,537,500	–	–	–
Ian D. Boyce	203,947	–	–	–
Lincoln C. K. Yung	30,000	–	–	–
Lincoln K.K. Leong	–	–	2,000,000*	–
Alison S. Bailey	458,000	–	–	–
David C. L. Tong	296,743	–	–	–
John J. Ying	–	–	11,232,401 [#]	–
Nelson K.F. Leong	–	–	2,000,000*	–
<i>(alternate director to Lincoln K.K. Leong)</i>				

* Mr. Nelson K.F. Leong is interested in the same shares as disclosed by Mr. Lincoln K.K. Leong. The shares are held through a company which is controlled by Messrs. Lincoln K.K. Leong and Nelson K.F. Leong.

[#] The shares are held through a company of which Mr. John J. Ying is interested in more than one-third of the voting shares.

(b) Share options

Name	Options held at 1st January 2002	Options exercised during the period	Options held at 30th June 2002	Exercise price (HK\$)	Exercisable from	Exercisable until
Kent M. C. Yeh	469,500	(469,500)	–	0.79	15/9/1999	14/9/2002
	352,500	–	352,500	1.17	15/9/2000	14/9/2003
	352,500	–	352,500	1.67	15/9/2001	14/9/2004
Alison S. Bailey	337,500	(337,500)	–	0.79	15/9/1999	14/9/2002
	253,500	–	253,500	1.17	15/9/2000	14/9/2003
	253,500	–	253,500	1.67	15/9/2001	14/9/2004

The options were granted under a share option scheme approved by the shareholders at a Special General Meeting on 24th November 1997 (“1997 Share Options Scheme”). The exercise prices and the number of share options had been adjusted as a result of a rights issue scheme which was approved at a Special General Meeting on 25th May 2001.

Each option entitles the holder to subscribe for one share of HK\$0.10 each in the Company at a predetermined subscription price as above.

The 1997 Share Options Scheme has been terminated by the shareholders in an Annual General Meeting held on 23rd May 2002 to the effect that no further share options could be granted under this Scheme, but all share options granted under the 1997 Share Options Scheme prior to its termination shall continue to be exercisable in accordance with their terms of issue.

(c) Interest in associated corporations of the Company

Name	No. of ordinary shares held in associated corporations of the Company			
	Personal Interests	Family Interests	Corporate interests	Other interests
China Industrial Investments Limited of US\$1 each				
Anthony Y. C. Yeh	420	400	1,380*	–

* The shares are held through a company of which Mr. Anthony Y. C. Yeh and his family are interested in more than one-third of the voting shares.

Substantial shareholders

As at 30th June 2002, the register of substantial shareholders required to be kept under Section 16(1) of the SDI Ordinance showed that the Company had been notified of the following interests, being 10% or more in the issued ordinary share capital of the Company. These interests are in addition to those disclosed above in respect of the directors.

Name	No. of ordinary shares held in the Company of HK\$0.10 each
Bermuda Trust Company Limited	107,048,649*
Hesko Limited	107,048,649*
Esko Limited	107,048,649*
Holmium Holding Corporation	103,594,495*

* Bermuda Trust Company Limited has an interest in Esko Limited and Hesko Limited. Of the 107,048,649 shares, 103,594,495 shares are owned by Holmium Holding Corporation with the balance of the shares being held through other companies held by Esko Limited and Hesko Limited. Esko Limited and Hesko Limited together own 100% Holmium Holding Corporation.

Compliance with the Code of Best Practice of the Listing Rules

Throughout the period, the Company has complied with the Code of Best Practice as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited save that the independent non-executive directors who have not been appointed for a specific term are subject to retirement by rotation and re-election pursuant to the Company's bye-laws 100 and 109(A).

Audit Committee

The authority and duties of the Audit Committee operate within the suggested guidelines as published by the Hong Kong Society of Accountants, namely "A Guide for the Formation of An Audit Committee" issued in 1997 and superseded by "A Guide for Effective Audit Committees" in 2002.

The Audit Committee provides an important link between the Board and the Company's auditors in matters coming within the scope of the Group audit. It also reviews of effectiveness of the external audit and of internal controls and risk evaluation. The Committee comprises three Non-executive Directors, including two Independent Non-executive Directors, namely Messrs Francis B.Y. Sim and Michael T. H. Lee, and one Alternate Director.

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a review of the unaudited condensed accounts for the six months ended 30th June 2002 with the directors.

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

	<i>Note</i>	Unaudited	
		Six months ended 30th June	
		2002	2001
		HK\$'000	HK\$'000
Turnover	2	214,816	219,330
Cost of sales		(127,381)	(132,309)
Gross profit		87,435	87,021
Other revenues		1,476	1,432
Other operating income		1,496	5,571
Distribution costs, administrative and other operating expenses		(81,227)	(69,189)
Operating profit	3	9,180	24,835
Finance costs		(1,364)	(3,346)
Share of profits of			
Associated company		1,019	2,066
Joint ventures		4,997	5,213
Profit before taxation		13,832	28,768
Taxation	4	(7,049)	(8,001)
Profit after taxation		6,783	20,767
Minority interests		(534)	(1,592)
Profit attributable to shareholders		<u>6,249</u>	<u>19,175</u>
Dividends	5	<u>6,121</u>	<u>2,707</u>
Earnings per share	6	<u>3.0 cents</u>	<u>13.3 cents</u>

CONDENSED CONSOLIDATED BALANCE SHEET

		Unaudited	31st December 2001
	<i>Note</i>	30th June 2002	<i>HK\$'000</i>
		<i>HK\$'000</i>	<i>HK\$'000</i>
Intangible assets	7	3,008	3,428
Fixed assets	8	311,497	284,345
Construction in progress	9	42,470	48,441
Associated company		22,133	21,586
Joint ventures		89,449	90,011
Other investments		34,727	33,267
Net investment in finance leases	11	755	280
Current assets			
Inventories		116,478	102,642
Trade and other receivables	10	105,113	87,825
Current portion of net investment in finance leases	11	1,115	941
Bank deposits		37,126	47,452
Cash and bank balances		70,126	60,104
		329,958	298,964
Current liabilities			
Short term bank loans			
– Secured		33,780	21,600
– Unsecured		32,721	26,520
Bank overdrafts			
– Secured		4,406	2,823
– Unsecured		4,431	1,813
Current portion of long term bank loans	13	8,436	7,992
Trade and other payables	12	85,107	70,551
Taxation		6,350	1,667
		175,231	132,966
Net current assets		154,727	165,998
		658,766	647,356
Financed by:			
Share capital	14	20,762	20,301
Reserves		307,073	301,151
Retained earnings		307,608	291,556
Proposed final dividends		–	6,100
Shareholders' funds		635,443	619,108
Minority interests		15,267	16,620
Long term bank loans – Secured	13	8,056	11,628
		658,766	647,356

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Unaudited Six months ended 30th June	
	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
OPERATING ACTIVITIES		
Cash generated from operations	10,676	48,408
Profits tax paid	(1,686)	(7,266)
	8,990	41,142
NET CASH FROM OPERATING ACTIVITIES		
INVESTING ACTIVITIES		
Purchase of fixed assets	(8,101)	(7,833)
Construction in progress	(23,269)	(23,684)
Proceeds on disposal of fixed assets	6,118	624
Further acquisition of subsidiaries	(2,101)	(4,442)
Investment in a new joint venture	(472)	–
Purchase of investments	(1,365)	(1,106)
Sale of investments	73	–
Repayment of finance lease receivables	892	–
Repayment of a loan due from a minority shareholder	–	5,115
Interest received	369	829
Dividend received from joint ventures	5,528	4,608
Dividend received from an associated company	–	432
	(22,328)	(25,457)
NET CASH USED IN INVESTING ACTIVITIES		
FINANCING ACTIVITIES		
Issue of shares	1,635	101,504
Share issue expenses	–	(3,908)
New bank loans	22,933	5,054
Repayment of bank loans	(11,840)	(62,121)
Interest paid	(1,364)	(3,346)
Dividend paid	(2,259)	(2,707)
	9,105	34,476
NET CASH GENERATED FROM FINANCING ACTIVITIES		
(DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(4,233)	50,161
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	102,920	52,318
EFFECT OF FOREIGN EXCHANGE RATES CHANGES	(272)	(50)
	98,415	102,429
CASH AND CASH EQUIVALENTS AT 30TH JUNE		
ANALYSIS OF BALANCE OF CASH AND CASH EQUIVALENTS:		
Bank balances and deposits	107,252	105,184
Bank overdrafts	(8,837)	(2,755)
	98,415	102,429
	98,415	102,429

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital <i>HK\$000</i>	Share premium <i>HK\$000</i>	Revaluation reserves			General reserve <i>HK\$000</i>	Retained earnings <i>HK\$000</i>	Total <i>HK\$000</i>
			Capital reserve <i>HK\$000</i>	Investment properties <i>HK\$000</i>	Other properties <i>HK\$000</i>			
At 1st January 2002	20,301	179,790	89,138	9,871	6,352	16,000	297,656	619,108
Exchange differences	-	-	747	-	139	-	9,824	10,710
2001 final dividend paid	-	-	-	-	-	-	(6,121)	(6,121)
Issue of shares	461	5,036	-	-	-	-	-	5,497
Profit for the period	-	-	-	-	-	-	6,249	6,249
At 30th June 2002	<u>20,762</u>	<u>184,826</u>	<u>89,885</u>	<u>9,871</u>	<u>6,491</u>	<u>16,000</u>	<u>307,608</u>	<u>635,443</u>
Company and subsidiaries	20,762	184,826	70,057	9,871	244	16,000	297,313	599,073
Associated company	-	-	3,991	-	6,247	-	8,882	19,120
Joint ventures	-	-	15,837	-	-	-	1,413	17,250
At 30th June 2002	<u>20,762</u>	<u>184,826</u>	<u>89,885</u>	<u>9,871</u>	<u>6,491</u>	<u>16,000</u>	<u>307,608</u>	<u>635,443</u>
	Share capital <i>HK\$000</i>	Share premium <i>HK\$000</i>	Revaluation reserves			General reserve <i>HK\$000</i>	Retained earnings <i>HK\$000</i>	Total <i>HK\$000</i>
			Capital reserve <i>HK\$000</i>	Investment properties <i>HK\$000</i>	Other properties <i>HK\$000</i>			
At 1st January 2001 as previously reported	13,534	88,948	81,954	6,558	5,040	16,000	267,933	479,967
Effect of adopting SSAP9	-	-	-	-	-	-	2,707	2,707
At 1st January 2001 as restated	13,534	88,948	81,954	6,558	5,040	16,000	270,640	482,674
Exchange differences	-	-	(1,124)	-	(450)	-	(8,835)	(10,409)
2000 final dividend paid	-	-	-	-	-	-	(2,707)	(2,707)
Issue of rights shares	6,767	94,737	-	-	-	-	-	101,504
Share issuing expenses	-	(3,908)	-	-	-	-	-	(3,908)
Disposal of shares in a subsidiary	-	-	(2)	-	-	-	-	(2)
Profit for the period	-	-	-	-	-	-	19,175	19,175
At 30th June 2001	<u>20,301</u>	<u>179,777</u>	<u>80,828</u>	<u>6,558</u>	<u>4,590</u>	<u>16,000</u>	<u>278,273</u>	<u>586,327</u>
Company and subsidiaries	20,301	179,777	69,227	6,558	18	16,000	267,137	559,018
Joint ventures	-	-	7,610	-	-	-	3,954	11,564
Associated company	-	-	3,991	-	4,572	-	7,182	15,745
At 30th June 2001	<u>20,301</u>	<u>179,777</u>	<u>80,828</u>	<u>6,558</u>	<u>4,590</u>	<u>16,000</u>	<u>278,273</u>	<u>586,327</u>

NOTES TO THE CONDENSED INTERIM ACCOUNTS

1. Basis of preparation and accounting policies

These unaudited consolidated condensed interim accounts are prepared in accordance with the Hong Kong Statement of Standard Accounting Practice (“SSAP”) 25, Interim Financial Reporting, issued by the Hong Kong Society of Accountants.

These condensed interim accounts should be read in conjunction with the 2001 annual financial statements.

The accounting policies and methods of computation used in the preparation of these condensed interim accounts are consistent with those used in the annual accounts for the year ended 31st December 2001 except that the Group has changed certain of its accounting policies following its adoption of the following SSAPs issued by the Hong Kong Society of Accountants which are effective for accounting periods commencing on or after 1st January 2002:

SSAP 1 (revised):	Presentation of financial statements
SSAP 11 (revised):	Foreign currency translation
SSAP 15 (revised):	Cash flow statements
SSAP 34:	Employee benefits

The changes to the Group’s accounting policies and the effect of adopting these new policies are set out below:

- On adoption of SSAP 11 (revised) “Foreign currency translations”, the profit and loss of subsidiaries, joint ventures and associated companies denominated in foreign currencies are translated at the weighted average exchange rates during the year. In previous years these were translated at exchange rates ruling at the balance sheet date. The effect of such change is not material to the accounts.
- Certain presentation changes have been made upon the adoption of SSAP 1 (revised) “Presentation of financial statements” and SSAP 15 (revised) “Cash flow statements.”
- The adoption of SSAP 34 “Employee benefits” has no material effect to the accounts.

2. Segment information

(a) Business segments

The principal activities of the Group consist of manufacture, import, export and sale of carpets, manufacture and sale of yarn, trading of interior furnishings, investment and property holding.

An analysis of the Group’s revenue and results for the period by business segments is as follows:

	Six months ended 30th June 2002							
	Carpet HK\$’000	Yarn HK\$’000	Interior furnishings HK\$’000	Property holding HK\$’000	Others HK\$’000	Elimination HK\$’000	Unallocated HK\$’000	Group HK\$’000
Revenues								
– External revenues	148,556	51,242	11,660	3,288	70	–	–	214,816
– Inter-segment revenues	–	5,610	–	17	–	(5,627)	–	–
	<u>148,556</u>	<u>56,852</u>	<u>11,660</u>	<u>3,305</u>	<u>70</u>	<u>(5,627)</u>	<u>–</u>	<u>214,816</u>
Segment results	<u>8,709</u>	<u>8,229</u>	<u>(61)</u>	<u>3,105</u>	<u>70</u>	<u>(927)</u>	<u>(9,945)</u>	<u>9,180</u>
Finance costs								(1,364)
Share of profits of Associated company	1,019	–	–	–	–	–	–	1,019
Joint ventures	4,997	–	–	–	–	–	–	4,997
Profit before taxation								13,832
Taxation								(7,049)
Minority interests								(534)
Profit attributable to shareholders								<u>6,249</u>

2. Segment information (continued)

(a) Business segments (continued)

	Six months ended 30th June 2001							Group HK\$'000
	Carpet HK\$'000	Yarn HK\$'000	Interior furnishings HK\$'000	Property holding HK\$'000	Others HK\$'000	Elimination HK\$'000	Unallocated HK\$'000	
Revenues								
– External revenues	155,461	47,387	12,655	3,626	201	–	–	219,330
– Inter-segment revenues	–	10,804	–	185	–	(10,989)	–	–
	<u>155,461</u>	<u>58,191</u>	<u>12,655</u>	<u>3,811</u>	<u>201</u>	<u>(10,989)</u>	<u>–</u>	<u>219,330</u>
Segment results	<u>23,320</u>	<u>6,432</u>	<u>(888)</u>	<u>3,495</u>	<u>201</u>	<u>(1,069)</u>	<u>(6,656)</u>	24,835
Finance costs								(3,346)
Share of profits of Associated company	2,066	–	–	–	–	–	–	2,066
Joint ventures	5,213	–	–	–	–	–	–	5,213
Profit before taxation								28,768
Taxation								(8,001)
Minority interests								(1,592)
Profit attributable to shareholders								<u>19,175</u>

(b) Geographical segments

An analysis of the Group's turnover and segment results for the period by geographical segments is as follows:

	Turnover		Segment results	
	Six months ended 30th June 2002 HK\$'000	2001 HK\$'000 (Note)	Six months ended 30th June 2002 HK\$'000	2001 HK\$'000 (Note)
Hong Kong	25,888	31,504	(5,358)	(241)
Mainland China	7,926	13,055	685	887
South East Asia	61,228	61,206	6,704	9,855
Middle East	5,751	1,996	11	433
Other Asian countries	7,822	6,066	227	744
Europe	14,003	13,006	346	1,459
North America	91,388	91,703	6,339	11,540
Others	810	794	226	158
	<u>214,816</u>	<u>219,330</u>	<u>9,180</u>	<u>24,835</u>

Note:

The comparative figures have been reclassified to conform with geographical segment presentation in the 2001 Annual Report.

3. Operating profit

Operating profit is stated after crediting and charging the following:

	Six months ended 30th June	
	2002	2001
	HK\$'000	HK\$'000
<i>Crediting:</i>		
Profit on disposal of fixed assets	113	167
Negative goodwill recognised as income (note 7)	583	238
Gain on purchase from a minority shareholder of a shareholder's loan receivable from a subsidiary	–	806
Net write back of provision of trade and other receivables	–	2,123
Release of unvested benefit of the previous retirement scheme	<u>270</u>	<u>1,011</u>
<i>Charging:</i>		
Depreciation	14,720	12,613
Amortisation of positive goodwill (note 7)	1,113	–
Group's share of provision of loss by a joint venture in a breach of contract litigation (note 16)	<u>–</u>	<u>1,248</u>

4. Taxation

Hong Kong profits tax has been provided at the rate of 16.0% (2001: 16.0%) on the estimated assessable profits for the period. Overseas tax has been calculated at the applicable rates of the respective jurisdictions.

The amount of taxation charge/(credit) to the consolidated profit and loss account represents:

	Six months ended 30th June	
	2002	2001
	HK\$'000	HK\$'000
Company and subsidiaries		
Hong Kong profits tax	45	(274)
Overseas taxation	<u>6,169</u>	<u>7,004</u>
	6,214	6,730
Share of taxation attributable to		
Associated company	320	685
Joint ventures	<u>515</u>	<u>586</u>
	<u>7,049</u>	<u>8,001</u>

5. Dividends

	Six months ended 30th June	
	2002	2001
	HK\$'000	HK\$'000
2001 final dividend, paid, of HK\$0.03 per share (2000 final dividend paid: HK\$0.019 per share)	<u>6,121</u>	<u>2,707</u>
representing:		
Scrip dividend (note 14)	3,862	–
Cash dividend paid	<u>2,259</u>	<u>2,707</u>
	<u>6,121</u>	<u>2,707</u>

The Board does not recommend the payment of an interim dividend for the period. (2001: Nil)

6. Earnings per share

The calculation of basic earnings per share is based on the Group's profit attributable to shareholders of HK\$6,249,000 (2001: HK\$19,175,000) and the weighted average of 206,717,516 shares (2001: 144,408,870 shares) during the period.

There is no diluted earnings per share presented as the dilution from the outstanding share options granted by the Company is immaterial.

7. Intangible assets

	Six months ended 30th June 2002		
	Positive goodwill HK\$'000	Negative goodwill HK\$'000	Total HK\$'000
Opening net amount	6,024	(2,596)	3,428
Further acquisition of a subsidiary (note 15)	110	–	110
Amortisation charges (note 3)	(1,113)	583	(530)
Closing net amount	<u>5,021</u>	<u>(2,013)</u>	<u>3,008</u>
At 30th June 2002			
Gross amount	6,682	(3,450)	3,232
Accumulated amortisation	(1,661)	1,437	(224)
Net amount	<u>5,021</u>	<u>(2,013)</u>	<u>3,008</u>
At 31st December 2001			
Gross amount	6,572	(3,450)	3,122
Accumulated amortisation	(548)	854	306
Net amount	<u>6,024</u>	<u>(2,596)</u>	<u>3,428</u>

8. Fixed assets

	Six months ended 30th June 2002			Total HK\$'000
	Investment properties HK\$'000	Other properties HK\$'000	Other fixed assets HK\$'000	
Opening net book value	72,233	101,086	111,026	284,345
Exchange adjustments	2,045	3,389	4,552	9,986
Additions	–	2,358	5,743	8,101
Transfer from construction in progress	125	1,743	28,505	30,373
Disposals	(6,480)	–	(108)	(6,588)
Depreciation, impairment and other movements	–	(2,216)	(12,504)	(14,720)
Closing net book value	<u>67,923</u>	<u>106,360</u>	<u>137,214</u>	<u>311,497</u>

9. Construction in progress

	Six months ended 30th June 2002 HK\$'000
Opening balance	48,441
Exchange adjustments	1,244
Additions	23,158
Transfer to fixed assets	(30,373)
Closing balance	<u>42,470</u>

10. Trade and other receivables

	30th June 2002 HK\$'000	31st December 2001 HK\$'000
Trade receivables (<i>note</i>)	69,331	57,515
Other receivables	35,782	30,310
	<u>105,113</u>	<u>87,825</u>

Note: The credit terms of the Group depend on the credit status and repayment history of customers and range from 0 to 90 days. At 30th June, 2002, the ageing analysis of the trade receivables is as follows:

	30th June 2002 HK\$'000	31st December 2001 HK\$'000
Current – 30 days	43,682	39,776
31 days – 60 days	6,816	7,177
61 days – 90 days	9,050	4,336
Over 90 days	9,783	6,226
	<u>69,331</u>	<u>57,515</u>

11. Net investment in finance leases

The total minimum lease payment receivable under finance lease, and their present values are as follows:

	30th June 2002			31st December 2001		
	Present value of minimum lease payments receivable HK'000	Interest income related to future periods HK'000	Total minimum lease payments receivable HK'000	Present value of minimum lease payments receivable HK'000	Interest income related to future periods HK'000	Total minimum lease payments receivable HK'000
Amounts receivable:						
Not later than one year	1,115	50	1,165	941	74	1,015
Later than one year and not later than five years	755	1	756	280	9	289
		<u>51</u>	<u>1,921</u>		<u>83</u>	<u>1,304</u>
Net investment in finance leases	<u>1,870</u>			<u>1,221</u>		

12. Trade and other payables

	30th June 2002 HK\$'000	31st December 2001 HK\$'000
Trade payables (<i>note</i>)	22,055	15,374
Other payables	63,052	55,177
	<u>85,107</u>	<u>70,551</u>

Note: At 30th June, 2002, the ageing analysis of the trade payables is as follows:

	30th June 2002 HK\$'000	31st December 2001 HK\$'000
Current – 30 days	20,450	13,976
31 days – 60 days	987	389
61 days – 90 days	55	135
Over 90 days	563	874
	<u>22,055</u>	<u>15,374</u>

13. Long-term bank loans

The maturity profile of the secured long term bank loans is as follows:

	30th June 2002 <i>HK\$'000</i>	31st December 2001 <i>HK\$'000</i>
Within one year	8,436	7,992
In the second year	8,056	7,992
In the third to fifth year inclusive	–	3,636
	<u>16,492</u>	19,620
<i>Less: Amount due within one year included under current liabilities</i>	<u>(8,436)</u>	<u>(7,992)</u>
	<u>8,056</u>	<u>11,628</u>

14. Share capital

	No. of shares	Ordinary shares of HK\$0.10 each <i>HK\$'000</i>
<i>Authorised:</i>		
At 1st January 2002 and 30th June 2002	<u>400,000,000</u>	<u>40,000</u>
<i>Issued and fully paid:</i>		
At 1st January 2002	203,008,800	20,301
Shares issued:		
– upon exercise of share options	2,070,000	207
– under scrip dividend scheme	2,540,683	254
At 30th June 2002	<u>207,619,483</u>	<u>20,762</u>

The movement of outstanding share options during the interim period was as follows:

Subscription period	Subscription price per share	Number of share options outstanding as at 1st January 2002	Number of share options exercised during the period	Number of share options outstanding as at 30th June 2002
15th September 1999 to 14th September 2002	HK\$0.75	2,077,500	(2,070,000)	7,500
15th September 2000 to 14th September 2003	HK\$1.17	1,558,500	–	1,558,500
15th September 2001 to 14th September 2004	HK\$1.67	----- 1,558,500	----- –	----- 1,558,500
		<u>5,194,500</u>	<u>(2,070,000)</u>	<u>3,124,500</u>

The options were granted under a share option scheme approved by the shareholders at a Special General Meeting on 24th November 1997 (“1997 Share Options Scheme”). The exercise prices and the number of share options had been adjusted as a result of a rights issue scheme which was approved at a special general meeting on 25th May 2001.

Each option entitles the holder to subscribe for one share of HK\$0.10 each in the Company at a predetermined subscription price as above.

The 1997 Share Options Scheme has been terminated by the shareholders in an Annual General Meeting held on 23rd May 2002 to the effect that no further share options could be granted under this Scheme, but all share options granted under the 1997 Share Options Scheme prior to its termination shall continue to be exercisable in accordance with their terms of issue.

15. Acquisition

On 3rd January 2002, the Group acquired the remaining 10% of share capital of Singapore Carpet Manufacturers Private Limited ("SCM") at a cash consideration of HK\$2,101,000. The share of fair value of the net identifiable assets of SCM at the date of acquisition was HK\$1,991,000. The resulting positive goodwill amounted to HK\$110,000. This acquisition of SCM contributed a loss of HK\$40,000 to the Group's profit attributable to shareholders for the period from 3rd January 2002 to 30th June 2002.

The assets and liabilities arising from the acquisition are as follows:

	<i>HK\$000</i>
Share of net assets acquired	1,991
Purchase consideration	2,101
	<hr/>
Positive goodwill (<i>note 7</i>)	(110)
	<hr/> <hr/>

16. Contingent liabilities

(a) Guarantees and counter-indemnity

	30th June 2002 <i>HK\$'000</i>	31st December 2001 <i>HK\$'000</i>
Corporate guarantee in respect of performance bonds issued by subsidiaries to customers	–	1,091
Counter-indemnity in respect of performance bonds issued by banks	13,121	381
Guarantee in lieu of rental deposit	300	300
Guarantee in lieu of utility deposit	1,363	1,005
Guarantee in respect of import duty	1,617	1,625
	<hr/>	<hr/>
	16,401	4,402
	<hr/> <hr/>	<hr/> <hr/>

(b) Litigation

As disclosed in the Group's 2001 Annual Report, the former Director and Administrator of Tai Ping Carpets Europe S.A. ("TPCE") issued proceedings and a claim for Euro 183,000 (HK\$1,400,000) against the company for wrongful dismissal. TPCE's lawyers were confident that the outcome of the proceedings against TPCE in the French Labour Court would not be successful. There was no significant change in the situation during the interim period and no provision has been made by TPCE in respect of such claim (except the gross cost of holiday pay due to him provided in 2000).

As disclosed in the Group's 2001 Annual Report, Weihai Huabao Carpet Company Limited ("WHCL"), a joint venture of the Group, is being sued for breach of contract after terminating a long-term supply contract from a glue supplier. WHCL has been ordered to pay compensation of Rmb1,797,000 (HK\$1,695,000) and is now appealing the judgement. The Group's share of the claim if it is enforced amounts to HK\$748,000. WHCL has accrued Rmb3,000,000 (HK\$2,830,000) being the amount of compensation and the related interest charges. As full provision of the compensation has been made at WHCL level, the Directors of the Company are of opinion that even if compensation does materialise, there will be no material adverse effect on the financial position of the Group and consequently no further provision has been made in the accounts.

17. Capital commitments

	30th June 2002 <i>HK\$'000</i>	31st December 2001 <i>HK\$'000</i>
Contracted but not provided for in respect of		
– fixed assets	5,366	14,312
Authorised but not contracted for in respect of		
– fixed assets	748	10,136
– further acquisition of a subsidiary	–	2,170
	<hr/>	<hr/>
	6,114	26,618
	<hr/> <hr/>	<hr/> <hr/>
The Group's share of capital commitments of the joint ventures themselves not included in the above were as follows:		
– contracted but not provided for in respect of fixed assets	632	1,086
– authorized but not contracted for in respect of fixed assets	22,461	18,759
	<hr/>	<hr/>
	23,093	19,845
	<hr/> <hr/>	<hr/> <hr/>

18. Related party transactions

The following is a summary of significant related party transactions, which were carried out in the normal course of the Group's business:

	Six months ended 30th June	
	2002	2001
	HK\$'000	HK\$'000
Sales to an associated company (<i>note a</i>)	1,179	601
Sales to a related company (<i>note b</i>)	1,878	3,671
Rental expenses payable to a related company (<i>note b</i>)	236	239
Purchases from a joint venture (<i>note a</i>)	-	51
Interest from a related company (<i>note c</i>)	-	126
	<u> </u>	<u> </u>

- (a) Sales to an associated company and purchases from a joint venture were conducted in the normal course of business and at terms mutually agreed between the parties.
- (b) Sales to and rental expenses payable to a related company are related party transactions by virtue of the fact that the substantial shareholder of the Company is also interested in more than 30% of the entire issued share capital in that related company. The transactions also constitute connected transactions under the Listing Rules. The sales were conducted either in accordance with the terms of the agreements governing the transactions or on terms no less favourable than those available to independent third parties.
- (c) Interest from a related company was derived from a loan due from a minority shareholder, Shangen Industrial Development Company which amounted to HK\$5,115,000. The loan was fully repaid in 2001.

19. Subsequent event

The Group owned and used 39,207 square feet of land in Yuen Long, Hong Kong as warehousing space. The Government resumed 28,831 square feet of the land in 1999 and a further 7,920 square feet in 2001. In 1999 the Government made an initial offer of compensation of HK\$3,900,000 for the land resumed in 1999. This offer gave rise to a loss of HK\$700,000 which was dealt with in the Company's 1999 results. In August 2002, the Company reached a final settlement with the Government for a revised compensation offer of HK\$5,800,000 for the land resumed in 1999. The formalities for the compensation settlement are expected to be completed in the second half of the year giving rise to an estimated profit of HK\$1,900,000 in the second half results.

By Order of the Board

J.S. Dickson Leach
Chairman

Kent M. C. Yeh
Managing Director

Hong Kong, 12th September, 2002